FINANCIAL ANALYSIS SUMMARY

19 April 2024

ISSUER

AX GROUP P.L.C.

(C 12271)

Prepared by:

MZ INVESTMENTS

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The Directors
AX Group p.l.c.
AX Business Centre
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19 April 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 data appertaining to AX Group p.l.c. (the "**Issuer**", "**Group**", or "**AX Group**"). The data is derived from various sources or is based on our own computations as follows:

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

(b) The forecast financial information for the year ending 31 October 2024 has been provided by the Group.

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

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

(e) Relevant financial 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 Registrar of Companies, as well as other sources providing financial data.

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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 data 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, 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. ABOUT AX GROUP

AX Group is engaged in the provision of hospitality services, leisure, and entertainment (“**AX Hotels**”); retirement residences and elderly care (“**AX Care**”); property development (“**AX Development**”); construction and building materials (“**AX Construction**”); as well as the ownership of real estate mainly through AX Real Estate p.l.c. (“**AXRE**”). In addition, the Group has a 50% shareholding in a joint venture that owns properties in an industrial park (Hardrocks Estates Limited) and has substantial shareholding in two associates that are involved in renewable energy projects (through Imselliet Solar Limited) and the management of the Valletta Cruise Port (through Valletta Cruise Port p.l.c. – “**VCP**”).

The Group commenced its business in the 1970s, first as a property construction and development company before diversifying into the hotel industry in the 1980s through the launch of AX Sunny Coast Resort & Spa (“**AX Sunny Coast**”) and AX ODYCY (formerly Seashells Resort at Suncrest), both located in Qawra. Thereafter, AX Group continued to grow its hospitality division with the development of AX The Victoria Hotel and AX The Palace in 1996 and 2007 respectively, both located in Sliema. These were followed by the acquisition and restoration of two upmarket boutique properties located in Valletta – AX The Saint John (2015) and Rosselli AX Privilege (2016) – which welcomed their first guests in August 2017 and May 2019 respectively.

Over the years, the **AX Hotels** brand has carved a unique status in the local hospitality market as a hotel operator that caters for a wide range of diverse tastes. Across its hotel properties, as well as its various highly distinguished food and beverage outlets, the Group’s hospitality division is the largest operating segment of the Group.

AX Construction and **AX Development** are also very important operating arms of the Group having been entrusted with a number of major projects including the VCP, the Group’s own hotels, the Verdala Mansions, Capua Hospital, is-Suq tal-Belt, the Hilltop Complex (which comprises the Hilltop Gardens Retirement Village and the Simblija Care Home), and the Parliament Building amongst others. Furthermore, AX Construction gained specialisation in the restoration of various buildings which are also deemed to be among Malta’s most valuable from a cultural and historical point of view.

In FY2014 and FY2015, the Group developed the Hilltop Complex which is operated under the **AX Care** brand. The complex offers independent living with access to a range of facilities and amenities, as well as a 24-hour care and nursing home for dependent elderly residents who require intensive health support.

In FY2016, AX Group increased its shareholding in VCP to 36.4% from 24% for a total consideration of €3.9 million. The value of this investment, together with the Group’s shareholding interests in Imselliet Solar Limited (33.3%) and Hardrocks Estates Limited (50%) stood at €7.89 million as at 31 October 2023.

In December 2019, AX Group successfully issued €25 million in unsecured bonds (the €15 million 3.25% 2026 and the €10 million 3.75% 2029), the net proceeds of which were used for: (i) the acquisition and development of Palazzo Lucia, Valletta (€9 million); (ii) the acquisition of a site located in Marsa (€7 million); the refinancing of existing debt (€4.5 million); as well as (iv) general corporate funding requirements (€4 million). The acquisitions of Palazzo Lucia and the site in Marsa were completed in May 2020. Furthermore, following extensive restoration and upgrading, Palazzo Lucia was completed in March 2024 as a prestigious office having 1,248sqm of rentable area complemented by a suite of high-quality amenities and facilities.

During FY2020, the Group was involved in the development of the Tarġa Gap Complex. The building houses the Group's head office and includes residential units, office space leased to independent third parties, as well as four levels of underground parking. All the 14 residential units that were placed on the market have been sold whilst the Group leases the remaining seven units to independent third parties. Similarly, during FY2022 and H1 2023, AX Group concluded the sale of all the remaining units within Falcon House, Sliema, and leased the available office space to independent third parties. Falcon House is located adjacent to the Falcon House Complex and comprises two levels of office space, eight luxury apartments, and a penthouse.

In FY2021, the Group commenced civil works on the site previously occupied by the 160-room five-star Grand Hotel Verdala. The site is located in a Special Designated Area in Tal-Virtù, Rabat, and was acquired by the Group in March 1997. It is currently being redeveloped into: (i) a 46-room five-star all-suite Verdala Wellness Hotel that will also include 23 additional serviced/self-catering units; and (ii) two residential blocks comprising a total of 87 units for resale. Furthermore, the project entails the refurbishment of 19 existing apartments (known as Virtù Heights) that will be annexed to the Verdala Wellness Hotel.

In February 2022, AX Group listed **AXRE** on the Main Market of the Malta Stock Exchange, with just over 25% of the company's ordinary 'A' shares being taken up by the general public. Through this transaction, €13.65 million in new equity was raised. In conjunction, AXRE also issued €40 million unsecured bonds redeemable in 2032. The general public subscribed for €18.35 million of the bonds whilst the remaining €21.65 million was allocated to AX Group through the part conversion of an existing intra-group loan with AXRE. The balance of AXRE bonds held by the Issuer has been reduced to €16.19 million (nominal) as at 15 April 2024. It is the Issuer's intention to further dispose of such bonds held by it at the opportune time to ascertain sufficient liquidity for future large-scale projects.

Also in 2022, AX Group acquired the La Ferla Building which is situated in Tower Road corner with Tigné Street, Sliema, for a total consideration of €2.3 million. The transaction was financed from the Group's own accumulated reserves. In this respect, the Issuer started the process to obtain the necessary permits for the eventual redevelopment of the building.

In 2023, AX Group completed a multi-million project related to the extension and refurbishment of AX ODYCY. Furthermore, in Q4 2023, the Group issued new €40 million 5.85% unsecured bonds maturing in November 2033 which replaced the €40 million 6.00% AX Investments p.l.c. 2024 unsecured bonds. The new bonds were listed on the Official List of the Malta Stock Exchange on 7 November 2023.

2. DIRECTORS AND EXECUTIVE MANAGEMENT

2.1 BOARD OF DIRECTORS

The Board of Directors of AX Group consists of seven individuals who are entrusted with the overall direction, strategy, and management of the Group:

Angelo Xuereb	Executive Chairman
Michael Warrington	Executive Director and Chief Executive Officer
Denise Xuereb	Executive Director (AX Construction and AX Development)[1]
Claire Zammit Xuereb	Executive Director (AX Hospitality and AX Care)
John Soler	Independent Non-Executive Director
Josef Formosa Gauci	Independent Non-Executive Director
Christopher Paris	Non-Executive Director

2.2 EXECUTIVE MANAGEMENT

In addition to the Executive Directors mentioned above, the Executive Management team of AX Group is also composed of the following individuals:

Albert Bonello	Managing Director, Finance and Administration
David Wain	Chief Legal Officer
Nicky Camilleri	Chief Operations Officer
Marthese Vella	Chief Technical Officer
Caroline Schembri	Head of Administration
Josephine Grima	Head of Human Resources
Kevin Callus	General Manager, Sliema and Valletta properties
Joseph Vella	General Manager, Qawra properties
Andreas Aquilina	General Manager, AX Construction
Jocelyn Cuomo	Head of Marketing and Public Relations

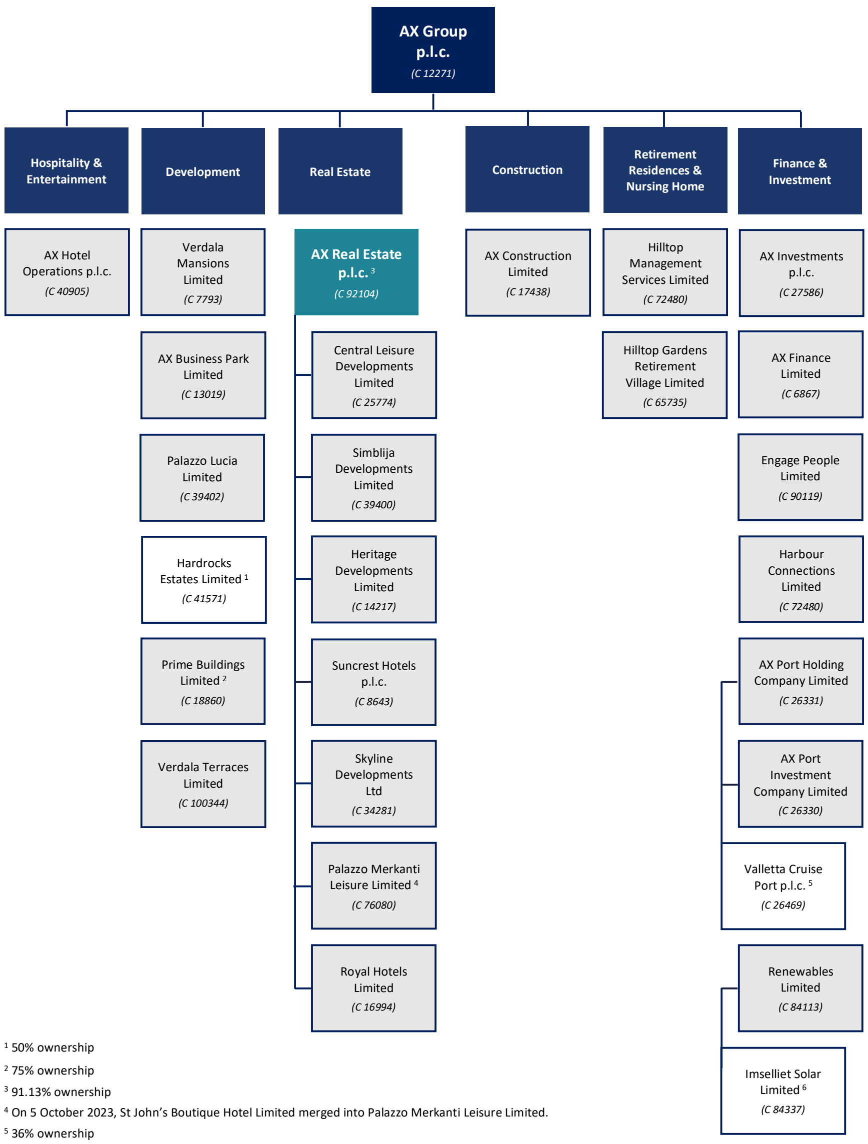
The average number of persons employed by the Group during FY2023 stood at 922 (FY2022: 684). Of these, 206 persons performed management and administration functions (FY2022: 173), whilst the remaining 716 persons were within the Group's operations and distribution network (FY2022: 511).

[1] Denise Xuereb is also the Chief Executive Officer of AXRE.

3. ORGANISATIONAL STRUCTURE

The diagram below illustrates the organisational structure of AX Group. The Group is ultimately owned by Angelo Xuereb (55%), Richard Xuereb (15%), Claire Zammit Xuereb (15%)[2], and Denise Xuereb (15%).[3]

During FY2021, the Issuer went through a reorganisation exercise with the aim of consolidating its main property letting activities under a single entity – i.e., AXRE. A description of the operational activities of AXRE, together with an analysis of the company's performance and forecasts, is included in the most recent Analysis which is available at: https://axinvestor-relations.mt/ax-real-estate/.



[1] 50% ownership
[2] 75% ownership
[3] 91.13% ownership
[4] On 5 October 2023, St John's Boutique Hotel Limited merged into Palazzo Merkanti Leisure Limited.
[5] 36% ownership
[6] 33.3% ownership

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[2] Through The Lotus Co Ltd.
[3] Through DX Holdings Limited.

4. PRINCIPAL PROPERTY ASSETS

The table below provides a list of the principal properties of the Group and their respective asset values as at the end of each of FY2021, FY2022, and FY2023. The year-on-year movement in the carrying value of each property mainly reflects additions, disposals, depreciation and, or fair value adjustments. The table also shows the net movement in the revaluation of each property during the financial years under review.

AX Group p.l.c. Principal Property Assets As at 31 October	Note	2021 €'000	2022 €'000	2023 €'000	Revaluation FY2021 - FY2023 €'000
Qawra Hotels	*1*	93,469	111,150	147,000	(1,260)
Sliema Hotels	*2*	79,870	75,864	75,050	6,526
Verdala Wellness Hotel and Verdala Terraces, Rabat		31,825	44,728	63,327	(1,951)
Hilltop Complex, Naxxar	*3*	47,485	48,585	47,891	7,295
Valletta Hotels	*4*	22,698	20,849	21,200	3,571
Tad-Dwiemes, Marsa	*5*	18,758	19,000	19,000	242
Tarġa Gap Complex, Mosta	*6*	12,615	10,715	12,255	3,526
Palazzo Capua, Sliema		8,940	9,300	9,300	428
Hardrocks Business Park, Burmarrad	*7*	6,950	7,600	7,678	800
Palazzo Lucia, Valletta		5,828	6,507	7,340	23
Villa Vistana, Mosta		5,250	5,250	5,279	1,533
Falcon House offices, Sliema		4,320	5,050	5,160	4,177
La Ferla Building, Sliema	*8*	-	2,417	2,417	-
Other		8,481	10,644	9,721	(1,538)
		346,489	377,659	432,618	23,372

Notes:

1. *AX ODYCY, AX Sunny Coast, and Luzzu Complex.*
2. *AX The Palace and AX The Victoria Hotel.*
3. *Hilltop Gardens Retirement Village and Simblija Care Home.*
4. *AX The Saint John and Rosselli AX Privilege.*
5. *Plot of land which is currenty not in use.*
6. *Property principally serves as the Group's head office. Some office space and residential units are leased to third parties.*
7. *Nine warehouses and an office block in an industrial complex.*
8. *Property earmarked for future redevelopment.*

4.1 QAWRA HOTELS

AX ODYCY is a four-star hotel located on the Qawra seafront featuring 599 rooms designed in a contemporary style. The hotel suspended its operations in Q4 2021 for the purpose of pursuing a major investment comprising the addition of four floors which increased the total number of rooms by a further 147 rooms. Furthermore, the extensive renovation included a substantial upgrade and extension of the hotel's public areas, as well as the creation of new pools (including a small family waterpark), restaurants, bars, and other facilities at the hotel.

AX ODYCY had a soft opening in late May 2023 (in time to host participants and delegates for the 2023 Games of the Small States of Europe), thus only contributing *circa* five months to the Group's financial results in FY2023. During the summer, the hotel operated at a reduced capacity as work on certain areas of the hotel and lido were still in progress. Despite these challenges, AX ODYCY managed to exceed the budgeted rooms revenue in September and October 2023. Furthermore, in terms of customer reviews, the hotel received outstanding feedback on several industry-leading booking sites.

The hotel's amenities comprise various food and beverage outlets, from exquisite dining and laid-back seaside restaurants to family-friendly options and a convenient grab-and-go concept. AX ODYCY also has a panoramic lido and entertainment area overlying extensive car park facilities spanning the entire length of the property.

The overall cost for the redevelopment and refurbishment of AX ODYCY exceeded the initial budget by *circa* €20 million. The material variance resulted due to elaborative changes to the hotel's designs and specifications, as well as inflationary pressures. As a result, the total cost of the project amounted to approximately €70 million.

The **AX Sunny Coast Resort & Spa** ("**AX Sunny Coast**") is a 92-room four-star aparthotel that offers self-catering apartments with resort facilities on the Qawra coast. It occupies a gross floor area measuring approximately 6,000 sqm and operated in the vacation ownership market between 1983 and 2021. AX Sunny Coast features a restaurant, indoor and outdoor pools, spa and leisure facilities, and a fitness centre. Furthermore, the adjacent lido consists of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities which are leased to independent third parties.

The **Luzzu Complex** occupies a gross floor area of *circa* 2,250 sqm and comprises a seaside restaurant (Luzzu Restaurant), a beach club (Luzzu Lido), and a conference centre which accommodates up to 300 delegates in theatre style and 450 guests in standing receptions.

THE QAWRA PROJECT

It is the Group's intention to continue investing in its Qawra Hotels in the years ahead. In this regard, AX Real Estate has a master plan in place for the execution in stages of new projects over a number of years, with a view of making the best use of its properties whilst minimising any potential disruptions to the newly refurbished and extended AX ODYCY.

These plans envision two additional phases, one which will see the redevelopment of the lido areas of the Luzzu Complex and AX Sunny Coast, and another phase which will focus on the demolition and rebuilding of AX Sunny Coast. AX Real Estate already has the necessary full development permit to pursue the latter project. On the other hand, the Group has so far only obtained an outline development permit for the redevelopment of the lido areas of the Luzzu Complex and AX Sunny Coast and is currently in the process of also obtaining a full development permit.

The AX Sunny Coast project will comprise the demolition of the existing building and the construction of a 161-unit aparthotel with new food, beverage, and leisure facilities. Moreover, it is envisaged that the hotel's underground car park, the lidos at AX Sunny Coast and Luzzu Complex, as well as the surrounding commercial outlets will eventually be linked to the properties that form part of AX ODYCY.

There are presently no firm timelines for the commencement of the next phases of the Qawra Project, although it is expected that works will commence in the foreseeable future subject to the Group obtaining the necessary funding and having the required resources to pursue works.

LEGAL AND ARBITRATION PROCEEDINGS

The Commissioner of Lands had instituted claims against the Group for damages for the alleged illegal occupation of land forming part of the lidos of AX ODYCY and AX Sunny Coast, which claims were contested by the Group.

Parliament endorsed the declassification of the foreshore last year. Additionally, a concession agreement, granting the Group legal ownership of the land for 65 years, along with a settlement agreement for prior land usage, has recently gained approval. These agreements are anticipated to be signed soon.

4.2 SLIEMA HOTELS

AX The Palace is a luxurious 144-room five-star city hotel located in a prime location in Sliema that has a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2007, marked AX Group's first investment in the five-star hotel segment. The Palace offers a wide range of facilities to its guests, including five restaurants, an outdoor infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, as well as spa, health and fitness centre. The hotel has an underground car park common with AX The Victoria Hotel.

AX The Victoria Hotel is a 142-room Victorian-style hotel located in the heart of Sliema next to AX The Palace. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997 and was last refurbished in 2018. It features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre, as well as multi-purpose conference halls. AX The Victoria Hotel operates part of the adjacent AX Palazzo Capua which is also owned by AX Group[4] and houses the Copperfield's Restaurant and the Penny Black Pub. The hotel has an underground car park accessible from the entrance to the AX The Palace car park and can accommodate up to 108 cars.

The proximity between AX The Palace and AX The Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiencies and returns. Indeed, to address cost pressures, AX Group has made a strategic decision to consolidate the kitchen operations at both hotels into a single production kitchen. This approach has allowed AX Group to synergise between the two hotels, leveraging economies of scale to counter rising costs while

[4] AX Palazzo Capua houses five luxurious guest suites, four of which are spread over two floors, and offers outstanding facilities for exclusive meetings, receptions, and banquets, targeting both business and social functions. The remaining part of the 200-year-old neoclassic building (i.e., the top floor, penthouse, and basement areas) has been leased to independent third parties during the 2024 financial year.

maintaining the distinctiveness of AX Group's end products for clients, ensuring both value for money and quality across its 4-star and 5-star offerings.

4.3 VALLETTA HOTELS

AX The Saint John is a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant's residence and shop, AX The Saint John was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of the 19 rooms exude an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and modern in-room technology. The boutique hotel features two private meeting rooms accommodating 16 persons in-theatre style, or eight individuals in a board room set up, which are ideal for the frequent business traveller who needs to make use of desk space in an office-like setting. AX The Saint John is also home to the catering establishment Cheeky Monkey Gastropub.

AX Group holds the **Rosselli AX Privilege** under the title of temporary emphyteusis. The 25-room five-star boutique hotel opened for business in May 2019 and is one of the most prestigious old palazzos in Valletta. The Rosselli AX Privilege is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Apart from a three-level restaurant with varied cuisine genres – namely Under Grain, Grain, and Over Grain which offer patrons refined culinary experiences – the boutique hotel has a rooftop terrace and a swimming pool. Additionally, hotel butler service is available at providing a tailor-made experience for guests staying at the hotel.

4.4 VERDALA WELLNESS HOTEL & VERDALA TERRACES

In 2021, AX Group started works on the transformation of the area previously occupied by the former Grand Hotel Verdala. The Verdala Project comprises the development of:

(i) A 46-room five-star all-suite **Verdala Wellness Hotel** which will also include the 19 luxury apartments known as Virtù Heights which are currently being reconfigured and luxuriously renovated, as well as an additional 23 serviced/self-catering units. An important aspect of the Verdala Wellness Hotel will be its 1,800 sqm state-of-the-art spa that will offer tailor-made packages, wellness programmes, and retreats that drive long-term positive change. The hotel is expected to be inaugurated in early 2025 and will target a new niche market in luxury wellness hospitality in Malta apart from continue diversifying the Group's hotel products to cater towards new and untapped segments.

(ii) An exclusive residential component made up of a total of 87 units earmarked for resale spread over two blocks (Royal Mansions and Grand Mansions) (the "**Verdala Terraces**).

The 38 residential units within Royal Mansions will overlook 2,350 sqm of landscaped gardens and public piazzas that encircle the residential complexes, whilst the 49 units making up the Grand Mansions block will offer panoramic views of Mdina. New unparalleled vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rgħajja, whilst a multi-level pyramidal atrium will include all the communal facilities with a view of creating a physical and visual corridor from Triq ir-Rgħajja to the ridge views overlooking Malta. Furthermore, by reducing the overall height from the demolished building by almost two storeys, the Verdala Project is being developed in such a way as to blend more harmoniously with the promontory. A system of terraces and voids on the ridge side of the building will mimic the natural forms of the rock strata, whilst the back elevations will have greater solidity to tie into the traditional façade typology found in the surrounding streets.

Following completion of all civil works related to the development of the Verdala Terraces, in June 2023 the Group set up a dedicated sales office and presented a show apartment with a view of visibly showcasing prospective customers the luxury and high level of detail of the Verdala Terraces. The residential units were officially launched on the market at the end of June 2023 and since then, a number of promise of sale agreements have been signed.

Primarily as a result of high inflation, the increase in professional fees and development costs, as well as the high-end product and service offering of both the Verdala Wellness Hotel (targeting discerning wellness travellers) and the Verdala Terraces (targeting high net worth individuals), the total expenditure for the Verdala Project is now expected to be around €85 million compared to the earlier projection of €66 million.

4.5 HILLTOP COMPLEX

Hilltop Gardens Retirement Village is the first luxury retirement village developed in Malta, consisting of private residences in the form of one or two-bedroom self-catering apartments and penthouses, finished to high standards, surrounded by landscaped gardens. The complex also includes a spa, hair salon, swimming pool, restaurant, crafts centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A reception desk and 24-hour security personnel complement the residences. Residents may also request certain additional services which are provided at an extra cost, including cleaning, repairs and maintenance of apartments, as well as the preparation and delivery of meals.

The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years by individuals who at the time of taking up residence must be over 55 years of age.

In view of the continued strong demand, AX Real Estate is aiming to vertically extend the Hilltop Gardens Retirement Village by an additional two floors (comprising 50 residential units) across the entire building. The Group has to date obtained the necessary development permit to add one floor.

The **Simblija Care Home** is a 155-bed care home providing nursing care to the more dependent elderly residents. It also operates the Revive Physiotherapy Centre which has its own fully equipped state-of-the-art hydrotherapy pool, dedicated services and amenities for short term respite care, convalescence and post-operative recovery, as well as a specialised dementia ward offering specialist support and assistive technology specifically selected and installed for residents with dementia.

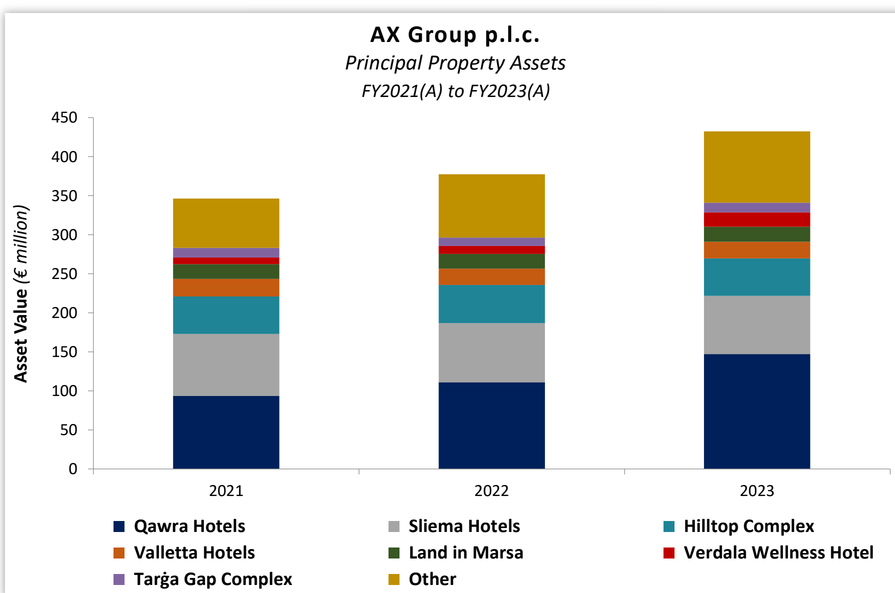
4.6 OTHER OPERATING PROPERTIES

The **Targa Gap Complex**, which is situated in Mosta, includes a mix of residential units spread across two blocks (Clover and Springfield), office space, and garages. Most of the residential units forming part of Clover block were sold whilst two units were retained by the Group for lease to independent third parties. On the other hand, the residential units forming Springfield block were all retained by the Group and are currently leased to independent third parties.

Targa Gap Complex also includes the AX Business Centre which houses the head office of AX Group, as well as two separate offices at ground floor level which are currently leased to independent third parties. The complex has a photovoltaic plant installed on its roof and has four floors of parking in the underground. A number of garages were sold to the owners of the residential units.

Separately, the Group owns nine warehouses and an office block at the **Hardrocks Business Park** located in Burmarrad. Six of the warehouses are leased to independent third parties for a period between four to fifteen years whilst three warehouses and the office block, together with the underlying basement areas, are primarily utilised as the operating base of the Group's construction arm. An independent third party leases the roofs of the warehouses.

Meanwhile, the office space at **Falcon House** in Sliema consists of an area of *circa* 1,180 sqm spread over two levels which is entirely leased to independent third parties. The development of office space was completed in October 2021. Elsewhere, the Group owns the **Blackstead Garage** in Naxxar which consists of a stand-alone industrial garage and is complimented by a loading bay. The total site area is circa 257 sqm and is leased to an independent third party.



5. SEGMENT INFORMATION

The Group has four principal reportable segments: (i) hospitality; (ii) construction; (iii) healthcare; and (iv) real estate and property rentals.

AX Group p.l.c. Segment Information For the financial year 31 October	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
Revenue (€'000)	**35,806**	**38,443**	**50,293**	**92,399**
Hospitality	14,382	22,793	36,529	54,471
Construction	6,466	7,025	4,148	12,693
Healthcare	5,676	6,143	6,865	7,263
Real estate and property rentals	8,894	2,309	1,680	17,199
Other	388	173	1,071	773
Gross operating profit (€'000)	**11,525**	**10,556**	**12,746**	**27,521**
Hospitality	4,885	7,961	10,292	18,640
Construction	572	630	212	810
Healthcare*	1,494	1,471	1,037	1,588
Real estate and property rentals	4,574	494	1,205	6,483
Gross operating profit margin (%)	**32.19**	**27.46**	**25.34**	**29.78**
Hospitality	33.97	34.93	28.17	34.22
Construction	8.85	8.97	5.11	6.38
Healthcare*	26.32	23.95	15.11	21.86
Real estate and property rentals	51.43	21.39	71.73	37.69

** GOP for the healthcare segment is equivalent to EBITDA.*

5.1 HOSPITALITY

Revenues generated from the hospitality segment include income from accommodation, food and beverage services, as well as other ancillary services.

An important aspect of the Group's strategy for its hotel properties is to be present in strategic locations and in proximity to one other. AX Group believes that this manner of operating hotels in clusters yields various value-adding advantages such as the allocation of single management teams per location, as well as the creation of internal efficiencies through the reduction of overlap in areas such as marketing, maintenance, accounting, and procurement.

The performance of the Group's hospitality division in FY2021 was adversely impacted by the COVID-19 pandemic. Revenue generated during this period stood at *circa* 40% of the income reported prior to the pandemic, while gross operating profit ("**GOP**") was lower by an average of 73%.

The first signs of the recovery started to emerge in **FY2022** as total turnover generated by the Group's hotels rebounded by 58.48% to €22.79 million (FY2021: €14.38 million) despite the closure of AX

ODYCY in Q4 FY2021. Revenues generated by the hotels located in Sliema and Valletta doubled to €14.24 million (FY2021: €7.09 million) and €3.23 million (FY2021: €1.50 million) respectively, reflecting sharp increases in RevPAR and GOPAR as shown in the table below. In contrast, the income generated from the Qawra properties eased by 8.07% to €5.32 million compared to €5.79 million in FY2021 due to the temporary closure of AX ODYCY.

The uplift in business translated into a marked improvement in GOP which surged by 62.97% to €7.96 million (FY2021: €4.89 million). The main contributors were the Sliema Hotels which generated a GOP of €5.66 million (FY2021: €2.52 million). The Valletta Hotels also recorded significant growth in GOP to €0.62 million (FY2021: €0.36 million) despite their minimal contribution to the overall profitability of the Group's hospitality division. On the other hand, the Qawra Hotels registered a 16.50% decline in GOP to €1.68 million (FY2021: €2.01 million) as despite the considerable growth in RevPAR and GOPAR, the number of available rooms dropped drastically reflecting the temporary close of AX ODYCY.

AX Group p.l.c. **Segment Information – Hospitality** **For the financial year 31 October**	**2021** **Actual**	**2022** **Actual**	**2023** **Actual**	**2024** **Forecast**
Revenue (€'000)	**14,382**	**22,793**	**36,529**	**54,471**
Qawra Hotels	5,786	5,319	14,854	32,009
Sliema Hotels	7,093	14,242	17,245	17,553
Valletta Hotels	1,503	3,232	4,430	4,909
Gross operating profit (€'000)	**4,885**	**7,961**	**10,292**	**18,830**
Qawra Hotels	2,006	1,675	3,841	12,115
Sliema Hotels	2,516	5,663	5,743	5,830
Valletta Hotels	363	623	708	885
Gross operating profit margin (%)	**33.97**	**34.93**	**28.17**	**34.57**
Qawra Hotels	34.67	31.49	25.86	37.85
Sliema Hotels	35.47	39.76	33.30	33.21
Valletta Hotels	24.15	19.28	15.98	18.03
Revenue per available room (RevPAR)* (€)				
Qawra Hotels	40	157	138	127
Sliema Hotels	68	136	165	168
Valletta Hotels	94	201	276	306
Gross operating profit per available room (GOPAR) (€)**				
Qawra Hotels	14	49	36	48
Sliema Hotels	24	54	55	56
Valletta Hotels	23	39	44	55

** Calculated by dividing a hotel's total revenue by the total number of available rooms.*

*** Calculated by dividing a hotel's gross operating profit by the total number of available rooms.*

FY2023 was marked by the further year-on-year recovery in business to a level almost at par with the activity prior to the COVID-19 pandemic. Indeed, total revenues amounted to €36.53 million compared to the all-time high of €38.94 million recorded in FY2018. The Sliema Hotels were again the main contributors in terms of revenue (€17.25 million) and GOP (€5.74 million), followed by the Qawra Hotels which in aggregate generated revenues of €14.85 million and a GOP of €3.84 million. The AX ODYCY reopened in late May 2023, but operated at a reduced capacity as works on certain areas of the hotel and lido were still in progress. Despite these challenges, AX ODYCY managed to exceed the budgeted rooms revenue in September and October. Meanwhile, the Valletta Hotels also contributed positively to the performance of the Group's hospitality division and the two boutique properties generated €4.43 million in revenues and a GOP of €0.71 million.

For **FY2024**, AX Group is now expecting to generate €54.47 million from its hospitality division, representing a year-on-year increase of 49.12% and an uplift of 10.21% over the previously projected figure of €49.42 million as estimated at the time of the bond issue in the second half of 2023. The main upward revision in the projected income derives from the Qawra Hotels on the back of the expected higher performance of AX ODYCY. In tandem, the two Qawra Hotels are now estimated to generate €32.01 million in revenue compared to the prior estimate of €27.67 million. Elsewhere, the revised revenue forecasts for the Sliema and Valletta Hotels are in line with the previous projections as these properties are now expected to generate €17.55 million and €4.91 million in income respectively, representing an aggregate 41.24% of the Group's total revenue from its hospitality division in 2024.

Despite the upward revision in revenues, the Group is expecting its hotel properties to register virtually the same level of GOP (€18.83 million compared to €10.29 million in FY2023) as previously estimated at the time of the 2023 bond issue. On the one hand, AX Group is now forecasting a comparatively superior GOP of €12.12 million from its Qawra Hotels (compared to the previous projection of €11.21 million) that would translate into a margin of 37.85% (FY2023: 25.86%). Similarly, the Valletta Hotels are also being expected to contribute a marginally higher GOP of €0.89 million compared to the prior projection of €0.87 million. Conversely, the forecast GOP for the Sliema Hotels has been lowered by 13% from €6.70 million to €5.83 million which, in turn, would translate into a margin of 33.21% (FY2023: 33.30%).

5.2 CONSTRUCTION

The activities related to construction, building materials, and property management have historically been the second largest business segment of the Group in terms of revenue generation. This division also comprise civil engineering, turnkey assignments, project management, as well as the restoration of buildings. Any related party revenue is eliminated upon consolidation and is not included in the consolidated information provided in the financial statements.

Total turnover generated by the construction division increased each year in **FY2021** and **FY2022** to €6.47 million (+7.05%) and €7.03 million (+8.65%) respectively. Growth in FY2021 was driven by the restoration unit (+€0.64 million to €1.32 million) which offset the 3.96% decline (or -€0.21 million to €5.15 million) in construction activity. Conversely, both the construction and restoration units registered increase in business in FY2022, particularly the restoration unit (+35.36% to €1.78 million) which was particularly focused on the works related to the Senglea bastions and the Maritime Museum in Vittoriosa.

AX Group p.l.c. **Segment Information – Construction** **For the financial year 31 October**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Actual** **€'000**	**2024** **Forecast** **€'000**
Construction	5,148	5,241	3,257	10,583
Restoration	1,318	1,784	891	2,110
Total Revenue	**6,466**	**7,025**	**4,148**	**12,693**
Gross operating profit	572	630	212	810
Gross operating profit margin (%)	8.85	8.97	5.11	6.38

In **FY2023**, the construction division continued works on the two main internal developments of the Group (i.e., the Verdala Project and the extension and refurbishment of AX ODYCY) apart from the redevelopment of Palazzo Lucia. Year-on-year, revenues from external sources dropped markedly to €4.15 million. Most of this income amounting to €3.26 million (FY2022: €5.24 million) was generated by construction activity including works on the new visitors' centre at the St John's Co-Cathedral in Valletta, whilst the remaining portion of the income amounting to €0.89 million emanated from restoration activity. The latter included works to the Oratories at the Jesuits' Church in Valletta, the restoration of Villa Luginsland in Rabat, as well as the restoration of the façade of the VCP.

Overall, the construction division registered a GOP of €0.21 million in FY2023 compared to €0.57 million in FY2021 and €0.63 million in FY2022. Furthermore, the GOP margin contracted sharply to 5.11% compared to close to 9% in the previous two financial years.

The revised forecasts for **FY2024** show that the Group is now expecting its construction division to generate €12.69 million in income compared to the previous projection of €7.18 million, which would filter into a GOP of €0.81 million and a relative margin of 6.38%. Both the construction (+84.8% over the previous projected income of €5.74 million to €10.58 million) and the restoration segments (+46.94% to €2.11 million) are anticipating higher levels of activity including works on the new arrivals lounge at the Malta International Airport, as well as the continuation of the restoration of the Oratories at the Jesuits' Church and Villa Luginsland.

5.3 HEALTHCARE

The Hilltop Gardens Retirement Village and the Simblija Care Home offer tailor-made packages covering different levels of long and short-term care. Revenue from Hilltop Gardens Retirement Village derive from the self-catering apartments and penthouses that are occupied by tenants for definite periods. On the other hand, income from Simblija Care Home consist of revenue from stays for short term respite care, convalescence, and post-operative recovery, as well as intensive nursing care to the more dependent elderly residents. This is recognised over time on a systematic basis, reflecting the period consumed as a proportion of the total contractual period.

AX Group p.l.c. **Segment Information – Healthcare** **For the financial year 31 October**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Actual** **€'000**	**2024** **Forecast** **€'000**
Residences & other income	2,400	2,796	3,445	3,694
Nursing home	3,276	3,347	3,420	3,569
Total Revenue	**5,676**	**6,143**	**6,865**	**7,263**
Direct costs	(2,765)	(3,414)	(3,940)	(4,342)
Other costs	(1,417)	(1,258)	(1,888)	(1,333)
EBITDA	**1,494**	**1,471**	**1,037**	**1,588**
EBITDA margin (%)	26.32	23.95	15.11	21.86

The independent units at **Hilltop Gardens Retirement Village** were virtually fully occupied throughout the historic period under review. Income surged by 16.50% in **FY2022** to just under €2.80 million compared to €2.40 million in **FY2021**. Furthermore, revenue grew by a further 23.21% in **FY2023** to €3.45 million on the back of a particularly strong demand for the Revive physiotherapy centre whilst the food and beverage facilities within the village also experienced an improvement over the previous year.

The operational performance of **Simblija Care Home** in FY2020 and **FY2021** was adversely impacted by the various restrictions and measures imposed by the health authorities to contain the spread of the COVID-19 pandemic. In addition, the nursing home experienced challenges in achieving budgeted occupancy levels.

Although the effects of the COVID-19 pandemic continued to be felt during **FY2022**, overall occupancy moved closer to pre-pandemic level and in fact revenues increased by 2.17% to €3.35 million (FY2021: €3.28 million). In **FY2023**, the care home registered a marginal improvement in income to €3.42 million on the back of a steady increase in occupancy to 88%.

In aggregate, revenues generated by the Group's healthcare division amounted to €6.87 million in FY2023 compared to €5.68 million in FY2021 and €6.14 million in FY2022. However, despite the year-on-year growth in income registered in FY2022 (+8.23%) and FY2023 (+11.75%), EBITDA trended lower in both years to €1.47 million (translating into an EBITDA margin of 23.95%) and €1.04 million (margin of 15.11%) respectively, from €1.49 million in FY2021, due to an increase in overheads. Particularly in FY2023, the Group introduced an employee retention scheme with a view of rewarding loyalty within the division's staff compliment. Excluding this new incentive, the year-on-year drop in EBITDA would have been less than 2%.

For **FY2024**, the Group marginally revised upwards the income and EBITDA forecasts to €7.26 million and €1.59 million respectively, whilst the revised EBITDA margin of 21.86% is in line with the previous target of 22.16%. Revenue from both the retirement village and the care home are expected to increase year-on-year, with the sharpest uplift anticipated to emanate from the former to €3.69 million (+7.23%) which is also considerably higher than the previous projected figure of €2.96 million.

5.4 REAL ESTATE AND RENTAL INCOME

AX Group p.l.c. **Segment Information – Real Estate and Property Rentals** **For the financial year 31 October**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Actual** **€'000**	**2024** **Forecast** **€'000**
Real estate	8,000	1,292	651	15,912
Rental income	894	1,017	1,029	1,287
Turnover	**8,894**	**2,309**	**1,680**	**17,199**
Gross operating profit	4,574	494	1,205	6,483
Gross operating profit margin (%)	51.43	21.39	71.73	37.69

By FY2022, AX Group completed the Tarġa Gap Complex and the Falcon House projects at a total cost of circa €11.5 million, and either leased or sold all the residential units and commercial/office space that were placed on the market. As a result, income from the sale of property surged to €8 million in **FY2021** before dropping to €1.29 million in **FY2022**. Furthermore, rental income rose by 33.23% to €0.89 million in FY2021 and increased by a further 13.76% to €1.02 million in FY2022.

Overall, the real estate and property rentals division generated aggregate revenues of €11.20 million in FY2021 and FY2022 which filtered into a GOP of €5.07 million.

In **FY2023**, the real estate unit generated revenues of €0.65 million whilst rental income increased by a marginal 1.18% to €1.03 million. GOP amounted to €1.21 million, thus representing a notable uplift compared to the prior year (€0.49 million) and a marked improvement in the relative margin to 71.73% compared to 21.39% in FY2022.

FY2024 will be mostly characterised by the recognition of the sales of the first units forming part of Verdala Terraces, whilst new rental income is expected to be generated from the lease of Palazzo Lucia as from Q2 2024. In view of the delays in the targeted completion date of Verdala Terraces and Palazzo Lucia, AX Group is now expecting revenues from its real estate and rental divisions to amount to €15.91 million and €1.29 million respectively (to a total of €17.20 million) compared to the previous estimates of €37.05 million and €1.74 million. As a result, GOP has been revised lower to €6.48 million compared to the prior projected figure of €12.86 million which, in turn, would translate into a margin of 37.69%.

6. MAJOR COMMITTED PROJECTS

The following is a list of the Group's planned major investments for the coming years, excluding the Verdala Project which is being completed in stages culminating in the inauguration of the Verdala Wellness Hotel in early 2025 (i.e., in the first half of the Group's 2025 financial year):

Expected Year of Commencement and Completion	Development	Planning Process Status	Approximate Investment
2025 – 2026	**Hilltop Gardens Retirement Village** ▪ Addition of further units for lease.	▪ After obtaining the development permit to add one floor, the Group is in the process of submitting another application for the construction of the second additional floor.	**€8 million**
As yet to be determined, subject to the Group having the necessary funding and resources.	**Qawra Project – Phases 2 and 3** ▪ *Phase 2:* Redevelopment of the lidos appertaining to Luzzu Complex and AX Sunny Coast. These will be linked to the lido of AX ODYCY. ▪ *Phase 3:* Demolition of AX Sunny Coast which will be rebuilt into a 161-unit aparthotel with new food, beverage, and leisure facilities.	▪ Full development permit obtained *(PA/05952/21)*. ▪ Outline development permit obtained *(PA/05952/21)*. ▪ The Group has submitted the relevant application for a full development permit.	**€70 million**

7. SECURITIES IN ISSUE

7.1 INFORMATION RELATING TO THE ISSUER'S BONDS

AX Group has three bonds which are listed on the Regulated Main Market (Official List) of the Malta Stock Exchange. The key information relating to these bonds is provided in the table below:

Security ISIN	Security	Symbol Code	Amount Outstanding	Market Price*
MT0002361203	3.25% AX Group p.l.c. unsecured bonds 2026 Series I	AX26A	€ 15,000,000	99.00%
MT0002361211	3.75% AX Group p.l.c. unsecured bonds 2029 Series II	AX29A	€ 10,000,000	100.00%
MT0002361229	5.85% AX Group p.l.c. unsecured bonds 2033	AX33A	€ 40,000,000	104.02%
			€ 65,000,000	

** As at 15 April 2024.*

7.2 INFORMATION RELATING TO AXRE'S SECURITIES

The authorised share capital of AX Real Estate p.l.c. is €500 million divided into 2 billion ordinary 'A' shares and 2 billion ordinary 'B' shares of a nominal value of €0.125 each. The issued share capital is €34.29 million divided into 97,193,600 ordinary 'A' shares (representing 35.43% of the issued share capital) which are listed on the Malta Stock Exchange, and 177,143,100 ordinary 'B' shares (representing 64.57% of the issued share capital) which are not listed on an exchange and are entirely owned by AX Group. Of the ordinary 'A' shares, 72,856,900 shares are owned by AX Group whilst the remaining 24,336,700 shares (or 25.04% of the total number of ordinary 'A' shares) are considered as free float. Further information about AXRE's shares is included in the most recent Analysis issued by AXRE which is available at https://axinvestor-relations.mt/ax-real-estate/.

Meanwhile, AXRE also has €40 million 3.50% unsecured bonds 2032 which are listed on the Regulated Main Market (Official List) of the Malta Stock Exchange. The key information relating to these bonds is provided in the table below:

Security ISIN	Security	Symbol Code	Amount Outstanding	Market Price*
MT0002571215	3.50% AX Real Estate p.l.c. unsecured bonds 2032	AX32A	€ 40,000,000	90.00%

** As at 15 April 2024.*

8. MARKET OVERVIEW

8.1 ECONOMIC UPDATE[5]

Following the strong rebound in economic activity in 2021 and 2022 that resulted in Malta's gross domestic product ("GDP") to expand by 12.6% (euro area [EA]: 5.9%) and 8.2% (EA: 3.4%) respectively in real terms, the European Commission ("EC"), in its most recent update issued in February 2024, upgraded the estimated growth of the Maltese economy in 2023 to 6.1% (EA: 0.5%) from the previous forecast of 4.0% (EA: 0.6%). Furthermore, the EC raised the projected growth for 2024 and 2025 to 4.6% (EA: 0.8%) and 4.3% (EA: 1.5%) respectively from the prior estimates of an increase in GDP of 4.0% in 2024 (EA: 1.2%) and 4.2% in 2025 (EA: 1.6%).

In this regard, the EC noted that its more favourable view of the Maltese economy is due to the robust underlying dynamics of private consumption and net exports, and the continued robust performance of the tourism sector. Furthermore, following a weaker construction activity in 2023, investment growth is expected to pick-up in 2024 and 2025.

Despite the more positive assessment of the rate of growth of the Maltese economy, the EC lowered the inflation estimate for 2023 to 5.6% (EA: 5.4%) from the previous forecast of 5.7% (EA: 5.6%). In 2022, Malta's inflation rate stood at 6.1% (EA: 8.4%) compared to 0.8% in 2020 (EA: 0.3%) and 0.70% in 2021 (EA: 2.6%). Similarly, the EC is now expecting inflation in Malta to converge earlier to the European Central Bank target of 2.0% as it reduced the forecast and projected inflation for 2024 and 2025 to 2.9% (EA: 2.7%) and 2.7% (EA: 2.2%) respectively from the previous estimates of 3.3% in 2024 (EA: 3.2%) and 3.1% in 2025 (EA: 2.2%).

Meanwhile, in its more detailed update issued in November 2023, the EC had explained that Malta's labour market remained robust as employment increased by 6.2% in 2022 and continued to grow very strongly in 2023. The positive trend in the demand for labour across all sectors of the economy, particularly in the tourism sector and administrative services, led the unemployment rate to fall to 2.9% in 2022 (EA: 6.8%) from 4.4% in 2020 (EA: 8.0%) and 3.4% in 2021 (EA: 7.7%). Moreover, the EC expects Malta's unemployment rate to trend marginally lower and stabilise at 2.7% which is much lower that the corresponding rate of 6.4% in 2025 for the euro area.

Regarding Malta's fiscal position, after climbing to 9.6% of GDP in 2020 (EA: 7.1%), Malta's government deficit eased to 7.5% (EA: 5.2%) and 5.7% (EA: 3.6%) in 2021 and 2022 respectively. In 2023, the government's deficit is estimated to have fallen further to 5.1% of GDP (EA: 3.2%) amid a reduction of the cost of the measures aimed at mitigating the impact of high energy prices (accounting for 1.6% of GDP compared to 2.3% in 2022) and a slower growth in the compensation of employees and social benefits than the rate of growth in nominal GDP.

[5] **Sources:** European Commission, *European Economic Forecast Autumn 2023*, 15 November 2023.
European Commission, *European Economic Forecast Winter 2024 (Interim)*, 15 February 2024.

Despite the higher debt servicing costs, in 2024 the government's deficit is expected to drop to 4.6% (EA: 2.8%) amid the phasing out of the costs supporting the operations of Air Malta. Furthermore, social benefits and intermediate consumption expenditures are anticipated to grow at a slower pace than nominal GDP. On the other hand, the net budgetary cost of energy-related measures is projected to increase to 2.0% of GDP. In 2025, the reduction of the government deficit to 4.1% of GDP (EA: 2.7%) is projected to be driven by the decline in the cost of energy related measures as percentage of GDP (1.0%), intermediate consumption expenditure, as well as slower growth in the costs associated with social benefits. Overall, however, the government debt-to-GDP ratio is anticipated to reach 57.2% in 2025 (EA: 89.5%) which would be 5 percentage points higher than the level of 52.2% in 2020 (EA: 99.1%).

Key Economic Indicators [1 2]	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Forecast**	**2024 Forecast**	**2025 Projection**
Malta						
Real GDP growth *(%, year-on-year)* [2]	(8.10)	12.60	8.20	6.10	4.60	4.30
Real GDP growth per capita *(%, year-on-year)* [1]	(10.10)	11.70	4.50	1.30	1.80	1.90
Inflation *(%, year-on-year)* [2 3]	0.80	0.70	6.10	5.70	3.30	3.10
Unemployment (%)[1]	4.40	3.40	2.90	2.70	2.70	2.70
Primary balance *(% of GDP)* [1]	(8.30)	(6.40)	(4.80)	(4.00)	(3.30)	(2.70)
General balance *(% of GDP)* [1]	(9.60)	(7.50)	(5.70)	(5.10)	(4.60)	(4.10)
Gross public debt *(% of GDP)* [1]	52.20	54.00	52.30	53.30	55.80	57.20
Current account balance *(% of GDP)* [1]	2.50	5.70	0.60	4.20	5.70	5.90
Euro area (20)						
Real GDP growth *(%, year-on-year)* [2]	(6.10)	5.90	3.40	0.50	0.80	1.50
Real GDP growth per capita *(%, year-on-year)* [1]	(6.20)	5.90	3.00	0.10	0.90	1.30
Inflation *(%, year-on-year)* [2 3]	0.30	2.60	8.40	5.60	3.20	2.20
Unemployment (%)[1]	8.00	7.70	6.80	6.60	6.60	6.40
Primary balance *(% of GDP)* [1]	(5.50)	(3.80)	(1.90)	(1.50)	(1.00)	(0.70)
General balance *(% of GDP)* [1]	(7.10)	(5.20)	(3.60)	(3.20)	(2.80)	(2.70)
Gross public debt *(% of GDP)* [1]	99.10	96.50	92.50	90.40	89.70	89.50
Current account balance *(% of GDP)* [1]	2.30	3.60	1.00	2.50	2.60	2.70
EU						
Real GDP growth *(%, year-on-year)* [2]	(5.60)	6.00	3.40	0.50	0.90	1.70
Real GDP growth per capita *(%, year-on-year)* [1]	(5.70)	6.10	3.30	-	1.10	1.60
Inflation *(%, year-on-year)* [2 3]	0.70	2.90	9.20	6.50	3.50	2.40
Unemployment (%)[1]	7.20	7.10	6.20	6.00	6.00	5.90
Primary balance *(% of GDP)* [1]	(5.30)	(3.40)	(1.70)	(1.50)	(1.00)	(0.70)
General balance *(% of GDP)* [1]	(6.70)	(4.70)	(3.30)	(3.20)	(2.80)	(2.70)
Gross public debt *(% of GDP)* [1]	91.70	88.90	84.80	83.10	82.70	82.50
Current account balance *(% of GDP)* [1]	2.40	3.30	0.90	2.50	2.50	2.50

[1] **Source:** *European Commission, 'European Economic Forecast Autumn 2023, 15 November 2023.*

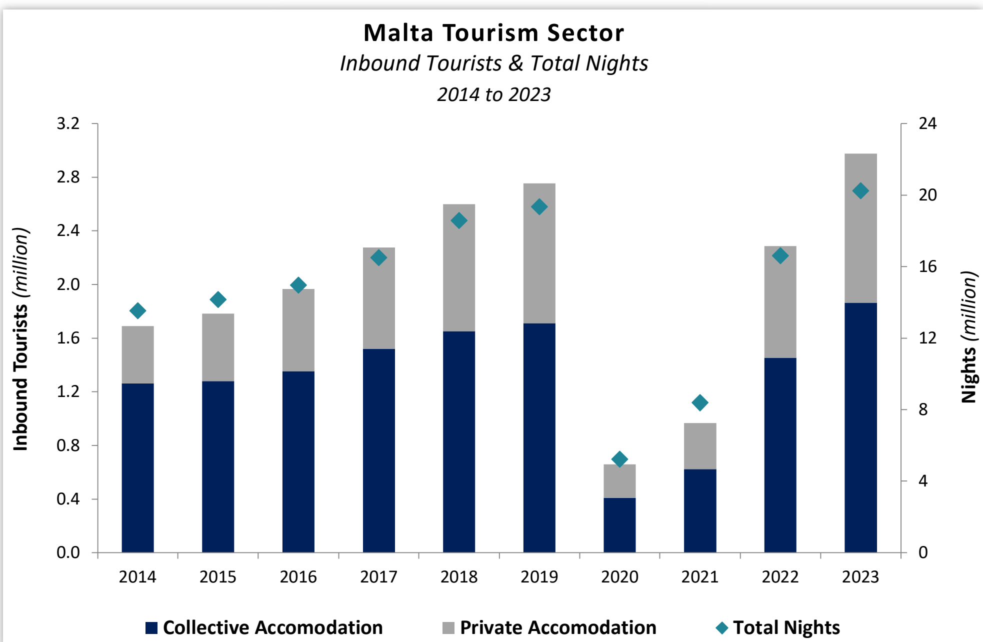
[2] **Source:** *European Commission, 'European Economic Forecast Winter 2024 (Interim)', 15 February 2024.*

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

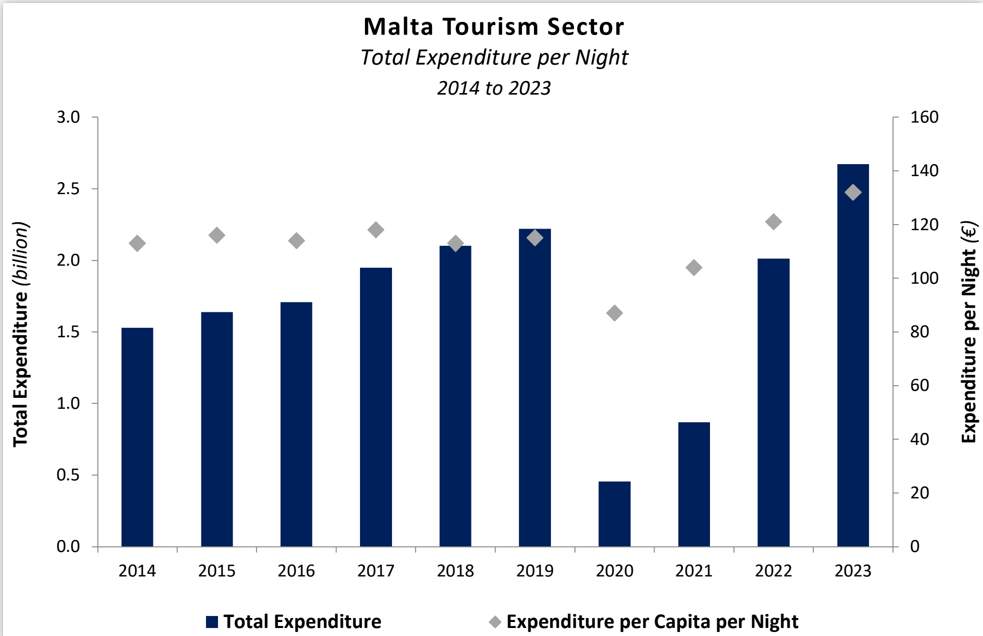
8.2 HOSPITALITY[6]

Total inbound tourists to Malta amounted to just over 3 million in 2023 (2022: 2.33 million)[7], thus exceeding the previous high of 2.77 million recorded in 2019 by 8.33%. Overall, inbound tourists spent a total of 20.24 million nights (2019: 19.34 million), or 6.80 nights per inbound tourist (2019: 7.02 nights per inbound tourist), the majority of which (17.12 million) were spent in rented accommodation which comprises collective accommodation (10.57 million nights)[8] and other rented accommodation (6.55 million nights).[9] On the other hand, inbound tourists only spent 3.12 million nights at non-rented accommodation.[10] Accordingly, inbound tourists spent a total of 10.57 million nights at collective accommodation (or 52.20% of the total nights spent) whilst the remaining portion (9.68 million nights – or 47.80%) were spent at private accommodation.

The total expenditure by inbound tourists in 2023 amounted to €2.67 billion which was 20.30% higher than the previous all-time high of €2.22 billion recorded in 2019. This also translated into an spend of €132 per inbound tourist per night which was 14.78% higher than the expenditure of €115 per inbound tourist per night registered in 2019. When adjusted for inflation, the expenditure per inbound tourist per night in 2023 stood at €125 compared to €113 in 2019.



[6] **Source:** National Statistics Office, available at: https://nso.gov.mt/tourism/.
[7] Including overnight cruise passenger which in 2023 amounted to 27,153 visitors (2022: 43,723 visitors).
[8] Collective accommodation comprises hotels, guesthouses, hostels, tourist villages, holiday complexes, bed & breakfast, and campsites.
[9] Other rented accommodation comprises holiday furnished premises (farmhouses, flats, and villas), host families, marinas, convents, rented yachts, and student dormitories.
[10] Non-rented accommodation typically comprises private residences (owned dwellings, caravans, and, or yachts), stays with friends or relatives, and other private accommodation such as timeshare.



Almost 68% (or 2.02 million) of inbound tourists in 2023 came from EU countries, of which 80.58% represented markets within the euro area, the largest of which were Italy (0.55 million inbound tourists who spent circa €107 per capita per night), followed by France (0.29 million inbound tourists / €127 per capita per night), and Germany (0.22 million inbound tourists / €133 per capita per night). Outside of the euro area, the largest markets were the United Kingdom (0.54 million inbound tourists / €148 per capita per night), followed by Poland (0.17 million inbound tourists / €120 per capita per night), and Sweden (0.11 million inbound tourists / €120 per capita per night).

The bulk of inbound tourists visiting Malta in 2023 were for leisure purposes (2.71 million) who opted not to take a packaged holiday (2.23 million). Similarly, the large majority (2.31 million – or 77.47%) where first-time tourists whilst the number and percentage of repeat tourists trended lower when compared to 2019. In fact, 0.67 million were repeat tourists in 2023, representing 22.53% of the inbound tourists, compared to a total of 0.70 million in 2019 who represented 25.32% of the inbound tourists who visited Malta that year.

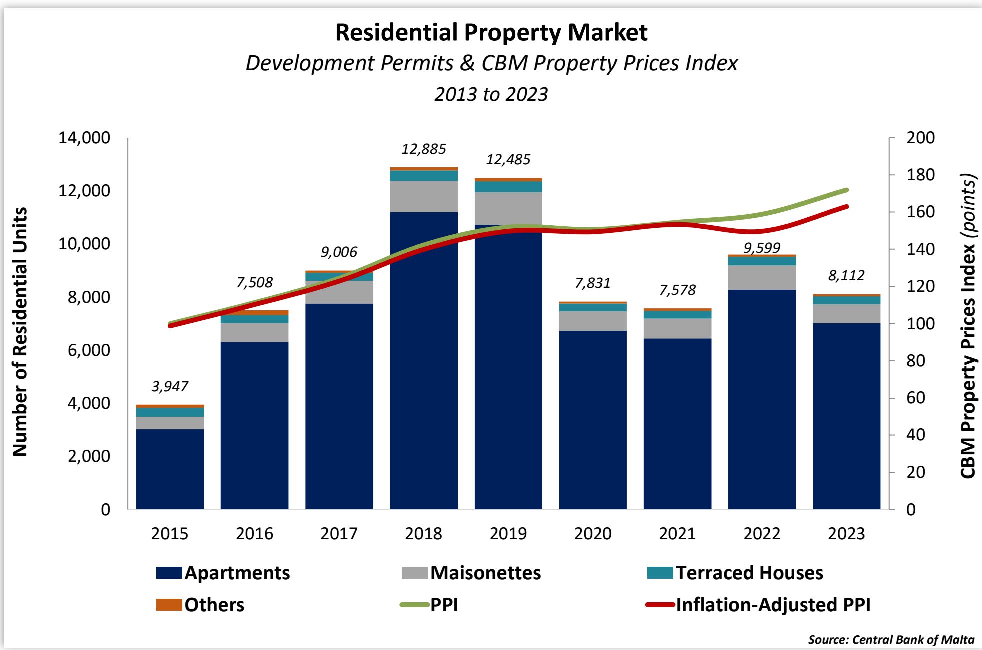
In terms of the demographic profile of inbound tourists in 2023, 0.66 million (or 22.14%) were below 25 years, 1.16 million (or 38.97%) were aged between 25 years and 44 years, 0.89 million (or 29.79%) were aged between 45 years and 64 years, whilst the remaining portion amounting to 0.27 million (or 9.10%) were over 64 years. All age brackets contracted slightly as a proportion of inbound tourists in 2023 when compared to 2019, except for the youngest tourists aged below 25 years as this section gained 2.36 percentage points relative to 2019.

8.3 PROPERTY MARKET[11]

DEVELOPMENT PERMITS FOR DWELLINGS

Data provided by the Central Bank of Malta ("**CBM**") and the National Statistics Office ("**NSO**") shows that in 2023, the total number of permits for the construction of new dwellings increased by 24.78% to 1,586 permits (2022: 1,271 permits). However, the total number of approved new residential units declined by 15.49% year-on-year to 8,112 units, mostly comprising apartments which totalled 7,026 units (2022: 8,280 apartments) representing 86.61% of the total number of approved new units in 2023. The sharpest year-on-year percentage decline in the number of approved residential units was for the construction of new maisonettes (-21.76% to 712 units), followed by apartments (-15.14%), and terraced houses (-12.31% to 292 units). On the other hand, other type of dwellings including villas, bungalows, and farmhouses increased by 7.89% to 82 units.

The highest ever number of approved new residential units in a single year took place in 2018 as 2,363 permits were issued for the construction of a total of 12,885 residential units. Between 2019 and 2021, the total number of approved new residential units trended lower each year, reaching a five-year low of 7,578 units in 2021 before rebounding strongly by 26.67% to 9,599 new units in 2022.



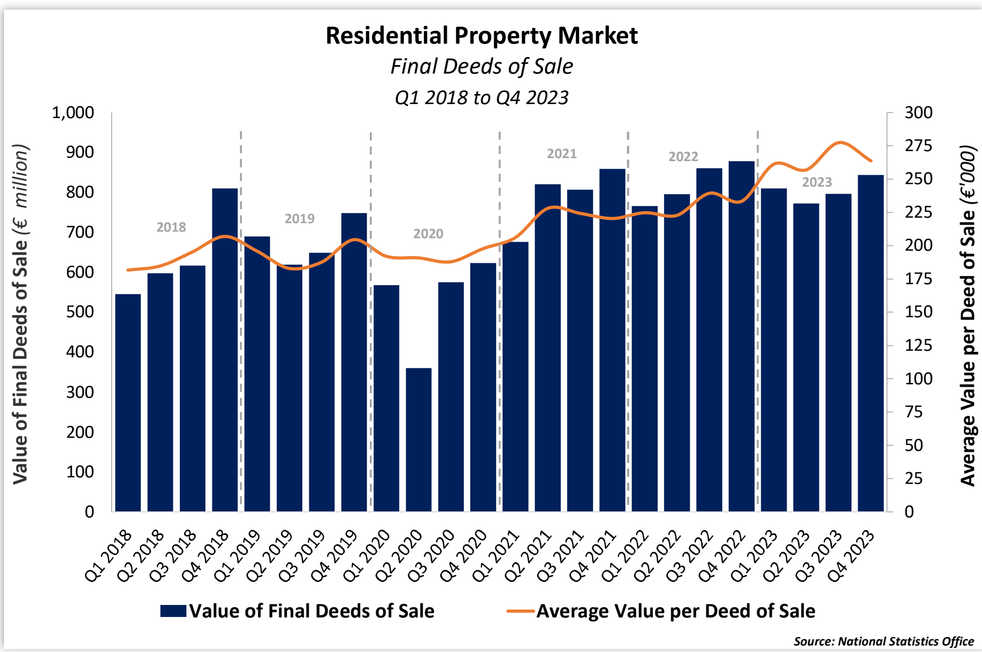
PROPERTY PRICES & TRANSACTIONS

In nominal terms, the **CBM Property Prices Index** – which is based on the advertised sale prices of apartments, maisonettes, terraced houses, and other types of dwellings – reached an all-time high of

[11] **Sources:** Central Bank of Bank and National Statistics Office online portals at *https://www.centralbankmalta.org/real-economy-indicators* and *https://nso.gov.mt/property* respectively.

172.01 points in 2023, representing a significant increase of 8.28% over the prior year (158.86 points). The sharpest year-on-year percentage increase took place in the prices of 'other property' comprising town houses, houses of character and villas, which saw their advertised prices increase by an aggregate 10.57% in 2023. The advertised prices of apartments and maisonettes also increased markedly in 2023 by 9.80% and 9.20% respectively, whilst the advertised prices of terraced houses contracted by a minimal 0.17%. In real terms, the CBM Property Prices Index increased by 8.86% in 2023 (the strongest uplift since 2018), thus erasing to prior year's decline of 2.45% to reach an inflation-adjusted record reading of 162.95 points.

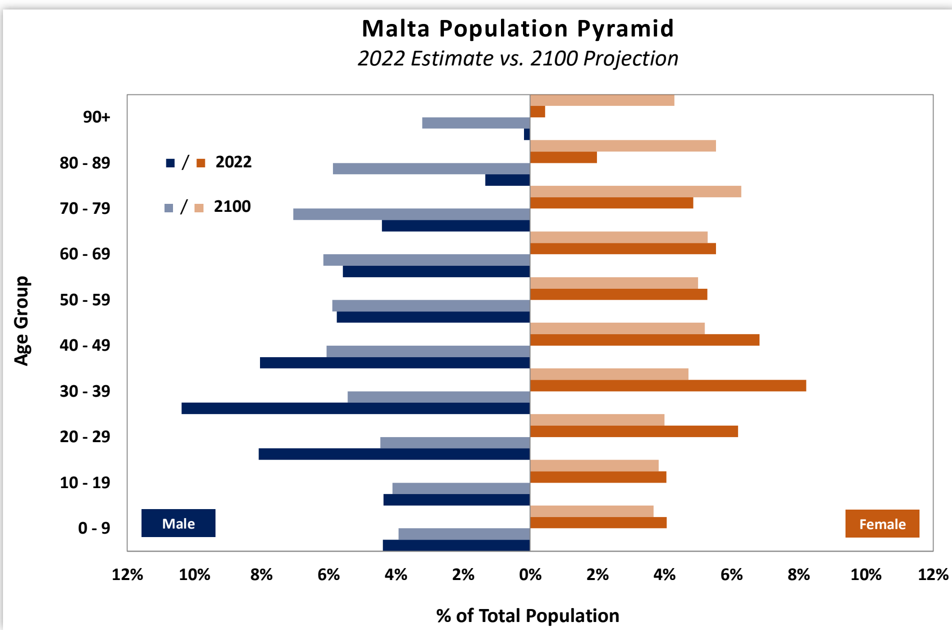
The **NSO Property Price Index** – which is based on actual transactions involving apartments, maisonettes, and terraced houses – reached an all-time high of 151.08 points as at the end of Q2 2023 – representing a year-on-year increase of 4.46% in nominal terms. During 2023, a total of 12,178 final deeds of sale were registered compared to 14,368 deeds in 2021 and 14,331 deeds in 2022. However, the total value of final deeds of sale dropped by only 2.35% in 2023 to €3.22 billion (or €3.05 billion in real terms) compared to the record of just under €3.30 billion (or €3.11 billion in real terms) registered in 2022. Furthermore, the average value per deed of sale reached an all-time high of €0.26 million (or €0.25 million in real terms) compared to €0.22 million in 2021 and €0.23 million in 2022.



8.4 LONG-TERM CARE

Estimates provided by the National Statistics Office[12] show that the total population of Malta as at the end of 2022 stood at 542,051 persons, representing an increase of 4.21% when compared to 2021.[13] Of these, 404,675 persons (or 74.66%) were Maltese whilst 137,376 persons (or 25.34%) were foreign nationals. Furthermore, persons whose age was between 30 years and 69 years represented 55.64% of Malta's population, while persons under the age of 29 years, and persons whose age was 70 years and over represented 31.15% and 13.22% of Malta's population respectively.

Projections prepared by the United Nations Population Division[14] show that Malta's population is expected to continue changing dramatically in the years and decades ahead, with life expectancy to exceed 87 years by 2050 from the current level of circa 84 years, before increasing further and reach 93 years by 2100. Moreover, the median age of Malta's population is projected to increase from the current level of just over 39 years to well over 50 years by 2050 and beyond amid an evident ageing of Malta's population. In fact, almost one-third of Malta's population is expected to be 70 years and older by 2100, whilst persons whose age will be between 30 years and 69 years, and those below 30 years, will represent circa 44% and 24% of the total population.



Against this background, it is expected that both the quantity and the quality of demand for long-term care will continue to intensify, particularly for the services provided by community care centres and other state-run institutions, as well as facilities operated by the Church and the private sector.

[12] **Source:** https://nso.gov.mt/population/.

[13] The population increase of 21,877 persons in 2022 was driven by total net migration of 21,798 persons, of whom just over 83% originated from non-EU countries.

[14] **Source:** Population Division – Department of Economic and Social Affairs, United Nations Secretariat, *World Population Prospects 2022*, available at: https://population.un.org/wpp/.

PART 2 – PERFORMANCE REVIEW

9. FINANCIAL INFORMATION

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

The forecast information is based on future events and assumptions which AX Group 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.

The estimates presented in this Analysis assume that the carrying values of the Group's hotels and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the values in the consolidated Income Statement and the consolidated Statement of Financial Position.

AX Group p.l.c. Income Statement for the financial year 31 October	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Actual €'000**	**2024 Forecast €'000**
Revenue	35,806	38,443	50,293	92,399
Net operating expenses	(29,026)	(31,223)	(42,847)	(72,160)
EBITDA	**6,780**	**7,220**	**7,446**	**20,239**
Depreciation	(6,815)	(6,916)	(9,338)	(9,858)
Adjusted operating profit / (loss)	**(35)**	**304**	**(1,892)**	**10,381**
Investment property revaluation	4,965	1,669	103	-
Operating profit / (loss)	**4,930**	**1,973**	**(1,789)**	**10,381**
Share of results of associates and joint venture	541	849	976	941
Net finance costs	(4,016)	(4,125)	(6,004)	(7,457)
Profit / (loss) before tax	**1,455**	**(1,303)**	**(6,817)**	**3,865**
Taxation	473	1,054	2,996	(1,981)
Profit / (loss) after tax	**1,928**	**(249)**	**(3,821)**	**1,884**
Other comprehensive income				
Gain / (loss) on property revaluation	16,589	(3,587)	3,633	-
Taxation	1,581	2,055	(2,785)	-
Total comprehensive income / (expense)	**20,098**	**(1,781)**	**(2,973)**	**1,884**

AX Group p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
EBITDA margin (%) *(EBITDA / revenue)*	18.94	18.78	14.81	21.90
Operating profit margin (%) *(Adjusted operating profit / revenue)*	(0.10)	0.79	(3.76)	11.23
Net profit margin (%) *(Profit after tax / revenue)*	5.38	(0.65)	(7.60)	2.04
Return on equity (%) *(Profit after tax / average equity)*	0.85	(0.10)	(1.55)	0.77
Return on assets (%) *(Profit after tax / average assets)*	0.53	(0.06)	(0.85)	0.39
Return on invested capital (%) *(Adjusted operating profit / average equity and net debt)*	(0.01)	0.09	(0.50)	2.51
Interest cover (times) *(EBITDA / net finance costs)*	1.69	1.75	1.24	2.71

INCOME STATEMENT

In **FY2021**, total revenues rebounded by 23.23% (or +€6.75 million) to €35.81 million primarily on the back of the income generated from the sale of the residential units at Tarġa Gap Complex and Falcon House.

Malta's rapid vaccination programme launched in May 2021 led to the gradual easing of a number of COVID-19 related restrictions which benefitted the operations of the Group's hospitality division. As a result, this segment experienced a steady improvement in performance particularly during the summer months. Nonetheless, revenue generated from hospitality for the full year decreased by just under €1.0 million to €14.38 million.

Group EBITDA improved considerably and amounted to €6.78 million which translated into a margin of 18.94%. Furthermore, although net finance costs increased by 16.68% to €4.02 million, in view of the upsurge in EBITDA, the interest cover improved to 1.69 times. Meanwhile, as the Group recorded an uplift of €4.97 million in the fair value of its investment property. Coupled with the contribution of €0.54 million from associates and joint venture, the Issuer reported a pre-tax profit of €1.46 million and a net profit €1.93 million. The latter translated into a margin of 5.38% and a return on equity and on assets of 0.85% and 0.53% respectively.

The total comprehensive income for the year amounted to €20.10 million and was boosted by gains of €16.59 million on property revaluations.

In **FY2022**, total revenues increased by 7.36% to €38.44 million largely reflecting the encouraging rebound in tourism throughout the year despite the sharp rise in the number of cases related to the Omicron variant which peaked in late 2021 and early 2022. Indeed, revenues from the hospitality division surged by 58.48% to €22.79 million. Furthermore, the Group recorded higher revenues from its healthcare and construction divisions to €6.14 million (FY2021: €5.68 million) and €7.03 million (FY2021: €6.47 million) respectively. In contrast, the real estate and property rentals division recorded a considerable drop in revenues to €2.31 million (FY2021: €8.89 million) in view of the material one-time property sales accounted for in the 2021 financial year.

The EBITDA of €7.22 million translated into a margin of 18.78% whilst the interest cover improved to 1.75 times despite the slight increase in net finance costs to €4.13 million. Nonetheless, the Group still recorded a pre-tax loss of €1.30 million as the increase in EBITDA and the higher contribution from associates and joint venture which amounted to €0.85 million were dented by the marginal increase in depreciation charges to €6.92 million (FY2021: €6.82 million) and the lower amount of fair value gains of €1.67 million when compared to the prior year. Overall, AX Group posted a net loss of €0.25 million and a total comprehensive expense of €1.78 million.

Revenues surged by 30.80% in **FY2023** to just above €50 million, mainly driven by the contribution of the hospitality division which generated revenues of €36.53 million and representing 72.63% of total income. The healthcare division also registered growth year-on-year (+11.75% to €6.87 million), whilst the construction, and the real estate and property rentals divisions recorded drops in income to €4.15 million and €1.68 million respectively.

Despite the strong double-digit growth in revenues, EBITDA only edged up by 3.13% to €7.45 million which translated into a margin of 14.81%. The notable increase in operating costs took place amid the expansion of the Group's operations. Furthermore, staff costs experienced a substantial year-on-year increase of 59% to €25.89 million (FY2022: €16.28 million) as during FY2022 the Group benefitted from the COVID-19 related wage supplement scheme (€1.48 million), whilst during FY2023 AX Group hired numerous staff members months ahead of the opening of AX ODYCY. This early recruitment strategy allowed sufficient time for comprehensive training of the new staff to meet the AX Hotels standards. Meanwhile, the Group also introduced a retention bonus scheme applicable to all staff members which aims to reward loyal and committed employees for their performance and extended tenure with the Group.

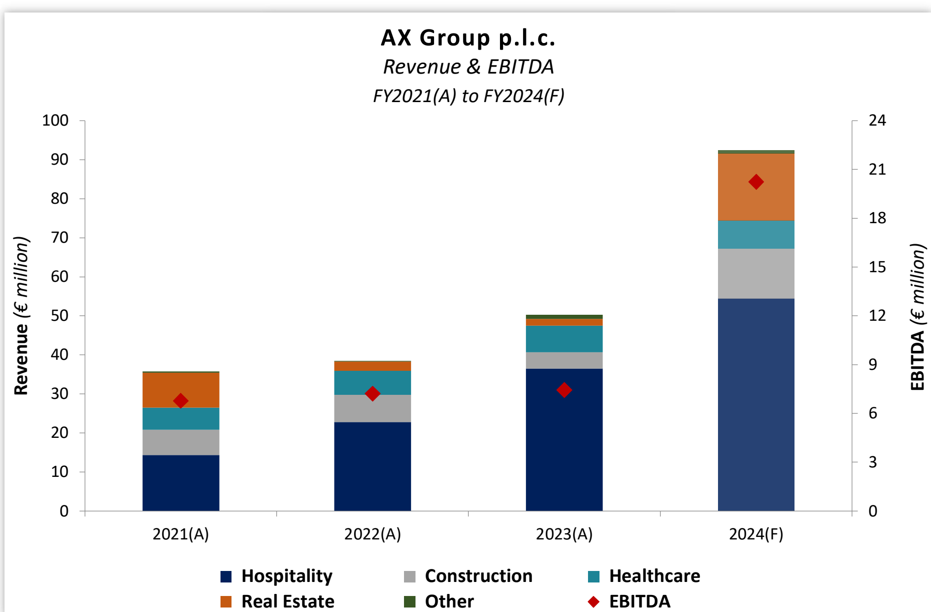
In view of the sharper increase in net finance costs to €6 million than the growth in EBITDA, the interest cover retracted to 1.24 times. Elsewhere, the Group's financial performance was also dented by a substantial increase of 35.02% in depreciation charges to €9.34 million primarily driven by the multi-million investments in the extension and refurbishment of AX ODYCY. On the other hand, the share of results of associates and joint venture increased to €0.98 million, largely reflecting the contribution from the Group's investment in VCP which, during 2023, hosted almost 0.9 million passengers from a total of 312 cruise ship calls.

Overall, AX Group registered a net loss of €3.82 million whilst the total comprehensive expense amounted to €2.97 million as the net loss for the year and a deferred tax charge of €2.79 million were offset by a €3.63 million gain on property revaluations.

For **FY2024**, AX Group is now anticipating total revenues to increase by 83.72% to €92.40 million which is lower than the previously projected figure of €102.93 million. The major year-on-year boost in income is expected to come from the hospitality division which is estimated to generate €54.47 million in income (compared to the prior projection of €49.42 million) representing 58.96% of the Group's total revenues. Likewise, the Group upgraded its revenue forecasts for the construction and healthcare divisions to €12.69 million (previous projection: €7.18 million) and €7.26 million (previous projection: €7.08 million) respectively. Conversely, the expected revenues to be generated from the real estate and property rentals division have been lowered to €17.20 million compared to the previous estimate of €38.80 million amid delays in the completion of Verdala Terraces. As a result, some of the sales of the residential units forming part of Verdala Terraces which were previously anticipated to be concluded in FY2024 will now be accounted for in FY2025.

In view of the downward revision in revenues, EBITDA is now anticipated to amount to €20.24 million compared to the previous estimate of €29.64 million. The updated EBITDA target translates into a margin of 21.90% and leads to an interest cover of 2.71 times on net finance costs of €7.46 million. Meanwhile, net operating expenses and depreciation charges are expected to increase substantially throughout the year to €72.16 million (FY2023: €42.85 million) and €9.86 million respectively reflecting the overall growth in the business, the adverse impact of high inflation, as well as the Group's multi-million investments in property, plant, equipment, and human resources. Furthermore, during FY2023, AX Group made significant digital advancements with enhanced and revamped customised solutions and management systems across all its operating segments that might lead to the installation of a new Enterprise Resource Planning system in FY2024.

After accounting for share of results of associates and joint venture of €0.94 million and tax charges of €1.98 million, the Issuer is expecting to register a net profit of €1.88 million. This would translate into a margin of 2.04%, and a return on equity and on assets of 0.77% and 0.39% respectively.



AX Group p.l.c. Statement of Cash Flows for the financial year 31 October	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Net cash from / (used in) operating activities	2,959	(4,489)	(12,334)	3,977
Net cash used in investing activities	(6,725)	(32,363)	(37,409)	(23,498)
Net cash from financing activities	7,644	42,719	50,494	13,935
Net movement in cash and cash equivalents	**3,878**	**5,867**	**751**	**(5,586)**
Cash and cash equivalents at beginning of year	(166)	3,712	9,579	10,330
Cash and cash equivalents at end of year	**3,712**	**9,579**	**10,330**	**4,744**
Capital expenditure:				
Purchase of PPE	4,910	31,327	36,069	20,948
Acquisition of investment property	1,815	1,036	2,677	2,550
Inventory - Verdala Terraces	-	-	-	-
Free cash flow	**(3,766)**	**(36,852)**	**(51,080)**	**(19,521)**

STATEMENT OF CASH FLOWS

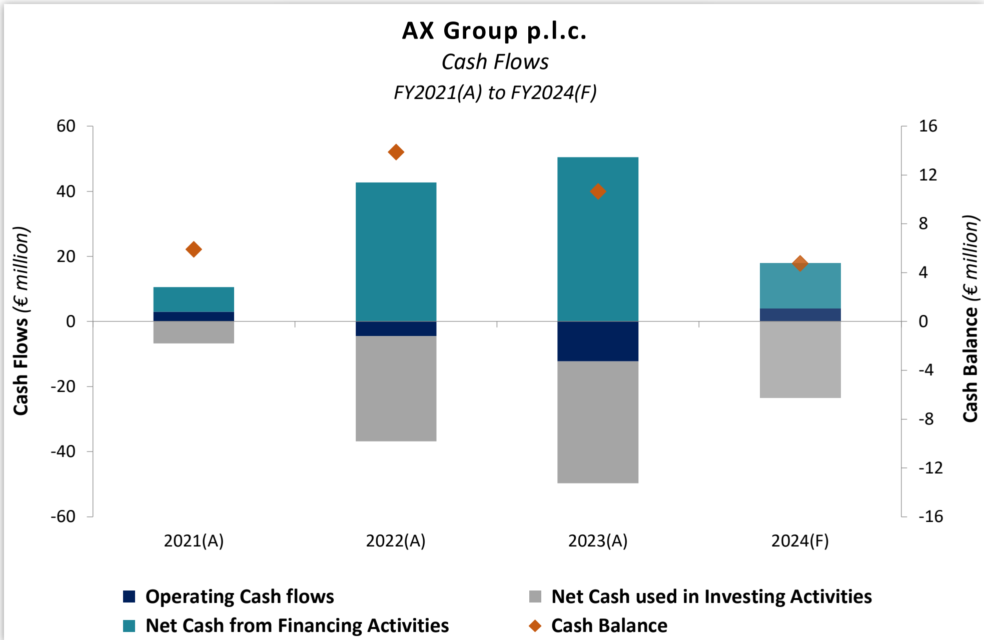
In **FY2021**, net cash from operating activities amounted to €2.96 million compared to a negative €0.59 million in the prior year, on account of an increase in operational activities particularly from the real estate and property rentals division. Furthermore, the Group's cash flows benefitted from lower outflows related to investing activities (amounting to €6.73 million) albeit AX Group raised a lower amount of cash, amounting to €7.64 million, in relation to its financing activities. Overall, the Group's cash position improved to a positive balance of €3.71 million as at 31 October 2021 compared to the negative position of €0.17 million as at the start of the financial year.

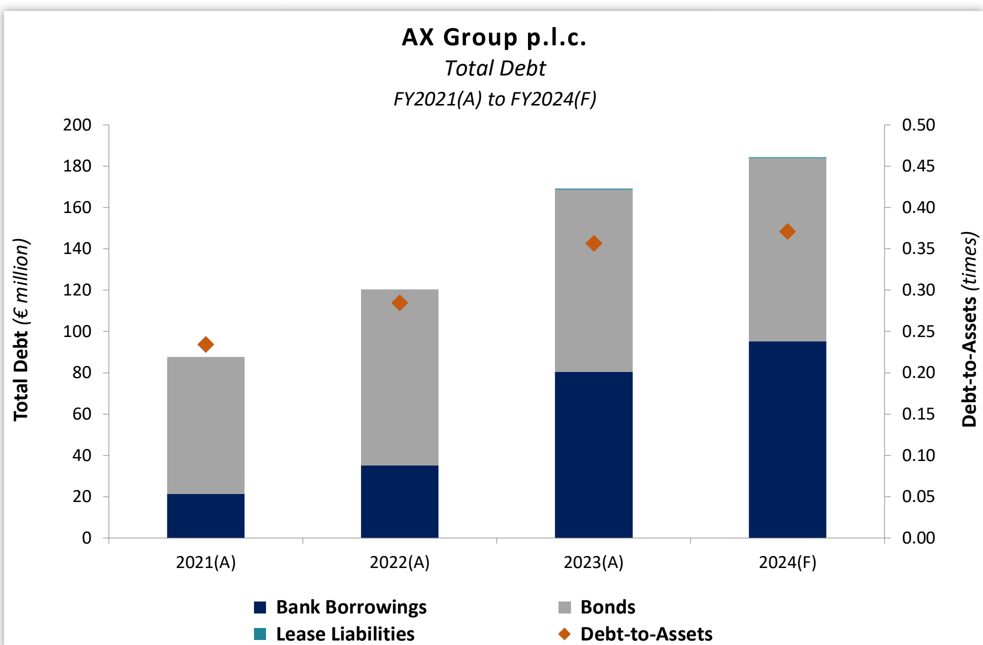
In **FY2022**, the Group used €4.49 million in cash flows for its operating activities largely reflecting the material negative movement in inventories which offset the favourable movement in trade and other payables. However, as AX Group raised €42.72 million from its financing activities which outweighed the outflows of €32.36 million in relation to its investing activities, the Group ended the 2022 financial year with a higher cash balance of €9.58 million.

Net movement in cash and cash equivalents amounted to €0.75 million in **FY2023** compared to €5.87 million in FY2022 as during the year the Group raised €50.49 million in cash from financing activities (mostly through bank borrowings) which marginally offset the amounts of cash used in operating (€12.33 million) and investing activities (€37.41 million).

Of significance, cash flows before changes in working capital amounted to €10.53 million compared to €7.84 million in FY2022, but the Group's operating cash flows were negatively impacted by unfavourable movements in working capital (€16.01 million) as well as the payment of interest (€5.74 million) and tax (€1.11 million). Meanwhile, AX Group also intensified its capital investments as these amounted to €38.75 million in FY2023 compared to €31.33 million in the prior year.

For **FY2024**, the Group is now forecasting an aggregate negative movement in cash and cash equivalents of €5.59 million as the substantial amount of cash to be used in investing activities (€23.50 million) largely relating to the Verdala Project is expected to outweigh the inflows from operating (€3.98 million) and financing activities (€13.94 million). As a result, the Group expects to end the 2024 financial year with a cash balance of €4.74 million compared to €10.33 million as at 31 October 2023.





AX Group p.l.c.				
Statement of Financial Position				
as at 31 October	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	268,546	281,437	324,000	337,105
Investment property	48,446	57,887	61,703	59,003
Inventories	23,195	37,023	-	-
Investments in associates, joint venture, & other non-current assets	9,132	10,014	10,064	11,005
Right-of-use assets	-	-	394	365
	349,319	**386,361**	**396,161**	**407,478**
Current assets				
Inventories	3,510	3,506	49,102	64,471
Trade & other current assets	11,072	19,011	18,108	20,165
Investment property held for sale	4,286	-	-	-
Cash at bank and in hand	5,912	13,881	10,657	4,744
	24,780	**36,398**	**77,867**	**89,380**
Total assets	**374,099**	**422,759**	**474,028**	**496,858**
EQUITY				
Share capital	1,165	1,165	1,165	1,165
Reserves	210,041	209,429	210,401	211,165
Retained earnings	25,224	24,317	19,236	19,764
Non-controlling interest	713	13,312	12,739	12,671
	237,143	**248,223**	**243,541**	**244,765**
LIABILITIES				
Non-current liabilities				
Debt securities	63,955	82,424	45,629	85,086
Bank borrowings	14,939	27,126	68,988	72,411
Trade & other payables	13,300	13,039	11,517	10,350
Deferred tax liabilities	22,286	19,745	20,360	20,425
Lease liabilities	-	-	372	354
	114,480	**142,334**	**146,866**	**188,626**
Current liabilities				
Debt securities	2,317	2,798	42,693	3,649
Bank borrowings	6,474	7,976	11,431	22,814
Trade & other payables	13,685	21,428	29,475	36,981
Lease Liabilities	-	-	22	23
	22,476	**32,202**	**83,621**	**63,467**
Total liabilities	**136,956**	**174,536**	**230,487**	**252,093**
Total equity and liabilities	**374,099**	**422,759**	**474,028**	**496,858**
Total debt	*87,685*	*120,324*	*169,135*	*184,337*
Net debt	*81,773*	*106,443*	*158,478*	*179,593*
Invested capital (total equity plus net debt)	*318,916*	*354,666*	*402,019*	*424,358*

AX Group p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	12.06	14.74	21.28	8.87
Net debt-to-equity (times) *(Net debt / total equity)*	0.34	0.43	0.65	0.73
Net gearing (%) *(Net debt / net debt and total equity)*	25.64	30.01	39.42	42.32
Debt-to-assets (times) *(Total debt / total assets)*	0.23	0.28	0.36	0.37
Leverage (times) *(Total assets / total equity)*	1.58	1.70	1.95	2.03
Current ratio (times) *(Current assets / current liabilities)*	1.10	1.13	0.93	1.41

STATEMENT OF FINANCIAL POSITION

Total assets stood at €374.10 million as at the end of **FY2021** of which €346.49 million comprised property assets as described in Section 4 – Principal Property Assets – of this Analysis. During the year, the net carrying value of properties increased by €21.55 million mainly reflecting the uplifts in the fair value of the Sliema Hotels (+€8.95 million), the Hilltop Complex (+€4.06 million), the Valletta Hotels (+€3.89 million), and the Falcon House offices (+€3.52 million). In the meantime, the portion of the Verdala site that is currently being redeveloped into the Verdala Terraces was reclassified from investment property to non-current inventories.

Trade and other current assets increased to €11.07 million due to an increase in operating activities within the hospitality division as well as an increase in accrued income emanating from the construction division. Investment property held for sale amounted to €4.29 million and related to the previous head office of the Group situated in Lija (AX House).

Total liabilities increased by €5.75 million to €136.96 million. During the year, bank borrowings increased by €8.85 million to €21.41 million while deferred tax liabilities decreased by €2.41 million to €22.29 million due to an increase in deferred tax assets on unutilised capital allowances and tax losses which were partly offset by an increase in deferred tax liabilities on revaluation of properties.

All the principal debt ratios remained virtually unchanged year-on-year, except for the net debt-to-EBITDA multiple which dropped to 12.06 times reflecting the partial rebound from the material negative impact of the COVID-19 pandemic on the Group's profitability in FY2021. Furthermore, the current ratio improved to 1.10 times on account of an increase in trade receivables and cash balances.

Total equity increased by almost €20 million to €237.14 million, principally due to the material gain on property revaluation which positively impacted the total comprehensive income of the Group.

During **FY2022**, total assets increased by 13.01% to €422.76 million largely reflecting higher levels of property, plant, and equipment ("**PPE**") (+4.80% to €281.44 million); investment property (+19.49% to €57.89 million); inventories (+59.62% to €37.02 million); and trade and other current assets (+71.70% to €19.01 million). During the year, the Group continued with the execution of the projects in Qawra and Rabat and pursued the renovation of Palazzo Lucia apart from concluding the acquisition of the La Ferla Building in Sliema.

Total liabilities also increased markedly to €174.54 million mainly on the back of the higher level of debt which grew by 37.22% (or +€32.64 million) to €120.32 million (31 October 2021: €87.69 million). Despite the further expansion in the Group's equity base to €248.22 million (+4.67%), the net gearing ratio climbed to just over 30% (31 October 2021: 25.64%) whilst the net debt-to-equity and debt-to-asset ratios increased to 0.43 times and 0.28 times respectively from 0.34 times and 0.23 times as at the end of FY2021. Furthermore, the net debt-to-EBITDA multiple rose to 14.74 times despite the 6.51% increase in EBITDA generated during the year.

The Group's asset base expanded further in **FY2023** to €474.03 million (+€51.27 million) reflecting the increase in property (+€54.96 million to €432.62 million) which offset the lower balance of trade and other current assets (-€0.90 million to €18.11 million) and cash balances (-€3.22 million to €10.66 million). The impact of property revaluation during the year only amounted to €3.74 million whilst the sharpest year-on-year movement in the value of property related to the Qawra Hotels (+€35.85 million to €147 million) and the Verdala Project (+€18.60 million to €63.33 million).

Total liabilities increased in line with the growth in assets and amounted to €230.49 million as at 31 October 2023. Of significance, total debt approached the €170 million level largely due to the higher level of bank borrowings which increased by €45.32 million to €80.42 million compared to €35.10 million as at the end of FY2022. In this regard, in January 2023, the Group obtained bank funding amounting to €48.50 million for the completion of the project related to the extension and refurbishment of AX ODYCY. Furthermore, in February 2023, the Group also obtained a €36 million bank loan to finance the development of the Verdala Terraces.

The Group's equity base contracted by 1.89% in FY2023 to €243.54 million. Coupled with the increase in debt, all principal credit metrics deteriorated during the year in line with previous forecasts as the net gearing ratio moved to 39.42% whilst the net debt-to-equity ratio reached 0.65 times. Likewise, the debt-to-asset ratio and the leverage ratio trended higher to 0.36 times and 1.95 times respectively. Furthermore, despite the higher level of EBITDA generated during the year, the net debt-to-EBITDA multiple increased considerably to 21.28 times. In this regard, the Group considers the deterioration in its credit metrics to be temporary, as they are projected to revert to historical norms post FY2024 upon the completion of the Verdala Project and the recognition of the sales of the Verdala Terraces.

Total assets are expected to increase by 4.82% (or +€22.83 million) in **FY2024** to €496.86 million largely driven by the forecasted year-on-year increase in the value of PPE (+€13.11 million to €337.11 million) and inventories (+€15.37 million) which will outweigh the drop in cash and investment property. The latter is due to the reclassification of Villa Vistana as inventory as the Group expects to sell this property in the short term.

Total liabilities are estimated to increase by 9.37% (or +€21.61 million) to €252.09 million, mostly due to the forecasted rise in trade and other payables (+€7.51 million to €36.98 million) and bank borrowings (+€14.81 million to €95.23 million) taken on for the purpose of financing the Group's multi-million investments. Although the Group's equity base is anticipated to expand by 0.50% to €244.77 million, given the sharper increase in indebtedness, most of the Issuer's credit metrics are expected to deteriorate including the net debt-to-equity ratio and the net gearing ratio which are forecasted to trend higher to 0.73 times and 42.32% respectively. Likewise, the debt-to-assets ratio and the leverage ratio are estimated to climb to 0.37 times and 2.03 times respectively. Nonetheless, the sharpest year-on-year change is projected to be in the net debt-to-EBITDA multiple whereby this is expected to fall considerably to 8.87 times on the back of the boost in profitability mainly resulting from the full year contribution from AX ODYCY and the profits to be made on the sale of some of the units forming part of the Verdala Terraces.

10. VARIANCE ANALYSIS

The following is an analysis of the major variances between the forecast financial information for the year ended 31 October 2023 included in the Analysis dated 26 September 2023, and the audited consolidated annual financial statements for the year ended 31 October 2023.

AX Group p.l.c. **Income Statement** **for the financial year 31 October**	**2023** **Actual** **€'000**	**2023** **Forecast** **€'000**
Revenue	50,293	50,696
Net operating expenses	(42,847)	(40,959)
EBITDA	**7,446**	**9,737**
Depreciation	(9,338)	(7,352)
Adjusted operating profit / (loss)	**(1,892)**	**2,385**
Investment property revaluation	103	-
Operating profit / (loss)	**(1,789)**	**2,385**
Share of results of associates and joint venture	976	(127)
Net finance costs	(6,004)	(5,246)
Loss before tax	**(6,817)**	**(2,988)**
Taxation	2,996	(341)
Loss after tax	**(3,821)**	**(3,329)**
Other comprehensive income		
Gain / (loss) on property revaluation	3,633	-
Taxation	(2,785)	-
	848	**-**
Total comprehensive expense	**(2,973)**	**(3,329)**

Although the Group's revenue figure of €50.29 million was in line with the target of €50.70 million, the Issuer reported an operating loss of €1.79 million compared to the forecasted operating profit of €2.39 million. The main reasons for this variance were:

(i) higher than expected operating expenses, mostly due to the introduction of a new employee retention scheme as well as the early recruitment strategy that the Group adopted prior to the reopening of AX ODYCY which allowed sufficient time for comprehensive training of the new staff to meet the AX Hotels standards; and

(ii) higher than estimated depreciation charges mainly related to the Group's new projects.

Meanwhile, the Group's share of results of associates and joint venture stood at €0.98 million compared to the estimated share of loss of €0.13 million. The positive variance was principally related to the better-than-expected performance of VCP which was linked to the strong recovery of the cruise line industry following the end of the COVID-19 pandemic.

During FY2023, the Group incurred higher net finance costs of €6 million compared to the forecasted figure of €5.25 million namely in view of higher bank fees and a lower amount of capitalised interest costs. On the other hand, the income tax credit of just under €3 million was largely the result of the reported pre-tax loss of €6.82 million.

AX Group p.l.c.		
Statement of Cash Flows		
for the financial year 31 October	**2023**	**2023**
	Actual	**Forecast**
	€'000	**€'000**
Net cash from / (used in) operating activities	(12,334)	6,166
Net cash used in investing activities	(37,409)	(65,770)
Net cash from financing activities	50,494	52,475
Net movement in cash and cash equivalents	**751**	**(7,129)**
Cash and cash equivalents at beginning of year	9,579	9,579
Cash and cash equivalents at end of year	**10,330**	**2,450**
Capital expenditure:		
Purchase of PPE	36,069	46,264
Acquisition of investment property	2,677	6,114
Inventory - Verdala Terraces	-	13,391
Free cash flow	**(51,080)**	**(59,603)**

AX Group ended the 2023 financial year with a much higher cash balance of €10.33 million compared to the forecasted figure of €2.45 million. Purchase of PPE and acquisition of investment property were €13.63 million less than estimated, whilst the inventory related to the Verdala Terraces (development work done) was accounted for within operating cash flows rather than part of cash used in investing activities as previously included in the forecasts.

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

(1) Within total assets, inventory related to the Verdala Terraces was classified as part of current assets in view of the availability of the property placed on the market. Furthermore, besides the higher cash balances, the Group also ended the 2023 financial year with circa €18 million in trade and other assets compared to the estimated figure of €12.34 million.

(2) Total liabilities amounted to €230.49 million as at 31 October 2023 compared to the forecasted figure of €223.06 million. Although the Group's total indebtedness amounting to €169.14 million was in line with the estimated figure of €169.65 million, trade and other payables exceeded forecasts by a net amount of €7.33 million.

AX Group p.l.c. Statement of Financial Position as at 31 October	2023 Actual €'000	2023 Forecast €'000	
ASSETS			
Non-current assets			
Property, plant & equipment	324,000	327,157	
Investment property	61,703	61,625	
Inventories	-	48,617	
Investments in associates, joint venture, & other non-current assets	10,064	10,382	
Right-of-use assets	394	-	
	396,161	**447,781**	(1)
Current assets			
Inventories	49,102	3,674	
Trade & other current assets	18,108	12,335	
Cash at bank and in hand	10,657	2,450	
	77,867	**18,459**	(1)
Total assets	**474,028**	**466,240**	
EQUITY			
Share capital	1,165	1,165	
Reserves	210,401	209,429	
Retained earnings	19,236	19,548	
Non-controlling interest	12,739	13,040	
	243,541	**243,182**	
LIABILITIES			
Non-current liabilities			
Debt securities	45,629	84,615	
Bank borrowings	68,988	77,523	
Trade & other payables	11,517	12,384	
Deferred tax liabilities	20,360	19,745	
Lease liabilities	372	-	
	146,866	**194,267**	
Current liabilities			
Debt securities	42,693	1,303	
Bank borrowings	11,431	6,208	
Trade & other payables	29,475	21,280	
Lease Liabilities	22	-	
	83,621	**28,791**	
Total liabilities	**230,487**	**223,058**	(2)
Total equity and liabilities	**474,028**	**466,240**	
Total debt	*169,135*	*169,649*	
Net debt	*158,478*	*167,199*	
Invested capital (total equity plus net debt)	*402,019*	*410,381*	

PART 3 – COMPARATIVE ANALYSIS

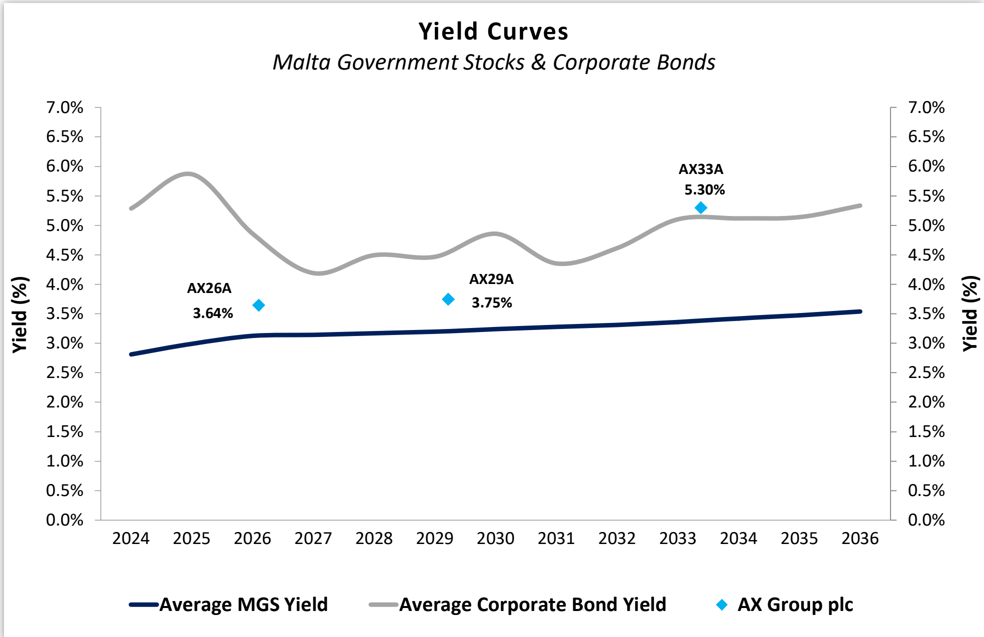
The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the 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	3.09	2.21	9.47	51.49	0.43
5.10% 1923 Investments p.l.c. Unsecured 2024	36,000	6.59	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	6,106	2.65	13.29	4.71	63.61	0.65
5.75% International Hotel Investments p.l.c. Unsecured 2025	45,000	5.74	1.87	11.42	41.92	0.40
5.10% 6PM Holdings p.l.c. Unsecured 2025**	13,000	6.74	16.04	0.65	17.79	0.20
4.50% Hili Properties p.l.c. Unsecured & Guaranteed 2025	37,000	4.48	1.80	12.53	45.87	0.46
4.35% Hudson Malta p.l.c. Unsecured & Guaranteed 2026	12,000	4.67	6.11	4.89	71.67	0.57
4.25% CPHCL Finance p.l.c. Unsecured & Guaranteed 2026	40,000	4.17	1.66	12.42	42.45	0.40
4.00% International Hotel Investments p.l.c. Secured 2026	55,000	4.46	1.87	11.42	41.92	0.40
5.00% Dizz Finance p.l.c. Unsecured & Guaranteed 2026	8,000	4.99	1.91	10.70	79.93	0.59
3.75% Premier Capital p.l.c. Unsecured 2026	65,000	4.16	11.25	2.09	61.67	0.56
4.00% International Hotel Investments p.l.c. Unsecured 2026	60,000	4.40	1.87	11.42	41.92	0.40
3.25% AX Group p.l.c. Unsecured 2026	15,000	3.64	1.24	21.28	39.42	0.36
3.90% Gap Group p.l.c. Secured & Guaranteed 2024-2026	20,700	3.89	33.21	4.85	56.20	0.69
4.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2027	50,000	4.02	4.64	4.84	69.79	0.63
4.35% SD Finance p.l.c. Unsecured & Guaranteed 2027	65,000	3.99	4.68	1.74	22.08	0.26
4.00% Eden Finance p.l.c. Unsecured & Guaranteed 2027	40,000	4.54	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2027	30,000	4.59	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance p.l.c. Secured & Guaranteed 2027	45,000	3.99	5.61	4.81	28.97	0.26
4.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2025-2027	15,000	4.74	13.29	4.71	63.61	0.65
4.75% Gap Group p.l.c. Secured & Guaranteed 2025-2027	23,000	4.74	33.21	4.85	56.20	0.69
3.85% Hili Finance Company p.l.c. Unsecured & Guaranteed 2028	40,000	3.85	4.64	4.84	69.79	0.63
5.85% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2028	20,000	5.18	3.79	3.30	22.75	0.21
5.75% PLAN Group p.l.c. Secured & Guaranteed 2028	12,000	4.54	6.50	12.28	56.64	0.55
3.65% Stivala Group Finance p.l.c. Secured & Guaranteed 2029	15,000	3.77	5.61	4.81	28.97	0.26
3.80% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.66	4.64	4.84	69.79	0.63
3.75% AX Group p.l.c. Unsecured 2029	10,000	3.75	1.24	21.28	39.42	0.36
6.25% GPH Malta Finance p.l.c. Unsecured & Guaranteed 2030	18,144	5.54	1.73	7.63	93.89	0.75
3.65% International Hotel Investments p.l.c. Unsecured 2031	80,000	4.93	1.87	11.42	41.92	0.40
3.50% AX Real Estate p.l.c. Unsecured 2032	40,000	5.08	2.04	12.44	49.30	0.45
5.00% Mariner Finance p.l.c. Unsecured 2032	36,930	4.57	4.72	5.95	49.91	0.49
5.85% AX Group p.l.c. Unsecured 2033	40,000	5.30	1.24	21.28	39.42	0.36
6.00% International Hotel Investments p.l.c. Unsecured 2033	60,000	5.32	1.87	11.42	41.92	0.40
4.50% The Ona p.l.c. Secured & Guaranteed 2028-2034	16,000	4.57	44.17	9.76	64.11	0.59
5.50% Juel Group p.l.c. Secured & Guaranteed 2035	32,000	5.14	3.35	11.26	55.24	0.51

As at 15 April 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 PLAN Group p.l.c. (FY2023 - forecast) and Juel Group p.l.c. (FY2024 – forecast).



The closing market price as at 15 April 2024 for the **3.25% AX Group p.l.c. unsecured bonds 2026** (AX26A) was 99.00%. This translated into a yield-to-maturity ("YTM") of 3.64% which was 121 basis points below the average YTM of 4.86% 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 52 basis points.

The closing market price as at 15 April 2024 for the **3.75% AX Group plc unsecured bonds 2029** (AX29A) was 100.00%. This translated into a yield-to-maturity ("YTM") of 3.75% which was 72 basis points below the average YTM of 4.47% 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 55 basis points.

The closing market price as at 15 April 2024 for the **5.85% AX Group plc unsecured bonds 2033** (AX33A) was 104.02%. This translated into a yield-to-maturity ("YTM") of 5.30% which was 19 basis points above the average YTM of 5.10% 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 194 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.