



VBL p.l.c.

**Interim Directors' Report and Interim Consolidated Financial
Statements (unaudited)**

For the six-month period from 1 January 2023 to 30 June 2023

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VBL p.l.c. INTERIM DIRECTORS' REPORT

Accounts

The Directors present their interim report for the period from 1st January 2023 to 30th June 2023, pursuant to Listing Rules Capital Markets Rule 5.75.2.

The financial figures for the interim reporting period have been extracted from the unaudited consolidated financial statements of VBL p.l.c. (the "Company") for the period ended 30th June 2023 and the comparative period for the year 2022. The comparative balance sheet information is at 31st December 2022, and has been extracted from the audited financial statements of the VBL Group (as hereunder defined) for the year ended on that date.

This interim Directors' report is being published in terms of Capital Markets Rule 5.74 issued by the Malta Financial Services Authority and has been prepared in accordance with the applicable Capital Markets Rules and applicable IFRS standards.

In terms of Capital Markets Rule 5.75.5, the Directors are stating that this Interim Directors' Report and Financial Statements have not been audited or reviewed by the Company's independent auditors.

Principal activities of VBL p.l.c.

VBL p.l.c. is a major property owner in Valletta. The Company and its fully owned subsidiaries the "VBL Group" or "Group" are involved in the full process of real estate acquisitions, integrated real estate development, property management, operations, utilization (rental) and disposal of properties. The Company's main market of operation is Valletta, which is a UNESCO world heritage site, and is a protected, unique fortified city, a cultural hub, the political and administrative centre of Malta.

Since foundation, the Group has established itself as one of the most active investors in immovable property in Valletta. VBL Group has a successful track record of identifying, acquiring, renovating and managing real estate all around Valletta and has built a substantial asset portfolio covering all major property segments, such as residential, hospitality, commercial and office space.

The Group has developed significant in-house capabilities, including fully integrated skills and management structure with large range of professional skills in each of the principal areas of activities undertaken by the Group, spanning the asset acquisition, asset development, management and operation activities. The Group maintains vertically integrated business process, based on a very well defined and focused target market - the city of Valletta, where it has proven skills to deliver on all aspects of the whole business cycle, whereby ensuring acquisitions at very competitive terms, high quality of products and/or services based on established integrated in-house systems and structures, supported by outsourced services provided by a selection of trusted long-term business partners and sub-contractors, to ensure high efficiency and to reduce dependency on more vulnerable, short-term commercial relations, thus also ensuring that maximum benefit is derived from all margins.

Currently only less than 30% of the Group's owned properties are renovated and operational, while the remaining owned properties are currently being in process of renovation or prepared for development in the next development phase, which aims to ensure continuous growth in the square meters of operational assets.

Dividends

Final dividends of €180,000 were approved by the Shareholders at the Annual General Meeting held in July 2022 and details communicated to the public in the relevant company announcements. The approved dividend confirms the Company's commitment for continuous divided payment to shareholders, along the previously announced policy.

Review of the Financial and Business Performance for the Period

The period from 1st January 2023 to 30th June 2023 shows significant improvement in hospitality operational performance compared to the same period of the previous year, reflecting the general market conditions and operational achievements.

Overall, the hospitality segment operations benefited from the significantly improved tourism industry performance in the EU and Malta, including record first quarter performance of 2023, figures confirming the improving trends in terms of inbound tourism, flight occupancy, flight numbers, total nights spent and total expenditure per stay¹. The continuously improving general market conditions reflect in VBL Group's hospitality arm KPIs, which have shown a continuous improvement over the past few years, from the occupancy and GOP levels per available unit, to significantly higher revenues and profitability, and also compared to the same period of last year.

In the reporting period, VBL Group registered revenues of €1,465,918, of which approximately 13% is not hospitality related. This is an increase of 64% on the previous year's comparative period. The Company achieved an EBITDA of €531,526 for the period of the interim report. This compares to revenue of €894,884 and an EBITDA of €47,907 in the corresponding period of the previous year. This performance indicates that in a normalized operational environment and general market conditions in which the Company operated in the reporting period, full recovery from last year's disruptions has been achieved. The reported actual results, therefore, better represent the real operational potential of the business. Operational EBITDA (€190,331) increased close to 3-times from the previous year (€47,907), and Operational EBITDA margin increased to 13% (first half 2022: 5%). Cost control and cost efficiency are still key priorities, especially in operational cost areas of human resources and procurement.

In reviewing the financial results for the first six months of 2023, one should also note the following important factors:

- The Company does not recognize half-yearly Investment Income results arising from revaluation of properties, based on developments and renovations realized or adjustments to fair market value, which are carried out annually, at the end of the financial year and reflected in the annual audited accounts. Period Investment income is resulting from new acquisitions or additions.
- The Company has realized a lower than planned CAPEX for the period, as it has experienced interim delays in some development works, which are expected to be recovered in the mid- to long-term period and reach the originally projected levels by the end of the current development cycle. These interim delays are not expected to have a major impact on the overall development programme of the Group and the execution of the long-term plans are in progress as envisioned.
- The Company's long-term consolidated performance (revenues and profitability) is expected to remain on an improving track and forecasted to converge to the long-term projections in the mid- and long-term.
- The Profit/Loss before and after-tax figures for the period are presented without considering the effect of the Investment Income (valuation of assets are carried out annually), which currently amounts to €259,866 (up from the same period of the previous year of negative €129,943).
- The consolidated Balance Sheet recognizes the changes stemming from development and improvements carried out in the Investment Property (€945,793), which largely explains the increase in Non-Current Assets.
- Any other balance sheet value adjustments are assessed and reflected on an annual basis, at the end of each financial year.

State of Affairs and Outlook

The Company continues its development and growth along the defined strategic objectives. The implementation of the key projects is on track, and it remains in a strong financial position. Its interim financial performance shows that the realized growth in revenues and profitability is in line with the expectations and the overall tourism industry performance during the reporting period. The VBL Group's main investment and renovation projects are being executed along the announced plans and although interim delays have occasionally occurred or may occur in the future, the results of the current reporting period confirmed the forecasted growth through the introduction of VBL owned, newly developed units to the operational portfolio. The existing annual and business development projections remain

¹ source: NSO, MHRA Quarterly reports

supported by the strong global tourism market trends, very strong local actual results from the beginning of year 2023, in terms of passenger statistics and tourist arrivals, as also evidenced by the recent reports by MHRA and other professional organizations². In any case, the Company's directors and management remains entirely focused on achieving the declared development objectives, revenue targets and maintaining tight cost discipline while ensuring that the renovation and development projects continue progressing as per the long-term plans. The Company has continued exploring the financing and investment markets and has ensured competitive financing facilities for the financing of the long-term development plans. There are currently various market challenges affecting the operational performance, such as labour market supply and work force shortages, particularly in the hospitality segment. Local and global inflationary pressure are affecting all areas of the economic environment, including the supply of materials and services. These considerations are considered a general industry strain and not specific to the VBL Group albeit affecting its operations. The Company has taken various mitigating actions and aims to resolve in the best possible way all known and expected market challenges, at Group's own level. The development CAPEX and timing is adjusted to assure that the necessary liquidity levels are secured and that financial stability at operational level is maintained at all times. In terms of cash reserves and bank balances, as at the end the reporting period, VBL Group has had sufficient liquidity resources to support stable and uninterrupted operations on a going concern level.

The Company's long-term projections are currently considered achievable and not overly ambitious in the present market environment. The various experienced interim delays are expected to be recovered and long-term operational results shall reach the previously predicted levels. The management of the Company's operational liquidity and periodical financial planning remains based on conservative revenue expectations. It is considered that the recent high inflationary environment and significant global political and economic uncertainty may result in increased operational and financial risks in the future periods, however at this stage and based on the currently available information, directors are at the opinion that the previously announced mid and long-term projections are considered realistic and sustainable at Company's level.

Material, post reporting period events

There were no specifically known materially important events that may adversely affect the Company's long-term outlooks which occurred since the end of the reporting period, which may require disclosure in this report. The long-term effects of the above explained local and global economic developments cannot yet be assessed and might have a future negative impact on the VBL Group's business beyond the course of 2023.

Future Developments

The VBL Group plans to continue implementing its defined strategy and maintain its dynamic growth by realising its renovation and development plans, and maintaining its clear focus on its core market, Valletta, while continuing to focus on the renovation and development of the already owned assets, specifically those already being in progress and with full development permits. The VBL Group aims to continue improving further the capacity utilization and financial performance of its developed assets, in line with the announced long-term business strategy and financial plans.

Board of Directors

The Board of Directors of the Company at the end of the reporting period consists of the following Directors:

Dr. Andrei Imbroll, Chairman, Executive Director
Dr. Geza Szephalmi, Chief Executive Officer and Executive Director
Mr. Julian Tzvetkov, Chief Financial Officer and Executive Director
Mr. Arthur Haze, Non-Executive Director, Member of the Audit Committee
Mr. David Galea Souchet, Non-Executive Director, Member of the Audit Committee
Ms. Isabella Vella, Non-Executive Director, Chairperson of the Audit Committee

² MHRA quarterly reports

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At the Annual General Meeting of the Company held on the 6th July 2023, Mr John Attard has been appointed as Non-Executive Director of VBL plc.

Auditors

The Company's auditors in the reporting period, as appointed by the Annual General Meeting are RSM Malta.

INTERIM STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Notes	Jan-June 2023 €	Jan-June 2022 €
Revenue	4	1,465,918	894,884
Investment income		341,195	
Cost of sales	5	(766,405)	(456,323)
Gross profit		1,040,708	438,561
Other operating income		11,295	-
Other Direct Costs		(15,930)	-
Administrative expenses	5	(504,547)	(390,654)
Earnings before interest, tax, depreciation and amortization		531,526	47,907
<i>Earnings before interest, tax, depreciation and amortization (Operational)</i>		190,331	47,907
Depreciation and amortization	5	(151,607)	(147,963)
Operating profit		379,919	(100,056)
Interest receivable		6,728	3,933
Finance costs		(126,783)	(33,820)
Profit/Loss before income tax		259,866	(129,943)
Income tax (expense)/credit		-	-
Profit/Loss for the period		259,866	(129,943)
Total comprehensive profit/loss for the period		259,866	(129,943)

*Note: Interim Statement of Comprehensive Income does not reflect periodic updates of the 'Investment Income', arising from revaluation of properties based on developments and renovations realized or adjustments to fair market value, which are carried out annually, at the end of the respective financial year. Hence for the period only the additions and acquisitions are reflected and no changes to the fair market value in the Investment Property resulting from revaluations or development of assets has been recognized and is recorded in the profit or loss of the reporting period.

INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)

	Notes	30 June 2023 €	31 December 2022 €
ASSETS			
Non-current asset			
Intangible assets		118,027	114,644
Property, plant and equipment		827,423	852,618
Investment properties		74,609,433	73,663,640
Investment in subsidiaries		1,200	1,200
Loans receivable		116,810	113,711
Deferred tax assets		225,451	225,451
Non-current asset held for sale		512,772	510,000
		76,411,116	75,481,264
Current assets			
Inventories		3,320	271,176
Current tax receivable		0	14,968
Trade and other receivables	6	322,080	402,429
Cash and cash equivalents	7	873,695	1,347,348
		1,199,095	2,035,921
TOTAL ASSETS		77,610,211	77,517,185
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	49,608,529	49,608,529
Share premium		1,017,446	1,017,446
Other reserves		335,145	352,646
General reserves		1,218	1,218
Retained earnings		12,903,183	12,625,816
TOTAL EQUITY		63,865,521	63,605,655
Non-current liabilities			
Long-term borrowings		7,916,415	7,877,586
Lease Liabilities		270,741	286,253
Deferred tax liabilities		4,165,673	4,165,673
Trade and other payables		86,477	88,775
		12,439,306	12,418,287
Current liabilities			
Short-term borrowings		339,528	337,671
Lease Liabilities		20,856	13,538
Trade and other payables		945,000	1,142,034
		1,305,384	1,493,243
TOTAL LIABILITIES		13,744,690	13,911,530
TOTAL EQUITY AND LIABILITIES		77,610,211	77,517,185

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STATEMENT OF CHANGES IN EQUITY (unaudited)

	Share capital €	Share premium €	Other reserves €	General reserves €	Retained earnings €	Total €
Balance at 1 January 2023	49,608,529	1,017,446	352,646	1,218	12,625,816	63,605,655
Total comprehensive loss						
- Profit for the year					259,866	259,866
- Depreciation of revaluation reserve			(17,501)		17,501	-
	-	-	(17,501)	-	277,367	259,866
Balance at 30 June 2023	49,608,529	1,017,446	335,145	1,218	12,903,183	63,865,521

INTERIM STATEMENT OF CASH FLOWS (unaudited)

	Jan-June 2023 €	Jan-June 2022 €
Cash flows from operating activities		
Profit before tax	259,866	(129,943)
Depreciation and amortisation	151,607	147,963
Fair value movement on investment property	(341,195)	
Interest income	(6,728)	(3,933)
Interest expense	126,781	33,820
Cash generated before working capital changes	190,331	47,907
Increase/(decrease) in inventories	(2,142)	
Increase in trade and other receivables	100,162	80,969
Increase/(decrease) in trade and other payables	65,481	539,576
Net cash from/(used in) operating activities	353,832	668,452
Cash flows used in investing activities		
Purchase of intangible assets	(25,000)	(7,150)
Purchase of tangible fixed assets	(11,206)	(1,107,499)
Purchase of improv. re. non-current assets held for sale	(2,772)	
Proceeds from sale of investment	270,000	
Purchase of fixed asset investments	(698,193)	
Net cash used in investing activities	(467,171)	(1,114,649)
Cash flows from financing activities		
Interests paid	(126,782)	-
Dividends paid	-	(154,241)
Borrowings	(233,532)	(157,413)
Net cash used in financing activities	(360,314)	(311,654)
Net increase in cash and cash equivalents	(473,653)	(757,851)
Cash and cash equivalents at beginning of the Year	1,347,348	1,947,792
Cash and cash equivalents at end of period	873,695	1,189,941

NOTES AND EXPLANATIONS TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2023 TO 30 JUNE 2023

1. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim Consolidated Financial Statements are the same as those adopted in the preparation of the Consolidated Audited Financial Statements for the year ended 31 December 2022.

2. Investment property

Investment property is considered a property as defined in the Audited Annual Consolidated Accounts of the Company and is held to earn rentals or for capital appreciation or both. Investment properties are valued annually, usually at the end of the financial year and revaluation changes are reflected in the annual audited accounts. Therefore, it is to be noted that in the profit or loss of the reporting period only the acquisitions and new additions related changes are presented and no changes to fair value from revaluation or development of assets are reflected as Investment Income in the period. According to the best knowledge of the Directors there are no material adverse impact in the Investment property category since Consolidated Audited Financial Statements for the year ended 31 December 2022.

3. Related parties

Related parties are those persons or bodies of persons having relationships with the Group as defined in IAS 24. The related parties and the volume and type of related party transactions are considered materially the same in the reporting period as they were disclosed in the Consolidated Audited Financial Statements of the Company, disclosed at the end for the previous year.

4. Revenues

	Jan-June 2023 €	Jan-June 2022 €
Rental Revenue	1,423,078	860,936
Management Fees	42,840	33,188
Other revenues	0	760
	1,465,918	894,884

5. Expenses by Nature

	Jan-June 2023 €	Jan-June 2022 €
Direct Costs	766,405	456,323
Staff Costs	180,150	156,014
Auditors' remuneration	8,500	8,250
Depreciation and amortisation	151,607	147,963
Other administrative expenses	315,897	226,390
	1,422,559	994,940

6. Trade and other receivables

	Jan-June 2023 €	Jan-Dec 2022 €
VAT refundable	1,178	14,015
Trade & Other receivables (i)	251,148	270,157
Prepayments and accrued income	69,754	118,257
	322,080	402,429

(i) Trade receivables are non-interest bearing and are generally on a 30-day term.

7. Cash and Cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Jan-June 2023 €	Jan-Dec 2022 €
Cash at bank and in hand	873,695	1,347,348

8. Share Capital

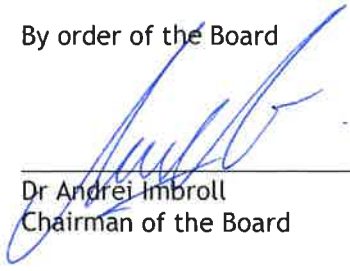
	Jan-June 2023 €	Jan-Dec 2022 €
Authorised:		
330,000,000 Ordinary shares of €0.20 each	66,000,000	66,000,000
Issued and fully paid:		
248,042,645 Ordinary shares of €0.20 each	49,608,529	49,608,529

Share capital status, both Authorised and Issued, remained unchanged from the status as at 31 December 2022.

Statement Pursuant to Capital Markets Rules 5.75.3

The directors of the Company (as listed under the heading "Board of Directors" above) confirm that to the best of our knowledge, the interim unaudited consolidated financial statements of VBL Plc. comply with the requirements of the Capital Markets Rules and give a true and fair view of the financial position of the Company's affairs as at 30 June 2023, and of its assets, liabilities financial position and profit and loss for the six-month period of the year, in accordance with the applicable International Financial Reporting Standards, as adopted by the Company and detailed in the Consolidated Audited Financial Statements, and the interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

By order of the Board



Dr Andrei Imbroll
Chairman of the Board

28th August 2023