



VBL Plc.

Interim Directors' Report and Interim Consolidated Financial Statements
(Unaudited)

For the six-month period from 1st January 2024 to 30th June 2024

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VBL Plc. INTERIM DIRECTORS' REPORT

Accounts

The Directors present their interim report for the period from 1st January 2024 to 30th June 2024, 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 Plc. (the "Company") for the period ended 30th June 2024 and the comparative period for the year 2023. The comparative balance sheet information is at 31st December 2023, 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 Plc.

VBL Plc. 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 touristic, cultural and historic 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 operational activities. The Group maintains a 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. This ensures efficient renovation and restoration of properties, 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. The systems and processes have been developed to ensure high efficiency and reduced dependency on more vulnerable, short-term commercial relations, thus ensuring that maximum benefit is derived from all margins.

Currently about 30% of the Group's owned properties are renovated and operational, while the remaining owned properties are in process of renovation or being prepared for development in the next development cycle(s), which aims to ensure continuous growth in the square meters of operational and revenue generating assets, owned by the Group.

Dividends

Final dividends of €200,000, relating to year 2023, were proposed by the Board of Directors on their meeting as of 5th June 2024, and were approved by the Shareholders at the Annual General Meeting held on the 26th July 2024, the relevant details have been communicated to the public in the relevant Company Announcements. The approved dividend confirms the Company's commitment for continuous dividend payment to its Shareholders, along the previously announced policy.

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Review of the Financial and Business Performance for the Period

The period from 1st January 2024 to 30th June 2024 shows significant improvement in hospitality operational performance compared to the same period of the previous year, reflecting the general market trends, conditions and enhanced operational achievements.

Overall, the hospitality segment operations benefited from a recovered and stabilized tourism industry performance following the outpacing of the pandemic disruptions in the EU and Malta, including substantially better first half year performance of 2024 of VBL Group's operations, with figures confirming the improving trends in terms of inbound tourism, flight occupancy, flight numbers, total nights spent and total expenditure per stay¹. The improving general market conditions are reflected in VBL Group's hospitality arm KPIs, which have shown a strong recovery and stabilization over the past few years, with improvements in occupancy and GOP levels per available unit, to significantly higher overall revenues and profitability, compared to the same period of last year.

In the reporting period, VBL Group registered Revenues of €1,700,660, an increase of 16% on the previous year's comparative period (when Revenues were €1,465,918).

VBL Group-level Operational EBITDA for the period is equivalent to €310,794, an increase from €190,331 over the previous year, which is corresponding to approximately 63% growth. In the reporting period, VBL has realised an Operational EBITDA margin of 18%, which is a 5% improvement from first half of year 2023 (when Operational EBITDA margin was 13%). Cost management and cost efficiency remain the key priorities of Management, especially in operational cost areas of human resources and general procurement.

It shall be noted that the EBITDA figures of last year reflect a proportion of investment income, resulting from new assets' acquisitions, while the current reporting period figure does not reflect any impacts resulting from investment income revaluation or development, which is during normal course of business assessed and reported by VBL Group at the end of the year. This reporting period's improved performance indicates a normalized operational environment and general market conditions in which the Company continues its overall operational revenue growth and performance improvement. The actual reported results, therefore, derive from operations only and are considered to represent the real operational potential of the business.

In reviewing the financial results for the first six months of 2024, 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/or renovations realized or adjustments to fair market value, this exercise is carried out annually; at the end of the financial year and reflected in the annual audited accounts. The interim period Investment income during 1H 2023 resulted from new acquisitions or additions.
- The Company has continued the implementation of its development program related to renovation of its owned assets, and this has resulted in an increase of the draw-down proportion of the available long-term development bank facility.
- The Company has secured new conditional lease agreements for its developed assets, which are expected to be handed over and start revenue generation in the second half of year 2026, confirming the previous Management projections for recovery of interim delays on development projects.
- The Company's long-term consolidated performance (revenues and profitability) is expected to remain on growing 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 €69,706, while in the previous year was €259,866.
- The consolidated Balance Sheet recognizes the changes stemming from development and improvements carried out in the Investment Property (€795,073), which largely explains the increase in Non-Current Assets.

¹ Source: NSO, MHRA quarterly reports, MHRA National Hospitality Forum, 22 May 2024

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- 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 and declared development plans. The implementation of the key renovation projects of the current development cycle is back on track and with the last projects becoming revenue generating by 2026. The financial results achieved in the reporting period confirm that the Company remains on a growth path with a strong financial position. VBL's interim financial performance confirms that the realized growth in revenues and profitability are in line with the expectations and plans of the Company and future expectations remain realistic.

The Company's directors and management remain entirely focused on achieving the declared development objectives through investment in the renovation and upgrade of existing assets, ongoing business development efforts and are focusing on achieving revenue targets and maintaining tight cost discipline, while ensuring that the renovation and development projects continue progressing as per the long-term plans.

In line with earlier announcement made, the Company continues exploring the financing and investment markets and aims to ensure competitive long-term financing facilities for the preparation and execution of the currently owned assets being part of the next development cycle.

There are various local and international market challenges affecting the operational performance, such as labour market supply and skilled 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 and may have impact on the long-term industry development. These considerations are considered a general industry strain and not specific to the VBL Group albeit affecting its operations.

The overall tourism industry performance during the reporting period has been favorable and supported the developments and growth trends of the Company's hospitality business. For the future, the Group's main investment and renovation projects are expected to be executed along the announced and regularly reviewed and adjusted plans, while the earlier reported interim delays are considered largely recovered. The external market conditions and their global development remain a major driving factor behind the Company's operational performance. Global or local market events which may occur in the future could impact the actual results and forecasted growth objectives, which are based on the operation of existing and newly developed hospitality units, added to the Group's operational portfolio. The current annual and mid-term business development projections remain supported by the current strong global tourism market trends, also resulting in very strong local industry results, achieved in the first half of year 2024 - in terms of passenger statistics and tourist arrivals. The annual market performance, as evidenced by the recent MHRA reports², industry data from the National Statistics Office and the recent quarterly reports of Malta International Airport suggest strong underlying industry fundamentals for the next period. The improvement of industry KPIs and passenger numbers is mostly driven by an increase in the flight connectivity and higher number of leisure tourists arriving to Malta. Nonetheless, the outlook for the remaining part of 2024 is uncertain, mainly due to global market developments and political uncertainties, the continued global struggle against inflation, the war in Ukraine and tension in the Middle-East. The weaker-than expected growth in the Euro-zone, despite falling energy prices and improving consumer trends will have potential disruption. Climate-related challenges, such as hectic weather changes, extreme heat/cold-waves, wildfires and floods impact tourism hotspots more frequently than in the past, suggesting higher risks and the need of higher attention to the urgent requirement for transformation in the industry and customer attitude. The Group is aware of the need to proactively work in this direction and create action plans for better adjustments to these new global circumstances. The Group 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, introduced new financing options, 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

² MHRA quarterly reports

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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.

Overall, that Group continued the execution of its planned and communicated development program, via utilisation of the existing project-related development financing facility. The next development project of the current development cycle is close to final execution and handover to operation, where revenue generation is expected in the 2H 2024. The Company has also progressed greatly with its flagship development project, both in terms of finalization of its concept, structural construction and commercialization for the long run. Once this landmark project is operational and revenue generating-expected by mid-2026 - this is expected to be a significant step forward for VBL Group, both in operational and financial level.

The Company's long-term projections are currently considered achievable and not overly ambitious in the present market environment. The continuous monitoring and adjustment to the development and execution plan carried out by management ensures that any temporary interim delays are handled efficiently and be recovered fast. With the delivery of the development plans, the long-term operational results are expected to 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 2024.

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 Geza Szephalmi, Chairman, Executive Director
Dr Andrei Imbroli, Chief Executive Officer, Executive Director
Mr Julian Tzvetkov, Chief Financial Officer, Executive Director
Mr Artur Haze, Non-Executive Director, Member of the Audit Committee
Mr David Galea Souchet, Non-Executive Director, Chairman of the Audit Committee
Ms Isabella Vella, Non-Executive Director, Member of the Audit Committee
Dr John Attard, Non-Executive Director, Member of the Audit Committee

Auditors

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

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INTERIM STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Notes	Jan-June 2024 €	Jan-June 2023 €
Revenue	4	1,700,660	1,465,918
Investment income*		0	341,195
Cost of sales	5	(827,548)	(766,405)
Gross profit		873,112	1,040,708
Other operating income		9,349	11,295
Other Direct Costs		0	(15,930)
Administrative expenses	5	(571,667)	(504,547)
Earnings before interest, tax, depreciation and amortization		310,794	531,526
<i>Earnings before interest, tax, depreciation and amortization (Operational)</i>		<i>310,794</i>	<i>190,331</i>
Depreciation and amortization	5	(155,311)	(151,607)
Operating profit		155,483	379,919
Interest receivable		3,292	6,728
Finance costs		(89,070)	(126,783)
Profit/Loss before income tax		69,706	259,866
Income tax (expense)/credit		-	-
Profit/Loss for the period		69,706	259,866
Total comprehensive profit for the period		69,706	259,866

*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.

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INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)

	30 June 2024	31 December 2023
ASSETS		
Non-current assets		
Intangible assets	74,801	96,409
Property, plant and equipment	768,776	800,035
Investment properties	77,923,036	77,127,963
Investment in subsidiaries	1,200	1,200
Deferred tax assets	142,114	142,114
	78,909,927	78,167,721
Current assets		
Inventory	2,222	1,551
Loans receivable	123,077	119,961
Current tax receivable	17,446	-
Trade and other receivables	6 422,000	261,771
Cash and cash equivalents	7 1,163,175	931,866
	1,727,921	1,315,149
TOTAL ASSETS	80,637,848	79,482,870
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	49,835,837	49,835,837
Share premium	1,085,638	1,085,638
Other reserves	312,394	329,895
General reserves	1,218	1,218
Retained earnings	14,267,096	14,179,889
TOTAL EQUITY	65,502,183	65,432,477
Non-current liabilities		
Long-term borrowings	8,324,028	7,842,118
Lease Liabilities	270,622	270,639
Deferred tax liabilities	4,373,858	4,373,858
Trade and other payables	621,449	106,485
	13,589,957	12,593,100
Current liabilities		
Short-term borrowings	352,528	428,513
Lease Liabilities	8,623	16,152
Trade and other payables	8 1,184,557	1,012,628
	1,545,708	1,457,293
TOTAL LIABILITIES	15,135,665	14,050,393
TOTAL EQUITY AND LIABILITIES	80,637,848	79,482,870

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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 2024	<u>49,835,837</u>	<u>1,085,638</u>	<u>329,895</u>	<u>1,218</u>	<u>14,179,889</u>	<u>65,432,477</u>
Total comprehensive profit						
- Profit for the period					69,706	69,706
- Depreciation of revaluation reserve			(17,501)		17,501	-
	<u>-</u>	<u>-</u>	<u>(17,501)</u>	<u>-</u>	<u>87,207</u>	<u>69,706</u>
Balance at 30 June 2024	<u>49,835,837</u>	<u>1,085,638</u>	<u>312,394</u>	<u>1,218</u>	<u>14,267,096</u>	<u>65,502,183</u>

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INTERIM STATEMENT OF CASH FLOWS (unaudited)

	Jan-June 2024	Jan-Jun 2023
	€	€
Cash flows from operating activities		
Profit before tax	69,706	259,866
Depreciation and amortisation	155,311	151,607
Fair value movement on investment property	-	(341,195)
Interest income	(3,292)	(6,728)
Interest expense	89,070	126,781
Cash generated before working capital changes	310,794	190,331
Increase/(decrease) in inventories	(671)	(2,142)
Increase/(decrease) in trade and other receivables	(175,571)	100,162
Increase/(decrease) in trade and other payables	167,920	65,481
Net cash from operating activities	302,472	353,832
Cash flows used in investing activities		
Purchase of intangible assets	-	(25,000)
Purchase of tangible fixed assets	(5,060)	(11,206)
Purchase of improv. Re non-current assets held for sale		(2,772)
Proceeds from sale of investment		270,000
Deposits re capital contributions	500,000	
Purchase of fixed asset investments	(892,456)	(698,193)
Net cash used in investing activities	(397,516)	(467,171)
Cash flows from financing activities		
Interest received	176	0
Interest paid	(79,748)	(126,782)
Borrowings	405,925	(233,532)
Net cash generated from/(used in) financing activities	326,253	(360,314)
Net increase in cash and cash equivalents	231,309	(473,653)
Cash and cash equivalents at beginning of the year	931,866	1,347,348
Cash and cash equivalents at end of period	1,163,175	873,695

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NOTES AND EXPLANATIONS TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY 2024 TO 30 JUNE 2024

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 2023.

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. The interim consolidated financial statements of the Group do not reflect periodic updates of the values of investment property, arising from revaluation of properties based on developments and renovations realized or adjustments to fair market value and being reflected as investment income. Investment properties are valued annually, usually at the end of the financial year and revaluation changes are reflected in the annual audited accounts, as part of the investment income. 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 2023.

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 2024 €	Jan-June 2023 €
Rental Revenue	1,665,813	1,423,078
Management Fees	34,847	42,840
	1,700,660	1,465,918

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5. Expenses by nature

	Jan-June 2024	Jan-June 2023
	€	€
Direct Costs	827,548	766,405
Staff Costs	314,388	180,150
Auditors' remuneration	9,250	8,500
Depreciation and amortisation	155,311	151,607
Other administrative expenses	248,029	315,897
	1,554,526	1,422,559

6. Trade and other receivables

	Jan-June 2024	Jan-Dec 2023
Trade & Other Receivables		
Trade & other receivables	273,032	208,801
Prepayments and accrued income	148,968	52,970
	422,000	261,771

(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 2024	Jan-Dec 2023
	€	€
Cash at bank and in hand	1,163,175	931,866

8. Trade and other payables

	Jan-June 2024	Jan-Dec 2023
Trade and Other Payables		
Trade payables	291,725	262,461
Other payables	874,634	731,969
Current tax liability	18,197	18,197
	1,184,557	1,012,628

(i) Trade payables are non-interest bearing and are normally on 30 to 60 day term.

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9. Share Capital

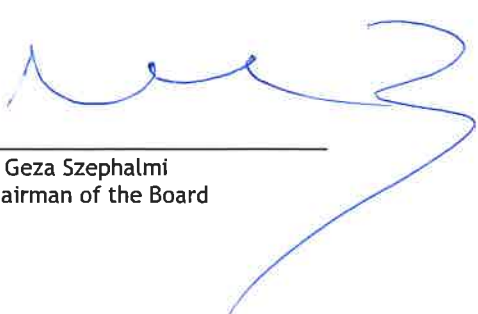
	Jan-June 2024 €	Jan-June 2023 €
Authorised:		
330,000,000 Ordinary shares of €0.20 each	66,000,000	66,000,000
Issued and fully paid:		
249,179,183 Ordinary shares of €0.20 each	49,835,837	49,835,837

Share capital status, both Authorised and Issued, remained unchanged from the status as at 31 December 2023.

[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 their current 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 2024, 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 Geza Szephalmi
Chairman of the Board

21st August 2024