



VON DER HEYDEN GROUP



Calamatta Cuschieri

FINANCIAL ANALYSIS SUMMARY

Von der Heyden Group Finance plc

28 June 2023

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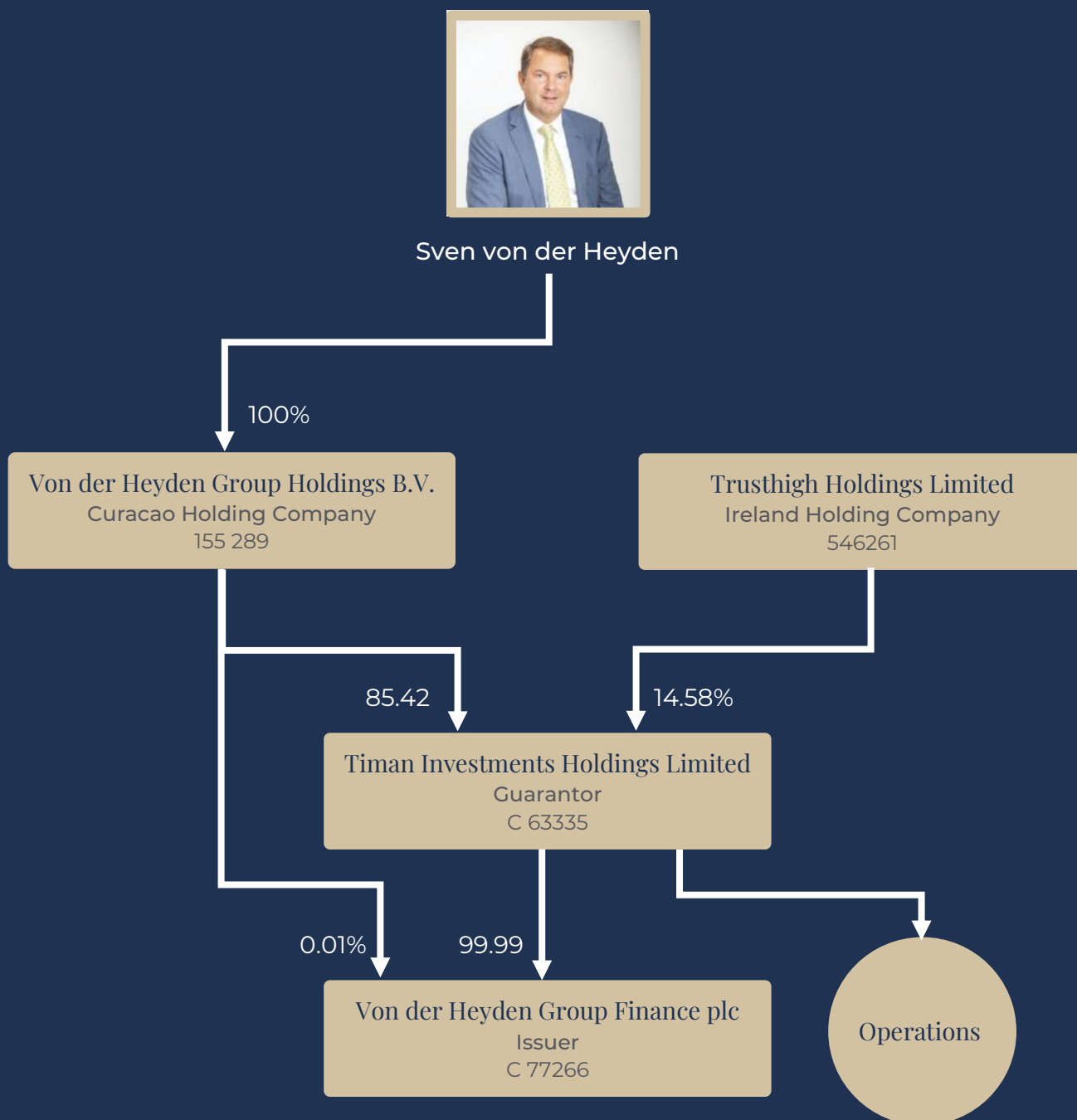
Part 1

Information about the Issuer and the Guarantor



1.1 Issuer and Guarantor's Key Activities and Structure

The summarised organisation chart of the Issuer and the Guarantor is set out below:



1.1 Issuer and Guarantor's Key Activities and Structure – *continued*

The Von der Heyden Group, or the “**Group**”, is involved in real estate development, real estate investments and leasing, hotel management, hospitality and travel business, real estate brokerage, joint venture, and equity participation in private companies, including petrol retailing as one of its alternative investments. The Group, through its subsidiaries and associates, has operations in Germany, Poland, Spain, Portugal, Italy, Montenegro, the Netherlands and Malta.

The Group consists of Von der Heyden Group Holdings B.V., a holding company registered in Curacao being the ultimate parent of the Group, Von der Heyden Group Finance p.l.c. (the “**Issuer**”), Timan Investments Holdings Limited (the “**Guarantor**”), a holding company in Malta being the immediate parent of the Issuer and of the Group, and the operating companies within the Group. The operating companies of the Group are held either directly by the Guarantor or indirectly through other holding companies within the Group, as well as those directly under Von der Heyden Group Holdings B.V.

The Issuer is a public limited liability company registered in Malta on 15 September 2016, bearing company registration number C 77266. The Issuer serves as the financial vehicle of the Group. The authorised and issued share capital of the Issuer is €250,000 divided into 249,999 Ordinary A shares and 1 Ordinary B share, all having a nominal value of €1 each. The fully paid up issued share capital, except for one Ordinary B share, is held by Timan Investments Holdings Limited.

The Guarantor of the Issuer's debt securities in issue is a private limited liability company registered in Malta on 31 December 2013, bearing company registration number C 63335, as a continuing business from the Netherlands (previously TIMAN Investments Holdings B.V.) under the Companies Act, 1995. The principal activity of the Guarantor is to hold investments in subsidiaries and associated entities for capital growth and income generation as well as providing financing to the Group and related entities.

The issued share capital of the Guarantor, as of the date of publication of this document, is held as follows:

- ◁ Von der Heyden Group Holdings B.V. - 3,249,924 class A Ordinary shares (85.42%) of €1 each fully paid up; and
- ◁ Trusthigh Holdings Limited - 554,717 class B Ordinary shares (14.58%) of €1 each fully paid up.

The Guarantor is currently in an advanced negotiations to acquire the shareholdings of the minority shareholder. It is envisaged that the transaction will be staggered over three years with the final transfer taking place on 30th April 2025.

In terms of its Memorandum and Articles of Association, the Guarantor is controlled by Von der Heyden Group Holdings B.V., and, accordingly, the Group is ultimately controlled by Mr Sven von der Heyden. The Guarantor acts as the parent company of the Group and its principal Malta registered subsidiaries are the Issuer, IBB Hotel Management Europe Ltd (“IBBHME”) and IBB Hotel Collection Holdings Ltd (“IBBHCH”). As of 31 December 2022, the Group had 36 subsidiary entities and 6 associated entities registered in Germany, Poland, Ukraine, Spain, Portugal, Italy, Malta, Montenegro, and the Netherlands. Amongst others, the Group's associates include IBB Hammetts Operations Limited, an operator of four restaurants and an event facility in Malta and Urbelia Business S.L., which is the holding company of the petrol station operations in Spain.

In the accommodation segment, typically, the Group sets up a hotel operating company for each hotel. Hotels, whether owned-and-managed, or leased-and-managed fall either under the “IBB” brand for the 3 and 4-star hotels or the “Cugó Gran” for the luxury boutique hotels. IBB Hotel Management Europe Limited is responsible for the management of all the portfolio of hotels held by the Group providing services such as sales & marketing, including a common online booking platform, revenue management, human resource management, and corporate accounting.



1.1 Issuer and Guarantor's Key Activities and Structure - *continued*

History of the Von der Heyden Group

The Group was founded in 1989 and has completed investment programmes in real estate markets with a market value well over half a billion Euro. The Group has representative offices in Poland (Warsaw, Poznań, Lublin, and Gdansk), Germany (Berlin and Munich), Netherlands (Amsterdam), Spain (Madrid, Seville, and Menorca), Italy (Sardinia), Portugal (Carvoeiro) and Malta (Gzira). The Group has also recorded investments in Germany (Dresden and Leipzig) and in the US, specifically New York, through a co-investment in a B-class office building in Downtown Manhattan. With over 33 years of sound experience and continuing presence in European markets, the Group enjoys the trust of international financial institutions, funds, and big market players, as well as embassies, governmental institutions, and cities. Investors can visit the Group's website at: www.vonderheydengroup.com.



The Group has established itself as a niche boutique player targeting top-quality results by developing high-quality office buildings, owning, and managing hotel and residential properties in Europe, including in Germany, Poland, Spain, and Portugal. In recent years, the Group has also embarked on exciting development projects in countries including Montenegro and Malta. The Group's business activities are currently organised across the following lines of business:

- Real estate developments, investments, and services;
- Hotel accommodation and catering; and
- Private equity, venture capital, and capital markets.

1.1 Issuer and Guarantor's Key Activities and Structure - *continued*

Real estate developments, investments, and services

Real estate developments, investments, and services remain the core business of the Group, and maintaining a solid pipeline of projects is the cornerstone for the success of the Group. The Group has a legacy and a reputation of being able to deliver major high-quality developments as the trusted lead partner that generates significant returns.

REAL ESTATE DEVELOPMENT

The Andersia Silver project is currently the flagship project of the Group and is expected to be fully completed by spring of 2025 with the shell and core by Q1 2024. The 40,000 sqm A-class office tower in the financial centre of the city of Poznań, Poland, is spread over 26 storeys above ground and three underground parking floors and is estimated to have an exit value in excess of €140m on completion.

The Andersia Silver project's above-ground works commenced in October 2022 and are now well above ground after a period of delay and logistical challenges caused by labour and material shortages. The office tower project reached the 14th floor in June 2023 and is progressing at a construction pace of two floors per month. There is increasing interest in the office tower by local and international businesses operating in the region, resulting in considerable pre-leasing activities of the available space during the year.

The Group is also currently involved in two significant developments, the renovation and restoration of Villa Diodati in Tuscany, Italy which will include a residential and hospitality component, and the Atrium Liberdade Residences project in Algarve, Portugal.



REAL ESTATE INVESTMENTS

The real estate investments business line includes a portfolio of various commercial and residential real estate assets in Germany, Poland, and Spain held mainly for capital appreciation (through yield compression and rental increase, as well as value-added and opportunistic investment strategies).

In this segment, the Group acquired two commercial properties in 2022, one in Mahon, Menorca, Spain and the other in Olbia, Sardinia, Italy both at prices below their free-market value

REAL ESTATE SERVICES

In 2020, the Group has expanded its geographic footprint to Sardinia with the launch of a real estate services arm Von der Heyden Real Estate in one of the world's most exclusive luxury locations; Costa Smeralda, Sardinia, Italy, providing a specialist perspective and bespoke brokerage service in the real estate market to buyers and property owners. The Group continues to embark on the real estate projects indicated above, whilst also evaluating new opportunities arising in Italy and Malta.





1.1 Issuer and Guarantor's Key Activities and Structure – *continued*

Accommodation and catering

The hotel management business line includes the management of hotels under the IBB Hotel Collection brand in Germany, Poland, and Malta. The IBB Hotel Collection is divided into two brands: the IBB Hotel brand representing the 3-star and 4-star lodging and related services, and the Cugó Gran brand, representing the highly sophisticated and luxurious boutique hotel experience. The Group also has 50% venture in the IBB Hammetts Operations Ltd which operates several restaurants in Malta under the Hammett's Collection brand.

Private equity, venture capital, and capital markets

The private equity investments business line provides for further diversification of the Group and includes various private equity-type investments including a travel agency, low-cost petrol stations, and a portfolio of capital market assets.



HAMMETT'S
COLLECTION



1.2 Directors and Key Employees

The Issuer is currently managed by a board of five directors who are responsible for the overall direction and management of the company. The board consists of two executive directors who are entrusted with the company's day-to-day management, and three non-executive directors, two of which are also independent of the issuer. The main function of the board is to monitor the operations of the company and that of its Guarantor in view of the bond Issue.

| NAME | DESIGNATION |
|------------------------------------|---------------------------------------|
| Mr Antonio Fenech | Executive director, Chairman |
| Mr Javier Errejon Sainz de la Maza | Executive director, Managing Director |
| Mr Joseph M Muscat | Independent, non-executive director |
| Mr Jozef B Borowski | Non-executive director |
| Mr Robert C Aquilina | Independent, non-executive director |

The business address of all the directors of the Issuer is the registered office of the Issuer. Dr Karen Coppini acts as the company secretary of the Issuer.

The board of directors of the Guarantor comprises of the following:

| NAME | DESIGNATION |
|------------------------------------|--------------------|
| Mr Sven von der Heyden | Chairman |
| Mr Javier Errejon Sainz de la Maza | Managing Director |
| Mr Antonio Fenech | Executive Director |

The business address of all the directors of the Guarantor is the registered office of the Issuer. Dr Nicholas Formosa acts as the company secretary of the Guarantor.

| NAME | DESIGNATION |
|------------------------------------|--|
| Mr Javier Errejon Sainz de la Maza | Managing Director |
| Mr Antonio Fenech | Executive Director, Business Development |
| Ms Tiana Vella | Head of the Group's Human Resources |
| Mr Herald Bonnicci | Head of Operations |

As per the latest audited financial statements, the average number of employees employed by the Group during 2022 was 191 (FY21: 192), whilst the Issuer had an average of 6 employees (FY21: 4).



1.3 Major Assets of the Group

The following table provides a list of the principal assets and operations owned by the respective Group companies:

| OWNING COMPANY | BUSINESS ACTIVITY | PRINCIPAL ASSETS OR OPERATIONS | STATE & COUNTRY | OWNER-SHIP % |
|---------------------------------------|----------------------------|---|-----------------------|--------------|
| Andersia Property Sp. z o.o | Real Estate Investment | Holding Company (100% in Andersia Retail) | Poznań, Poland | 67 |
| Andersia Retail Sp. z o.o. | Real Estate Development | 4th Phase in Poznań n 39,705sqm A-class office development | Poznań, Poland | 67 |
| Nowy Swiat 5 Sp. z o.o. | Real Estate Investment | Central Business District plot 3,750sqm | Warsaw, Poland | 100 |
| Von der Heyden & Partners Sp. z o.o. | Real Estate Investment | Owner - Plots of land, measuring 4,150sqm | Warsaw, Poland | 100 |
| Von der Heyden Development Sp. z o.o. | Real Estate Development | Development company | Warsaw, Poland | 100 |
| KASA Investments GmbH | Real Estate Investment | Owner - 982sqm Residential Building | Various, Germany | 50 |
| DGDV Capital Limitada | Real Estate Development | Owner - 5,000sqm Residential Development Project | Algarve, Portugal | 25 |
| Hotspot Real Estate Limited | Real Estate Development | Owner - 10,187sqm plot of land in Budva | Podgorica, Montenegro | 100 |
| Donaupassage Hotel Betriebs GmbH | Accommodation and Catering | Operator - IBB Hotel Passau (3*) | Passau, Germany | 100 |
| IBB Blue Hotel Betriebs GmbH | Accommodation and Catering | Operator - IBB Blue Hotel (3*) Berlin - Airport & IBB Blue Hotel Paderborn (3*) | Passau, Germany | 100 |
| IBB Hotels Deutschland Betriebs GmbH | Accommodation and Catering | Operator - IBB Hotel Ingelheim (4*) & IBB Hotel Altmühltal Eichstätt (4*) | Passau, Germany | 100 |
| Villa Diodati S.R.L. | Accommodation and Catering | Owner of 2,000sqm land and villa under restoration for short-term luxury letting of main villa and apartments | Lucca, Italy | 100 |



1.3 Major Assets of the Group - *continued*

| OWNING COMPANY | BUSINESS ACTIVITY | PRINCIPAL ASSETS OR OPERATIONS | STATE & COUNTRY | OWNER-SHIP % |
|--|----------------------------|---|-----------------|--------------|
| Lublin Grand Hotel Management Sp. z o.o. | Accommodation and Catering | Operator - IBB Grand Hotel Lublinianka (4*) | Lublin, Poland | 75 |
| Lublin Grand Hotel Sp. z o.o.. | Real Estate Investment | Owner - IBB Grand Hotel Lublinianka | Lublin, Poland | 75 |
| Dlugi Targ Hotel Management Sp. z o.o. | Accommodation and Catering | Operator - IBB Hotel Dlugi Targ (4*) | Lublin, Poland | 50 |
| Dlugi Targ Sp. z o.o. | Real Estate Investment | Owner - IBB Hotel Dlugi Targ | Lublin, Poland | 50 |
| IBB Hotel Management Europe Limited | Accommodation and Catering | The hotel management company for all the IBB Hotels | Gzira, Malta | 100 |
| Senglea Hotel Operations Limited | Accommodation and Catering | Accommodation and Catering | Gzira, Malta | 100 |
| IBB Hammetts Operations Limited | Accommodation and Catering | Operator of Hammett's Gastro Bar, Hammett's Mestizo, and Hammett's Monastik and franchisor of Hammett's Mestizo Menorca | Gzira, Malta | 50 |
| Urbelia Bailen S.L. | Private Equity & Other | Operator - Petrol Station Bailen | Madrid, Spain | 50 |
| Urbelia Ciudad Real S.L. | Private Equity & Other | Operator - Petrol Station Ciudad Real | Madrid, Spain | 50 |
| Von der Heyden Real Estate Services Srl | Asset Management | Real Estate Brokerage & Other Services | Sardinia, Italy | 50 |
| Von der Heyden Yachting Limited | Private Equity & Other | Ownership and chartering of luxury yachts & RIVA dealership | Gzira, Malta | 100 |
| Timan Investments Espana S.L. | Accommodation and Catering | Owner of a mixed-used property in Menorca where Hammett's Mestizo Menorca operates | Menorca, Spain | 100 |
| IBB Espana 2.004 SL | Accommodation and Catering | Operator - Hammett's Mestizo Menorca | Menorca, Spain | 100 |





1.3 Major Assets of the Group - *continued*

Real estate developments, investments, and services

Andersia Silver, Poland

With a projected investment cost exceeding €108m in the centre of the Poznań financial district, the Andersia Silver office tower will be the fourth and final development phase of the significant contribution that the Group made to the development of the Anders Square in Poznań. This project is considered the flagship project of the Group which at FY22 had a carrying value of €35.8m, that included works carried as at that date and the fair valuation of the land. The Group's interest in the project is held through First Polish Real Estate B.V., in which the Group holds 53.45% effective shareholding.

As a result of COVID-19 impact on the hospitality sector, the Group designed an alternative layout for the building, replacing the hotel component with an additional office component. The project now comprises three underground levels with 251 parking spaces and an office tower of 26 floors with almost 40,000 sqm gross leasable area (GLA) of office space. The site still has potential for the construction of another commercial building of *circa* 3,000 sqm. In line with the original plans, the new design in architecture and mechanical installations are being performed by Pracownia Architektoniczna Ewy I Stanisława Sipińskich and PKEnergy Paweł Krych studios, respectively. The office tower's underground works including the extensive parking construction started in the summer of 2020, and the above-ground works commenced in October 2022 after a period of delay and logistical challenges. The Group secured bank financing from a consortium of three banks to part finance the construction and completion of the project, subject to meeting certain conditions.

The Andersia Silver project has made considerable progress since its inception. Currently, the construction has surpassed the underground phase and is well above ground level. With the building already reaching the 14th floor, the construction pace remains impressive, averaging two floors per month. The completion of the shell and core is expected to be achieved by Q1 2024, marking a significant milestone in the project timeline.

One notable development surrounding Andersia Silver is the increasing interest it has garnered within the commercial real estate market during the last few months, given that generally tenants are reluctant to commit more than 12-18 months before the delivery date. The office tower has generated considerable attention, resulting in a surge of pre-leasing activities for the available office space. The growing demand for the office units underscores the attractiveness and desirability of the project among potential tenants. Currently, there are only around 80,000 sqm of offices under construction in Poznan of which Andersia Silver represents 50 %. The other competing projects are nearing their completion and approaching full occupancy, hence in 2024 and 2025 Andersia Silver should be the most prominent new office development in the region.

1.3 Major Assets of the Group – *continued*

Real estate developments, investments, and services - continued

Villa Diodati, Italy

The Group, through its subsidiary Villa Diodati S.r.l., acquired a 17th-century residential villa in Lucca, Tuscany with a spacious garden on a plot measuring 20,000 sqm and a building with a gross area of 2,000 sqm (net area of 1,500 sqm) which is in the process of being restored and converted into a luxury villa and hospitality operation for short and long-term leases.

The property is undergoing extensive renovation and restoration, transforming the property into a luxury main villa that includes five B&B luxury apartments on its west wing. The renovation and restoration efforts had some delays and the project is expected to be substantially completed by the end of the year 2023. Once completed, the property will be operated under the Cugó Gran Collection brand as a luxury bed and breakfast on an exclusive basis only with the start of operation anticipated in the first half of 2024.

The Villa and five suites are expected to generate a net operating income of around €700,000 per annum with an average ADR of €850 per suite and €1,600 for the Villa once completed.



Reževići Project, Montenegro

The Group, through its subsidiary Hot Spot Real Estate d.o.o., holds a 10,187 sqm plot of land in Reževići, Blizikuće, in the Budva Municipality, Montenegro. Based on the extract from the relevant zoning plan, the plot constitutes one urban parcel, and the Group planned and obtained a building permit to develop a gross building area (GBA) of 8,800sqm that include a 5-star boutique hotel catering for 18 serviced apartments as well as 56 additional residential apartments. The site is on the coastal slopes of Blizikuće, benefiting from sea views over the famous Sveti Stefan Peninsula and close to the Crvena Glavica beach. The Group secured all necessary planning permissions for the development of the project.

However, after a period of intense strategic review taking into consideration the current market conditions in Montenegro, and the continuing fall-out from the geopolitical situation in the region arising from the conflict in Ukraine, the Group has reassessed its strategy for this property. The Group is now actively exploring other options including the possibility of selling the land with a full development permit or enter potentially into a joint venture with a credible partner. This strategic decision allows the Group to capitalise on the value created through the acquisition and planning stages, potentially attracting prospective buyers interested in the project's prime location and development potential.

1.3 Major Assets of the Group - *continued*

Real estate developments, investments, and services - continued

Nowy Świat Atrium, Poland

This project will be in the very heart of Warsaw at 5 Nowy Świat Street, close to the Warsaw Stock Exchange, Liberty Corner, and the most exclusive retail area in Warsaw. To apply for the required building permits for a 3,750 sqm office development with a 2-3 floor underlying car park, the Group started legal proceedings to obtain the right of way easement by necessity on the neighboring plots owned by the city of Warsaw. Given the current stalemate regarding the permitting process, it cannot be determined when this project will commence.

Land plots in Wegorzewo, Poland

The Group, through the subsidiary Von der Heyden & Partners Sp. z o.o., currently holds the last 6 remaining land plots in the town of Wegorzewo, a side district in Northern Poland, with a combined size of approximately 4,150 sqm. The Group is offering to sell the plots to individual buyers through a local real estate agent.

Hotel properties in Poland

The Group presently holds two hotel properties in its real estate investments portfolio. The first hotel is IBB Hotel Długi Targ, located in the heart of Gdansk Old Town, Poland. This property consists of three historical semidetached city houses that have been converted into 4-star hotels. The second property is IBB Grand Hotel Lublinianka, in the centre of the city of Lublin, Poland.

Commercial property in Mahon, Menorca, Spain

In 2022, the Group, through its subsidiary Timan Investments Espana SL, acquired a commercial mixed-use property located in the absolute best location along the main yachting marina promenade within the harbour of Mahon, Menorca in Spain. In early June 2023, the Group had a soft opening of the Hammett's Mestizo Menorca restaurant, which adopted the Hammett's branding as a testament to the Group's confidence in the brand. This establishment will mark the first Hammett's restaurant outside of Malta, further expanding the brand's presence and catering to a new market of discerning diners. Additionally, the Group is actively seeking tenants to occupy the remaining commercial space, which offers diverse opportunities for retail outlets or residential use on the upper floors. The target revenue of the property once operational are stabilized are expected to be in the range of €180-€200k per annum.



1.3 Major Assets of the Group - *continued*

Real estate developments, investments, and services - continued

Commercial property in Olbia, Sardinia, Italy

The Group further expanded its portfolio by acquiring a commercial property in the vibrant center of Olbia, Sardinia, Italy. This acquisition took place towards the end of 2022. The property boasts a prime location and offers potential for multiple revenue streams. The first floor of the property holds a restaurant license, complete with a terrace that provides a unique setting for patrons. The Group intends to lease this space to a third-party restaurateur who can capitalize on the atmosphere. On the second floor, the Group has plans to renovate the area into office spaces. These office spaces will be made available for lease to third-party tenants seeking a central location in Olbia for their business operations. By diversifying its revenue streams and catering to different market segments, the Group aims to optimize the utilization of the property. At the same time, a potential resale could be considered at a healthy premium as the asset was acquired at a discount to fair market value.

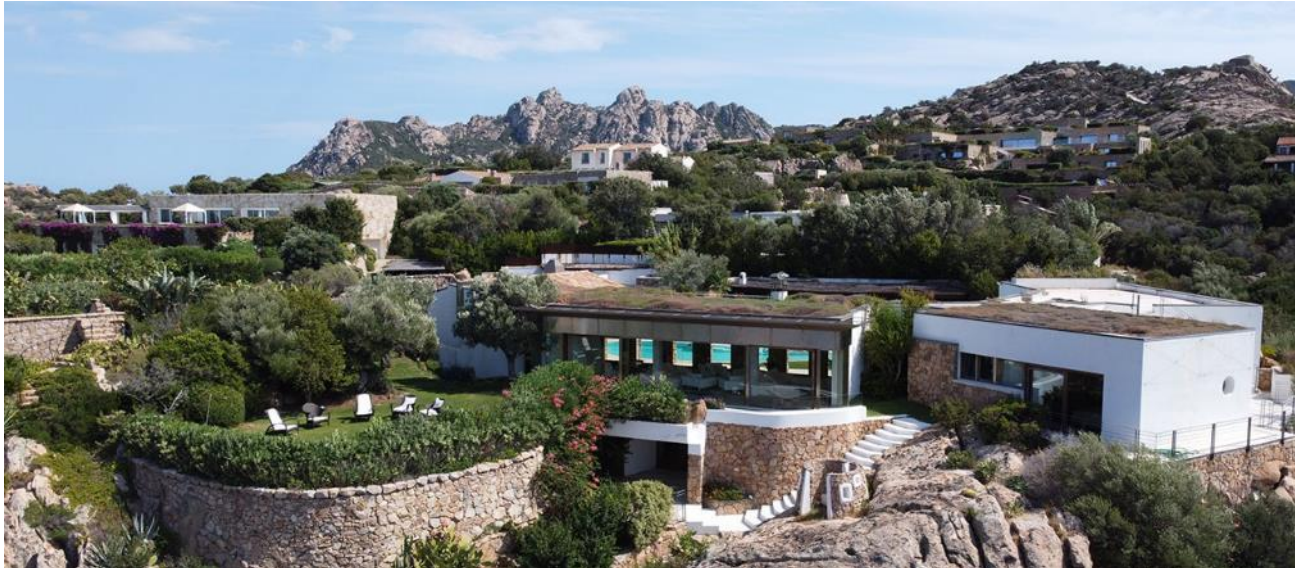
Atrium Liberdade, Portugal

In 2019, the Group concluded a shareholder agreement for a 25% investment in a 5,000sqm residential development project in Lagoa, Algarve, Portugal, consisting of 33 apartments and 35 parking spaces. Total development costs are projected at *circa* €5.5m with expected sale proceeds of €6.6m, resulting in net proceeds of €1.1m. The project has been fully licensed with the architecture and engineering process completed and approved by the local municipality. The co-development, together with the sales process, is overseen by the Group's local partner, Carvoeiro Clube.

As a result of COVID-19 and the change in residential demand patterns, the Group, together with the local architect and co-developer, prepared an alternative layout of the building, replacing the larger townhouses and penthouses with smaller apartment units, essentially increasing the number of units and decreasing the average size of each.

To support the project, the Group has successfully secured bank financing of €3.8m. The demolition and construction phase has already commenced, and the estimated completion timeline is 18 months, with the project expected to be finished by the end of 2024. Furthermore, the project has already achieved approximately 10% of pre-sales, indicating a positive level of interest from potential buyers.





1.3 Major Assets of the Group - *continued*

Real estate developments, investments, and services - continued

KASA Investments

The Group holds 49.58% shareholding in KASA Investments GmbH which held various residential real estate assets in Germany over the past 25 years. Over recent years it sold various properties using the positive momentum in the German real estate market to downsize the portfolio. Currently, the entity holds just under 1,000 sqm in one remaining property in Eastern Germany, in the city of Plauen.

Asset Securitisation

In 2021, the Group established a special purpose vehicle (SPV) licenced by the Bank of Italy to acquire asset-backed credits on the Italian market. As part of this initiative, the Group acquired a block of credits related to an operating hotel in Tuscany that is currently in default of its credits. The Group's strategy is twofold: it aims to either acquire and operate the hotel itself after a period of renovation or dispose of the credit before the auction takes place.

The court process for the auction has experienced some delays due to pending valuations by court-appointed valuer. In the forthcoming court sitting in October 2023, the Court should be in a position to appoint the date of the auction having received the submission of the court appointed valuer. At this point the Group will have the opportunity to either take over the asset at the court appointed price by making an offer to the other creditors if the court determined auction price exceeds the value of the credit of €7.3m and accruing interest of 5% per annum. Alternatively, the Group can go to auction and if outbid, it will recover the full value of the credit plus interest and legal fees.

Real estate services in Sardinia, Italy

The Group continued its strategy of investing in luxury-related services and the leisure industry by expanding its geographic footprint into one of the world's most exclusive luxury locations – Costa Smeralda, Sardinia, Italy – through the setting up in 2020 of its real estate services arm, Von der Heyden Real Estate S.r.l.

Many properties in Costa Smeralda were built in the 1980s and 1990s and present an opportunity for the renovation of outdated designs. Von der Heyden Real Estate also offers property management consultancy, enabling clients to maintain and increase the value of their properties. In addition, Von der Heyden Real Estate's agency prides itself in providing experiential holidaymakers with superior and customized concierge services, including but not limited to yacht chartering or luxury short-let properties. The group is currently contemplating to potentially expand to other lucrative regions of Italy, foremost Tuscany.

1.3 Major Assets of the Group – continued

Hotel Accommodation and Catering

The Group manages its hotels through its IBB Hotel Collection brand and the Cugó Gran Collection brand for the luxury boutique offering. The Malta-registered entity IBB Hotel Management Europe Limited acts as the management company for all the hotels within the chain. IBB Hotel Collection currently has eight hotels, of which two are owned by the Group. The Group's hotel portfolio consists of five hotels in the 3- and 4-star categories in Germany, two in the 4-star category in Poland, and a Cugó Gran luxury boutique hotel in Malta.

As part of the IBB Hotel Collection's new strategy to focus on the luxury accommodation segment of the Cugó Gran brand, the Group ceased operations of three hotels in 2021, two in Spain and one in Poland. After two challenging years marked by the COVID pandemic, 2022 was a turn-around year however supported by the financial COVID support granted by Germany and Poland of €2.1m. In 2023, the Hotel Group is heading for its best year ever anticipating revenue levels matching that of 2022 and improved current EBITDA compared to the current EBITDA of 2022 excluding the €2.1m COVID grants. This turn-around is highly significant, and with the addition of new hotels as from 2024, the Group expects to maintain its growth momentum.

The Group remains committed to its strategy of expanding the Hotel Group's activities, particularly through the continued growth of the Cugó Gran Collection brand. This entails pursuing opportunities for property acquisitions and securing long-term management agreements. Currently, the Group is actively exploring investment prospects in Italy, Spain, and Costa Rica, striving to identify promising ventures that align with its vision and values.

The Group recently secured an agreement for the hotel management operations of Cugó Gran Vittoriosa, the former historic headquarters of the Captains of the Galleys, in the vicinity of world-famous Fort St. Angelo. The Group will play a vital role in assisting the property owners with planning, design, and renovation activities. Following the completion of the renovation, the Group will assume responsibility for managing the day-to-day operations of the hotel, ensuring a seamless and exceptional guest experience. The property is planned for 18 differently sized rooms and will each have their unique features and airy structure designed for the high-end luxury guest. Further information about this property is presented subsequently in this section.

The Group is also engaged in advanced negotiations to operate another hotel property in Malta, which the Group intends to operate under the IBB Hotel Collection brand. These new hotels are meant to bolster the Group's hospitality business and active presence in Malta.



IBB HOTEL
COLLECTION

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1.3 Major Assets of the Group - *continued*

Hotel Accommodation and Catering - continued

IBB Hotel Ingelheim (Germany)

IBB Hotel Ingelheim is a 4-star hotel that offers 103 double rooms and 6 studios. Additional facilities include a boardroom hosting up to 12 guests, a breakfast restaurant, a bar, and a coffee shop. The hotel is located in the downtown city centre of Ingelheim called Neue Mitte, 300m from the train station and 3km from a motorway exit (A60).

IBB Hotel Ingelheim is highly dependent on the business travel generated by Boehringer Ingelheim, a multinational pharmaceutical company and major employer in the city that generates a lot of business travel. The Hotel is performing in 2023 very well and is currently forecasted to be profitable.

IBB Hotel Passau Süd (Germany)

IBB Hotel Passau Süd is a 4-star hotel located 3km away from the historic city centre of Passau. The hotel offers 63 rooms and two apartments, as well as a conference area that can host up to 85 guests. The Group is currently negotiating the terms of operating the hotel, and the possible exit, given that the lease term is due to end in the next year and the landlord not being willing to undertake the necessary substantial investments to improve the property. A new operator seems to have been found which enables the group to exit this property 1 year ahead of the termination of the lease agreement.

IBB Blue Hotel Berlin-Airport (Germany)

IBB Blue Hotel Berlin-Airport is a 3-star hotel that offers a comfortable stay in a convenient location – ten minutes away from Brandenburg Berlin Airport. This hotel forms part of the IBB Hotel Collection Blue brand, reserved for 3-star hotels providing high-quality services in the most attractive locations at affordable prices. The hotel comprises 84 double rooms, the 'Blue Lobby' bar, one bistro, and two conference rooms. The full potential of IBB Blue Hotel Berlin Airport is now being seen and revenue and profits are above budget. After operating the Hotel Management decided to invest into a new lobby and common areas to make the Hotel even more attractive to its guests.



1.3 Major Assets of the Group – *continued*

Hotel Accommodation and Catering - continued

IBB Blue Hotel Paderborn (Germany)

IBB Blue Hotel Paderborn is a 3-star hotel opened by the Group in June 2017 in the heart of East Westphalia. The hotel is situated in a modern building in the city centre of Paderborn, close to the shopping area, university, and train station. The hotel comprises 49 spacious rooms. The Hotel performs within budget and after a successful renegotiation of the lease agreement no longer drains the consolidated results of the Hotel Group.

IBB Hotel Altmühltal Eichstätt (Germany)

On 1 July 2020, the Group opened this hotel in the city of Eichstätt, a small but economically stable city in Germany near Ingolstadt (where the headquarters and main production plant of the car maker Audi are located). The hotel is made up of 90 rooms, a modern Bavarian Wirtshaus (restaurant), and 40 underground parking spaces. Hotel IBB Eichstätt commenced operations in July 2020 and had to be closed in October 2020 due to COVID-19 restrictions therefore, it only operated for 3 months in 2020 before the reopening again in 2021. 2022 showed improved occupancies and revenues, however the results were still poor. 2023 is looking far better with an improved sales and revenue strategy and Management is hopeful to improve results considerably in this year compared to 2022.



1.3 Major Assets of the Group - *continued*

Hotel Accommodation and Catering - continued

IBB Grand Hotel Lublin (Poland)

The IBB Grand Hotel Lublin, located in the heart of Lublin, Poland, is a 4-star hotel. The hotel encompasses an area of 5,700 sqm, and the renovation of this space was completed by the Group in 2002. Recognized as one of Lublin's most iconic and award-winning structures, Grand Hotel Lublinianka has a rich history dating back to 1899.

The hotel has won first prize in the "Building of the Year 2007" award organised by the Polish Association of Civil Engineers and Construction Technicians, the Ministry of Infrastructure, and the General Office of Building Control; first place in the "CEE Best Project Awards 2008" in the 'Best Hotel Development Project 2008' category in a competition organised by the CEPIF (Central Eastern European Property and Investment Fair), and International Herald Tribune, granted by participants of the Central and Eastern Europe real estate markets during the CEPIF Fairs in 2008 in Warsaw; as well as a second place in the 'Quality Awards' in the "CEE Hotel & Leisure Development of the year 2007" category.

Furthermore, for the Grand Hotel Lublinianka renovation project, Mr Sven von der Heyden received a personal award for 'Preservation of historical buildings', granted by the Polish Minister of Culture in 2002. The Grand Hotel Lublinianka comprises 72 rooms. There are also two restaurants, a banquet room, and various fitness facilities, including a sauna, a gym, and a Turkish steam bath.

The almost fully refurbished Grand Hotel Lublinianka, which is partly owned by the Group (75%) through its subsidiary company Lublin Grand Hotel Sp. z o.o. ("LGHS"), opened its doors to guests in 2002. The Grand Hotel Lublinianka is operated by the Group's IBB Hotel Collection through its subsidiary company Lublin Grand Hotel Management Sp. z o.o. ("LGHM"), of which the Guarantor is a 74.77% shareholder. The renovation works recently completed in the hotel rooms a year ago and in the lobby in March 2023 are expected to contribute to the hotel generating a higher average daily rate.

Following the outbreak of the Ukraine-Russia conflict, the hotel hosted a number of refugees which has generated additional revenues that were not accounted for in the original budget. 2023 seems to be challenging but Management intends to mitigate the effect of the war in Ukraine.



1.3 Major Assets of the Group - *continued*

Hotel Accommodation and Catering - continued

IBB Hotel Gdańsk (Poland)

IBB Hotel Gdańsk is a 4-star hotel in a three historical semi-detached city houses boasting a collection of 89 well-appointed rooms. The hotel welcomed its first guests in April 2018. The property has a prime retail space on the ground floor of approximately 1,000 sqm which has been rented out to a casino operator. The hotel is performing within budget and the additional rental income generated by the casino enables the hotel to meet all its obligations satisfactorily.



Cugó Gran Macina Hotel (Malta)

The Cugó Gran Macina Hotel is a luxury boutique hotel situated in the historic Macina building in Senglea, Malta. The historic property was built in 1554 during the reign of Grand Master Claude de la Sengle, after whom Senglea is named. The hotel comprises 21 spacious double rooms and suites fully refurbished and offers views of the capital Valletta, as well as Fort St Angelo in Vittoriosa. The Macina was originally used to hoist masts and other heavy cargo onto ships docked in the Grand Harbour and, later, as the headquarters of the Labour Party.

The hotel also includes the “Sheer Bastion”, a rooftop venue for exclusive events. Additional facilities include a restaurant now operated directly by the Hotel on the ground floor with a terrace, an outdoor rooftop pool on the second floor, as well as an area that is designated for use as a spa. All venues are now exclusively managed by the Hotel.

The Group, through Von der Heyden Malta Properties Limited, has entered into a promise of sale agreement for the acquisition of the remaining 80-year emphyteutical grant. The property comprises of 21 fully refurbished double rooms and suites which range from 40 square metres to an impressive 130 square metres. Operationally, the Hotel had its best May in history with a GOP I shy of 50 % and the forecast for the rest of the year is very promising.





1.3 Major Assets of the Group - *continued*

Hotel Accommodation and Catering - continued

Cugó Gran Vittoriosa (Malta)

The Palace of the Captains of the Galleys is an 18th century building that was already documented as ‘Hotel des Capitanes des Galeres’ in 1741. The facade as well as the historic merits of the building have remained true to their origin, however, internally the property upon renovation will have an exclusive contemporary design that will provide all the comfort a luxury guest could wish for, with an undisturbed view of the Grand Harbour opposite the capital city of Malta, Valletta.

The 18 differently sized rooms will each have their unique features and airy structure and are designed for the high-end luxury guest. Moreover, the property is designed to be a sustainable building, employing construction methods that promote energy efficiency. Currently undergoing renovation, the property is anticipated to be fully operational by summer of 2024.



Cugó Gran Villa Diodati (Italy)

The renovation and refurbishment of Villa Diodati in Lucca, Italy are currently in progress and are expected to be completed by the end of this year. The property, once completed, will be operated under the Cugó Gran Collection brand. The anticipated start of operation for Villa Diodati is expected to be in the first half of 2024.





1.3 Major Assets of the Group - *continued*

Hotel Accommodation and Catering - continued

Food and Beverage Operations

The Group, through its subsidiary IBB Hotel Collection Holding S.L., entered into a joint venture in May 2017 with the principal object being the operation of 2 catering establishments and the Sheer Bastion event space and the Hammett’s Gastro Bar in Sliema. Despite the pandemic and the drop in revenues experienced during 2020, the Group continued to invest in the Hammett’s restaurants chain in Malta and it has now expanded to four restaurants and the Sheer Bastion event space, with the latest addition the Hammett’s Monastik in Sliema, which opened in May 2022.

The Group witnessed notable improvements in its restaurant business. Specifically, the Hammett’s Restaurants chain, in which the Group holds a 50% stake, experienced a remarkable surge in turnover during FY22 when compared to the previous fiscal year, FY21. This substantial increase in turnover signifies the growing popularity and success of the Hammett’s Restaurants brand. However, it is important to acknowledge that the increased turnover was accompanied by higher costs driven by inflationary pressures. These elevated costs posed a challenge to the profitability of the restaurant business. Despite this, the Group managed to achieve a net income of €29k in FY22, a significant improvement from the net loss of €42k recorded in FY21.

The Hammett’s group currently has three restaurant operations in Malta and one in Mahón, Menorca under a franchise agreement. In 2023, the operations of the restaurant at the Macina and the Sheer Bastion roof top events space have been integrated with the Cugó Gran Macina Hotel operation and transferred out from the Hammett’s joint venture.

While the Group expects the venture to continue improving its performance, its contribution to the Group’s financial performance is accounted for using the equity method of accounting. In previous years, the Group had an unrecognized share in losses from the associated company, and these losses must be fully reversed before the Group can recognize its share in the associate’s profits.



1.3 Major Assets of the Group – *continued*

Private equity, venture capital, and other investments segment

Fuel stations business in Spain

Urbelia Business S.L. was incorporated in December 2017 to run low-cost petrol stations with car wash centres in Spain. The shareholders of Urbelia Business S.L. are Timan Investments Holdings Ltd (50%) and Urban Oil Wash S.L (50%), the joint venture partner of the Group. The initial objective of the venture was to build two low-cost petrol stations in Bailen and Ciudad Real, via Urbelia Bailen S.L. and Urbelia Ciudad Real S.L. respectively.

Urbelia Bailen S.L. was opened in September 2018 after obtaining all the necessary permits. Urbelia Ciudad Real S.L. received its occupancy permit in August 2019, following substantial delays after full construction completion. The strategy of the Group also includes electric charging points in readiness for the green transport evolution underway.

In FY22, the number of petrol stations increased to three with the fourth operation opening in Q4 2023, subject to obtaining the building permit before the end of July 2023. The plan of the Group is to run eventually run a portfolio of *circa* 15 petrol stations.

The positive aspect of the recovery of both petrol stations is that consumers are generally very sensitive to petrol prices and that plays in favor of Urbelia due to its low-cost petrol business model. This is becoming increasingly true in the current inflationary environment. Additionally, Urbelia has signed a contract with one of the main utilities companies in Spain called Iberdrola, to install fast charging points for electrical cars which is the long-term future of mobility.





1.3 Major Assets of the Group – *continued*

Private equity, venture capital, and other investments segment - continued

Chartering of yachts in Malta and Sardinia

The Group has continued its strategy of investing in luxury-related services and the leisure industry and, following the above-mentioned real estate services in Sardinia, the Group has expanded its operations in the luxury yachting industry.

The Group launched **Von der Heyden Yachting** in 2020 and the company has made itself a name for exclusive charters and sales both with chartering two exclusive RIVA Yachts and third-party yachts.

For a first year of operation, the chartering activities generated reasonable turnover. However, the operational costs of maintaining a luxury yacht, such as the RIVA 63, for short charters made generating a reasonable rate of return and managing to cover effectively direct costs challenging. The Group will therefore change its strategy, also in the light of its growing client base, to third-party chartering and offer direct charters with a smaller version of the RIVA range and that should make it more attractive to the local market and for the Cugó Gran Guests in Birgu and Senglea.

Concierge Business

The Group is also developing a high-end concierge Customer Relation Management (CRM) and Artificial Intelligence (AI) application that is designed to onboard and grow the Group's high-net-worth-individual clientele and centralise its steadily diversifying luxury portfolio.

1.4 Operational Developments

Key Developments and Strategy

In the real estate development segment, Andersia Silver continues to be the flagship development project of the Group for 2023, an office tower located in the financial centre of city of Poznań, Poland with a total estimated investment cost exceeding €108m. In the development segment, the Group also has a residential project underway, the Atrium Liberdade in Algarve, Portugal. The project planned in Reževići, on the coast of Budva in Montenegro is now for sale after having secured all the permits for its development.

In the hotel and accommodation segment, the Group is now moving into an exciting phase of repositioning its portfolio with new assets and operations that match its quality ambition. For years, the Von der Heyden Group has grappled with making a success, especially in the 3-star segment. The Hotel sub-group has successfully exited from this sector except for two properties that are still under the management of IBB Hotel Collection. In addition, the Group is seeking to secure an attractive mid-sized hotel in Tuscany, Italy that will provide the first luxury hotel offering in Italy. The Group is also pursuing a long-term hotel concession in Costa Rica, an attractive hotel market with high room rates and relatively low employment costs.

In addition to its real estate development segment, the Group is actively exploring investments that can diversify its portfolio and generate more recurrent cash flows. This approach aims to reduce the Group's dependency on the cyclical nature of cash flows from real estate projects. One such investment is the Group's interest in low-cost petrol station operations in Spain through its investment in Urbelia Business S.L. as discussed in the earlier section of this Analysis. Albeit slower than originally anticipated, through this venture the Group plans to further expand this operation and scale it to 15 stations. The strategy also includes the adaptability of the petrol stations to install electric charging points in readiness for the green transport evolution.

Business overview

The year 2022 was a year of recovery from the disruption that the COVID-19 pandemic brought on the global economy especially on the tourism sector with lockdowns and travel restrictions. The recovery in the tourism sector was a key driver for the Group's improved results despite the impact of the increase in payroll and inputs costs due to disruptions in logistical supplies and increased energy prices brought about by the continued war in Ukraine. The cyclicity of the real estate segment made 2022 a year of investment for the Group.

In 2022 the Group saw a 32% revenue increase reaching €15.2m (2021: €11.5m). The Accommodation segment contributed 84% of this increase, which itself saw a 43% (€3.1m) growth in revenue to €10.4m (2021: €7.3m). The increase in accommodation revenue was seen across all the territories, with the greatest increase coming from the German market that saw better occupancies and much improved rates. The Catering segment also saw improvements, with an increase of 6% in sales to €2.4m (2021: €2.2m).

The cyclicity of the real estate activity continued to impact the results for 2022. While revenues generated from the real estate segment increased to €1.1m (2021: €0.3m), the Group has not realised any new sales as projects underway are either at their planning stage or early stages of construction. The revenue recorded in 2022 was the remaining promote fees related to the sale of the Blue Tower – the fourth and final building in the iconic Bavaria Towers in the capital of Bavaria, Munich. This resulted in an operating loss of €0.9m, which was a significant improvement from the loss made in 2021 of €2.8m.



1.4 Operational Developments – *continued*

Business overview – *continued*

The Group in 2022 posted an increase in EBITDA of 10% to €4.7m. EBITDA includes other gains and share of profits in associates as the directors believe that this EBITDA measurement provides a fairer reflection of the Group's recurring and core activities, and which figure should not exclude the development of important and significant projects executed in partnership with other partners and also a new business venturing into the asset backed securities market.

At 31 December 2022, the value of the investment properties has increased by €12.4m to reach €45.0m (2021: €32.6m), representing a significant 38% increase from the previous year. This increase is primarily driven by the successful completion of construction milestones in Andersia Silver Project, the A-class office tower in the city of Poznan, Poland, as well as the acquisition of the commercial properties in Mahon, Menorca, Spain and in Olbia, Sardinia, Italy.

Cash and cash equivalents at the end of the year stood at €12.7m (2021: €17.1m). The decrease in cash was mainly due to the financing of the development of Andersia Silver and other Group projects and activities, acquisition of new properties, net of financing proceeds, including the issue of the second bond.

At the end of 2022 the Group successfully raised its second bond – a €35m 5% unsecured bond with a 10-year term, maturing 2032 on the Malta Stock Exchange. As part of the second bond issue, the Company early redeemed its first bond of €25m bonds that were due to mature on 8 March 2024.

Outlook for 2023

The prospects for 2023 in the accommodation and catering segment continue to improve as the Hotel operating companies are all seeing improved results from last year and in many instances exceeding the budgeted turnover and profitability.

The real estate segment continues in its investment phase as the 26-floor Andersia Silver tower in the city of Poznan has reached the 14th floor exceeding the mid-mark in its construction phase with works continuing at the pace of two floors per month, the ongoing development of Villa Diodati, the construction of the 32 apartments Atrium Liberdade project in Algarve, Portugal and the refurbishing of the properties acquired in Mahon Menorca and Olbia, Sardinia.

All the projects in the real estate segment are in the development phase with target completion in 2024-2025. The Group's projected investment in the main ongoing development projects are as follows:

- ◁ Andersia Silver project - €23m
- ◁ Villa Diodati - €4m

The other investments and operations of the Group are expected to report an improvement in 2023 such as the petrol station business in Spain continues to expand.



Part 2

Historical Performance and Forecasts



Introduction

In 2022, the Group concluded the issuance of the €35m 5% unsecured bond, maturing in 2032 on the Malta Stock Exchange. As part of the new issue, the Issuer early redeemed its first €25m 4.4% unsecured bond that was due to mature on 8 March 2024. The €35m bond follows the same structure of the first bond issued by Von der Heyden Group Finance p.l.c. and with a guarantee in favour of the bond holders by Timan Investments Holdings Limited.

The bond is listed on the official list of the Malta Stock Exchange. The use of the net bond proceeds is further described in section 5.1 of the Securities Note, forming part of the Prospectus of the Issuer dated 10 October 2022.

The Issuer is intended to serve as a vehicle through which the Group continues to finance its current and future projects and/or enabling the Group to seize new opportunities arising in the market. Therefore, its assets are intended to consist primarily of loans issued to Group companies. The Issuer's audited financial statements for the three years ended 31 December 2020, 2021, and 2022 and the forecast for 2023 are presented in sections 2.1 to 2.3 of the Analysis. The forecast is based on management's projections.

The Group's historical financial information for the three years ended 31 December 2020, 2021, and 2022 and the forecast for 2023 are presented in sections 2.4 to 2.6 of the Analysis. The Forecast is based on management's projections.

At the time of publication of this Analysis, the Issuer and the Guarantor consider that their respective future performance is intimately related to the performance of the Group. The Issuer and Guarantor believe that they shall be subject to the normal business risks associated with the sectors in which the Group and subsidiary companies are involved and operate as disclosed in this Analysis.

Other than the potential issues arising from the protracted conflict in Ukraine and the related geopolitical and economic fall-out therefrom that could continue to impact on the Group's hotel and development operations, the Group does not anticipate any trends, uncertainties, demands, commitments, or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the operating respective companies and that of the Group, at least up to the end of the of 31 December 2023.



2.1 Issuer's Income Statement

For the years ended 31 December

| | 2020A | 2021A | 2022A | 2023F |
|---|---------|---------|---------|---------|
| | €000 | €000 | €000 | €000 |
| Finance income | 1,410 | 1,459 | 1,671 | 2,120 |
| Finance costs | (1,142) | (1,142) | (1,165) | (1,812) |
| Net finance income | 268 | 317 | 506 | 308 |
| Administrative expenses | (236) | (158) | (229) | (258) |
| Loss on extinguishment of financial liability | - | - | (293) | - |
| Expected credit losses on financial assets under IFRS 9 | (28) | - | - | - |
| Profit/(Loss) before tax | 5 | 159 | (16) | 50 |
| Income tax (charge)/credit | 48 | (55) | (10) | 46 |
| Profit/(Loss) for the year | 53 | 104 | (26) | 96 |

Ratio analysis

| | 2020A | 2021A | 2022F | 2023F |
|---------------------------|-------|-------|-------|-------|
| Net Finance Income Margin | 19.0% | 21.7% | 30.3% | 14.5% |
| Net Margin | 3.8% | 7.1% | -1.6% | 4.5% |

As at 31 December 2022, the Issuer has on-lent the majority of the net bond proceeds to the various group companies totalling €27.8m (FY21: €21.8m), resulting in an interest income in the year of €1.7m (FY21: €1.4m) and a corresponding interest expense of €1.2m (FY21: €1.1m).

The net interest earned in FY22 was €506k (FY21: €317k), which is stated after bank interest received and the amortisation of bond issue costs. After considering administrative expenses of €229k (FY21: €158k) and the loss arising on extinguishment of the financial liability in respect of the old bonds amounting to €293k (FY21: nil), the Issuer registered a loss before tax of €16k (FY21: €159k). The decrease in profitability was driven primarily by the increase in administrative expenses and costs related to the bond issue. The result was also impacted by the premium paid by the Issuer on the redemption of the old bond amounting to €250k and the €43k relating to write-off of the unamortised bond issue cost.

The Issuer incurred a €10k income tax charge (FY21: €55k) after accounting for the group loss relief received for the previous period resulting in a loss after tax of €26k in FY22 (FY21: €104k profit).

The finance income in FY23 is expected to amount to €2.1m, reflecting the higher amounts loaned to the group and related companies. On the other hand, finance costs are projected to increase to €1.8m due to the increase in the bond in issue to €35m and the 5% per annum interest paid thereon compared to the 4.4% paid on the old bond. Consequently, net finance income margin is projected to amount to €0.3m. Administrative expenses for FY23 are estimated to amount to €258k. Regarding taxation, the Issuer anticipates an income tax credit of €46k mainly arising from there group loss relief that is offset by a current tax provision of €19k. Overall, the Issuer expects to report a profit after tax of €0.1m in FY23.



2.2 Issuer's Financial Position

As at 31 December

| | 2020A | 2021A | 2022A | 2023F |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | €000 | €000 | €000 | €000 |
| Assets | | | | |
| Non-current assets | | | | |
| Loans receivable | 13,339 | 21,815 | 27,844 | 31,094 |
| Current assets | | | | |
| Loans and other receivables | 2,415 | 1,462 | 5,237 | 1,604 |
| Cash and cash equivalents | 10,368 | 3,051 | 2,126 | 2,541 |
| Total current assets | 12,783 | 4,513 | 7,363 | 4,145 |
| Total assets | 26,122 | 26,328 | 35,207 | 35,239 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 250 | 250 | 250 | 250 |
| Retained earnings | 73 | 178 | 152 | 248 |
| Total equity | 323 | 428 | 402 | 498 |
| Non-current liabilities | | | | |
| Debt securities in issue | 24,875 | 24,917 | 34,380 | 34,442 |
| Total non-current liabilities | 24,875 | 24,917 | 34,380 | 34,442 |
| Current liabilities | | | | |
| Debt securities in issue | 924 | 895 | 198 | 150 |
| Trade and other payables | - | 33 | 162 | 130 |
| Income tax payable | - | 55 | 65 | 19 |
| Total current liabilities | 924 | 983 | 425 | 299 |
| Total liabilities | 25,799 | 25,900 | 34,805 | 34,741 |
| Total equity and liabilities | 26,122 | 26,328 | 35,207 | 35,239 |



2.2 Issuer's Financial Position - *continued*

As of end of FY22, the Issuer's total assets of €35.2m, which increased significantly from a year earlier (FY21: €26.3m), is made up mainly of loans and receivables granted to the Group and related parties. In FY22, total loans and receivables (including the interest accrued thereon) amounted to €33.1m, an increase of €9.8m when compared to FY21. Cash and cash equivalents decreased by €1.0m from €3.1m in FY21 to €2.1m in FY22.

Total liabilities mainly consist of the bonds in issue that have increased by €9.5m from FY21 to FY22. This increase is due to the fact that on 16 December 2022, the Company completed the issue of the second bond having an aggregate principal amount of €35m. This bond is unsecured, bears interest of 5% per annum and will mature on 16 December 2032. The proceeds from the second bond were used mainly to early redeem the first €25m bond that was due to mature on 8 March 2024, and to part-finance the Group's ongoing construction of the Andersia Silver project in Poznan, Poland, as well as for general corporate funding purposes.

Total equity experienced a slight decrease in FY22 when compared to the prior year, which reflects the Issuer's €26k net loss for the year.

In FY23, non-current loans receivable are projected to increase to €31.1m. This includes the reclassification of €2.9m from current to long-term and a new loan of €0.4m to the parent company. In current assets, loans and other receivables are expected to amount to €1.6m in FY23. This amount is net of the reclassification indicated above and also reflects the projected decrease in interest receivable accrual of €0.8m.

Borrowings are expected to amount to €34.4m in FY23 (FY22: €34.4m) representing the nominal value of the second bond net of the unamortised bond issue costs.

Debt securities in issue in current liabilities mainly represents the residual amount for collection held on behalf of the old bondholders and the accrued interest on the new bonds. The amount held for collection is projected to decrease by €48k in FY23 due to the settlements to be made in the year. Trade and other payables are expected to be €130k in FY23 reflecting a decrease in creditors on payments made during the year of bond issue-related expenses. It is partially offset by an increase in withholding tax (WHT) on the bond interest payment that is expected to be remitted in Q124.

2.3 Issuer's Cash Flow Statement

For the years ended 31 December

| | 2020A | 2021A | 2022A | 2023F |
|--|---------------|----------------|--------------|--------------|
| | €000 | €000 | €000 | €000 |
| Net cash flows generated from/(used in) operating activities | 1,218 | (566) | (1,451) | 843 |
| Net cash flows generated from/(used in) investing activities | 6,604 | (6,750) | (8,900) | (380) |
| Net cash flows generated from/(used in) financing activities | - | - | 9,426 | (48) |
| Net movement in cash and cash equivalents | 7,822 | (7,316) | (925) | 415 |
| Cash and cash equivalents at start of year | 2,555 | 10,367 | 3,051 | 2,126 |
| Movement in expected credit losses in cash and cash equivalents under IFRS 9 | (10) | - | - | - |
| Cash and cash equivalents at end of year | 10,367 | 3,051 | 2,126 | 2,541 |

In FY22, the Issuer reported a cash outflow from operating activities of €1.5m (FY21: €0.6m) and on-lent €8.9m to Group companies to finance the ongoing projects of the Group. Net cash flows from financing activities amounted to €9.4m representing the net proceeds from the second bond issue, net of bond issue costs and the premium paid.

In FY22, The Issuer reported an aggregate cash outflow of €925k, thus resulting in a balance of cash and cash equivalents of €2.1m.

In FY23, the Issuer forecasts a cash inflow from operating activities of €0.8m mainly as a result of the increase in the interest receivable, net of the payment of interest on the bond. In investing activities, the Issuer anticipates providing an additional loan to the parent company amounting to €0.4m. Also, in FY23 the Issuer expects to settle a further €48k of the residual amounts for collection held on behalf of the old bondholders. Overall, cash and cash equivalents is expected to amount to €2.5m at the end of FY23.

2.4 Group's Income Statement

For the years ended 31 December

| | 2020A | 2021A | 2022A | 2023F |
|---|----------------|----------------|----------------|---------------|
| | €000 | €000 | €000 | €000 |
| Revenue | 23,506 | 11,519 | 15,234 | 16,662 |
| Other operating income | 3,222 | 4,739 | 2,649 | 57 |
| Cost of sales | (3,556) | (2,674) | (1,262) | (1,510) |
| Operating expenses | (21,090) | (12,500) | (14,596) | (14,004) |
| Current EBITDA | 2,082 | 1,084 | 2,025 | 1,205 |
| Other gains ¹ | 2,338 | 1,791 | 2,657 | 12,402 |
| Share of profits of associates ¹ | 3,121 | 1,409 | 36 | - |
| EBITDA¹ | 7,541 | 4,284 | 4,718 | 13,607 |
| Depreciation & amortization | (1,098) | (842) | (901) | (1,000) |
| Depreciation under IFRS 16 | (3,752) | (3,086) | (2,007) | (1,778) |
| EBIT | 2,691 | 356 | 1,810 | 10,829 |
| Expected credit losses | (52) | (10) | (11) | - |
| Interest & other related income | 794 | 463 | 416 | 524 |
| Interest & other related expenses | (3,916) | (3,107) | (2,786) | (3,908) |
| Profit/(Loss) before tax | (483) | (2,298) | (571) | 7,445 |
| Income tax (charge)/credit | (1,265) | 77 | (529) | (2,196) |
| Profit/(Loss) for the year | (1,748) | (2,221) | (1,100) | 5,249 |
| Other comprehensive income | | | | |
| Translation of foreign operations | (1,048) | (413) | (241) | (91) |
| Share of other comprehensive income of associates | - | 512 | 83 | 400 |
| Movement in fair value of property, plant and equipment | (1,034) | 1,962 | 1,509 | 300 |
| Total other comprehensive income/(loss) | (2,082) | 2,061 | 1,351 | 609 |
| Total comprehensive income/(loss) | (3,830) | (160) | 251 | 5,858 |

¹ EBITDA includes share of profits in associates and other gains such as revaluation gains as this EBITDA composition provides a fairer reflection of the Group's recurring and core activities, and which figure should not exclude the development of important and significant projects executed in partnership with other partners.

2.4 Group's Income Statement – *continued*

Ratio analysis

| | 2020A | 2021A | 2022A | 2023F |
|----------------------------|-------|--------|-------|-------|
| Revenue Growth | -9.2% | -51.0% | 32.3% | 9.4% |
| Current EBITDA Margin | 8.9% | 9.4% | 13.3% | 7.2% |
| EBITDA Margin ¹ | 32.1% | 37.2% | 31.0% | 81.7% |
| EBIT Margin | 11.4% | 3.1% | 11.9% | 65.0% |
| Net Margin | -7.4% | -19.3% | -7.2% | 31.5% |
| Return on Common Equity | -4.1% | -5.4% | -2.7% | 12.2% |
| Return on Assets | -1.2% | -1.7% | -0.8% | 3.4% |

¹The **EBITDA Margin** is based on an EBITDA that includes share of profits in associates and other gains, such as revaluation gains, as this EBITDA composition provides a fairer reflection of the Group's recurring and core activities, and which figure should not exclude the development of important and significant projects executed in partnership with other partners.

Comments about FY22

The year 2022 was a year of recovery from the disruption that the COVID-19 pandemic brought on the global economy especially on the tourism sector with lockdowns and travel restrictions. The recovery in the tourism sector was a key driver of the Group's improved results, this despite the impact of the increase in cost-of-living due to disruptions in logistical supplies and increased energy prices brought about by the continued war in Ukraine. The cyclicity of the real estate segment made 2022 a year of investment for the Group with the commencement of the above-ground works of the Andersia Silver Office Tower project in the city of Poznań, Poland in the fourth quarter of 2022. This coincided with the completion of the issue by the Group of the new €35m 5% unsecured 10-year bond (the "second bond") on 16 December 2022 to refinance the previous €25m 4.4% unsecured bond (the "first bond") – that was due to mature in 2024 and that also provided further funding for the Andersia Silver and the other projects the Group is undertaking.

In financial year 2022, the Group posted an increase in its **EBITDA** of 10% to €4.7m (FY21: €4.3m) brought about by the increase in revenue to €15.2m (2021: €11.5m). Despite the increase in revenues on the back of a strong recovery in the accommodation segment, the EBITDA margin in FY22 was lower as the share in associates reported a lower value relative to FY21. The Group's EBITDA performance measurement includes other gains and share of profits in associates as this composition provides a fairer reflection of the Group's recurring and core activities since it includes the contribution from the development activities of significant real estate projects executed in partnership with other parties, as well as other joint business ventures including the Hammett's restaurants and the petrol station operations in Spain.

With the positive improvement in EBITDA, the Group's **loss before tax** for the year has also substantially decreased by €1.7m to €0.6m (2021: €2.3m). This results from a variety of factors including amongst others the significant increase in revenue, the reduction in cost of sales and the revaluation gain on investment property recorded in the year.

During the year, the Group experienced a 32% **revenue** increase, reaching €15.2m (2021: €11.5m). The Accommodation segment contributed 84% of this increase, on account of the €3.1m increase to €10.4m (2021: €7.3m). The higher accommodation revenue was experienced across all the territories, with the greatest increase coming from the German market that saw better occupancy rates and much improved average daily rates (ADR). The Catering segment also saw improvements, with an increase of 6% in sales to €2.4m (2021: €2.2m).



2.4 Group's Income Statement - *continued*

Comments about FY22 - *continued*

The cyclical nature of the real estate activity continued to impact the results for FY22. While revenues generated from the real estate segment increased to €1.1m (FY21: €0.3m), the Group has not realised any new property sales in the year as projects underway are either in their early stages of construction. The development revenue recorded in the year represents the residual promote fee related to the sale of the Blue Tower – the fourth and final building in the iconic Bavaria Towers project in the capital of Bavaria, Munich.

The Group revenues in FY22 do not reflect income from petrol sales in Spain as the operation was deconsolidated in Q2 2021 (from a subsidiary operation to an associate undertaking) as the partner in the venture exercised the option to increase the shareholding and thus in the process reduced the Group's holding to 50% from 69% previously. On a stand-alone basis, the petrol station operations experienced a significant growth of 93% in revenue to €5.4m (FY21: €2.8m) on the opening of additional petrol stations and leading to a recognition of €36k share of profits in FY22.

Other operating income in FY22 decreased to €2.6m (FY21: €4.7m) mainly as the authorities in Germany and Poland have curtailed the COVID-related grants on the re-opening of their respective economies in the second semester of 2022. Also contributing to the decrease was the tapering off of the lease concessions granted by the lessors to group companies during COVID.

Cost of sales saw a reduction of 53% to €1.3m (2021: €2.7m). The reduction was mainly due to the efforts made by management and staff, especially in the accommodation and catering segment, to improve efficiency and profitability. In 2021, cost of sales included the full year activities of the IBB Hotel Andersia in Poznan, which in 2022 Q2 was taken over by a third-party operator at the end of our concession. Also, the 2021 comparative, includes €0.4m cost of sales relating to the fuel operations in Spain in FY21Q1 incurred up to when the activity was deconsolidated from the Group's results.

In **operating expenses**, the Group saw a 17% increase in costs to €14.6m (FY21: €12.5m). Staff costs increased by 14% to €5.8m (FY21: €5.1m), which accounted for 34% of the total increase in operating expenses. This is attributable to the increased activity in the accommodation and catering segments, as well as the share of the development promote revenue that is payable to a director. The remaining increases in operating expenses such as utilities, cleaning and upkeep, commissions on sales and other operating expenses were due to the increased activity in the accommodation and catering segments.

Depreciation and amortisation decreased to €2.9m (2021: €3.9m). This was attributable to the expiry of the lease of IBB Andersia Hotel in FY21. Likewise, interest and related expenses also decreased to €2.8m (FY21: €3.1m) since interest expense arising on the unwinding of this property's lease liabilities was no longer incurred on the expiry of the lease.

Other gains in the year of €2.7m (FY21: €1.8m) includes the fair value revaluation gain on the investment properties of €2.9m (FY21: €0.5m). This relates to the ongoing Andersia Silver project. This gain is partly offset by the €250k premium paid on the redemption of the old bond and the write-off of the unamortised bond issue costs of €0.3m.

In **other comprehensive income**, a net amount of €1.4m was recognised for the year (FY21: €2.1m) that was mainly attributable to the fair value gain on the two hotel properties the Group owns in Poland amounting to €1.5m (FY21: €2.0m), net of tax, and partially offset by movement in foreign translation reserve resulting from translation of foreign operations.

2.4 Group's Income Statement - *continued*

Comments about FY23 Forecast

The Group's forecasted **revenues** for FY23 as compared to the actual revenues FY22 are as follows:

| | 2023F €'000 | 2022A €'000 | 23F v 22A €'000 |
|-----------------------------|----------------|----------------|--------------------|
| Revenue by market: | | | |
| Poland | 4,228 | 5,627 | (1,399) |
| Spain | 1,247 | 3 | 1,244 |
| Germany | 9,220 | 7,727 | 1,493 |
| Malta | 1,967 | 1,878 | 89 |
| | 16,662 | 15,234 | 1,428 |
| Revenue by activity: | | | |
| Accommodation | 11,304 | 10,399 | 905 |
| Catering | 4,071 | 2,374 | 1,697 |
| Consulting | 92 | 45 | 47 |
| Development | - | 1,138 | (1,138) |
| Leasing | 608 | 670 | (62) |
| Others | 586 | 608 | (21) |
| | 16,662 | 15,234 | 1,428 |

The Group's accommodation revenue in FY23 is expected to experience a 9% net growth. Accommodation revenue in FY22 included the discontinued activities of the IBB Hotel Andersia in Poznan that the Group ceased operating by end of the first quarter, by when it had generated €667k in accommodation revenue. Excluding the results of this discontinued hotel, the adjusted growth rate in FY23 stands at 16%.

The growth in the accommodation activities is due to several factors. Firstly, the hospitality and leisure sector has experienced a significant increase in demand, driven by various factors such as pent-up demand and improved economic conditions. This favourable market environment is expected to contribute to higher occupancy rates and increased average daily rates for the Group's hotel properties in Germany, Poland and Malta.

In the Catering activities, the Group is forecasting to post a considerable increase in revenue in FY23 mainly on the opening of the new Hammett's Mestizo Menorca restaurant.

As for the Development activities, the Group does not forecast any income for the year since it does not anticipate any sale of real estate properties during the year.

The forecast for **other operating income** in FY23 mainly includes social security reimbursements receivable in Germany. The forecast is significantly lower compared to the previous year given the absence of COVID-related grants received during lockdowns in FY22.

Cost of sales for the year primarily pertains to the expenses incurred in procuring food and beverages for the Group's catering activities. The anticipated increase in cost of sales is directly linked to the expected growth in the catering activities within the hotels and the anticipated opening of the restaurant in Menorca. As these operations recover and gain sales, the corresponding costs associated with sourcing and providing quality food and beverages is expected to rise accordingly.

Operating expenses is comprised of personnel costs and other selling, and general and administrative expenses. These are expected to decrease slightly mainly on account of the cost related to the development revenue since no income from this source is expected in the year.

Additionally, with the opening of the restaurant in Menorca and potentially the new hotel operation in Malta as well as the increased activity, the increase in forecasted operating expenses are expected be offset by the cost saving measures that the Group is implementing, the stabilising energy costs, and the reduction in operating expenses as a result of the discontinuation of IBB Hotel Andersia in Q1 22 – which was a significant hotel property in our portfolio. Consequently, the aggregation of these initiative has resulted in lower overall costs, despite the anticipated higher level of activity and revenues at the Group's portfolio of hotels.

2.4 Group's Income Statement - *continued*

Comments about FY23 Forecast - *continued*

Aggregating the preceding items, the Group anticipates a **Current EBITDA** of €1.2m in FY23. Compared to FY22, the current EBITDA decreased by €820k primarily as a result of the €2.1m COVID-related grants that the Group received in FY22, while such grants are no longer being given as from FY23 due to the ending of the pandemic and the related measures. Notably, despite the lack of COVID-related grants, the Group expects to achieve a positive Current EBITDA in FY23 indicating substantial improvement from the previous year, on the back of the upward trend in the travel and lodging industry along with cost-saving measures and stabilising energy costs.

Forecasted **other gains** for FY23 is mainly attributable to the €12.0m revaluation gain on the fair value of the investment properties as well as the gain from the anticipated disposal of property, plant and equipment. The revaluation gain on investment properties is based on progress of works that the Group anticipates at the end of the year in Andersia Silver Project in the city of Poznań, Poland with an estimated exit value of over €140 million.

Depreciation and amortisation for FY23 is forecasted to be lower than FY22. The decrease is due to the reduction in depreciation of right-of-use assets as a result of the positive remeasurement following the modification of certain leases.

Interest income for FY23 is expected to post an increase over FY22 mainly attributable to the additional loan the Group has given to related companies.

The increase in **interest expense** in FY23 is mainly arising from the Group's debt securities in issue which compared to FY22, now carry a higher interest rate. The Group was also in receipt of project funding from its investing partners in the later part of FY22 which will incur full year's interest this year.

Taxation for FY23 mainly relates to the deferred tax expense accrued on the projected revaluation gain on investment properties that the Group expects to recognise at the year-end.

Within **other comprehensive income**, the Group expects to record a revaluation gain on property, plant and equipment and also to recognise a share in other comprehensive income of associate following the projected revaluation of properties of the associate company.

In the Analysis published as appendix 2 in the Securities Note dated 10 October 2022 of the €35m 5% unsecured bonds maturing in 2032, the Group has included a forecast for the financial year 2023 (the "superseded forecast"). The forecast in this document (the "current forecast") supersedes the forecast the previous version and the major changes in the profit/(loss) for the year between the two versions is explained as follows:

- a. the superseded forecast assumed that the Group would have been well advanced in the construction and sale of the 33-apartment, hotel and related facilities project in Montenegro at this stage leading to a forecasted contribution of €0.3m and €1.5m in FY22 and FY23 respectively. The forecasted contributions have not materialised since the Group decided to defer the project in view of the ongoing war in Ukraine and other geopolitical complexities that have rendered raising financing for the project very challenging. The Group is thus reconsidering its strategic options in Montenegro including the possibility of an early exit from the project.
- b. the superseded forecast considered a significant contribution resulting from the revaluation of Andersia Silver project of €25m in FY23 that now has been revised to €12m. The revised fair value gain results from a timing difference due to the delay in the commencement of the shell and core works and to the anticipated progress in construction up to the end of the year and the basis of measurement thereof compared to the superseded forecast. The revaluation gain gives rise to a 19% deferred tax charge that is now €2.5m lower compared to the superseded forecast.

2.4.1 Group's Variance Analysis

For the year ended 31 December 2022

| | 2022A | 2022F | Variance |
|--|----------------|----------------|----------------|
| | €000 | €000 | €000 |
| Revenue | 15,234 | 18,217 | (2,983) |
| Other operating income | 2,649 | 1,345 | 1,304 |
| Cost of sales | (1,262) | (3,698) | 2,436 |
| Operating expenses | (14,596) | (12,306) | (2,290) |
| Current EBITDA | 2,025 | 3,558 | (1,533) |
| Other gains ¹ | 2,657 | 103 | 2,555 |
| Share of profits of associates ¹ | 36 | 6 | 30 |
| EBITDA¹ | 4,718 | 3,667 | 1,052 |
| Depreciation & amortization | (901) | (859) | (42) |
| Depreciation under IFRS 16 | (2,007) | (1,969) | (38) |
| EBIT | 1,811 | 839 | 972 |
| Expected credit losses reversal/(charge) | (11) | - | (12) |
| Interest & other related income | 416 | 770 | (354) |
| Interest & other related expenses | (2,786) | (3,469) | 683 |
| Profit/(loss) before tax | (571) | (1,860) | 1,289 |
| Income tax (charge)/credit | (529) | (72) | (457) |
| Profit/(loss) for the year | (1,100) | (1,932) | (832) |
| Other comprehensive income | | | |
| Translation of foreign operations | (241) | - | (241) |
| Share of other comprehensive income of associates | 83 | 365 | (282) |
| Movement in fair value of land & buildings and yacht | 1,509 | - | 1,509 |
| Total other comprehensive income/(loss) | 1,351 | 365 | 986 |
| Total comprehensive income/(loss) | 251 | (1,567) | 1,818 |

¹ EBITDA includes share of profits in associates and other gains such as revaluation gains as this EBITDA composition provides a fairer reflection of the Group's recurring and core activities, and which figure should not exclude the development of important and significant projects executed in partnership with other partners.



2.4.1 Group's Income Statement Variance Analysis – *continued*

For the year ended 31 December 2022

In FY22, the loss before tax shows a substantial improvement on the forecast for the year, albeit still recording a loss before tax of €571k compared to the €1.9m loss forecasted for FY22.

The notable variances are mainly on account of the following:

In FY22, **revenues** amounted to €15.2m and were €3.0m (16%) lower than forecast. Actual revenue was lower than expected mainly due to the deferral of the Rezevici real estate project in Montenegro, this as further set out in the commentary on the Superseded Forecast in section 2.4.

Similarly, **cost of sales** closed lower than forecasted by €2.4m at €1.3m in FY22. This reflects mainly of the forecasted costs of sales from the sale of units in the Rezevici project. These accounted for €2.6m lower cost of sales.

Looking at **operating income**, the forecast only provided for the COVID-related grants in the Group's Polish subsidiaries. However, additional income from COVID-related grants was received by the German subsidiaries amounting to €756k, as well as reimbursement from social security totalling €162k, income generated from the disposal of assets amounting to €209k, and other miscellaneous income items.

The rise in **operating expenses** is attributed to surpassing the initially predicted levels of activity in the hotels, leading to higher revenue compared to forecast. Additionally, operating costs increased on account of the high rate of inflation on most bought-in items and energy costs caused by the ongoing war in Ukraine.

In **other gains**, the Group recorded a revaluation gain in FY22 on its investment properties which was not projected. This gain was partially offset by the premium paid on the old bond and the write-off of the unamortised bond issue costs totalling €0.3m.

Within **interest and other related income**, it was initially considered that the bond issue will take place on 1st July 2022 and that the available funds would be placed in short-term investments generating an expected return of 3% per annum.

Similarly, the **interest and other related expense** in the forecast were higher than actual given that the bond issue was delayed from the 1st July 2022 to 16th December 2022. Also, the actual coupon paid at 5% was higher compared to the 4.4% forecasted.

The primary component of the **income tax expense** is the deferred tax expense related to the revaluation of the investment property amounting to €557k. This is partially offset by deferred tax assets arising from other temporary differences, as well as current tax charge.

2.5 Group's Financial Position

As at 31 December

| | 2020A | 2021A | 2022A | 2023F |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | €000 | €000 | €000 | €000 |
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 132 | 66 | 38 | 160 |
| Property, plant & equipment | 27,011 | 27,309 | 28,360 | 29,550 |
| Right of use assets | 36,782 | 31,404 | 29,713 | 25,369 |
| Investment properties | 23,989 | 32,601 | 44,968 | 79,797 |
| Investment in associates | 3,601 | 2,981 | 897 | 1,300 |
| Loans & other receivables | 7,484 | 6,655 | 6,559 | 7,704 |
| Other financial assets | 1,082 | 1,924 | 2,511 | 2,624 |
| Deferred tax assets | 1,007 | 1,004 | 1,088 | 1,250 |
| Total non-current assets | 101,088 | 103,944 | 114,134 | 147,754 |
| Current assets | | | | |
| Inventories | 139 | 90 | 65 | 76 |
| Loans & other receivables | - | 7,060 | 8,132 | 7,456 |
| Trade & other receivables | 5,774 | 5,298 | 6,996 | 5,099 |
| Current tax receivable | 49 | 2 | - | - |
| Cash and cash equivalents | 27,906 | 17,125 | 12,652 | 4,360 |
| Total current assets | 33,868 | 29,575 | 27,845 | 16,991 |
| Total assets | 134,956 | 133,519 | 141,979 | 164,745 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 3,805 | 3,805 | 3,805 | 3,805 |
| Share premium | 4,445 | 4,445 | 4,445 | 4,445 |
| Treasury shares reserve | - | - | - | (1,950) |
| Other reserves | 3,364 | 4,877 | 5,595 | 6,081 |
| Translation reserve | (1,350) | (1,616) | (1,729) | (1,820) |
| Retained earnings | 16,338 | 14,272 | 12,326 | 12,698 |
| Non-controlling interest | 14,383 | 15,126 | 16,655 | 21,745 |
| Total equity | 40,985 | 40,909 | 41,097 | 45,004 |
| Non-current liabilities | | | | |
| Debt securities in issue | 24,225 | 24,171 | 33,085 | 33,675 |
| Borrowings | 14,126 | 17,766 | 19,286 | 39,776 |
| Finance lease liabilities | 35,173 | 30,506 | 29,170 | 25,467 |
| Deferred tax liabilities | 4,392 | 5,002 | 5,940 | 8,247 |
| Total non-current liabilities | 77,916 | 77,445 | 87,481 | 107,165 |
| Current liabilities | | | | |
| Debt securities in issue | - | 895 | 198 | 198 |
| Finance lease liabilities | 5,059 | 2,771 | 2,741 | 2,525 |
| Borrowings | 5,911 | 6,836 | 5,857 | 5,258 |
| Trade & other payables | 4,443 | 4,608 | 4,537 | 4,565 |
| Current tax payable | 642 | 55 | 68 | 30 |
| Total current liabilities | 16,055 | 15,165 | 13,401 | 12,576 |
| Total liabilities | 93,971 | 92,610 | 100,882 | 119,741 |
| Total equity and liabilities | 134,956 | 133,519 | 141,979 | 164,745 |



2.5 Group's Financial Position – continued

Ratio analysis

| | 2020A | 2021A | 2022A | 2023F |
|-------------------------|-------|-------|-------|-------|
| Gearing ratio | 58.0% | 61.3% | 65.3% | 69.5% |
| Net debt / EBITDA | 7.5x | 15.2x | 16.4x | 7.5x |
| Current ratio | 2.1x | 2.0x | 2.1x | 1.4x |
| Quick ratio | 2.1x | 1.9x | 2.1x | 1.3x |
| Interest coverage ratio | 1.9x | 1.4x | 1.7x | 3.5x |

Comments about FY22

The Group's **total assets** at 31 December 2022 increased by 6% reaching €142.0m (FY21: €133.5m). The increase in total assets is attributed to several factors including the additional investments in the development activities, and the acquisition and revaluation of properties. The total assets of the Group at 31 December 2022 is mainly comprised of investment properties (32%), owner-occupied properties (18%), right-of-use assets (21%), financial assets (17%) and cash and cash equivalents (9%).

The value of **investment properties** experienced a significant increase of €12.4m during FY22. This notable change primarily resulted from the construction costs on the Andersia Silver (€5.2m), Villa Diodati (€1.7m) and acquisition of new properties in Menorca (€2.5m) and Olbia (€0.7m). Additionally, the fair value movement of existing properties contributed €2.9m to the overall increase. However, it is worth mentioning that these positive factors were slightly offset by the effect of foreign operations translation losses.

Total liabilities of the Group in FY22 closed at €100.9m, an increase from FY21 of €8.3m. The increase mainly represents the net proceeds of €10m raised from the second bond issue, net of €0.6m bond issue costs and the €250k early redemption premium paid.



2.5 Group's Financial Position - *continued*

Comments about FY23 Forecast

In FY23, the Group expects its **total assets** to increase to €164.8m, an increase by €22.8m from FY22 mainly on account of the:

- a. increase in **property, plant and equipment** and **investment properties** totalling €36m (net of depreciation charge and disposal of equipment) comprising ongoing construction works in Andersia Silver and Villa Diodati, the expected revaluation of Andersia Silver project and of the commercial property in Mahon, and the improvement costs to the hotel properties owned by the Group.
- b. decrease in **right-of-use** following the modification of consideration in some lease agreements which resulted to a remeasurement adjustment of €4.2m. The Group is also projecting to secure a new lease of a hotel property and for which the related right-of-use amounting to €1.6m will be recognised in FY23. Furthermore, the right of-use asset will be reduced by the depreciation expected to be recognised in FY23 amounting to €1.8m.
- c. increase in **investment in associates** by €0.4m in relation to the Group's share in the revaluation gain in other comprehensive income that the associate company expects to recognise.
- d. decrease in **trade and other receivables** €1.9m on account of lower accruals and receivables.
- e. decrease in **cash and cash equivalents** as explained further in section 2.5 of this document.

Equity at the end of the forecasted year also expected to increase by €3.9m mainly on account of the €5.9m total comprehensive income that the Group forecasts for the year (after accounting for €0.6m other comprehensive income items) as well as the projected settlement of €1.9m for the partial acquisition of the minority shareholding in the parent company that is currently in an advanced stage of negotiations.

Total liabilities are projected to increase to €120m by the end of FY23, mainly emanating from the borrowings to finance the ongoing projects. Movements in total liabilities are as follows:

- a. **Total borrowings** are expected to increase by €20m primarily on account of drawdowns that the Group intends to make from financial institutions, mezzanine investors and partners, mainly to finance the ongoing construction and finishing works of Andersia Silver and Villa Diodati.
- b. **Debt securities in issue** liability is expected to increase by €0.6m during the year mainly on account of forecasted disposal of bonds held in treasury.
- c. Increase in **deferred tax liability** on account of the provision raised on the revaluation of properties.
- d. **Finance lease liabilities** are expected to decrease by €3.9m mainly on account of the remeasurement of lease liabilities following the modification of leases which took effect in the year amounting to €4.2m and the principal portion of the lease payment for the year amounting to €1.6m. These reductions are partially offset by the recognition of a new lease liability amounting to €1.6m on the hotel property which the Group expects to secure during the year.

2.6 Group's Cash Flow Statement

For the years ended 31 December

| | 2020A | 2021A | 2022A | 2023F |
|--|---------------|-----------------|----------------|----------------|
| | €000 | €000 | €000 | €000 |
| Net cash flows used in operating activities | (4,248) | (687) | (2,894) | (2,013) |
| Net cash flows generated from / (used in) investing activities | 34,309 | (10,968) | (9,184) | (24,363) |
| Net cash flows generated from / (used in) financing activities | (9,348) | 794 | 7,415 | 18,176 |
| Effect of changes in foreign exchange | 875 | 80 | 190 | (92) |
| Net movement in cash and cash equivalents | 21,588 | (10,781) | (4,473) | (8,292) |
| Cash and cash equivalents at start of year | 6,318 | 27,906 | 17,125 | 12,652 |
| Cash and cash equivalents at end of year | 27,906 | 17,125 | 12,652 | 4,360 |

Ratio analysis

| | 2020A | 2021A | 2022A | 2023F |
|--|----------------|----------------|----------------|-----------------|
| | €000 | €000 | €000 | €000 |
| Free cash flow (Net cash from operations - Capex) | (8,498) | (7,804) | (9,704) | (22,354) |

Comments about FY22

In FY22, the Group had a net cash outflow of €4.5m resulting from the aggregate of €2.9m outflow in operating activities, the €7.4m cash inflows generated from financing activities mainly resulting from the net proceeds from the second bond issue, net of outflows for payments of interest and principal portion of lease liabilities, as well as the €9.2m employed in investing activities mainly on account of the further additions in investment properties.

Comments about FY23 Forecast

For FY23, the Group forecasts to raise additional project financing from banks, mezzanine investors and other investing partners. The net proceeds from these financing activities will be mainly disbursed on investing activities including the additional construction costs on Andersia Silver where the Group expects to invest €21.3m, €4.0m on Villa Diodati, as well as the disbursements on improvements to the existing properties operated by the Group. These disbursements in investing activities are partially offset by proceeds from the sale of equipment.

Furthermore, the Group anticipates an outflow of €1.95m to settle the liability arising on the partial acquisition of the minority shareholding in the parent company leading to a forecasted aggregate net cash outflow of €8.3m in FY23.



A satellite night view of Earth showing city lights and the curvature of the planet against a starry background.

Part 3

Key Market and Competitor Data



3.1 General Market Conditions

European economic update¹

Over the past winter, the EU economy performed better than expected. As the disruptions caused by the war in Ukraine and the energy crisis clouded the outlook for the EU economy, and monetary authorities around the world embarked on a forceful tightening of monetary conditions, a winter recession in the EU appeared inevitable last year. The latest data points to a smaller-than-projected contraction in the final quarter of last year and positive growth in the first quarter of this year. The better starting position lifts the growth outlook for the EU economy for 2023 and marginally for 2024.

The improved outlook is driven by the terms-of-trade counter shock caused by declining energy prices, while broad price-increasing supply-side factors lead to inflation persistence. Recent economic developments seem to corroborate these results. According to Eurostat's preliminary flash estimate, in 2023-Q1 GDP grew by 0.3% in the EU and by 0.1% in the euro area. Lower energy prices, abating supply constraints, improved business confidence and a strong labour market underpinned this positive outcome. As for inflation, the headline index continued to decline in the first quarter of 2023, amid sharp deceleration of energy prices, but core inflation firmed, pointing to persistence of price pressures. For the second quarter, survey indicators suggest continued expansion, with services clearly outperforming the manufacturing sector and consumer confidence continuing its recovery from last autumn's historical low.

Housing investment, which is particularly sensitive to interest rates, is set to contract. By contrast, business investment is projected to still increase, though at a slower pace than last year, helped by corporates' overall healthy balance sheet position. Finally, public investment is forecast to remain buoyant in both 2023 and 2024 thanks to the continued deployment of the Recovery and Resilience Facility (RRF). Overall, investment growth is projected to decelerate markedly from 4% in 2022 to 0.9% in 2023. Gradual normalisation of economic activity is expected to reinvigorate companies' investment decisions, pushing overall investment growth up by 2.1% in 2024.

Inflation keeps eroding the purchasing power of consumers. Following the fall in the last quarter of 2022, private consumption is expected to have weakened again in the first quarter of this year. Overall, private consumption growth in the EU in 2023 is projected at 0.5%. As inflation loosens its grip on households' budgets, private consumption is set to rebound to 1.8% in 2024. The household saving rate is projected to decrease in the EU from 13.2% in 2022 to 12.8% in 2024, in line with its long-term average.

In 2023 and especially in 2024, the phasing out of energy support measures is expected to drive further deficit reductions on aggregate in the EU, to 3.1% and 2.4% of GDP, respectively, and the corresponding fiscal impulse should turn contractionary. However, several Member States are still projected to see a deterioration in their general government balance in 2023, as their fiscal stance remains expansionary. While falling energy prices are helping to contain the cost of existing support measures, several Member States have introduced new energy support measures or are extending existing ones. Furthermore, while inflation supported the improvement in the government balance ratio in 2022, some reversal of this effect is expected in 2023 as large expenditure items like pensions and other social transfers, as well as public wages, are adjusted to the previous year's inflation. Meanwhile, the EU aggregate debt ratio is expected to fall in 2023-24 despite debt-increasing primary deficits, thanks to economic growth and inflation. Higher interest rates are affecting the cost of servicing public debts only gradually thanks to their long maturity.

The EU debt-to-GDP ratio fell to around 85% of GDP in 2022, from the record high of 92% recorded in 2020. It is projected to further decline to below 83% of GDP in 2024, but to remain above the pre-COVID-19 crisis level of around 79% in 2019. Global growth, excluding the EU, is expected to fall from 3.2% in 2022 to 3.1% in 2023, before rising back to 3.2% in 2024. The outlook for external demand facing the EU has however been significantly downgraded, as synchronised weakness in advanced economies (and especially in the US) weighs heavily on EU exports. The rebound in economic activity in China, moreover, is set to benefit primarily the domestic sectors, services in particular, with limited positive spillovers to the EU. The current account balance is set to improve steadily from the record-low surplus of 1.6% of GDP in 2022 to 3.5% in 2024. The services trade balance is forecast to remain strong throughout the forecast horizon, with tourism being a strong driver of the economic rebound.

Persistence of core inflation has emerged as a key risk. It could continue restraining the purchasing power of households and force a stronger response of monetary policy, with broad macro-financial ramifications. Moreover, a surge in risk aversion in financial markets, following the banking sector turmoil originated in the US, could prompt a more pronounced tightening of lending standards. In this context, policy consistency has become even more important.

¹ European Economic Forecast - Spring 2023

3.2 Comparative Analysis

| Security | Nom Value | Yield to Maturity | Interest coverage (EBITDA) | Total Assets | Total Equity | Total Liabilities / Total Assets | Net Debt / Net Debt and Total Equity | Net Debt / EBITDA | Current Ratio | Return on Common Equity | Net Margin | Revenue Growth (YoY) |
|--|-----------|-------------------|----------------------------|--------------|--------------|----------------------------------|--------------------------------------|-------------------|---------------|-------------------------|------------|----------------------|
| | €000's | (%) | (times) | (€'millions) | (€'millions) | (%) | (%) | (times) | (times) | (%) | (%) | (%) |
| 6% AX Investments Plc € 2024 | 40,000 | 6.05% | 2.6x | 422.8 | 248.2 | 41.3% | 30.0% | 12.0x | 1.1x | -0.1% | -0.7% | 8.1% |
| 6% International Hotel Investments plc € 2024 | 35,000 | 5.98% | 0.7x | 1,662.0 | 817.9 | 50.8% | 36.2% | 10.7x | 0.8x | -0.3% | -1.0% | 84.3% |
| 5% Hal Mann Vella Group plc Secured € 2024 | 30,000 | 4.24% | 2.9x | 124.6 | 50.3 | 59.6% | 51.8% | 9.5x | 1.2x | 3.4% | 7.0% | -5.6% |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000 | 5.74% | 0.7x | 1,662.0 | 817.9 | 50.8% | 36.2% | 10.7x | 0.8x | -0.3% | -1.0% | 84.3% |
| 4.25% CPHCL Finance plc Unsecured € 2026 | 40,000 | 3.87% | 1.6x | 1,807.8 | 875.4 | 51.6% | 41.2% | 13.8x | 0.8x | -0.4% | -1.3% | 85.6% |
| 4% International Hotel Investments plc Secured € 2026 | 55,000 | 4.34% | 0.7x | 1,662.0 | 817.9 | 50.8% | 36.2% | 10.7x | 0.8x | -0.3% | -1.0% | 84.3% |
| 4% International Hotel Investments plc Unsecured € 2026 | 60,000 | 4.16% | 0.7x | 1,662.0 | 817.9 | 50.8% | 36.2% | 10.7x | 0.8x | -0.3% | -1.0% | 84.3% |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000 | 3.55% | 2.6x | 422.8 | 248.2 | 41.3% | 30.0% | 12.0x | 1.1x | -0.1% | -0.7% | 8.1% |
| 3.75% Mercury Projects Finance plc Secured € 2027 | 11,500 | 4.33% | 2.6x | 179.4 | 37.2 | 79.3% | 37.5% | 3.5x | 3.0x | 24.1% | 22.9% | 666.2% |
| 4% Eden Finance plc Unsecured € 2027 | 40,000 | 4.37% | 4.8x | 217.9 | 135.4 | 37.9% | 25.3% | 4.8x | 0.8x | 1.0% | 3.5% | 47.3% |
| 4% Stivala Group Finance plc Secured € 2027 | 45,000 | 4.25% | 7.7x | 396.6 | 249.3 | 37.1% | 29.0% | 5.6x | 0.7x | 10.8% | 93.7% | 91.5% |
| 4.15% Phoenicia Finance Company plc Unsecured € 2023-2028 | 25,000 | 5.56% | 2.3x | 128.2 | 46.8 | 63.5% | 59.3% | 15.1x | 0.3x | 0.6% | 1.8% | N/A |
| 4% SP Finance plc Secured € 2029 | 12,000 | 3.81% | 1.4x | 36.8 | 13.4 | 63.5% | 58.8% | 15.9x | 0.3x | -19.0% | -70.4% | 71.5% |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000 | 4.50% | 7.7x | 396.6 | 249.3 | 37.1% | 29.0% | 5.6x | 0.7x | 10.8% | 93.7% | 91.5% |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000 | 4.11% | 2.6x | 422.8 | 248.2 | 41.3% | 30.0% | 12.0x | 1.1x | -0.1% | -0.7% | 8.1% |
| 4.25% Mercury Projects Finance plc Secured € 2031 | 11,000 | 4.56% | 2.6x | 179.4 | 37.2 | 79.3% | 37.5% | 3.5x | 3.0x | 24.1% | 22.9% | 666.2% |
| 3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031 | 45,000 | 4.49% | 3.6x | 288.7 | 90.2 | 68.8% | 54.3% | 8.6x | 0.8x | 5.8% | 4.4% | 0.0% |
| 3.65% IHI plc Unsecured € 2031 | 80,000 | 4.47% | 0.7x | 1,662.0 | 817.9 | 50.8% | 36.2% | 10.7x | 0.8x | -0.3% | -1.0% | 84.3% |
| 3.5% AX Real Estate plc Unsecured € 2032 | 40,000 | 4.21% | 2.6x | 422.8 | 248.2 | 41.3% | 30.0% | 12.0x | 1.1x | -0.1% | -0.7% | 8.1% |
| 4.5% Shoreline Mall plc Secured € 2032 | 26,000 | 5.64% | (.2)x | 58.3 | 17.4 | 70.2% | 68.5% | (96.4)x | 17.2x | -2.3% | N/A | 0.0% |
| 5% Von der Heyden Group Finance plc Unsecured € 2032 | 35,000 | 5.01% | 0.6x | 142.0 | 41.1 | 71.1% | 65.4% | 38.4x | 2.1x | -2.7% | -7.2% | 32.3% |
| *Average | | 4.61% | | | | | | | | | | |

Source: Latest available audited financial statements

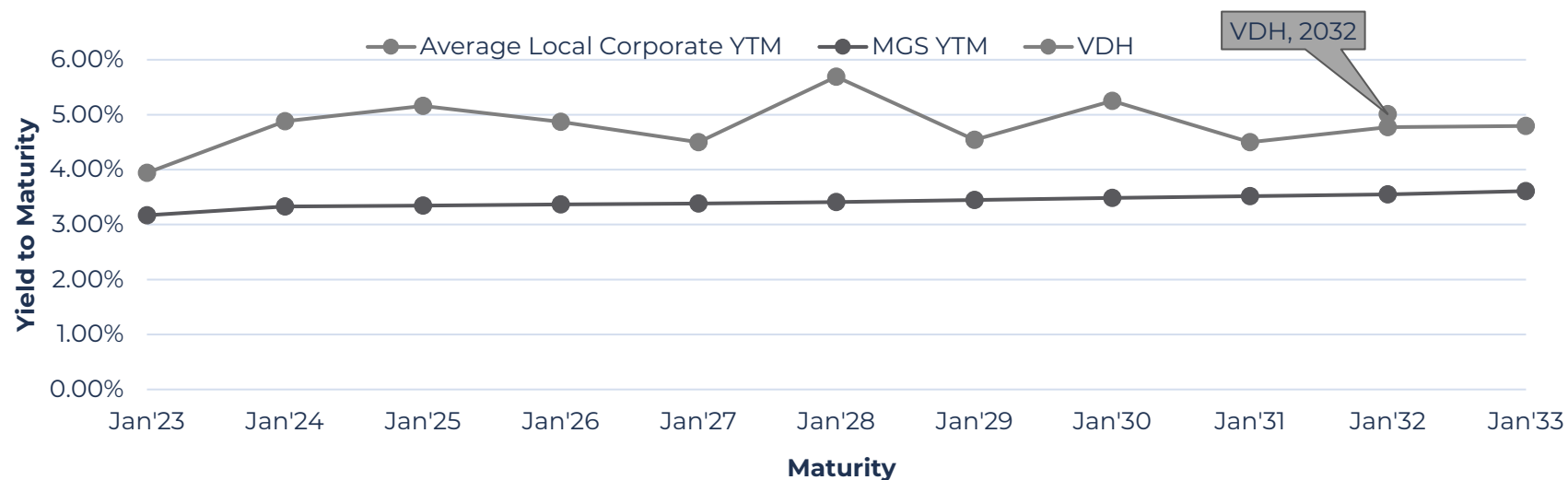
Last price as at 07/06/2023

*Average figures do not capture the financial analysis of the Issuer

The purpose of the table above compares the debt issuance of the Group to other debt instruments. Although the above comparative analysis table specifically refers to the respective Issuers, it is important to clarify that financial figures and metrics pertaining to such issuers captures the consolidated operation of the respective Group. More specifically, the presented financial data relates to either the Holding Company, Guarantor or the Issuer depending on the respective group structure of each issuer.



Yield Curve Analysis



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yield on its outstanding bond.

As of 7 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 1-9 (2024-2032) years was 119 basis points. The 5.0% Von Der Heyden Group Finance p.l.c. Bonds 2032 were trading at a YTM of 501 basis points, meaning a spread of 146 basis points over the equivalent MGS. This means that this bond is trading at a premium of 27 basis points in comparison to corporate bonds in similar industries.





Part 4

Glossary and Definitions



Glossary and definitions

INCOME STATEMENT

| | |
|-------------------------------|--|
| Revenue | Total revenue generated by the Group/Company from its principal business activities during the financial year. |
| EBITDA | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations. |
| Operating Income (EBIT) | EBIT is an abbreviation for earnings before interest and tax. |
| Depreciation and amortisation | An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated. |
| Net Finance Costs | The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances. |
| Net Income | The profit made by the Group/Company during the financial year net of any income taxes incurred. |

PROFITABILITY RATIOS

| | |
|-------------------------|--|
| Growth in Revenue (YoY) | This represents the growth in revenue when compared with previous financial year. |
| Current EBITDA Margin | Current EBITDA as a percentage of total revenue. |
| EBITDA Margin | EBITDA as a percentage of total revenue. |
| Operating (EBIT) Margin | Operating margin is the EBIT as a percentage of total revenue. |
| Net Margin | Net income expressed as a percentage of total revenue. |
| Return on Common Equity | Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance). |
| Return on Assets | Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance). |

CASH FLOW STATEMENT

| | |
|---|--|
| Cash Flow from Operating Activities (CFO) | Cash generated from the principal revenue producing activities of the Group/Company. |
| Cash Flow from Investing Activities | Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company. |
| Cash Flow from Financing Activities | Cash generated from the activities that result in change in share capital and borrowings of the Group/Company. |
| CAPEX | Represents the capital expenditure incurred by the Group/Company in a financial year. |
| Free Cash Flows (FCF) | Free cash flow (FCF) represents the cash a Group/Company generates after accounting for cash outflows to support operations and maintain its capital assets. It is calculated by taking Cash Flow from Operating Activities (before the payment of interest) less the Capex of the same financial year. |



Glossary and definitions - *continued*

BALANCE SHEET

| | |
|---------------------------|---|
| Total Assets | What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets. |
| Non-Current Assets | Assets, full value of which will not be realised within the forthcoming accounting year |
| Current Assets | Assets which are realisable within one year from the statement of financial position date. |
| Cash and Cash Equivalents | Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately. |
| Total Equity | Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves. |
| Total Liabilities | What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities. |
| Non-Current Liabilities | Obligations which are due after more than one financial year. |
| Total Debt | All interest-bearing debt obligations inclusive of long and short-term debt. |
| Net Debt | Total debt of a Group/Company less any cash and cash equivalents. |
| Current Liabilities | Obligations which are due within one financial year. |

FINANCIAL STRENGTH RATIOS

| | |
|-------------------------------|---|
| Current Ratio | The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities. |
| Quick Ratio (Acid Test Ratio) | The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities. |
| Interest Coverage Ratio | The interest coverage ratio measures how many times a Group/Company can cover its current interest payment with its available earnings. It is calculated by dividing EBITDA by Finance Costs. |
| Gearing Ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. This is calculated by dividing Net Debt over the sum of Net Debt and Total Equity. |
| Net Debt / EBITDA | The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA. |



Glossary and definitions - *continued*

OTHER DEFINITIONS

| | |
|--------------------------------------|---|
| Yield to Maturity (YTM) | YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price. |
| Occupancy Level | The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period. |
| Average Daily Rate (ADR) | Average Daily Rate (ADR) is a performance metric used in the hotel industry and it represents the average rental income per paid occupied room in a given time period. |
| Revenue per Available Room (Rev/PAR) | Revenue per available room (Rev/PAR) is a performance metric used in the hotel industry. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate or by dividing a hotel's total room revenue by the total number of available rooms in the period being measured. |





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