



VON DER HEYDEN GROUP

Calamatta Cuschieri

FINANCIAL ANALYSIS SUMMARY  
Von der Heyden Group Finance plc  
28 June 2024

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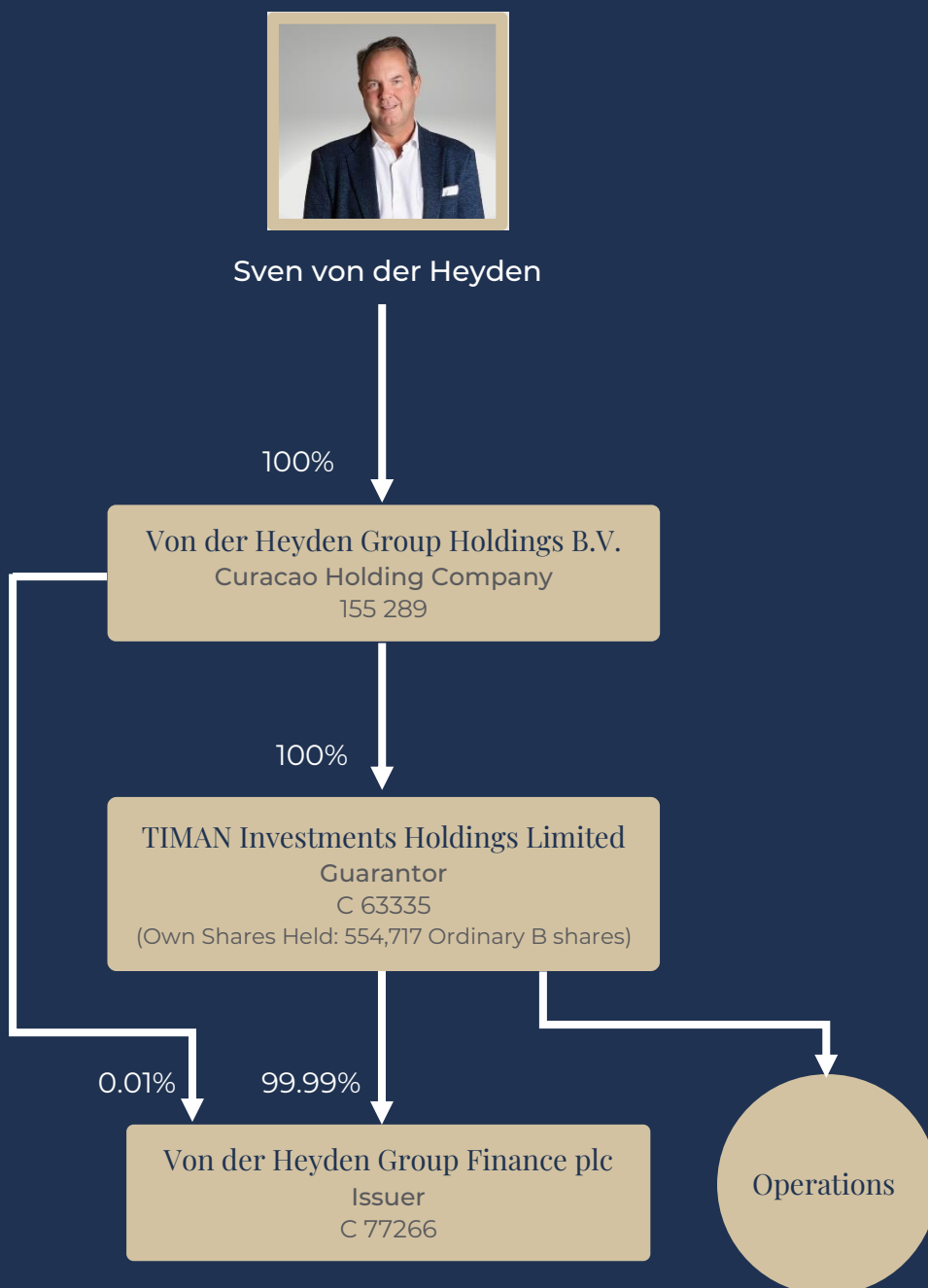
Part 1

# 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, 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 and Malta.

The Group consists of Von der Heyden Group Holdings B.V., a holding company registered in Curaçao 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
- TIMAN Investments Holdings Limited - 554,717 class B Ordinary shares (14.58%) of €1 each fully paid up (own shares held).

As of the date of this document, the Guarantor has completed the acquisition of the Ordinary B shares from the minority shareholder Trusthigh Holdings Ltd. The Guarantor acquired the 544,717 Ordinary B shares for a total consideration of €6.5 million.

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 2023, the Group had 38 subsidiary entities and five associated entities registered in Germany, Poland, Ukraine, Spain, Portugal, Italy, Malta, and the Netherlands. Amongst others, the Group's associates include IBB Hammetts Operations Limited, an operator of three restaurants 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 operated 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 over the years completed investment programmes in real estate markets with a market value of 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 34 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](http://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 Malta and Italy. The Group's business activities are currently organised across the following lines of business:

- Real estate developments and investments;
- 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 and investments

Real estate developments and investments remain the core business of the Group, and maintaining a solid pipeline of projects is the cornerstone for its success. 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 AND<sup>2</sup> Tower project (formerly 'Andersia Silver') is currently the flagship project of the Group and is expected to be fully completed by spring of 2025. 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. 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, being 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, Spain and Italy held mainly for capital appreciation (through yield compression and rental increase, as well as value-added and opportunistic investment strategies). Upon completion, AND<sup>2</sup> and Villa Diodati will also be included in this segment.





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

### Hotel 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 a 50% venture in the IBB Hammetts Operations Limited which operates several restaurants in Malta under the Hammett's Collection brand and one in Spain.

### 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.



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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 (resigned on 21 July 2023)
Dr Karen Coppini	Independent non-executive director (appointed 21 July 2023)

The business address of all the directors of the Issuer is the registered office of the Issuer.

Following the resignation of Dr Karen Coppini as the company secretary of the Issuer on 15 September 2023, Dr Nicholas Formosa was appointed on the same date in her stead.

The board of directors of the Guarantor is composed of the following persons:

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.

The following are the key officers of the Guarantor and its operations.

NAME	DESIGNATION
Mr Javier Errejon Sainz de la Maza	Managing Director
Mr Antonio Fenech	Executive Director, Business Development
Mrs Tiana Shaller Vella	Head of Human Resources
Mr Herald Bonnici	Head of Operations
Mr Samuel Santos	CEO, IBB Hotel Collection and Cugó Gran Collection

As per the latest audited financial statements, the average number of employees employed by the Group during 2023 was 173 (FY22: 191).



## 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	EFFECTIVE OWNERSHIP %
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
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	EFFECTIVE 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 in Bailen	Madrid, Spain	50
Urbelia Ciudad Real S.L.	Private Equity & Other	Operator - Petrol station in Ciudad Real	Madrid, Spain	50
Urbelia Jumilla S.L.	Private Equity & Other	Operator - Petrol station in Jumilla	Madrid, Spain	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







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## 1.3 Major Assets of the Group – *continued*

### Real estate developments and investments

#### AND<sup>2</sup> Tower, Poland

The AND<sup>2</sup> Tower (formerly Andersia Silver) now stands tall, marking Poznań's skyline as a significant landmark for the city. With its 26 floors constructed and the shell, core construction, and façade works in their final stages, the AND<sup>2</sup> is set to become a centrepiece of the Poznań financial district. The projected investment value upon completion is estimated at around €140m, reflecting the scale and significance of this A-Class office tower.

Throughout the year, there has been a surge of interest in the AND<sup>2</sup>, resulting in substantial progress in pre-leasing activities for the available space. This heightened attention underscores the appeal and desirability of the project among potential tenants. As the AND<sup>2</sup> nears completion, the Group is actively engaged in mechanical and engineering works and fit-out activities, with the aim of welcoming tenants by the second half of 2025.

In terms of financing, significant developments have occurred. Following the initial senior lending facility of €55m, the Group secured a mezzanine facility of €16 million. Subsequent changes in the senior lending facilities consortium prompted multi-party renegotiations, addressing the settlement of the project finance provided by the turnkey contractor. This includes amounts due up to the end of phase 2 of the works, totalling €24.9m due by November 2024.

Negotiations have concluded, and the senior lending consortium has issued a term sheet, with formal approval expected in the coming weeks. This will lead to the fulfilment of conditions precedent, facilitating the release of the €16m mezzanine facility provided by a Polish financial institution, as well as the execution of conditions for the release of the €55m senior lenders' facility.

The mezzanine financing agreement has been signed, and both the mezzanine facility and senior bankers' facility will primarily be used to settle amounts due to the contractor and finance subsequent mechanical and engineering works in the final phase 3, expected to be completed by the second half of 2025. The senior lenders' facility is contingent on meeting market-standard pre-leasing targets for the gross lettable area.

Upon the completion of the AND<sup>2</sup> Tower, the Group will have the opportunity to leverage the remaining adjacent plot of land within the Anders Square for future development projects, further solidifying its presence and contribution to the Poznań real estate landscape.

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## 1.3 Major Assets of the Group – *continued*

### Real estate developments and investments – *continued*

#### Villa Diodati, Italy

In 2024, the Villa Diodati project have made substantial progress on the restoration and renovation of this unique 16th-century villa in Lucca, Italy. The villa comprises a 1,100 sqm main villa and six apartments of approximately 400 sqm each, featuring an indoor swimming pool, spa, and other amenities. The property also includes a spacious garden on a plot of land measuring 20,000 sqm.

The project faced delays due to unplanned interventions required for the building's foundations and additional delays caused by the contractor. As a result, its completion is now expected in Q3-2024. Originally, the Group intended to operate the villa and apartments in the luxury rental accommodation segment under the Cugó Gran brand. However, considering current market conditions and the high demand for such properties in Tuscany, the Group has decided to capitalise on the investment earlier by placing the property for sale in Q3-2024.

#### Reževići Project, Montenegro

The Group, through its subsidiary Hot Spot Real Estate d.o.o., previously held 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 constituted of one urban parcel, and the Group had planned and obtained a building permit to develop a gross building area (GBA) of 8,800 sqm. This included 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 had secured all necessary planning permissions for the development of the project.

However, in FY23, following a strategic review that considered the current market conditions in Montenegro and the continuing fallout from the geopolitical situation in the region arising from the conflict in Ukraine, the Group reassessed its strategy for this property. As a result, the Group sold the plot of land in 2023 for €2.065m. This sale resulted in a gain of €0.5m. The decision to sell allowed the Group to capitalise on the value created through the acquisition and planning stages, thereby attracting a prospective buyer interested in the project's prime location and development potential. Following the sale of the plot of land, the Group now is in the process of liquidating the subsidiary company in Montenegro.

## 1.3 Major Assets of the Group – *continued*

### Real estate developments and investments – *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 has had to start legal proceedings to obtain the right of way easement by necessity on the neighbouring 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 semi-detached city houses that have been converted into a 4-star hotel and, as of FY23, the property is valued at €16.7 million. The second property is IBB Grand Hotel Lublinianka, in the centre of the city of Lublin, Poland which is valued at €9.3 million as of end of FY23.

#### 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 prominent location along the main yachting marina promenade within the harbour of Mahon, Menorca in Spain. In early June 2023, the Group opened 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 marks 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 is expected to be in the range of €180-€200k per annum.



Facade of IBB Hotel Gdansk





## 1.3 Major Assets of the Group – *continued*

### Real estate developments and investments – *continued*

#### Commercial property in Olbia, Sardinia, Italy

The Group further expanded its portfolio by acquiring a commercial property in the vibrant centre 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 licence, complete with a terrace that provides a unique setting for patrons. Having completed some necessary works, the Group's intention is to sell this property at a profit.



#### Atrium Liberdade, Portugal

In 2019, the Group concluded a shareholder agreement for a 25% investment in a 5,000 sqm 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.

To support the project, the associated company on which the Group has 25% interest has successfully secured bank financing of €3.8m. The construction is now well advanced with completion expected by the end of 2024. Of the 33 apartments, 26 have already been secured and the market conditions remain very positive.

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## 1.3 Major Assets of the Group - *continued*

### Real estate developments and investments - *continued*

#### KASA Investments

The Group holds a 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) licensed 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 at a discounted price of €6.0m. In 2024, an offer was received from an Italian bank to acquire the credits for €7.5 million as part of the refinancing process of the owner of the asset. Due to the lengthy process of the ongoing judicial recovery procedure in the Italian Courts, the Group decided to capitalise on the gain and dispose of its interest and eventually accept the offer. The sale of the credits resulted in a gain of €1.5 million over the life of the asset, of which €1.01 million was recognized in 2021 and the remainder in 2024.

#### Real estate services in Sardinia, Italy

On 12 December 2023, Von der Heyden Real Estate Services, a joint-venture operation in Sardinia, Italy where the Group had a 50% stake, was put into liquidation.

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## 1.3 Major Assets of the Group - *continued*

### Hotel Accommodation and Catering - *continued*

The Group manages its hotels through the IBB Hotel Collection and the Cugó Gran Collection brands, with IBB Hotel Management Europe Limited, a Malta-registered entity, acting as the management company for all hotels within the chain. The Cugó Gran Collection brand, which includes the flagship hotel Cugó Gran Macina - a reimagining of a 16th-century Senglea fortress that opened in 2018 - is leading this drive toward higher-quality hospitality offerings.

The Group has nearly completed its previously reported exit strategy from the 3-star hotel segment, following the early termination of the lease of its Berlin property in 2023 and the non-extension of another 3-star hotel lease in Passau, Germany, expiring in Q4-2024. The Group's focus is on securing new assets that fit the strategy of building a portfolio of 4-star plus and luxury boutique hotels, along with management agreements to grow the brands within these categories.

In October 2023, the Group opened the IBB Hotel Palazzo Bettina, a new boutique hotel at the heart of the Three Cities in Malta, featuring 13 highly finished rooms and a panoramic rooftop terrace with a swimming pool and jacuzzi, overlooking the Birgu marina.

The Group aims to broaden the reach of the Cugó Gran brand beyond Europe to locations known for their luxury tourism offerings, which also benefit from lower operational and salary costs, supporting a prosperous business model.

As of the date of this Analysis, the Group operates eight hotels in its portfolio, two of which are owned by the Group - namely, IBB Grand Hotel Lublin and IBB Hotel Gdansk - while the other six are leased. The leased hotels are IBB Hotel Ingelheim, IBB Hotel Passau Sud, IBB Hotel Paderborn, IBB Hotel Eichstatt, Cugó Gran Macina Hotel, and IBB Hotel Palazzo Bettina.

Additionally, the Group looks forward to operating an 18-room top luxury hotel, Cugó Gran Vittoriosa, on the Birgu waterfront in Malta, which will benefit from operational synergies with the Cugó Gran Macina Grand Harbour. The Group secured an agreement for the hotel management operations of the Cugó Gran Vittoriosa, which it will lease from the owner. Renovation works are in progress and are being fully paid for by the landlord while the Group is presently providing pre-operating consulting services such as design and project management. The property is expected to welcome its first guests in 2025.

The Group is also actively pursuing a growth path for the Cugó Gran brand and anticipates adding to the hotel portfolio two boutique hotels in Italy and one in Spain within the next three years. The Group is planning to finance this further expansion of the Cugó Gran brand by raising funds from private investors and potentially issuing an asset-backed bond in Malta. Having now significantly explored several potential assets in Tuscany, Spain and in the Caibbean and the surrounding regions, management has decided to put its focus on the acquisition of operational boutique hotels rather than assets that require reconfiguration and significant restructuring. This strategy has several benefits, including the fact that entering into an ongoing operation allows the Group to better plan the renovations and upgrades required to meet the Cugó Gran luxury brand expectations. Through proper planning, these upgrades can be done while the property is already generating cash flow and reducing the downtime of the actual operations during planning and the execution of certain works that can be better phased in the lower season to cause minimum disruption.



## 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 encompassing an area of 5,700 sqm. The renovation of this space was completed by the Group in 2002. Recognised 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 2 restaurants, a banquet room, and various fitness facilities, including a sauna, gym, and 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., 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., of which the Guarantor is a 74.77% shareholder. During the year, the Group continued to make renovations and refurbishments to modernise and upgrade the offerings of the hotel.



#### IBB Hotel Gdańsk (Poland)

IBB Hotel Gdańsk is a 4-star hotel in 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.



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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. In 2024 the Hotel continues to perform positively and is expected to close the year with a profitable result.

#### IBB Hotel Passau Süd (Germany)

IBB Hotel Passau Süd is a 3-star hotel located 3km away from the historic city centre of Passau. The hotel offers 63 rooms and 2 apartments, as well as a conference area that can host up to 85 guests. Given the current state of the property and the unwillingness of the property owner to invest in its renovation and refurbishment, the Group has decided not to renew the lease of the property which is due to be terminated in Q4-2024.





## 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 after a successful renegotiation of the lease agreement.

#### 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.





## 1.3 Major Assets of the Group – *continued*

### Hotel Accommodation and Catering - continued

#### 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 was 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 with the current grantee to acquire and assume the remaining 80-year emphyteutical grant over the hotel property.

#### IBB Hotel Palazzo Bettina (Malta)

The IBB Hotel Palazzo Bettina Malta is a leased hotel operated by the Group featuring 13 luxuriously furnished rooms, equipped for both leisure and business guests. The property consists of a ground floor, first floor, and 2 mezzanines while at the top of the building, there is also a large panoramic terrace, complete with a swimming pool and jacuzzi, overlooking the Vittoriosa marina.

Since the hotel welcomed its first guest in October 2023, the hotel has been well received with positive and exceptional reviews across booking platforms with a 9.7 rating in Booking.com.

#### 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 façade 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, 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.

The hotel is a leased property to be operated by the Group. It is currently undergoing renovation, and the owner is handling the renovation while the Group provides pre-operating management and design services. The hotel is anticipated to open its doors in 2025.





## 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 4 restaurants, with the latest addition in Malta being the Hammett's Monastik in Sliema, which opened in May 2022.

The IBB Hammett's today operates 3 restaurants directly in Malta and a 4<sup>th</sup> under a franchise agreement in Menorca. In 2023, the operations of the restaurant at the Macina and the Sheer Bastion rooftop events space were integrated with the Cugó Gran Macina Hotel operation and transferred out from the Hammett's joint venture.

Despite a challenging start to the year, there are encouraging signs of improvement in key performance indicators, notwithstanding the ongoing economic challenges. The Group is committed to enhancing the customer experience by introducing initiatives such as DJs at Mestizo, themed nights, cocktail masterclasses, aperitif experiences for hotel guests, and other initiatives intended to increase sales.

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 unrecognised share in losses from the associated company, and these losses must be fully reversed before the Group can recognise 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 Limited (50%) and Urban Oil Wash S.L (50%), the joint venture partner of the Group. As of the date of this document, Urbelia operates 3 petrol stations trading under Urban Oil. Urbelia is building the 4<sup>th</sup> petrol station which will be fully operational in the next couple of months. The Group plans to eventually run a portfolio of *circa* 15 petrol stations in the coming three years.





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## 1.3 Major Assets of the Group - *continued*

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

#### Chartering of yachts in the Mediterranean

The Group has continued its strategy of investing in luxury-related services and the leisure industry. Following its successful real estate services in Sardinia, the Group expanded its operations into the luxury yachting industry with the launch of Von der Heyden Yachting in 2020. The company quickly established itself in the market for exclusive charters and sales, offering both RIVA Yachts and third-party yachts.

Von der Heyden Yachting has decided to put the Riva 63 Virtus on the market for sale and will now focus on third-party luxury yacht chartering. This strategic shift allows the company to better serve its growing client base by offering more flexible and attractive charter options, particularly appealing to the local market and guests of Cugó Gran in Birgu and Senglea.

#### Concierge Business

The Group is in the final phase in the development of a high-end concierge solution that includes a Customer Relation Management (CRM) system and Artificial Intelligence (AI) application that is designed to onboard and service high-net-worth-individual clientele.

The Group is currently reviewing the best way to launch this product. The options include partnering with an already-established concierge operator and growing the business together and/or offering this bespoke software solution to smaller concierge operators globally, who currently use basic IT solutions to manage the business that helps them manage their clients more efficiently and grow their client base and business.



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## 1.4 Operational Developments

### Key Developments and Strategy

In the 'real estate development segment', the construction of the AND<sup>2</sup> Tower which is the flagship development project of the Group continues in 2024. An office tower located in the financial centre of the city of Poznań, Poland, the total estimated investment cost exceeds €108m. Within this segment, the Group has a 25% interest in an associated company that is currently developing a 33-apartment residential project: the Atrium Liberdade in Algarve, Portugal. As of the date of this Analysis, 26 units have already been secured and with the strong interest in residential apartments in the market, the Group expects to secure the sale of the remaining 7 units by the end of the year.

The Villa Diodati project is also well underway and is available for sale to the right buyer whilst capitalising on the current market value of the development project. The original intention of the Group was to operate the villa and the apartments in the luxury rental accommodation segment through the Cugó Gran brand. However, considering market conditions and the demand for such properties in Tuscany, the Group decided to capitalise on the investment earlier and place it for sale in mid-2024. The investment value of the asset upon completion is expected to be around €15 million, with the potential realisation of gains on selling the property being more attractive than the gains from operating it.

In the 'hotel and accommodation segment', with the exit from the 3-star hotel in Berlin, Germany and the forthcoming exit of another 3-star property in Passau, Germany, the Group will have executed its first phase of the repositioning the IBB brand from the 3-star to the 4-star plus segment. The second phase is to add new assets and operations that match its quality ambition. In 2023, the Group opened a 4-plus star property in Birgu, Malta - the IBB Palazzo Bettina Hotel. The Group is also looking forward to the opening of Cugó Gran Vittoriosa, an 18-room top luxury hotel property on the Birgu waterfront. Having 3 boutique hotels in the Cospicua creek provides for operational synergies between the 2 properties and the Cugó Gran Macina Grand Harbour Hotel nearby.

The Group is also actively pursuing a growth path for the Cugó Gran brand and is considering increasing its hotel portfolio s.

In the 'private equity, venture capital and other investments' segment, the Group has the yacht chartering business and petrol station operations in Spain.

Within the yachting operation, the first two years, the chartering activities focused on the company-owned Riva 63 Virtus which generated reasonable turnover. However, the operational costs of maintaining a luxury yacht for short charters make the generation of a satisfactory rate of return challenging. The Group therefore decided to put the Riva 63 Virtus on the market for sale and focus exclusively on third-party luxury yacht chartering.

With regards to the petrol stations business in Spain, the Group has a 50% interest in Urbelia Business S.L. which runs low-cost fuel stations with washing stations. Trading under the Urban Oil brand, Urbelia is opening its 4<sup>th</sup> petrol station in the second half of 2024. The Group's strategy is to scale up its portfolio to around 15 stations in the coming three years. The strategy of the Group also includes electric charging points in readiness for the green transport evolution underway.

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## 1.4 Operational Developments – *continued*

### Business overview

The Group results for 2023 exhibited stability as reflected in the EBITDA for the year closing at €4.6m, just a slight decrease from the previous year (FY22: €4.7m) despite the challenging economic situation during the year. The Group's positive EBITDA is spurred by the increase in turnover in the hospitality segment and the net increase in investment and fair value gains brought about by the continued investment within the real estate development segment, particularly the AND<sup>2</sup> Tower (formerly 'Andersia Silver') in the city of Poznań, Poland and the restoration and renovation project of a 16th-century Villa Diodati in Lucca, Italy. Also, the successful sale of the Reževići development project in Montenegro contributed to the improved results and liquidity needs of the Group.

Despite the improved results, the loss for the year before tax increased by €1.4m to €2.1m (FY22: €0.6m) primarily on account of the increase in interest and other related expenses by €1.5m to €4.3m (FY22: €2.8m). The increase in interest and other related expenses was because of the successful raising of the €35 million 5% 10-year Unsecured Bond (the "second bond") to refinance the previous €25 million 4.4% Unsecured Bond (the "first bond") that had a 2024 maturity date to provide further funding for the AND<sup>2</sup> project and corporate funding for other Group projects.

As of 31 December 2023, the Group's total assets grew by €13.94m to €155.92m (FY22: €141.98m) due to the increased investment in AND<sup>2</sup> Tower and Villa Diodati, and partially offset by the decrease in 'right-of-use assets' due to the lease termination of IBB Hotel Berlin and the decrease in cash and cash equivalents deployed in support of the Group's investment program.

### Outlook for 2024

The prospects for 2024 in the accommodation and catering segment are positive. Despite the exit from the 84-room 3-star hotel in Berlin in line with the Group strategy, the Group expects to generate a slight increase in revenues compared to FY23. This is mainly due to the full-year operation of IBB Palazzo Bettina a 13-room 4-plus star hotel in Malta, and the overall improvement in the room rates achieved on the continuing properties within the portfolio. Catering revenues are also seeing improved results with a 24% y-o-y increase on the back of increased activities in our restaurants.

The real estate segment continues in its investment phase as the AND<sup>2</sup> Tower in the city of Poznan now stands fully constructed to the 26<sup>th</sup> floor with the shell and core construction and façade works in their final completion stages, 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 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 investments in FY24 on the main ongoing development projects are as follows:

- AND<sup>2</sup> project - €14.9 million; and
- Villa Diodati - €1.8 million.

The other investments and operations of the Group are expected to report an improvement in 2024 such as the petrol station business in Spain which continues to expand.



Part 2

# Historical Performance and Forecasts



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## Introduction

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

The bond is listed on the official list of the regulated market of the Malta Stock Exchange. The use of the net bond proceeds is 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 enable 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 2021, 2022, and 2023 and the forecast for 2024 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 2021, 2022, and 2023 and the forecast for 2024 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 conflicts in Ukraine and in the Middle East and the related geopolitical and economic fall-out therefrom that could continue to impact the Group's hotel and real estate 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 respective operating companies and that of the Group, at least up to the end of the of 31 December 2024.





## 2.1 Issuer's Income Statement

For the years ended 31 December

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
Finance income	1,459	1,671	2,316	2,726
Finance costs	(1,142)	(1,165)	(1,926)	(2,233)
<b>Net finance income</b>	<b>317</b>	<b>506</b>	<b>390</b>	<b>493</b>
Administrative expenses	(158)	(229)	(266)	(355)
Loss on extinguishment of financial liability	-	(293)	-	-
<b>Profit/(Loss) before tax</b>	<b>159</b>	<b>(16)</b>	<b>124</b>	<b>138</b>
Income tax (charge)/credit	(55)	(10)	38	(23)
<b>Profit/(Loss) for the year</b>	<b>104</b>	<b>(26)</b>	<b>162</b>	<b>115</b>

### Ratio analysis

	2021A	2022A	2023F	2024F
Net Finance Income Margin	21.7%	30.3%	16.8%	18.1%
Net Margin	7.1%	-1.6%	7.0%	4.2%

As at 31 December 2023, the Issuer had on-lent the majority of the net proceeds from the issued debt securities to the various group companies totalling €36.8m (FY22: €27.8m), resulting in an interest income in the year of €2.3 m (FY22: €1.7 m) and a corresponding interest expense of €1.9m (FY22: €1.2m).

The net interest earned in FY23 was €390k (FY22: €506k), which is stated after bank interest received and the amortisation of bond issue costs. After considering administrative expenses of €266k (FY22: €229k), the Issuer registered a profit before tax of €124k in FY23, while a loss of €16k was registered after deducting further the non-recurring loss on extinguishment of financial liability of €293k. The improvement in profitability in FY23 was mainly attributed to the non-recurring loss incurred of €293k which significantly impacted FY22's results.

The Issuer registered a €38k income tax credit (FY22: €10k tax charge) after accounting for the group loss relief received for the previous period, resulting in a profit after tax of €162k in FY23 (FY22: loss of €26k).

The finance income in FY24 is expected to amount to €2.7m, reflecting higher amounts loaned to the group and related companies. On the other hand, finance costs are projected to increase to €2.2m due to the increase in the nominal value of debt securities in issue to €40m (FY23: 36.4m) coupled with the increase in weighted average annual interest rate to 5.30% (FY23: 5.09%). Consequently, net finance income is projected to amount to €493k. Administrative expenses for FY24 are estimated to increase to €355k from FY23's €266k mainly due to additional intercompany charges in the year. Regarding taxation, the Issuer anticipates an income tax charge of €23k. Overall, the Issuer expects to report a profit after tax of €115k in FY24.

## 2.2 Issuer's Financial Position

As at 31 December

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
<b>Assets</b>				
<b>Non-current assets</b>				
Loans receivable	21,815	27,844	36,747	37,360
<b>Current assets</b>				
Loans and other receivables	1,462	5,237	3,351	2,915
Cash and cash equivalents	3,051	2,126	175	217
<b>Total current assets</b>	<b>4,513</b>	<b>7,363</b>	<b>3,526</b>	<b>3,132</b>
<b>Total assets</b>	<b>26,328</b>	<b>35,207</b>	<b>40,273</b>	<b>40,492</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	250	250	250	250
Retained earnings	178	152	314	429
<b>Total equity</b>	<b>428</b>	<b>402</b>	<b>564</b>	<b>679</b>
<b>Non-current liabilities</b>				
Debt securities in issue	24,917	34,380	39,292	39,405
<b>Total non-current liabilities</b>	<b>24,917</b>	<b>34,380</b>	<b>39,292</b>	<b>39,405</b>
<b>Current liabilities</b>				
Debt securities in issue	895	198	232	228
Trade and other payables	33	162	158	131
Income tax payable	55	65	27	49
<b>Total current liabilities</b>	<b>983</b>	<b>425</b>	<b>417</b>	<b>408</b>
<b>Total liabilities</b>	<b>25,900</b>	<b>34,805</b>	<b>39,709</b>	<b>39,813</b>
<b>Total equity and liabilities</b>	<b>26,328</b>	<b>35,207</b>	<b>40,273</b>	<b>40,492</b>



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## 2.2 Issuer's Financial Position – *continued*

As at the end of FY23, the Issuer's total assets of €40.3m, which have increased from the previous year (FY22: €35.2m), were made up mainly of loans and receivables granted to the Group and related parties. In FY23, total loans and receivables (including the interest accrued thereon) amounted to €36.7m, an increase of €8.9m when compared to FY22. Cash and cash equivalents decreased by €1.9m from in FY22 to €0.2m in FY23 on account of the settlement of the interest on the bonds on 16<sup>th</sup> December 2023, whilst interest payment date of the first bond was every 8<sup>th</sup> of March.

Total liabilities mainly consist of the debt securities in issue, which have increased by €4.9m from FY22 to FY23 mainly on account of the €5 million unlisted notes issued in September 2023. These notes are unsecured, bear interest of 7.4% per annum and will mature in September 2026. The proceeds from the notes were used in part to re-finance the Villa Diodati development project as well as for general corporate funding purposes.

Total equity experienced a slight increase in FY23 when compared to the prior year, which reflects the Issuer's €162k net profit for the year, bringing total equity to €564k.

In FY24, non-current loans receivable are projected to increase slightly, to €37.4m. In current assets, loans and other receivables are expected to amount to €2.9m in FY24, and cash and cash equivalents are forecasted to be €0.2m, bringing total current assets to €3.1m.

Borrowings are expected to amount to €39.4m by end of FY24 (FY23: €39.3m) representing the nominal values of the outstanding €35 million listed bond and €5 million notes, net of the unamortised bond issue costs.

Debt securities in issue within current liabilities is anticipated to amount to €228k by the end of FY24, which mainly represent the total accrued interest €169k on the outstanding listed bonds and notes, and €59k representing unclaimed amounts by the bondholders. Trade and other payables are expected to be €131k in FY24, with the decrease reflecting the payments to be made in the year related to bond issue expenses and partly offset by the increase in withholding tax on the bond interest payment that is expected to be remitted in the first quarter of 2025. Income tax payable is forecasted to be €49k in FY24.

## 2.3 Issuer's Cash Flow Statement

For the years ended 31 December

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
Net cash flows generated from/(used in) operating activities	(566)	(1,451)	(1,345)	42
Net cash flows used in investing activities	(6,750)	(8,900)	(5,380)	-
Net cash flows generated from financing activities	-	9,426	4,774	-
<b>Net movement in cash and cash equivalents</b>	<b>(7,316)</b>	<b>(925)</b>	<b>(1,951)</b>	<b>42</b>
Cash and cash equivalents at start of year	10,367	3,051	2,126	175
<b>Cash and cash equivalents at end of year</b>	<b>3,051</b>	<b>2,126</b>	<b>175</b>	<b>217</b>

In FY23, the Issuer reported a cash outflow from operating activities of €1.3m (FY22: €1.5m) and on-lent €5.4m to Group companies to finance the ongoing projects of the Group. Net cash flows from financing activities amounted to €4.8m representing the net proceeds from the €5 million unlisted notes issue, net of bond issue costs.

In FY23, the Issuer reported an aggregate cash outflow of €2m, thus resulting in a balance of cash and cash equivalents of €0.2m.

In FY24, the Issuer forecasts a cash inflow from operating activities of €42k mainly as a result of the anticipated net receipts from the borrower companies and partly offset by a reduction in trade and other payables. In investing activities, the Issuer does not expect to provide additional loans to the parent company. Overall, cash and cash equivalents are expected to amount to €0.2m at the end of FY24.





## 2.4 Group's Income Statement

For the years ended 31 December

	2021A	2022A*	2023A*	2024F
	€000	€000	€000	€000
<b>Revenue</b>	11,519	15,234	16,703	16,939
Other operating income	4,739	2,649	264	447
Operating expenses	(15,174)	(15,858)	(18,409)	(17,183)
<b>Operating profit/(loss)</b>	<b>1,084</b>	<b>2,025</b>	<b>(1,442)</b>	<b>203</b>
Other gains	1,791	2,658	5,989	5,258
Share of profits of associates	1,409	36	56	150
<b>EBITDA</b>	<b>4,284</b>	<b>4,719</b>	<b>4,603</b>	<b>5,611</b>
Depreciation & amortization	(842)	(901)	(1,008)	(881)
Depreciation under IFRS 16	(3,086)	(2,007)	(1,749)	(1,470)
<b>EBIT</b>	<b>356</b>	<b>1,811</b>	<b>1,846</b>	<b>3,260</b>
Expected credit losses	(10)	(12)	-	(209)
Interest & other related income	463	416	408	885
Interest & other related expenses	(3,107)	(2,847)	(4,319)	(4,371)
<b>Loss before tax</b>	<b>(2,298)</b>	<b>(632)</b>	<b>(2,065)</b>	<b>(435)</b>
Income tax (charge)/credit	77	(529)	(945)	(1,013)
<b>Loss for the year</b>	<b>(2,221)</b>	<b>(1,161)</b>	<b>(3,010)</b>	<b>(1,448)</b>
<b>Other comprehensive income</b>				
Translation of foreign operations	(413)	(241)	1,085	(11)
Share of other comprehensive income of associates	512	83	222	-
Movement in fair value of property, plant and equipment	1,962	1,509	(502)	-
<b>Total other comprehensive income/(loss)</b>	<b>2,061</b>	<b>1,351</b>	<b>805</b>	<b>(11)</b>
<b>Total comprehensive income/(loss)</b>	<b>(160)</b>	<b>190</b>	<b>(2,205)</b>	<b>(1,459)</b>

\* The presentation of the income statement in the year's FAS has been updated to reflect the restated presentation of income statement in the audited financial statements of the Group. Please refer to Note 33 of Audited Financial Statements of the guarantor as published on its website.



## 2.4 Group's Income Statement – *continued*

### Ratio analysis

	2021A	2022A	2023A	2024F
Revenue Growth	-51.0%	32.3%	9.6%	1.4%
Operating Profit Margin	9.4%	13.3%	-8.6%	1.2%
EBITDA Margin	37.2%	31.0%	27.6%	33.1%
EBIT Margin	3.0%	11.8%	11.1%	19.2%
Net Margin	-19.3%	-7.6%	-18.0%	-8.5%
Return on Common Equity	-5.9%	-3.3%	-8.9%	-4.4%
Return on Assets	-1.7%	-0.8%	-2.0%	-0.9%

### Comments about FY23

Despite the challenging economic situation in FY23, the Group's results exhibited stability as reflected in the **EBITDA** for the year which came in at €4.6m, just a slight decrease from the previous year (FY22: €4.7m), as well as in the **EBIT** for the year of €1.8m (FY22: €1.8m). The Group's positive **EBIT** is spurred by the increase in turnover in the hospitality segment and the net increase in investment and fair value gains brought about by the continued investment within the real estate development segment, particularly the AND<sup>2</sup> Tower (formerly 'Andersia Silver') in the city of Poznań, Poland and the restoration and renovation project of a 16th-century Villa Diodati in Lucca, Italy. The successful sale of the Reževići development project in Montenegro also contributed to the improved results.

**Turnover** for the year from comparable activities increased by 28%, to €16.7m (FY22: €13.0m, this excludes €925k revenue from a hotel which stopped operating in April 2022 as well as revenue from development activities of €1.1m where no comparable revenue in FY23 was recorded). The main driver for the increase in turnover is the accommodation and catering segments. During the year, the Group did not have any revenue from development activities since the two main developments are still under construction, while in 2022, the Hotel Group handed IBB Andersia Hotel to a new operator following the expiry of the lease in 2021 resulting in an overall increase in turnover of 9.9%, i.e. €1.5m.

Notwithstanding the increase in turnover and stable EBITDA year-over-year, the Group reported an **operating loss** of €1.4m, compared to last year's operating profit of €2.0m. A significant contributor was the reduction of other operating income of €2.4m due to the expiry of government grants to mitigate the impact of the COVID pandemic which in FY22 amounted to €2.1m.

On the operational front, whilst direct **operating costs** remained tightly under control, total other operating costs still increased by €2.5m to €18.4m (FY22: €15.9m). This increase was mainly due to the increase in activities in the accommodation and catering segments, higher energy and utilities costs, labour, and outsourcing costs. Also, during the year, a total of €0.4m in hotel and restaurant refurbishment costs were incurred to improve customer experience in the Group's properties, which costs were however not capitalised.

## 2.4 Group's Income Statement – *continued*

### Comments about FY23 – *continued*

Despite the operating loss, the Group registered a positive **EBITDA** for the year of €4.6m. This positive EBITDA was on the strength of the **other gains** made during the year which saw a significant increase of €3.3m to €6.0m in 2023 (FY22: €2.7m) with the fluctuation mainly due to the net foreign exchange gains recorded in FY23 of €2.2m compared to the €0.3m net foreign exchange loss recorded in FY22. In FY23, Polish zloty strengthened at least 8% against the Euro resulting in a gain from the conversion of the Euro-denominated monetary liabilities to Polish zloty of the Polish entities where the functional currency is in Polish zloty.

Within the real estate development segment, 2023 continued to be a year of investments which contributed €3.1m (FY22: €2.9m) in net fair value gains, of which €4.9m arose from the Villa Diodati development project, €0.1m fair value gain from the commercial property in Olbia, Italy, and then partially offset by the fair value loss of €1.9m in the AND<sup>2</sup> project.

The Group's flagship project, the rebranded A-Class office tower AND<sup>2</sup> (formerly Andersia Silver), with a total investment cost of €112m in the heart of the financial centre of Poznan, Poland, has successfully reached the 26th-floor. The shell and core construction works have been completed, and the façade is in its final stages of completion. Despite the progress achieved so far and the works being on schedule, the independent valuer adopted more conservative assumptions reflecting current market uncertainties in the residual valuation method. Consequently, as of the end of FY23, the current state of the development was valued at €61m resulting in a fair value loss of €1.9m in the Group's results. The directors expect significant upside in 2024 as tenants are secured. While the project remained very much close to budget the total estimated cost of completion is expected to be €4m higher than the originally estimated €108m.

In the Villa Diodati project, the Group recorded €4.9m of fair value gains. During 2022-2023, the project encountered some delays due to the unplanned need to strengthen the foundations of the building and substantive works on the restoration and replacement of the roof together with other delays caused by the contractor. However, despite the delays, with the current investments made in the property and the progress achieved so far, the current state valuation of the villa as at end of FY23 increased substantially.

**Total depreciation and amortisation** in 2023 decreased to €2.8m (FY22: €2.9m) mainly due to modifications in lease agreements resulting in the reduction of right-of-use of assets and consequently the related depreciation charges.

**Interest and other related expenses** in 2023 saw a significant increase to €4.3m (FY22: €2.9m), due to the increased project-financing which were not capitalised in the costs of the project.

**Loss for the year before tax** in FY23 increased by €1.5m to €2.1m (FY22: €0.6m) primarily on account of the increase in interest and other related expenses by €1.5m to €4.3m (FY22: €2.8m).

**Taxation** for the year mainly relates to deferred tax charges on account of the revaluation gains recorded in 2023, the resulting deferred tax also increased.

## 2.4 Group's Income Statement – *continued*

### Comments about FY24 Forecast

The Group's forecasted **revenues** for FY24 as compared to the actual revenues FY23 are as follows:

	2024F €'000	2023A €'000	24F v 23A €'000
<b>Revenue by market:</b>			
Poland	4,632	4,341	278
Spain	1,576	1,149	427
Germany	7,807	9,070	(1,263)
Malta	2,924	2,142	782
	<b>16,939</b>	<b>16,702</b>	<b>224</b>
<b>Revenue by activity:</b>			
Accommodation	11,157	11,650	(492)
Catering	3,632	2,939	693
Consulting	123	119	4
Leasing	892	824	54
Others	1,135	1,170	(35)
	<b>16,939</b>	<b>16,702</b>	<b>224</b>

For the financial year 2024, the Group forecasts revenue to reach €16.9m, i.e. a €0.2m overall increase from FY23's €16.7m, with the fluctuation mainly arising from the accommodation and catering activities.

In the accommodation segment, the Group forecasts €11.2m revenue, slightly lower when compared to €11.7m in FY23. The forecasted decrease in revenue is mainly attributable to the phasing out of IBB Blue Hotel Berlin, an 84-room 3-star hotel operation in Berlin, and thus having fewer available rooms in 2024. The available rooms for FY24 decreased to 183,743 based on an average of 503 keys from 209,931 available rooms in FY23 based on 575 keys. The reduction in room inventory is expected to be partially offset by a forecasted increase in average daily rates from €89 in 2023 to €98 while maintaining overall occupancy levels of 62%.

In the catering segment, during FY24, the Group expects a 24% increase in revenue, reaching €3.6m (FY23: €2.9m). The main contributor to the forecasted increase is the Hammett's Menorca restaurant operated by the Group, where the Group expects revenues to double on account of increased activity and full season operations. Likewise, the Group's hotel restaurant in Eichstatt is forecasted to contribute 50% more revenues than last year on the back of an increase in activities.

In **other operating income**, the Group forecasts an amount of €0.4m (FY23: €0.3m). The main other operating income item for the current forecast period relates to the €0.3m early termination fee which the Group received from the hotel owner over the lease of the 3-star hotel property in Berlin. Other items of other operating income include social security and maternity reimbursements.

**Operating costs** for the year are forecasted to amount to €17.2m, a reduction of 6.5% from FY23's €18.4m. The forecasted decrease is mainly due to the exit from the 3-star hotel property in Berlin as well as various cost-controlling measures that the Group has undertaken. Said decreases are projected to, however, be partly offset by increases in direct costs as activities on the remaining properties of the Group are also forecasted to increase as well as the new operation of IBB Palazzo Bettina.

By combining the preceding items, **operating profit** for the year is forecasted to return to positive territory and amount to €0.2m. Current year's forecast is a significant improvement compared from last year's operating loss of €1.4m with the improvement mainly attributable to the decrease in operating costs by €1.3m coupled with the improvements in revenues and other operating income.

**Other gains** for the year are forecasted to reach €5.3m (FY23: €6.0 m). These include €4.2m fair value gain on the ongoing AND<sup>2</sup> project, €0.6m fair value gain on the Villa Diodati project, and some €0.5m on exchange differences from converting foreign currencies to the functional currency of the subsidiary company.





## 2.4 Group's Income Statement – *continued*

### Comments about FY24 Forecast – *continued*

In **share in profits of associates**, the Group forecasts a share in profits from the petrol station operations in which the Group has 50% interest. In the first half of the year, the petrol station operations performed well as the demand for fuel remained strong despite the growing number of electric vehicles on the road. Synergised with the self-service washing stations, the petrol stations business is poised for a positive performance in the year, reaching net results of €300,000. With 50% interest in the venture, the Group anticipates its 50% share in the profits of €150,000 to be reflected in the Group's consolidated accounts.

**EBITDA** for the forecasted year is of €5.6m. Compared to FY23's €4.6m, current year forecasts indicate a notable improvement of the results for the year, mainly brought about by the positive operating profit and increased share in profits of associate, and partially offset by the decrease in other gains in the year.

**Depreciation and amortisation** for the forecasted year is expected to amount to €0.9m, compared to the €1.0m in FY23. The decrease is mainly related to the yacht where no depreciation charge is being accounted for since it was reclassified to a non-current asset held for sale at the start of the year.

In **depreciation of right-of-use assets**, the forecasted charge for the year was reduced to €1.5m from the €1.7m in FY23. The decrease is mainly due to the exit of the leased 3-star hotel property in Berlin at the end of FY23.

**Impairment of financial assets** relates to the expected credit losses on the financial assets at amortised cost of the Group. For the forecast year, the impairment mainly relates to the management's assessment of the recoverability of the loans to related parties taking into account the deficit financial position of the borrower-related parties.

**Interest income and other related income** for the forecasted year amounts to €0.9m, a substantial increase from FY23's €0.4m. The increase is mainly on account of the sale of the receivables on a hotel in Tuscany held by the Group through a special purpose vehicle in Italy. Following the said sale, the accrued interest income on this loan would have materialised. The loans receivable before its sale were carried in the accounts at €7.0m. The receivables were sold for €7.5m, with the variance relating to interest income accrued since the last valuation in 2021 up until the date of sale in FY24.

**Interest expense and other related expenses** for the forecasted year amounts to €4.4m (FY23: €4.3m). The increase is mainly due to the full year impact of the interest charge on the unlisted notes, compared to only 3 months charged in FY23. This increase is partially offset by the reduction in interest charges on the finance leases under IFRS 16 following the termination of the hotel lease in Berlin at the end of FY23.

**Income tax expense** for the forecasted year amounts to €1.0m (FY23: €0.9m). The income tax charge mainly relates to the fair value gains of investment property as deferred taxes at the local statutory tax rates are being accounted for.



## 2.4.1 Group's Variance Analysis

For the year ended 31 December 2023

	2023F	2023A	Variance
	€000	€000	€000
Revenue	16,662	16,703	41
Other operating income	57	264	207
Operating expenses	(15,514)	(18,409)	(2,895)
<b>Operating profit/(loss)</b>	<b>1,205</b>	<b>(1,442)</b>	<b>(2,647)</b>
Other gains	12,402	5,988	(6,414)
Share of profits of associates	-	56	56
<b>EBITDA</b>	<b>13,607</b>	<b>4,603</b>	<b>(9,004)</b>
Depreciation & amortization	(1,000)	(1,008)	(8)
Depreciation under IFRS 16	(1,778)	(1,749)	29
<b>EBIT</b>	<b>10,829</b>	<b>1,846</b>	<b>(8,984)</b>
Interest & other related income	524	408	(116)
Interest & other related expenses	(3,908)	(4,319)	(411)
<b>Profit/(loss) before tax</b>	<b>7,445</b>	<b>(2,065)</b>	<b>(9,510)</b>
Income tax (charge)/credit	(2,196)	(945)	1,251
<b>Profit/(loss) for the year</b>	<b>5,249</b>	<b>(3,010)</b>	<b>(8,259)</b>
<b>Other comprehensive income</b>			
Translation of foreign operations	(91)	1,085	1,176
Share of other comprehensive income of associates	400	222	(178)
Movement in fair value of land & buildings and yacht	300	(502)	(802)
<b>Total other comprehensive income/(loss)</b>	<b>609</b>	<b>805</b>	<b>196</b>
<b>Total comprehensive income/(loss)</b>	<b>5,858</b>	<b>(2,205)</b>	<b>8,063</b>



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

For the year ended 31 December 2023

In FY23, the **loss before tax** shows a variance from the forecast for the year, recording a loss before tax of €2.1m compared to a profit of €7.4m forecasted for FY23.

The variances are mainly on account of the following:

In FY23, **revenues** amounted to €16.7m, which was in line with the forecast of €16.6m.

**Other operating income** amounted to €264k, which was €207k higher than the forecast of €57k, with the variance mainly on account of higher social security reimbursements received.

**Operating costs** in FY23 were significantly higher than forecasted, totalling €18.4m compared to the forecasted €15.5m. The increase in operating costs was due to heightened inflation, leading to increased energy and utilities costs, higher labour costs, and outsourcing costs. Additional refurbishment costs in hotels and restaurants amounting to *circa* €400k were not capitalised, and this also contributed to the higher expenses. Furthermore, the conversion effect of costs recorded in Polish zloty to Euro, due to the weakening of the Euro against the Polish zloty by about 8-10%, resulted in a higher Euro equivalent.

**Operating loss** for FY23 amounted to €1.4m, which was €2.6m (220%) below the forecasted operating profit of €1.2m, with variance mainly on account of the increased operating costs as explained above.

**Other gains/losses** in FY23 amounted to €6.0m, which was €6.4m (52%) lower than the forecasted €12.4m. The main contributor to this variance was the fair value difference related to the AND<sup>2</sup> project. A €12m fair value gain was forecasted based on a €69m year-end valuation of the project. However, the actual audited fair value difference in the year was a €1.9m fair value loss based on a €61m year-end valuation of the project. The lower valuation was due to the expert valuer adopting more conservative assumptions reflecting the market uncertainties as of the balance sheet date. This unfavourable variance from the AND<sup>2</sup> project of €13.9m was offset by positive variances arising from a fair value gain of €4.9m from the Villa Diodati project (against €190k included in the previous Finance Analysis Summary of the Issuer (the "Previous FAS")) and a €2.0m positive variance in foreign exchange gains related to monetary liabilities due to a stronger Polish zloty against the Euro. Additional gains included a €0.5m gain on the sale of land in Montenegro, a €0.4m gain from the early termination of a hotel property lease in Berlin, and net fair value gains of other investment properties and financial assets of the Group.

**Depreciation and amortisation costs** and **depreciation of right-of-use** were in line with forecast numbers.

**Interest income and other related income** were €408k, which was €116k (22%) lower than the forecasted €524k. This variance was due to €48k interest received from investments in debt securities included in the Previous FAS, but reported within 'Dividends and other investment income' in the FY23 actuals. In addition, only €7.2k interest income from an associated company were recognised, compared to the €29.7k in the forecast, mainly on account of the lower loan principal balance during the year. The forecast also included €45k other interest income which did not materialise in 2023.

**Interest expense and other related expenses** were €4.3m, €411k (11%) higher than the forecasted €3.9m. The increase was mainly due to additional interest on the unlisted notes issued in September 2023 and the effect of converting interest expenses recorded in Polish zloty to Euro, which resulted in a higher Euro equivalent due to the stronger Polish zloty.

The **income tax expense** was €945k, which was €1.3m (57%) lower than the forecasted €2.2m. This decrease was due to the lower fair value gain recorded in the year compared to the Previous FAS, leading to a related deferred tax impact reduction.



## 2.5 Group's Financial Position

As at 31 December

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	66	38	187	263
Property, plant & equipment	27,309	28,360	31,534	30,868
Right of use assets	31,404	29,713	18,966	17,496
Investment properties	32,601	44,968	73,506	94,913
Investment in associates	2,981	897	8,722	8,813
Loans & other receivables	6,655	6,559	1,169	1,319
Other financial assets	1,924	2,511	1,156	506
Deferred tax assets	1,004	1,088	986	979
<b>Total non-current assets</b>	<b>103,944</b>	<b>114,134</b>	<b>136,226</b>	<b>155,157</b>
<b>Current assets</b>				
Inventories	90	65	120	128
Loans & other receivables	7,060	8,132	7,060	-
Trade & other receivables	5,298	6,996	5,977	5,498
Current tax receivable	2	-	-	-
Cash and cash equivalents	17,125	12,652	6,542	6,122
<b>Total current assets</b>	<b>29,575</b>	<b>27,845</b>	<b>19,699</b>	<b>11,748</b>
<b>Total assets</b>	<b>133,519</b>	<b>141,979</b>	<b>155,925</b>	<b>166,905</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	3,805	3,805	3,805	3,805
Share premium	4,445	4,445	4,445	4,445
Treasury shares reserve	-	-	(2,008)	(6,515)
Other reserves	788	1,506	3,103	7,610
Translation reserve	(1,616)	(1,729)	(1,325)	(1,336)
Retained earnings	12,216	10,209	8,443	6,995
Non-controlling interest	15,126	16,655	16,222	16,222
<b>Total equity</b>	<b>34,764</b>	<b>34,891</b>	<b>32,685</b>	<b>31,226</b>
<b>Non-current liabilities</b>				
Debt securities in issue	24,171	33,085	39,206	39,405
Borrowings	17,766	19,286	18,578	42,935
Finance lease liabilities	30,506	29,170	19,971	18,745
Deferred tax liabilities	5,002	5,940	6,769	7,722
<b>Total non-current liabilities</b>	<b>77,445</b>	<b>87,481</b>	<b>84,524</b>	<b>108,807</b>
<b>Current liabilities</b>				
Debt securities in issue	895	198	232	228
Finance lease liabilities	2,771	2,741	1,244	1,226
Borrowings	12,981	12,063	32,758	20,429
Trade & other payables	4,608	4,537	4,378	4,937
Current tax payable	55	68	104	52
<b>Total current liabilities</b>	<b>21,310</b>	<b>19,608</b>	<b>38,716</b>	<b>26,872</b>
<b>Total liabilities</b>	<b>98,755</b>	<b>107,088</b>	<b>123,240</b>	<b>135,679</b>
<b>Total equity and liabilities</b>	<b>133,519</b>	<b>141,979</b>	<b>155,925</b>	<b>166,905</b>





## 2.5 Group's Financial Position – *continued*

### Ratio analysis

	2021A	2022A	2023A	2024F
Gearing ratio	67.2	70.6	76.3	78.9
Net debt / EBITDA	16.8x	17.8x	22.9x	20.8x
Current ratio	1.4x	1.4x	0.5x	0.4x
Interest coverage ratio	1.4x	1.7x	1.1x	1.3x

### Comments about FY23

As of 31 December 2023, the Group's **total assets** increased by €13.9m, to €155.9m (FY22: €142.0m), due to the investment in AND<sup>2</sup> Tower and Villa Diodati, and partially offset by the decrease in right-of-use assets due to the lease termination of IBB Hotel Berlin and the decrease in cash and cash equivalents given the funds deployed in support of the Group's investment programme.

**Property, plant, and equipment** increased by €3.2m, to €31.5m (FY22: €28.4m). The increase is mainly on account of the reclassification from 'Investment Property' the €2.5m book value of the commercial mixed-use property in Mahon, Menorca to reflect the current use of the property as a Hammett's restaurant operation, as well as the consequential fair value revaluation increase of €442k recognised at the end of FY23.

**Right-of-use assets** reflect the value of the Group's right to occupy and operate the leased properties throughout the lease term as if the Group had acquired the property through financing from the lessor. As of 31 December 2023, the right-of-use assets decreased to €19.0m (FY22: €29.7m). Apart from the depreciation charges for the year amounting to €1.8m and modifications in some lease arrangements, the main reduction of €10.8m was due to the termination of the lease agreement for the 3-star property in Berlin in December 2023. This reduction is partially offset by the recognition of the right-of-use asset of €1.5m in relation to the new lease of a 4-star hotel property in Malta operated under the IBB brand, IBB Hotel Palazzo Bettina.

**Investment properties** increased by €28.5m to €73.5m (FY22: €45.0m). The increase is primarily attributable to the growth in the value of the Group's properties portfolio, particularly the investment in AND<sup>2</sup> Tower of €24.4m and Villa Diodati which had a total increase of €7.0m, including €3.1m fair value gains. Also contributing to the increase was the €2.8m gain on translating the investment properties in foreign operations to the Group's presentation currency. These increases from capital expenditures, fair value gains and translation gains, are partially offset by the transfer to 'property, plant and equipment' of the €2.5m value of the commercial mixed-use property in Spain, as well as the sale of the plot of land in Montenegro, with a book value of €1.5m.

**Loans and other receivables** as of 31 December 2023 amounted to €15.8m (FY22: €14.7m). The increase is mainly due to the loans given to the ultimate parent company of €0.6m for operational purposes and the loan origination fees that the Group paid in relation to the bank loan to part-finance the ongoing construction of the Group's AND<sup>2</sup> Tower. These loan origination fees are expected to be netted-off against the proceeds from the loan facility and will be amortised using the effective interest method over the term of the facility.

**Other financial assets** as at 31 December 2023 amounted to €1.2m (FY22 €2.5m). These relate to the Group's investments in listed equity and debt instruments and investment funds for capital growth and appreciation. During the year, the Group disposed of some equity and debt instruments to support the liquidity requirements of the Group.



## 2.5 Group's Financial Position – *continued*

### Comments about FY23

**Cash and cash equivalents** as of 31 December 2023 decreased to €6.5m (FY22: €12.7m). The reduction in the balance is mainly on account of the amounts used for the construction of the AND<sup>2</sup> project, the restoration of Villa Diodati, net operational outflows, and the payment of the first tranche amounting to €2.0m for the purchase of the Company's 14.58% Ordinary 'B' shares as discussed below.

The total **Shareholders' equity** as at 31 December 2023 amounted to €32.7m (FY22: €34.9m). As announced by the Issuer in 2023, by virtue of an agreement entered into on 16 October 2023 between the Guarantor and Trusthigh Holdings Limited, it was agreed that the Guarantor would acquire the 554,717 Ordinary B shares representing 14.58% of the share capital of the Guarantor in three tranches. The Guarantor acquired the first tranche, 174,253 Ordinary 'B' shares for €2.0m in Q4 2023. This amount is reflected as a contra-equity and accounted for as Treasury shares; i.e. own shares held by the Guarantor. The other movements in the shareholders' equity include the total comprehensive loss for the year.

Total **Borrowings** as at 31 December 2023 amounted to €51.3m (FY22: €31.4m), reflecting an increase of €20.0m from the previous year. €19.1m of the increase in borrowings was due to the loans raised towards the AND<sup>2</sup> development project by the investing partners of the Group and by the contractor through contractor financing during the year. During the year, the Group also raised financing amounting to €2.3m from a bank in Italy to part finance the restoration of the Villa in Italy. Other movements in the Group's borrowings during the year include the conversion to loan of amounts due to a related company equivalent to €1.1m previously classified within 'trade and other payables', loans given by other investing partners to support the refurbishment of the Group's hotel, and partly offset by the extinguishment of the portion of the financial liability related to the Ordinary 'B' shares acquired by the Company amounting to €1.9m and foreign currency translation differences.

**Debt securities in issue** as of 31 December 2023 stood at €39.2m (FY22: €33.3m). The increase in the Group's debt securities in issue is mainly related to the net proceeds from the €5m issue of Unlisted Notes during the year. **Lease liabilities** during the year decreased to €21.2m from last year's €31.9m. As discussed in the right-of-use section, there were lease terminations, and modifications of lease agreements during the year which resulted in a reduction in lease liabilities of €10.9m in addition to the lease payments made in the year totalling €2.4m. These reductions in lease liabilities were partially offset by the accretion of interest over the lease liabilities and the additional lease liability recognised for the new hotel property in Malta leased by the Group amounting to €1.5m.

The Group's **net working capital** as of 31 December 2023 amounted to €1.6m (FY22: €2.5m). The net working capital is calculated by subtracting the operating current liabilities from the operating current assets. The operating current assets exclude cash and cash equivalents, and current loans receivable while operating current liabilities exclude current borrowings, debt securities in issue, and lease liabilities. The positive net working capital position indicates the Group's favourable financial liquidity state in terms of operations. However, the decrease in net working capital position from the previous year represents lower free cash flow generated during the year.

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## 2.5 Group's Financial Position – *continued*

### Comments about FY24 Forecast

In FY24, the Group expects its **total assets** to increase to €166.9m, an increase of €11.0m from FY23 mainly on account of the:

- a. increase in **property, plant and equipment** and **investment properties** totalling €21m (net of depreciation charge) comprising ongoing construction works in AND<sup>2</sup> and Villa Diodati, their respective expected revaluation, and the improvement costs to the hotel properties owned by the Group.
- b. decrease in **right-of-use assets** attributable to the depreciation projected during the year.
- c. increase in **investment in associates** by €0.2m in relation to the Group's share in profits of the Associates.
- d. decrease in **trade and other receivables** €0.5m on account of lower accruals and receivables.
- e. increase in **cash and cash equivalents** as explained further in section 2.5 of this document.
- f. decrease in **current loans and receivables** of €7.0m as a result of the sale of loans receivable from a hotel in Sienna, Italy held through a special purpose vehicle in Italy.

**Equity** at the end of the forecasted year is expected to decrease by €1.4m mainly as a result of the projected total comprehensive loss for the year. Within equity, an increase in 'treasury shares' with the corresponding movement in 'other reserves' is also noted, reflecting the purchase by the parent company of the remaining Ordinary B shares from the minority shareholder.

**Total liabilities** are anticipated to increase following additional bank, contractor, and mezzanine financing for the ongoing AND<sup>2</sup> and Villa Diodati projects, netting €16.5m. This was then offset by the settlement of the remaining Ordinary 'B' shares classified as financing liability where the Group will settle €4.5m, as well as the decrease in lease liabilities of €1.2m. Movement in total liabilities also includes the deferred tax liabilities accounted for related to the fair value gain anticipated for the forecasted year as well as movement in the trade and other payables.

## 2.6 Group's Cash Flow Statement

For the years ended 31 December

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
Net cash flows used in operating activities	(687)	(2,894)	(3,513)	(3,457)
Net cash flows used in investing activities	(10,968)	(9,184)	(25,181)	(8,280)
Net cash flows generated from financing activities	794	7,415	23,131	10,784
Effect of changes in foreign exchange	80	190	(547)	533
<b>Net movement in cash and cash equivalents</b>	<b>(10,781)</b>	<b>(4,473)</b>	<b>(6,110)</b>	<b>(420)</b>
Cash and cash equivalents at start of year	27,906	17,125	12,652	6,542
<b>Cash and cash equivalents at end of year</b>	<b>17,125</b>	<b>12,652</b>	<b>6,542</b>	<b>6,122</b>

### Ratio analysis

	2021A	2022A	2023A	2024F
	€000	€000	€000	€000
<b>Free cash flow (Net cash from operations - Capex)</b>	<b>(7,804)</b>	<b>(9,704)</b>	<b>(27,853)</b>	<b>(15,038)</b>

In FY23, the Group had a net cash outflow of €6.1m, which was the net effect of a €3.5m outflow in operating activities, a €23.1m cash inflows generated from financing activities, mainly resulting from the contractor financing on the AND<sup>2</sup> tower project, and the proceeds from the unlisted notes issue of €5m, net of outflows for payments of interest and principal portion of lease liabilities, as well as the €25.2m employed in investing activities mainly on account of the further additions in investment properties.

For the forecasted year 2024, the Group anticipates a net cash outflow from operating activities of €3.5m comprising expected interest payments in the year amounting to €4.6m, and partly offset by €1.2m inflows from operation and movement in working capital.

Within investing activities, the Group, in the first half of 2024, sold the loan receivables held in its Italian special purpose vehicle to an Italian bank for €7.5m and also sold a number of financial investments held, receiving €0.6m net proceeds. These proceeds, as well as the net proceeds expected from financing activities discussed below, will be mainly disbursed on the construction and development of AND<sup>2</sup> Tower where the Group anticipates investing €14.9m, and on the renovation and restoration of Villa Diodati amounting to €1.2m, as well as for improvements and refurbishment on the existing properties operated by the Group.

In financing activities, the Group anticipates raising additional project financing from banks, contractors, and other investing partners amounting to €16.5m, net of repayments, mainly to finance the investing activities of the Group. Other movements in financing activities include the repurchase of the remaining Ordinary B shares, amounting to €4.5m, and the settlement of the lease liabilities of €1.2m during the year. Consequently, net cash flow from financing activities is expected to result in a €10.8m inflow.





Part 3

# Key Market and Competitor Data



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## 3.1 General Market Conditions

### European economic update<sup>1</sup>

The EU economy staged a comeback at the start of the year, following a prolonged period of stagnation. Though the growth rate of 0.3% estimated for the first quarter of 2024 is still below estimated potential, it exceeded expectations. Activity in the euro area expanded at the same pace, marking the end of the mild recession experienced in the second half of last year. Meanwhile, inflation across the EU cooled further in the first quarter.

This Spring Forecast projects GDP growth in 2024 at 1.0% in the EU and 0.8% in the euro area. This is a slight uptick from the Winter 2024 interim Forecast for the EU, but unchanged for the euro area. EU GDP growth is forecast to improve to 1.6% in 2025, a downward revision of 0.1 pps. from winter. In the euro area, GDP growth in 2025 is projected to be slightly lower, at 1.4% - also marginally revised down. Importantly, almost all Member States are expected to return to growth in 2024. With economic expansion in the southern rim of the EU still outpacing growth in north and western Europe, economic convergence within the EU is set to progress further. On the 20th anniversary of the enlargement of the EU towards the east and the south, it is notable that, after almost stalling last year, economic convergence is also set to resume for the newer Member States. It is expected to continue at a sustained pace throughout the forecast horizon and beyond (see Special Issue 4.3.). HICP inflation is projected to continue declining over the forecast horizon. In the EU, it is now expected to decrease from 6.4% in 2023 to 2.7% in 2024 and 2.2% in 2025. In the euro area, it is forecast to fall from 5.4% in 2023 to 2.5% in 2024 and 2.1% in 2025. This is a downward revision compared to winter for both the EU and the euro area – especially for this year.

Economic activity broadly stagnated in 2023. Private consumption only grew by 0.4%. Despite robust employment and wage growth, labour incomes barely outpaced inflation. Moreover, households put aside a larger share of their disposable incomes than in 2022, as high interest rates kept the opportunity cost of consumption elevated, while high uncertainty, the erosion of the real value of wealth by inflation and the fall in real estate prices sustained precautionary savings. Investment grew by 1.5% in 2023, but largely driven by a sizeable carry-over from 2022. Especially towards the end of the year, weakness in investment was widespread across Member States and asset types, with a pronounced downsizing of the interest-rate-sensitive construction sector. External demand did not provide much support either, weighed down by a sharp slowdown in global merchandise trade. Still, with domestic demand stagnating, imports contracted more than exports, lifting the contribution of net external demand to real GDP growth to a sizable 0.7 pps. Last, but not least, the negative drag of an unusually strong inventory cycle detracted almost 1 pp. from domestic demand and explains most of the over-estimation of real GDP growth in 2023 in previous forecasts. Meanwhile, HICP inflation has continued declining. From a peak of 10.6% in October 2022, inflation in the euro area is estimated to have reached 2.4% in April 2024. Inflation in the EU followed a similar path, with the March reading (April was still missing at the cut-off date of this forecast) coming in at 2.6%. Rapid fall in retail energy prices throughout 2023 was the main driver of the inflation decline, but underlying inflationary pressures started easing too in the second half of 2023, amidst the weak growth momentum.

Expectations for imminent and decisive rate cuts across the world have been pared back in recent weeks, as underlying inflationary pressures - especially in the US – have proved more persistent than previously expected. In the euro area, where the European Central Bank last hiked its policy interest rates in September 2023, markets now expect a more gradual pace of policy rate cuts than in winter. Euribor-3 months futures suggest that euro area short-term nominal interest rates will decrease from 4% to 3.2% by the end of the year and to 2.6% by the end of 2025. Outside the euro area, central banks in some central and eastern European countries, as well as Sweden (after the cut-off date) have already embarked on a cycle of monetary policy easing.

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<sup>1</sup> European Economic Forecast - Spring 2024



## 3.1 General Market Conditions – *continued*

### European economic update

Although retail interest rates have already started to come down, bank lending has so far failed to rebound, due to some further tightening of credit standards, but especially lower corporate demand for loans. However, as interest rates keep falling, the conditions for a gradual expansion of investment activity remain in place and are even bolstered by the robust financial deleveraging in preceding quarters. With prolonged weakness in the manufacturing sector leaving many plants operating below normal capacity utilisation rates, equipment investment is expected to expand only marginally this year (see Box I.2.1), before accelerating in 2025. Non-residential construction investment is expected to remain resilient, largely reflecting government infrastructure spending with RRF support. By contrast, housing investment is projected to continue contracting this as continued fall in house prices and a still large build-up of inventories weigh on supply. The downsize of residential construction is set to continue in 2025, but the aggregate outlook masks significant variation across countries.

Despite largely stagnant output, the EU economy created more than two million jobs in 2023, thanks to broad-based employment growth across the EU. According to the Labour Force Survey, the employment rate of people aged 20-64 in the EU hit the new record high of 75.5% in the last quarter of 2023. Notwithstanding evidence of cooling demand, the labour market remains tight. In March the EU unemployment rate stood at its record low of 6.0%, and other measures of labour market slack remain near record-low levels. Furthermore, the unemployment rate continued falling in Member States recording the highest rates, resulting in continued decline of dispersion across countries. This strong labour market performance reflects favourable developments in both labour demand and labour supply, also due to migration. Going forward, the impulse of these positive drivers is set to abate, and employment growth is expected to be more subdued. Over the forecast horizon, however, the EU economy is still expected to generate another 2.5 million jobs, while the unemployment rate should hover around the current record-low rates. Nominal compensation per employee expanded by 5.8% in 2023 in the EU, with a gradual deceleration in the second half of the year. It is projected to decelerate further throughout the forecast horizon, alleviating underlying inflationary pressures. Importantly, growth in real wages – which started towards the end of last year – is set to continue throughout the forecast horizon. By 2025, average real wages are set to fully recover their 2021 levels, though this is not the case for all Member States.

Continued wage and employment growth will sustain growth in disposable income in 2024. A further uptick in the saving rate to 14.4% however limits the expansion of private consumption to 1.3% – still well below trend growth. In 2025, real disposable income is set to accelerate further, while the decline in interest rates reduces incentives to save. This is set to deliver a more sustained consumption growth, at 1.7% in the EU.

Despite facing headwinds from persistent inflation and restrictive monetary policies, growth outside of the EU remained resilient throughout 2023. However, it failed to spur demand for EU exports. Factors such as the post-pandemic rotation of consumer demand from goods to services, inventory depletion in advanced economies, and tightened monetary conditions impacting trade-intensive capital goods together contributed to a significant downturn in global merchandise trade. In this lacklustre trade environment, the EU as a whole managed to gain export market shares, though some Member States continued to register important losses. Looking forward, global growth (excluding the EU) is set to remain at close to 3.5% over the forecast horizon. For the world as a whole, growth is projected to edge up from 3.1% in 2023 to 3.2% in 2024 and 3.3% in 2025. This is a marginally upward revision compared to the Winter Forecast. The growth outlook for the US looks better than previously expected, mainly on account of the strong end-of-2023 performance. The persistence of inflationary pressures, nevertheless, suggests that the drag of tight monetary conditions is set to continue in the short term. Notwithstanding structural impediments, a strong rebound in China's economic activity in the first quarter lifts its near-term outlook. Merchandise trade is set to rebound, as trade elasticity converges towards the “new normal” of around 1, below historical average. The improved outlook for global merchandise trade should support EU's external demand for goods, in turn helping to lift the prospects of the weakened manufacturing sector. EU exports of goods and services are expected to expand by 1.4% this year and to attain 3.1% in 2025, amidst some losses in market shares. Imports are also set to rebound, implying a neutral or only marginally positive contribution to EU growth of net external demand in the two forecast years. With favourable movements in terms of trade, the current account balance of the EU is expected to rise back to 3.1% of GDP in both years, in line with pre pandemic average, though with a larger contribution of export of services.

## 3.1 General Market Conditions - *continued*

### European economic update

HICP inflation in the euro area is set to decrease from 5.4% in 2023 to 2.5% in 2024, while in the EU it is expected to decrease from 6.4% to 2.7%. Already by the end of last year, the disinflationary impulse of energy prices had largely died out. As recent increases in energy commodity prices – especially crude oil – are transmitted to consumers, energy inflation is set to turn positive again, but only marginally. Food and non-energy industrial goods have now become the primary disinflation drivers and are expected to continue detracting from inflation over the forecast horizon, reflecting receding pipeline pressures. Service prices, in contrast, have so far contributed very little to the disinflation process, reflecting still elevated wage pressures. However, relatively weak economic momentum and decelerating wage growth should allow services inflation to ease over the forecast horizon. All in all, core inflation (excluding energy and food) is expected to decline over the forecast horizon at broadly the same pace as headline inflation, remaining just slightly above. After narrowing significantly since mid-2023, dispersion of inflation within the EU is set to decline further by 2025, reflecting country-specific drivers of core inflation, including the expected wage growth, developments in productivity and unit profits. These dynamics are largely mirrored by the GDP deflator – a measure of the evolution of domestic price pressures. Growth in the deflator is set to slow down from 6% in 2023 to 3.3% in 2024 and 2.2% in 2025, as still high but abating wage growth is offset by a return to productivity growth and a reduction in profit margins.

After a sizeable reduction in 2022, the EU government deficit in 2023 increased marginally from 3.4% to 3.5% of GDP, as the deterioration economic conditions and increased interest expenditure outweighed the reduced cost of discretionary policy. The EU government deficit is nevertheless projected to resume declining in 2024 (to 3.0%) and 2025 (to 2.9%), driven by the almost complete phase-out of energy-related measures, lower subsidies on private investment as well as the gradual improvement in economic activity. As in 2023, eleven Member States are projected to record a general government deficit exceeding 3% of GDP in 2024, dropping to nine in 2025. The EU fiscal stance turned neutral in 2023, after significant expansion in the 2020-22 period. It is set to be contractionary in 2024 and to turn broadly neutral in 2025. This forecast incorporates all budgetary policies that have been adopted or credibly announced and sufficiently detailed. Amid higher costs of servicing debt and lower nominal GDP growth, the debt-to-GDP ratio is set to stabilise this year, at 82.9% in the EU before edging up by around 0.4pps. in 2025. By the end of 2025, in most Member States the debt-to-GDP ratios are projected to be lower than in 2020 but to remain above 60% of GDP in 12 countries.

Risks originating from outside the EU have increased in recent months amid two ongoing wars in our neighbourhood and mounting geopolitical tensions. Global trade and energy markets appear particularly vulnerable. Moreover, persistence of inflation in the US may further delay rate cuts in the US, but also beyond, resulting in somewhat tighter global financial conditions. On the domestic front, EU Central Banks may also postpone rate cuts until the decline in services inflation firms. In addition, the need to reduce budget deficits and put debt ratios back on a declining path may require some Member States to pursue a more restrictive fiscal stance than currently projected for 2025, weighing on economic growth. At the same time, a decline in saving propensity could spur consumption growth, while residential construction investment could recover faster. Risks associated to climate change and the degradation of natural capital increasingly weigh on the outlook. The EU is particularly affected, as Europe is the continent experiencing the fastest increase in temperature.



## 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)	(%)	(%)	(%)
5.75% International Hotel Investments plc Unsecured € 2025	45,000	3.7%	1.7x	1,768.3	836.3	53%	42%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4.25% CPHCL Finance plc Unsecured € 2026	40,000	4.2%	1.6x	1,913.3	891.9	53%	42%	10.1x	1.1x	-1.3%	-3.4%	20.9%
4% International Hotel Investments plc Secured € 2026	55,000	5.0%	1.7x	1,768.3	836.3	53%	42%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4% Shoreline Mall plc Secured € 2026	14,000	6.1%	n/a	73.8	17.0	77%	69%	-93.5x	0.9x	-2.4%	n/a	0.0%
4% International Hotel Investments plc Unsecured € 2026	60,000	5.5%	1.7x	1,768.3	836.3	53%	42%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	4.9%	1.8x	474.0	243.5	49%	39%	20.9x	0.9x	-1.6%	-7.7%	30.3%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.1%	0.6x	269.6	78.8	71%	66%	48.2x	1.5x	9.9%	23.1%	-34.4%
4.35% SD Finance plc Unsecured € 2027	65,000	4.3%	4.4x	376.1	152.2	60%	22%	2.1x	1.3x	8.4%	17.5%	75.4%
4% Eden Finance plc Unsecured € 2027	40,000	4.4%	5.7x	223.3	136.7	39%	27%	4.3x	0.2x	2.8%	8.4%	36.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.3%	27.0x	469.7	328.5	30%	23%	1.5x	1.2x	21.0%	208.5%	14.5%
4.15% Phoenicia Finance Company plc Unsecured € 2023-2028	5,711	4.1%	2.6x	128.1	47.0	63%	59%	11.9x	0.3x	0.7%	1.6%	29.9%
4% SP Finance plc Secured € 2029	12,000	4.3%	2.2x	43.3	17.9	59%	51%	9.3x	0.5x	-0.7%	-1.3%	0.0%
3.65% Stivala Group Finance plc Secured € 2029	15,000	4.1%	27.0x	469.7	328.5	30%	23%	1.5x	1.2x	21.0%	208.5%	14.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.7%	1.8x	474.0	243.5	49%	39%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.2%	0.6x	269.6	78.8	71%	66%	48.2x	1.5x	9.9%	23.1%	-34.4%
3.65% IHI plc Unsecured € 2031	80,000	4.6%	1.7x	1,768.3	836.3	53%	42%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.5%	1.8x	474.0	243.5	49%	39%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.5% Shoreline Mall plc Secured € 2032	26,000	5.4%	n/a	73.8	17.0	77%	69%	-93.5x	0.9x	-2.4%	n/a	0.0%
<b>5% Von der Heyden Group Finance plc Unsecured € 2032</b>	<b>35,000</b>	<b>5.0%</b>	<b>1.2x</b>	<b>155.9</b>	<b>32.7</b>	<b>79%</b>	<b>76%</b>	<b>22.9x</b>	<b>0.5x</b>	<b>-8.2%</b>	<b>-18.0%</b>	<b>9.6%</b>
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.5%	0.6x	269.6	78.8	71%	66%	48.2x	1.5x	9.9%	23.1%	-34.4%
5% CF Estates Finance plc Secured € 2028-2033	30,000	5.0%	1.6xx	81.1	7.5	91%	87%	16.4x	2.0x	-5.2%	-1.7%	N/A
5.85% AX Group plc Unsecured € 2033	40,000	5.3%	1.8x	474.0	243.5	49%	39%	20.9x	0.9x	-1.6%	-7.7%	30.3%
6% International Hotel Investments plc 2033	60,000	5.3%	1.7x	1,768.3	836.3	53%	42%	9.5x	1.0x	-1.4%	-3.9%	20.8%
5.75% Phoenicia Finance Company plc Unsec Bonds 2028-2033	50,000	5.3%	2.6x	0.1	0.0	63%	59%	11.9x	0.3x	0.7%	1.6%	29.9%
6.25% Camilleri Finance plc € Unsecured Bonds 2034	15,000	5.5%	1.2x	46.2	18.2	61%	48%	16.7x	0.6x	-3.9%	-3.9%	13.0%
Average*		4.70%										

Source: Latest available audited financial statements

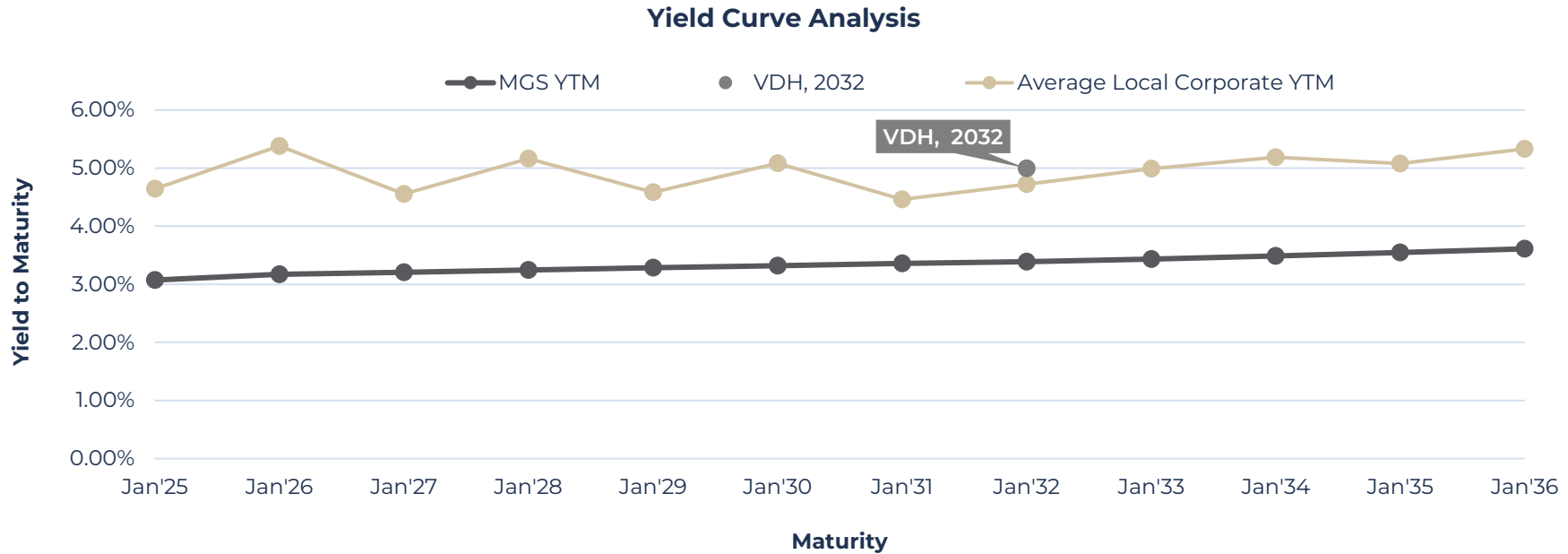
Last price as at 07/06/2023

\*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.



### 3.2 Comparative Analysis – continued



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 21 June 2024, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 1-8 (2025-2032) years was 129 basis points. The 5.0% Von Der Heyden Group Finance p.l.c. Bonds 2032 were trading at a YTM of 500 basis points, meaning a spread of 161 basis points over the equivalent MGS. This means that this bond is trading at a premium of 28 basis points in comparison to corporate bonds in similar industries.





Part 4

# Glossary and Definitions



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# 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.





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## 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.

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## 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.





## VON DER HEYDEN GROUP

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