



**AX** GROUP

**AX** REAL ESTATE

**AX** INVESTMENTS

Dear Investor,

Throughout the years that the AX Group and its subsidiaries have maintained a presence on the Malta Stock Exchange, we have written to you periodically to update you with developments within the Group.

We do not recall a time throughout the AX Group's 47 year history that we were as busy as we are today.

As you will read further on in this newsletter, we are well advanced in the work to vertically extend the Suncrest Hotel and the project is moving very much according to plan and the tight deadline we have set to reopen the Hotel.

At the Verdala site in Rabat, work is proceeding rapidly both as far as construction is concerned but also in planning the interior design and finishes of the Verdala Terraces, the Hotel and Spa that will open in Q2 2024.

The projects we are working on are challenging and will set new standards in line with the AX Group's philosophy of building outstanding developments with strong commercial potential. Simultaneously with the physical

work on the sites, there is a hive of activity ongoing in recruiting the business leaders who will launch the new hotels in Qawra and Rabat.

We are pleased to report that business has picked up as confidence returns to the travel industry and flights from many destinations have resumed. The market is highly competitive and the challenges to find and retain talent remain, though somewhat less than in 2021.

On behalf of the Directors of AX Group p.l.c., AX Real Estate p.l.c. and AX Investments p.l.c., we take this opportunity to thank you for your loyal support and continued trust in the AX Group.

We hope you enjoy reading this newsletter and that you will follow our regular updates on all our websites and social media channels.

**Angelo Xuereb**  
Chairman

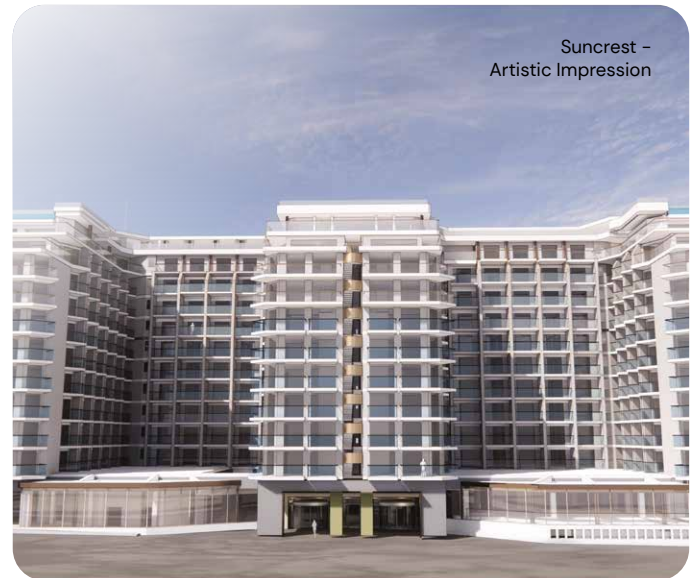
**Michael Warrington**  
Chief Executive Officer

# MAIN CAPITAL PROJECTS

## QAWRA

We started work on consolidating the structure of the Suncrest hotel in February 2021 and closed the hotel in November that year. The vertical extension will see the number of rooms increase to a total of 618. We have also carried out a complete re-design of the public areas of the hotel and when we re-open, there will be no less than 11 specialised food and beverage outlets within the resort. The hotel will undoubtedly be a landmark in Qawra once it opens its doors to the public in April 2023.

In March 2022, we obtained a permit for the full redevelopment of the Suncrest hotel lido. The demolition and excavation works commenced in April 2022 and are at an advanced stage. Our plan is to reopen the lidos in Q3 2023.



## RABAT

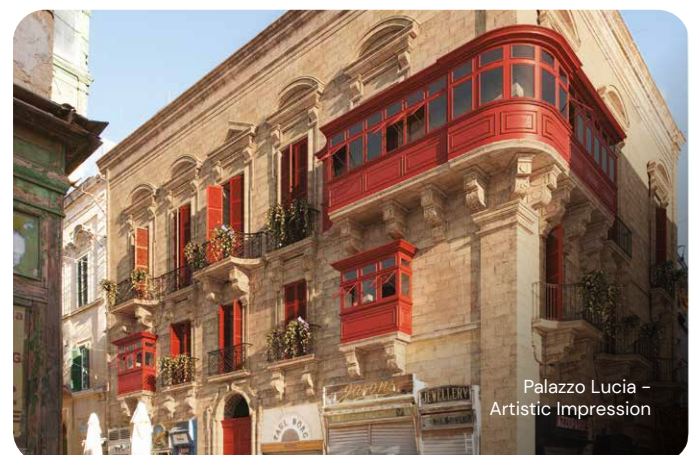
Following the approval of the planning permits to re-develop the Verdala site in Rabat, works to demolish the old hotel commenced in summer 2021. By December, the entire site had been cleared and works on the foundations started that month. From a design perspective, Verdala will consist of three blocks, two of which will be residential units intended for sale and the third will be a hotel and a spa.

The Verdala development will be an outstanding property. The site has unique characteristics and its location and prominence in the centre of the Maltese islands will undoubtedly set new standards. Our target is to complete the entire project in Q2 2024. We are planning to launch the sale of the Verdala Terraces in Q4 this year.

## VALLETTA

We had informed you last year that the AX Group had concluded the purchase of a new property in Merchants Street, Valletta. We will be naming the property Palazzo Lucia.

Work to restore and convert this beautiful building with a view to rent it out as private offices is proceeding steadily. The plan is to launch later this year and for the property to be fully functional in the early part of 2023.



# BUSINESS PERFORMANCE

We are sure you have all read the results published for financial year ending October 2021. AX Group recovered from the loss incurred in 2020 when COVID-19 first struck and achieved a net profit before tax of EUR 1.5M (In 2020, a loss of EUR 8.2M was incurred).

While business had started to recover substantially in the latter part of 2021, that momentum was lost in the early part of this financial year due to a strong resurgence of COVID-positive cases over the Christmas period. It is encouraging to see that as from April this year, turnover in the hospitality industry is exceeding our budgeted targets.

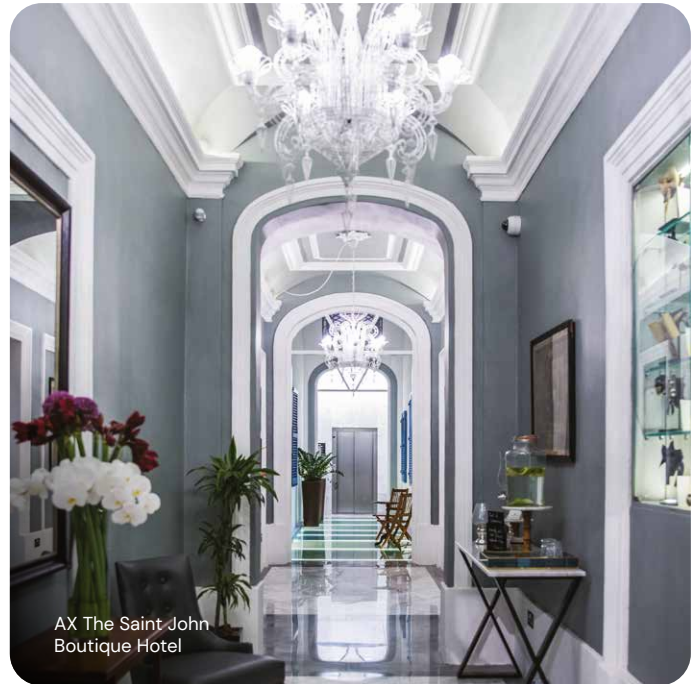
The Group's financial results are available on the AX Group website. Until our new hotel in Qawra reopens in Q2 2023, it is difficult for AX Hotels to achieve the same business levels as we did in 2019.

€ millions	30 April 2022	30 April 2021
Revenue	€15.4	€9.8
Operating loss	(€2.2)	(€3.5)
Loss before tax	(€4.1)	(€5.3)
EBITDA	€1.2	(€0.1)
Operating loss margin (%)	-14.5%	-36.0%
Interest cover (times)	0.6	-0.1

## AX HOTELS

With the gradual lifting of COVID restrictions in March of this year, we have experienced a steady increase in consumer demand for travel. The hospitality industry in Malta has experienced a very significant growth in the number of hotels and hotel beds during the last years. We expect the 2022 summer season, to be characterised by strong demand but with significant wage and labour pressures.

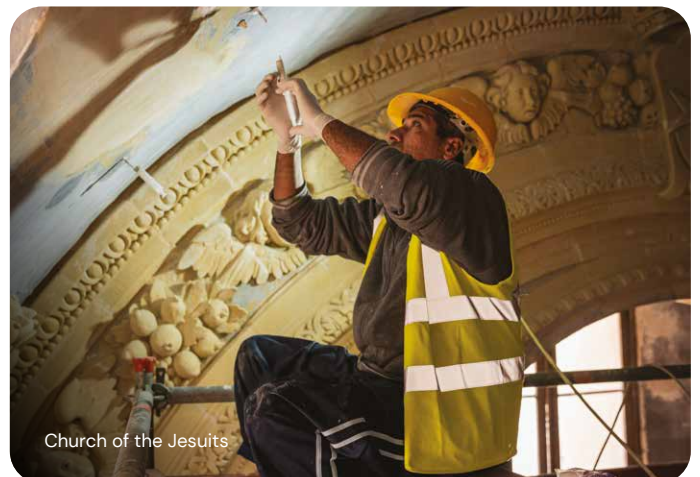
During the first six-month period ending 30th April 2022, the hospitality division increased its revenues by EUR 5M when compared to the same period last year. This increase was reported despite the fact that the Suncrest Hotel was closed for redevelopment during the period. By the end of this financial year the hospitality sector is projected to grow year on year by 56% or EUR 8M to EUR 22.4M (FY2021: EUR 14.4M). The Sliema Hotels are forecasting that their turnover will be 12% below pre-COVID-19 performance (FY2019).



## AX CONSTRUCTION

Our construction division was entrusted with the Qawra and Verdala projects, together with the restoration at the Maritime Museum in Birgu. In addition, we are proud that AX Construction has been awarded the contract to restore the Oratories of the Jesuits' Church in Valletta, as well as building the annex to St John's Co-Cathedral in Valletta.

In line with the recently published financial analysis summary, the Construction division is expected to increase year on year revenues by 6% for the financial year ending 2022.

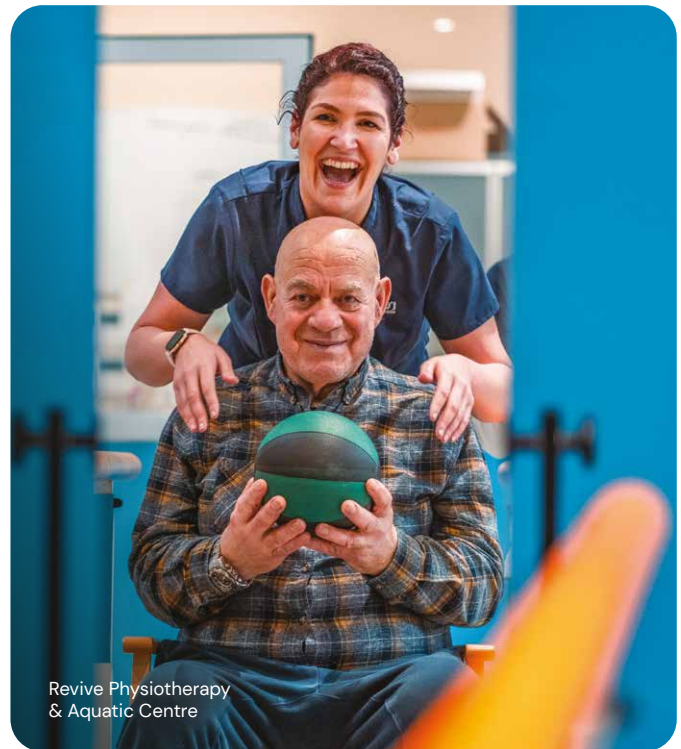


## AX CARE

Our healthcare business division at the Hilltop Gardens Retirement Village has seen a marginal recovery when compared to same period last year. In fact, during the first six-month period ended 30th April 2022, the healthcare division registered an increase in revenue of 6.8% when compared to the same period last year. The Simblija Care Home occupancy is expected to gradually return to pre-pandemic levels in the coming months.

The return to normality within the healthcare division was evidenced during our recent Simblija Open Day, where we have seen many clients who are keen to take up residence and experience life at the village.

Demand for renting units at Hilltop Gardens remains very strong. As per the recently published financial analysis summary, the healthcare division is expected to increase year on year revenues by 10% for the financial year ending 2022.



## AX ESTATES

The Estates division closed the sale of the remaining apartments at Targa Gap Complex in Mosta and Falcon House in Sliema. In addition, the new office development at Falcon House in Sliema as well as the remaining offices at AX Business Centre in Mosta were fully taken up by third parties.

Through the investment in an associate undertaking, that is Imselliet Solar Limited, a new photovoltaic plant was built at Hilltop Gardens. This marks the Group's third investment in renewable energy projects. We are actively looking into other projects in this highly competitive sector.



# AX REAL ESTATE P.L.C.

The new investments currently being undertaken are very significant for the AX Group. These projects naturally require appropriate financing. We created AX Real Estate p.l.c. in order to raise both equity and debt financing in order to undertake these investments.

AX Real Estate p.l.c. was listed on the Malta Stock Exchange on 15th February 2022 when trading in these instruments commenced. AX Real Estate p.l.c. has guaranteed a 6.4% gross dividend yield for the first two years and following this, the company will be distributing the majority of the distributable profits, subject to honouring all its commitments and retaining a minimum cash balance of EUR 1M.



# INVESTOR RELATIONS OFFICE

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Following the listing of AX Real Estate p.l.c., the management decided to set up a dedicated Investor Relations Office. This office will act as a focal point for all investors holding instruments issued by the listed Group entities.

The Investor Relations Office will be responsible for maintaining strong communication with investors so

that regular updates on our business performance is available. You may have seen the Annual Report for financial year 2021 which we published in February, the regular updates on our websites and social media channels and the microsite that facilitate users to navigate the different sections of the report. You will also have received our new investor loyalty card.

## OUTLOOK

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The war in Ukraine has now brought new challenges. An increase in demand together with disruptions in the supply chain has caused a significant surge in inflation resulting in rising prices for a number of important inputs in our businesses.

These cost increases will have an impact on the overall budgeted costs for our investments as well as within

our operating businesses. Nevertheless, management expect the positive performance experienced in Q2 2022 to continue during the rest of the year.

We are confident that the 2022 projections as set out in the Financial Analysis Summary published in April 2022 will be achieved.

## EXECUTIVE FOCUS

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**Joseph Borg**  
CHIEF FINANCIAL OFFICER  
AX REAL ESTATE

Joseph Borg has been a senior member of AX Group's management team for 26 years. He is now Chief Financial Officer of the AX Real Estate p.l.c. as well as Deputy Chairperson of AX Foundation. Mr Borg brings to the table over 30 years' experience in financial management, operations management, auditing, taxation and consultancy, much of that within AX Group itself.

He started as Financial Controller for AX Construction before taking responsibility for the entire Construction Division, then moved into the Hospitality Division and set up the entire finance function for AX Hotels as Group Financial Controller.



**Simon Peter Camilleri**  
INVESTMENT STRATEGY  
AND OPERATIONS

Simon Peter Camilleri has been working for the AX Group for the last 3 years. He was initially appointed as an Executive Assistant to the CEO and later entrusted to manage the Investment Strategy and Operations Unit within the Group. This unit handles the Investments and Investor Relations Office, corporate administration and ESG functions of the Group. Prior to joining the AX Group, Mr Camilleri worked as an offsite and onsite inspector within the Banking Supervision Unit of the Malta Financial Services Authority and as a Statistician for the National Statistics Office.

Mr Camilleri graduated with honours in Business Enterprise in 2012 and followed by a Master of Business Administration in 2015.

# DEVELOPMENT IN PROGRESS



Suncrest, Qawra



Verdala, Rabat

