FINANCIAL ANALYSIS SUMMARY

23 APRIL 2025

ISSUER

AX REAL ESTATE P.L.C.

(C 92104)

Prepared by:

MZ INVESTMENTS

M.Z. Investment Services Limited
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MZ INVESTMENTS

The Directors
AX Real Estate p.l.c.
AX Group, AX Business Centre
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23 April 2025

Dear Board Members,

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of this Analysis is that of summarising key financial data appertaining to AX Real Estate p.l.c. (the "**Issuer**", "**Group**", or "**AX Real Estate**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical information for the most recent three financial years ended 31 October 2022, 31 October 2023, and 31 October 2024 has been extracted from the respective audited annual financial statements.

(b) The forecast financial information for the year ending 31 October 2025 has been provided by the Issuer.

(c) Our commentary on the financial performance, cash flows, and financial position of AX Real Estate is based on explanations provided by the Group.

(d) The ratios quoted in this Analysis have been computed by applying the definitions set out in Part 4 – Explanatory Definitions.

(e) Relevant financial data in respect of the companies included in Part 3 – Comparative Analysis has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Malta Business Registry, as well as other sources providing financial information.

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This Analysis is meant to assist existing and potential investors in the Issuer's securities by summarising the more important financial information of the Group. This Analysis does not contain all data that is relevant to investors. This Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest or not invest in any of the Issuer's securities. We will not accept any liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani
Head of Corporate Broking

M.Z. Investment Services Limited is regulated by the Malta Financial Services Authority and licensed to conduct investment services business in terms of the Investment Services Act (Cap. 370 of the Laws of Malta). MZ Investments is a member of the Malta Stock Exchange and an enrolled Tied Insurance Intermediary for MAPFRE MSV Life p.l.c. under the Insurance Distribution Act (Cap. 487 of the Laws of Malta).

Company Registration Number: C 23936 | VAT Number: MT 1529 8424

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PART 1 – INFORMATION ABOUT AX REAL ESTATE

1. KEY ACTIVITIES

AX Real Estate is a subsidiary of AX Group p.l.c. ("**AX Group**") and acts as the holding company of AX Group's real estate division. During FY2021, AX Group completed a reorganisation exercise of its corporate structure and consolidated its property letting activities into a real estate division, the holding entity of which is AX Real Estate.

The Issuer was registered on 6 June 2019 as a private limited liability company and was subsequently converted into a public limited liability company on 23 November 2021. As a holding company, AX Real Estate is dependent on the financial performance and position of its subsidiaries. The Issuer is involved in the letting of properties to AX Group and to a lesser extent, to independent third parties. A description and analysis of the operational activities and performance of AX Group is included in the most recent Analysis which is available on AX Group's website at https://axinvestor-relations.mt/.

In February 2022, AX Group listed AX Real Estate p.l.c. on the Malta Stock Exchange, with just over 25% of the ordinary 'A' shares being taken up by the general public. Through this transaction, an amount of €13.6 million was raised. In conjunction, AX Real Estate also issued €40 million unsecured bonds redeemable in 2032. The general public subscribed to €18.35 million of the bonds whilst the remaining €21.65 million was assigned to AX Group as part conversion of the loan receivable from AX Real Estate. The balance of the Issuer's bonds held by AX Group has been reduced to €9.58 million (nominal) as at 31 March 2025. It is the intention of AX Group to further dispose of such bonds held by it at the opportune time to ascertain sufficient liquidity for future projects.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 BOARD OF DIRECTORS

The Board of Directors of AX Real Estate comprises the following eight individuals who are responsible for the overall development, strategic direction, and risk management of the Group:

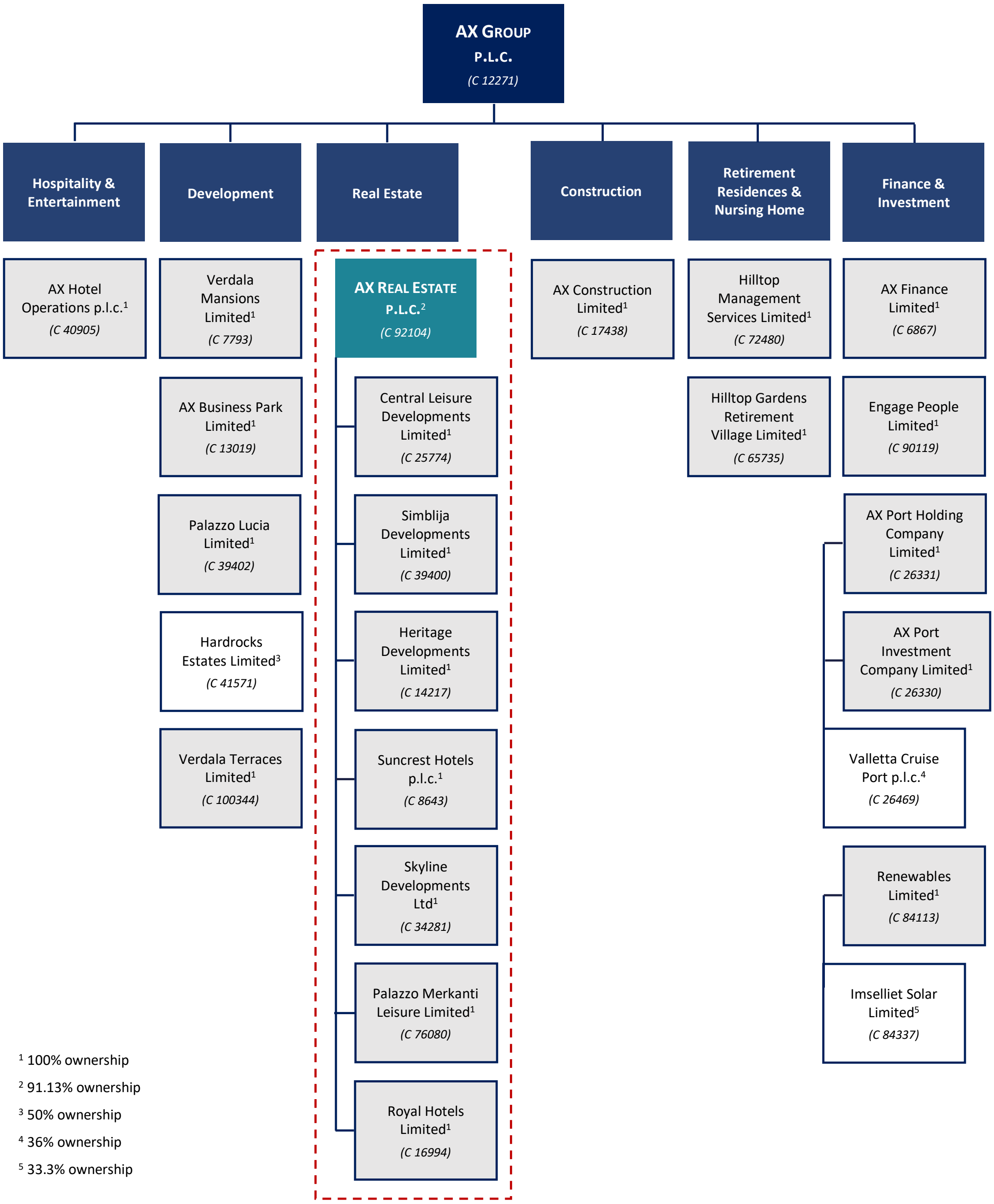
Angelo Xuereb	Executive Chairman
Denise Xuereb	Executive Director and Chief Executive Officer
Claire Zammit Xuereb	Executive Director
Michael Warrington	Executive Director
Christopher Paris	Non-Executive Director
Christian Farrugia	Independent Non-Executive Director
Joseph Lupi	Independent Non-Executive Director
Stephen Paris	Independent Non-Executive Director

2.2 SENIOR MANAGEMENT

The Chief Executive Officer is entrusted with the day-to-day management of the Issuer and is supported by the Group's Chief Financial Officer and several consultants, key personnel, and other officers of AX Group.

3. ORGANISATIONAL STRUCTURE

The diagram below illustrates the organisational structure of AX Real Estate within AX Group.



[1] 100% ownership

[2] 91.13% ownership

[3] 50% ownership

[4] 36% ownership

[5] 33.3% ownership

4. MAJOR ASSETS

The table below provides a summary of the Group's investment property portfolio which was valued at €310.53 million as at 31 October 2024, an increase of 19.32% (or +€50.28 million) from 31 October 2022. The Group's most valuable properties are the Qawra Hotels (€144.26 million) and the Sliema Hotels (€75.34 million) which together represent just over 70% of the value of AX Real Estate's investment property portfolio.

AX Real Estate p.l.c. Asset Value of Principal Properties As at 31 October	Note	2022 €'000	2023 €'000	2024 €'000
Qawra Hotels	*1*	100,000	130,300	144,255
Sliema Hotels	*2*	73,100	73,860	75,340
Hilltop Complex, Naxxar	*3*	37,130	37,290	37,200
Valletta Hotels	*4*	14,460	14,670	14,920
Targa Gap Complex, Mosta		12,250	13,800	14,124
Verdala Wellness Hotel, Rabat	*5*	10,380	10,190	11,121
		247,320	**280,110**	**296,960**
Other:				
Hardrocks Business Park, Burmarrad	*6*	7,600	7,675	8,019
Office space at Falcon House, Sliema		5,050	5,160	5,266
Blackstead Garage, Naxxar		285	285	285
		12,935	**13,120**	**13,570**
Total		**260,255**	**293,230**	**310,530**
Type of property:				
Commercial		251,685	283,740	300,047
Residential		8,570	9,490	10,483
		260,255	**293,230**	**310,530**

Notes:

1. AX ODYCY, AX Sunny Coast Resort & Spa, Luzzu Complex, and Chaplin's Pub Diner.

2. AX The Palace and AX The Victoria Hotel.

3. Hilltop Gardens Retirement Village and Simblija Care Home.

4. AX The Saint John and Rosselli AX Privilege.

5. Including 19 apartments (known as Virtù Heights) that will be annexed to the Verdala Wellness Hotel.

6. Nine warehouses and an office block.

4.1 QAWRA HOTELS

AX ODYCY (formally, Seashells Resort at Suncrest) is a four-star hotel located on the Qawra seafront featuring 599 rooms designed in a contemporary style. The hotel suspended its operations in Q4 2021 for the purpose of pursuing a major investment comprising the addition of four floors which increased the total number of rooms by a further 147 rooms. Furthermore, the extensive renovation included a substantial upgrade and extension of the hotel's public areas, as well as the creation of new pools, a small family waterpark, restaurants, bars, and other facilities at the hotel.

The hotel's amenities comprise various food and beverage outlets, from exquisite dining and laid-back seaside restaurants to family-friendly options and a convenient grab-and-go concept. AX ODYCY also has a panoramic lido and entertainment area overlying extensive car park facilities spanning the entire length of the property.

AX ODYCY had a soft opening in late May 2023 (in time to host participants and delegates for the 2023 Games of the Small States of Europe), thus only contributing *circa* five months to the Group's financial results in FY2023. During summer 2023, AX ODYCY operated at a reduced capacity as work on certain areas of the hotel and lido were still in progress, albeit the hotel still received outstanding feedback on several industry-leading booking sites.

During FY2024, AX ODYCY won four prestigious awards at the European Property Awards and was also honoured at the Malta Architecture and Spatial Planning Awards. Furthermore, the hotel was honoured with the Traveller Review Award 2024 and the TripAdvisor Travellers' Choice Award for 2024. During the year, AX ODYCY launched new food and beverage outlets designed to cater for a wide range of tastes, providing guests with a broader selection of culinary experiences and enriching the hotel's dining landscape.

The **AX Sunny Coast Resort & Spa** is a 92-room four-star aparthotel that offers self-catering apartments with resort facilities on the Qawra coast. It occupies a gross floor area measuring approximately 6,000 sqm and operated in the vacation ownership market between 1983 and 2021. AX Sunny Coast Resort & Spa features a restaurant, indoor and outdoor pools, spa and leisure facilities, and a fitness centre. Furthermore, the adjacent lido ("**AX Sunny Coast Lido**") consists of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities which are leased to independent third parties. The hotel and the lido, as well as Luzzu Complex, are expected to close for business ahead of the commencement of the next phases of the 'Qawra Project' (see Section 4.1.1 below).

In May 2024, a concession agreement was entered into with the Commissioner of Lands, granting the Group temporary emphyteusis of the land in Qawra that includes parts of AX ODYCY and AX Sunny Coast Lido for a period of 65 years. A right-of-use asset arising from this agreement has been recognised at a cost of €3.12 million. The fair value of the right-of-use asset as at 31 October 2024 amounted to €2.36 million.

The **Luzzu Complex** occupies a gross floor area of *circa* 2,250 sqm and comprises a seaside restaurant, a beach club, and a conference centre which accommodates up to 300 delegates in theatre style and 450 guests in standing receptions.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Qawra Hotels, except for Chaplin's Pub Diner and the outlets that are sub-leased to independent third parties as indicated above, are leased by Suncrest Hotels p.l.c. to AX Hotel Operations p.l.c. The lease agreement is subject to the following terms:

(i) The lease is for 20 years and four months, effective from 1 July 2021 (save for the lease term of the agreement relating to AX ODYCY) with a right of first refusal granted in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by the Suncrest Hotels p.l.c. upon the expiration of the term. The lease term of the agreement relating to AX ODYCY commenced in May 2023.

(ii) A minimum fixed base rent plus a variable rent component.

(iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature are the responsibility of Suncrest Hotels p.l.c.

(iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Qawra Hotels to independent third parties once it obtains consent from Suncrest Hotels p.l.c.

The overall cost for the redevelopment and refurbishment of AX ODYCY exceeded the initial budget by *circa* €20 million. The material variance resulted due to elaborative changes to the hotel's designs and specifications, as well as inflationary pressures. As a result, the total cost of the project amounted to approximately €70 million, of which €10.6 million was funded by AX Hotel Operations p.l.c.

Given the above, the lease agreement between Suncrest Hotels p.l.c. and AX Hotel Operations p.l.c. in respect of AX ODYCY was re-negotiated, resulting in an uplift in the variable rent component.

4.1.1 QAWRA PROJECT

Following the substantial investment in transforming AX ODYCY, AX Real Estate is currently planning for the next phases of the project which comprise:

(i) The demolition and reconstruction of AX Sunny Coast Resort & Spa into **AX ODYCY Residences** comprising 151 rooms.

(ii) The redevelopment of AX Sunny Coast Lido and Luzzu Complex to create a seamless 300-metre waterfront stretch, integrating AX ODYCY and AX ODYCY Residences into a single destination.

A total investment of between €70 million and €80 million is expected for the full completion of the project. This development will further enhance the Group's properties in Qawra, elevating quality and expanding service offerings with new underground parking, conference facilities, dining options, and lagoon pools.

4.2 SLIEMA HOTELS

AX The Palace is a luxurious 144-room five-star city hotel located in a prime location in Sliema that has a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2007, marked AX Group's first investment in the five-star hotel segment. The Palace offers a wide range of facilities to its guests, including five restaurants, an outdoor infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, as well as spa, health and fitness centre. The hotel has an underground car park common with AX The Victoria Hotel. In Q4 2026, the Group is expected to initiate a €5 million to €7 million refurbishment programme aimed at upgrading the communal spaces and guest rooms as well as revitalise guest experience.

AX The Victoria Hotel is a 142-room Victorian-style hotel located in the heart of Sliema next to AX The Palace. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997. It features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre, as well as multi-purpose conference halls. It also houses the Copperfield's Restaurant and the Penny Black bar. The hotel has an underground car park accessible from the entrance to the AX The Palace car park and can accommodate up to 108 cars.

The proximity between AX The Palace and AX The Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiencies and returns.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Sliema Hotels are leased by Central Leisure Developments Limited to AX Hotel Operations p.l.c. The latter sub-leases the spa, gym, and a shop to independent third parties. The lease agreement is subject to the following terms:

(i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by Central Leisure Developments Limited upon the expiration of the term.

(ii) A minimum fixed base rent plus a variable rent component.

(iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.lc. while the costs for new developments or extraordinary repairs which are structural in nature rest with Central Leisure Developments Limited.

(iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Sliema Hotels to independent third parties once it obtains consent from Central Leisure Developments Limited.

4.3 VALLETTA HOTELS

Palazzo Merkanti Leisure Limited is the owner of **AX The Saint John** – a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant's residence and shop, AX The Saint John was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of the 19 rooms exude an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and modern in-room technology. The boutique hotel features two private meeting rooms accommodating 16 persons in-theatre style, or eight individuals in a board room set up, which are ideal for the frequent business traveller who needs to make use of desk space in an office-like setting. AX The Saint John is also home to the catering establishment Cheeky Monkey Gastropub.

Palazzo Merkanti Leisure Limited holds the **Rosselli AX Privilege** under the title of temporary emphyteusis. The 25-room five-star boutique hotel opened for business in May 2019 and is one of the most prestigious old palazzos in Valletta. The Rosselli AX Privilege is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Apart from a three-level restaurant with varied cuisine genres – namely Under Grain, Grain Street, and Over Grain which offer patrons refined culinary experiences – the boutique hotel has a rooftop terrace and a swimming pool. Additionally, hotel concierge service is available at providing a tailor-made experience for guests staying at the hotel.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Valletta Hotels are leased by Palazzo Merkanti Leisure Limited to AX Hotel Operations p.l.c. The lease agreements are subject to the following terms:

(i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by Palazzo Merkanti Leisure Limited upon the expiration of the term.

(ii) A minimum fixed base rent plus a variable rent component.

(iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature are the responsibility of Palazzo Merkanti Leisure Limited.

(iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Valletta Hotels to independent third parties once it obtains consent from Palazzo Merkanti Leisure Limited.

4.4 VERDALA WELLNESS HOTEL

Royal Hotels Limited owns the land over which the 46-room five-star all-suite **Verdala Wellness Hotel** is being constructed. The hotel will from part of AX Group's AX Privilege collection and will also include 19 fully renovated luxury apartments known as Virtù Heights, as well as an additional 24 serviced/self-catering units, all surrounded by around 2,350 sqm of open spaces and public piazzas. An important aspect of the Verdala Wellness Hotel will be its 1,800 sqm state-of-the-art spa that will offer tailor-made packages, wellness programmes, and retreats that drive long-term positive change. The hotel is expected to be inaugurated in Q2 2025 and will target a new niche market in luxury wellness hospitality in Malta apart from continue diversifying the Group's hotel products to cater towards new and untapped segments.

Primarily as a result of high inflation, the increase in professional fees and development costs, the continuous enhancing and refining of the overall design to align with the wellness concept, as well as the high-end product and service offering targeting discerning wellness travellers, the total expenditure for the Verdala Wellness Hotel is now expected to be around €20 million compared to the initial projection of circa €11.5 million.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Verdala Wellness Hotel is leased by Royal Hotels Limited and Heritage Developments Limited (the "**Lessors**") to AX Hotel Operations p.l.c. The lease agreements are subject to the following terms:

(i) The lease is for 20 years, effective as from the date of the start of the hotel operations, with a right of first refusal granted in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by the Lessors upon the expiration of the term.

(ii) A minimum fixed base rent plus a variable rent component.

(iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature rest with the Lessors.

(iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Verdala Wellness Hotel to independent third parties once it obtains the Lessors' consent.

4.4.1 THE WELLNESS TOURISM CONCEPT[1]

Wellness tourism refers to the notion of travelling with the goal of improving or maintaining personal well-being. This travel phenomena represents a growing sub-sector of the overall wellness industry, projected to reach USD8.5 trillion in 2027 from USD5.5 trillion in 2022, reflecting a heightened global awareness of health and well-being as well as travellers' desire for personalised experiences that cater to both physical health and mental rejuvenation.

Wellness tourism forms parts of the global 'self-care movement' which emphasises on preventative wellness as individuals seek to combat burnout and proactively manage their well-being. Practices such as meditation, breathwork, and hot and cold therapies have gained widespread popularity, with more people integrating these routines into their lifestyles.

Wellness travellers can generally be categorised into two groups:

[1] **Source:** EHL Hospitality Business School, '*How the Growth of Wellness Tourism Market Is Transforming Travel*', 26 January 2025.

(i) *Primary wellness travellers:* These individuals choose their trip or destination with wellness as their main focus and purpose that reflect the spirit of the destination.

(ii) *Secondary wellness travellers:* These travellers prioritise maintaining their wellness routines or exploring wellness activities while on a trip, whether it is for leisure or business purposes.

This perspective highlights that with the growth of wellness tourism, the appeal has broadened to a more mainstream audience beyond the stereotyped segment confined to affluent individuals. The type of demand for wellness accommodation is also becoming more holistic, beyond the more traditional wellness services (such as health, fitness, nutrition, sleep, appearance, and mindfulness) and more towards journeys that resonate with broader values like long-term sustainability, eco-friendliness, and social responsibility. At the same time, a renewed focus on authenticity is emerging, driven by a strong generational shift towards innovative wellness solutions that crave for authenticity and distinctiveness.

4.5 HILLTOP COMPLEX

Simblija Developments Limited owns the Hilltop Gardens Retirement Village and the Simblija Care Home (the "**Hilltop Complex**"). **Hilltop Gardens Retirement Village** is the first luxury retirement village developed in Malta, consisting of private residences in the form of one or two-bedroom self-catering apartments and penthouses, finished to high standards, surrounded by landscaped gardens. The complex also includes a spa, hair salon, swimming pool, restaurant, crafts centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A reception desk and 24-hour security personnel complement the residences. Residents may also request certain additional services which are provided at an extra cost, including cleaning, repairs and maintenance of apartments, as well as the preparation and delivery of meals.

The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years by individuals who at the time of taking up residence must be over 55 years of age.

In light of the continued strong demand, AX Real Estate plans to vertically extend the Hilltop Gardens Retirement Village by adding two additional floors, comprising 50 residential units, across the entire building. To date, the Group has obtained the necessary development permit to add one floor.

The **Simblija Care Home** is a 155-bed care home providing nursing care to the more dependent elderly residents. It also operates the Revive Physiotherapy Centre which has its own fully equipped state-of-the-art hydrotherapy pool. In addition, Simblija Care Home offers dedicated services and amenities for short term respite care, convalescence and post-operative recovery, as well as a specialised dementia ward offering specialist support and assistive technology specifically selected and installed for residents with dementia.

TERMS OF INTRA-GROUP LEASE AGREEMENT

Simblija Developments Limited leases the Hilltop Complex for the long term to Hilltop Management Services Limited which, in turn, sub-leases most of the areas within the complex to Hilltop Gardens Retirement Village Limited. Hilltop Management Services Limited also leases certain outlets within the Hilltop Gardens Retirement Village to independent third parties.

The lease agreement entered into by and between Simblija Developments Limited and Hilltop Management Services Limited is subject to the following terms:

(i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal granted in favour of Hilltop Management Services Limited over any new lease to be entered into by Simblija Developments Limited upon the expiration of the term.

(ii) A fixed rent with annual increments.

(iii) The obligation for ordinary repairs and maintenance rests with Hilltop Management Services Limited while the costs for new developments or extraordinary repairs rest with Simblija Developments Limited.

(iv) The right to sub-lease apartments within the Hilltop Gardens Retirement Village to residents who satisfy the residential criteria.

(v) Hilltop Management Services Limited may only sub-lease outlets and facilities to independent third parties once it obtains consent from Simblija Developments Limited.

4.6 TARGA GAP COMPLEX

Skyline Developments Ltd owns the **Targa Gap Complex** located in Mosta. The complex includes a mix of residential units spread across two blocks (Clover and Springfield), office space, and several car spaces/garages. Most of the residential units forming part of Clover block were sold whilst two units were retained by Skyline Developments Ltd for lease to independent third parties. On the other hand, the residential units forming Springfield block were all retained by Skyline Development Ltd and are currently leased to independent third parties.

Targa Gap Complex also includes the AX Business Centre which houses the head office of AX Group, as well as three separate offices at ground floor level which are currently leased to independent third parties. The complex has a photovoltaic plant installed on its roof and has four floors of parking in the underground. A number of garages were sold to the owners of the residential units.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The lease agreement by and between Skyline Developments Ltd and AX Group p.l.c. is subject to the following terms:

(i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal granted in favour of AX Group p.l.c. over any new lease to be entered into by Skyline Developments Ltd upon the expiration of the term.

(ii) A fixed rent with annual increments.

(iii) The obligation for ordinary repairs and maintenance rests with AX Group p.l.c. while the costs for new developments or extraordinary repairs rests with Skyline Developments Ltd.

4.7 PROPERTIES AT THE HARDROCKS BUSINESS PARK

The Group owns nine warehouses and an office block at the **Hardrocks Business Park** located in Burmarrad. Six of the warehouses are leased to independent third parties for a period between four to fifteen years. The remaining three warehouses and the office block, together with the underlying basement areas, are leased to AX Construction Limited for 20 years and serve as the operating base of AX Construction Limited.

4.8 OFFICE SPACE AT FALCON HOUSE SLIEMA

The office space at Falcon House in Sliema consists of an area of *circa* 1,180 sqm spread over two levels which is entirely leased to independent third parties. The development of office space was completed in October 2021.

4.9 BLACKSTEAD GARAGE

The property consists of a stand-alone industrial garage and is complimented by a loading bay. The total site area is *circa* 257 sqm and is leased to an independent third party.

5. REVENUE ANALYSIS

The table below provides an analysis of the Group's historical (FY2022 to FY2024) and forecasted (FY2025) revenues for its property categories:

AX Real Estate p.l.c. Revenue Analysis For the financial year 31 October	2022 Actual €'000	2023 Actual €'000	2024 Actual €'000	2025 Forecast €'000
Hotel properties	5,115	8,490	15,956	16,073
Hilltop Complex	1,650	1,689	1,725	1,760
Targa Gap Complex	590	648	659	714
Other properties	801	876	945	744
Total rental income	**8,156**	**11,703**	**19,285**	**19,291**
Proceeds from sale of property	754	51	120	125
Total revenue	**8,910**	**11,754**	**19,405**	**19,416**
Rental income by tenant:				
AX Group companies	7,311	10,729	18,223	18,376
Independent third parties	845	974	1,062	915
Total rental Income	**8,156**	**11,703**	**19,285**	**19,291**

AX Real Estate generated €8.91 million in total revenue in **FY2022**, comprising €8.16 million in rental income from the lease of investment properties and €0.75 million from the sale of the remaining residential units forming part of Targa Gap Complex, Mosta.

Income from the lease of hotel properties amounted to €5.12 million (representing 62.71% of total rental income) whilst rental income from the lease of all other properties amounted to €3.04 million. Overall, nearly 90% (or €7.31 million) of the Group's rental income derived from related parties. On the other hand, €0.85 million was generated through lease agreements with independent third parties. During FY2022, AX Real Estate entered into new agreements with independent third parties for the lease of office space at Falcon House in Sliema and the remaining offices at AX Business Centre in Mosta.

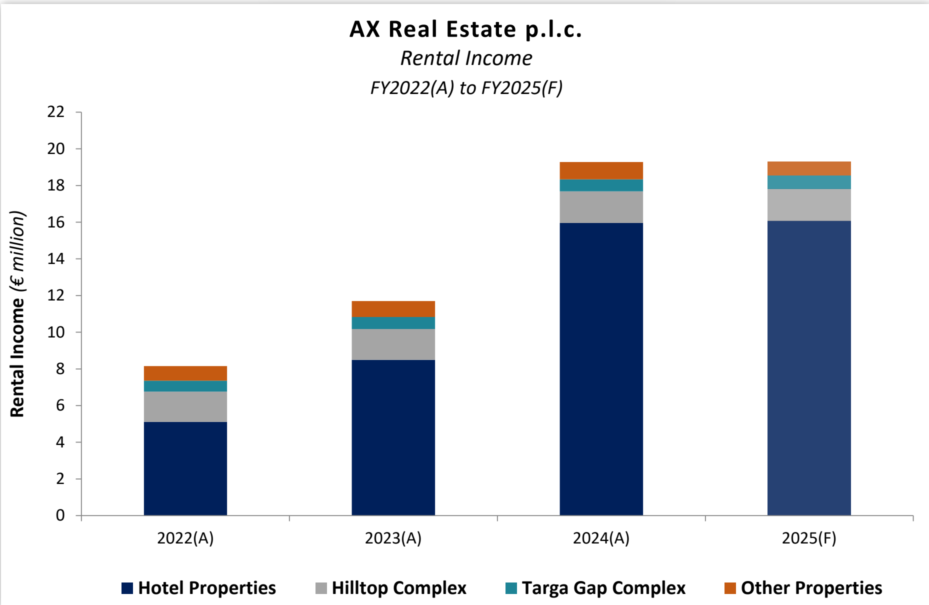
In **FY2023**, total revenue increased by 31.92% to €11.75 million largely reflecting the growth registered by the Group's hotel properties (+€3.38 million to €8.49 million) amid the *circa* five-month contribution from the lease of AX ODYCY as well as the significant post-pandemic rebound in business. Indeed, the Sliema and Valletta Hotels surpassed their projected revenue and operating profits, and as a result, AX Real Estate received a higher level of rent based on the variable component when compared to the prior year.

During FY2023, the Issuer generated €0.05 million from the sale of a garage within Targa Gap Complex. Overall, 91.68% (or €10.73 million) of the Group's rental revenues were generated from related companies whilst the remaining 8.32% (or €0.97 million) derived from independent third parties.

The Group recorded strong growth in rental income in **FY2024**, reaching €19.29 million (FY2023: €11.70 million), primarily driven by the twelve-month contribution from the lease of AX ODYCY as well as the robust and better-than-expected operational performance registered by the various hotels which led to a higher level of rent based on the variable component. In aggregate, rental income from the lease of hotel properties rose by close to 88% to €15.96 million, representing 82.74% of total rental income (FY2023: 72.55%).

Rental income from the lease of Hilltop Complex, Targa Gap Complex, and other properties also rose year-on-year to €3.33 million (€3.21 million), representing 17.26% of total rental income (FY2023: 27.46%). Moreover, the proportion of rental income received from related parties increased to 94.49% (or €18.22 million) of total rental income, reflecting the increased importance of the hotel properties. Meanwhile, during FY2024, AX Real Estate also recorded an income of €0.12 million from the sale of property, largely from the disposal of garages at Targa Gap Complex in Mosta.

AX Real Estate expects to generate a stable level of revenue in **FY2025**, in line with FY2024. However, the updated forecast income of €19.42 million is significantly higher than the previous estimate of €17.26 million, reflecting the positive dynamics underpinning the operations of the Group's hotels which translate into a higher element of variable rent. Moreover, in FY2025, the Issuer will receive its first rental income from the lease of the Verdala Wellness Hotel. In aggregate, income from the lease of hotel properties is expected to amount to €16.07 million, representing 83.32% of total rental income, while income from the lease of other properties is projected at €3.22 million, accounting for 16.68% of total rental income. Additionally, rental income from related companies is forecasted to reach €18.38 million, representing 95.26% of total rental income.



6. SECURITIES IN ISSUE

6.1 INFORMATION RELATING TO THE ISSUER'S EQUITY

The authorised share capital of AX Real Estate is €500 million divided into 2 billion ordinary 'A' shares and 2 billion ordinary 'B' shares of a nominal value of €0.125 each. The issued share capital is €34.29 million divided into 97,193,600 ordinary 'A' shares (representing 35.43% of the issued share capital) which are listed on the Malta Stock Exchange, and 177,143,100 ordinary 'B' shares (representing 64.57% of the issued share capital) which are not listed on an exchange and are entirely owned by AX Group. Of the ordinary 'A' shares, 72,856,900 shares are owned by AX Group whilst the remaining 24,336,700 shares (or 25.04% of the total number of ordinary 'A' shares) are considered as free float.

AX Real Estate p.l.c.
Key Market Data
As at 28 March 2025

Total number of ordinary 'A' shares in issue ('000)		97,194
Total number of ordinary 'B' shares in issue ('000)		177,143
Total number of shares in issue ('000)	*[A]*	274,337
Share price (€)	*[B]*	0.410
Market capitalisation (€'000)	*[A multiplied by B]*	112,478
Total equity – 31 October 2024 (€'000)	*[C]*	137,188
Adjusted equity – 31 October 2024 (€'000)	*[C plus deferred tax liabilities]*	163,850
Net debt – 31 October 2024 (€'000)	*[D]*	147,700
Enterprise value (€'000)	*[A multiplied by B] + [D]*	260,178
EBITDA – FY2024 (€'000)	*[E]*	18,442
Net profit – FY2024 (€'000)	*[F]*	7,599
Earnings per share – FY2024 (€)	*[F divided by A]*	0.0277
Net asset value per share – 31 October 2024 (€)	*[C divided by A]*	0.5001
Adjusted net asset value per share – 31 October 2024 (€)	*[C plus deferred tax liabilities] divided by [A]*	0.5973
Price-to-earnings ratio (times)	*[A multiplied by B] divided by [F]*	14.80
Enterprise value-to-EBITDA (times)	*([A multiplied by B] + [D]) divided by [E]*	14.11
Price-to-net asset value (times)	*[A multiplied by B] divided by [C]*	0.82
Price-to-adjusted net asset value (times)	*[A multiplied by B] divided by [C plus deferred tax liabilities]*	0.69
Net dividend per share (€)	*[G] divided by [A]*	0.0132
Dividend cover (times)	*[F] divided by [G]*	2.10
Dividend payout ratio (%)	*[G] divided by [F]*	47.51
Net dividend yield (%)	*[G] divided by [A multiplied by B]*	3.21

The Group's dividend policy aims at paying out the majority of distributable profits earned during the year, provided that a minimum balance of €1 million in cash is retained at any given time. However, the extent of any dividend distribution depends upon, amongst other factors, the profit for the year, the Directors' view on the prevailing market outlook, financial projections and forecasts, any debt servicing and repayment requirements, financial covenants and other restrictions related to the Group's credit arrangements, cash flows, working capital requirements, capital investment commitments, other investment opportunities, and regulatory or statutory requirements.

For the 2024 financial year, AX Real Estate paid a gross interim dividend of €0.007059 per share[2] on 30 September 2024 covering the six-month period from November 2023 to April 2024 (i.e., H1 FY2024). Furthermore, the Issuer intends to distribute a gross final dividend of €0.008424 per share[3] following approval during the forthcoming Annual General Meeting to be held on 29 April 2025. The total net dividend for FY2024 amounts to €0.013161 per share which translates into a yield of 3.21% on the share price of €0.41 as at 28 March 2025.

6.2 INFORMATION RELATING TO AX GROUP'S BONDS

The table below provides a list of the debt securities issued by the Issuer's parent company – AX Group p.l.c. – which are also listed and traded on the Regulated Main Market (Official List) of the Malta Stock Exchange:

Security ISIN	Security	Symbol Code	Amount Outstanding	Market Price*
MT0002361203	3.25% AX Group p.l.c. unsecured bonds 2026 Series I	AX26A	€ 15,000,000	100.00%
MT0002361211	3.75% AX Group p.l.c. unsecured bonds 2029 Series II	AX29A	€ 10,000,000	100.00%
MT0002361229	5.85% AX Group p.l.c. unsecured bonds 2033	AX33A	€ 40,000,000	107.50%
			€ 65,000,000	

** As at 28 March 2025.*

[2] Subject to a 15% tax where applicable.
[3] Subject to a 15% tax where applicable.

7. ECONOMIC UPDATE[4]

Malta's real GDP growth is projected to ease from 6.0% in 2024 to 4.0% in 2025, further moderating to 3.3% by 2027. The slight upward revision from the previous forecast of 3.9% for 2025 is due to increased contributions from domestic demand and net exports, while the downward revision from the prior forecast of 3.4% for 2027 reflects weaker net exports. Overall, growth is expected to be primarily driven by domestic demand, particularly private consumption and investment, with net exports making a smaller contribution.

Private consumption growth is expected to slow but remain strong due to increased household disposable income from tax band widening. However, some of this income is expected to be saved rather than spent, albeit the saving ratio is projected to decline marginally in later years but remain stable relative to 2024 levels. Government consumption growth is estimated to dip to 2.8% in 2025 before rising above 4.0% in 2026 and 2027, mostly due to the impact of public sector wages and collective agreements.

Investment is forecast to grow by 1.5% in 2025 before rising to 3.8% in 2026. Growth in private investment is projected to above the 3.0% level up to 2027. On the other hand, growth in residential construction is projected to remain muted, while non-dwelling private investment is estimated to stabilise at around the 4.0% level. Government investment, however, is expected to decline by 6.8% in 2025 due to lower domestically financed projects, albeit is anticipated to recover in 2026 before dropping again in 2027 as EU-funded projects under the Recovery and Resilience Facility conclude.

Export growth is projected to decelerate from 4.0% in 2025 to 3.6% by 2027 as the expansion of service exports slows and goods exports recover modestly. Import growth is anticipated to moderate, influenced significantly by investment trends. The current account surplus is projected to remain above 6.0% of GDP up to 2027, driven by a strong trade balance and net secondary income inflows.

Potential output growth is estimated to decline gradually from 5.3% in 2024 to 3.7% in 2027, reflecting weaker contributions from capital, labour, and productivity amid slower net migration and labour participation growth. The output gap is expected to close by 2027 as GDP growth slows. Labour productivity growth is also anticipated to slow, reflecting structural shifts in the economy and weaker capital deepening. Meanwhile, demographic trends, including an ageing workforce and changes in migration policies, are projected to impact long-term labour supply dynamics.

The labour market remains robust, with strong demand for workers. However, employment growth is expected to decline from 5.1% in 2024 to 2.3% in 2026 and 2027 due to slowing economic activity and policy measures affecting foreign labour inflows. The unemployment rate is expected to edge down slightly to 3.0% by 2026 and 2027 from 3.2% in 2024. Wage growth is projected to moderate from 3.6% in 2025-2026 to 3.5% in 2027, influenced by easing labour market tightness and lower inflation. Nevertheless, real wage growth is expected to remain positive, supported by productivity gains.

[4] **Source:** Central Bank of Malta, '*Outlook for the Maltese Economy 2025-2027*', 11 March 2025.

Inflation, measured by the Harmonised Index of Consumer Prices, fell to 2.4% in 2024 from 5.6% in 2023 and is projected to decline further to 2.1% in 2025 and reach 2.0% in 2026 and 2027. Core inflation (excluding energy and food) is anticipated to remain below 2.0%, primarily driven by services inflation. Food inflation is projected to ease gradually, reflecting global commodity price trends, while non-energy industrial goods inflation to stabilise. Services inflation, which declined to 2.8% in 2024, is anticipated to moderate to 2.7% in 2025 and continue easing thereafter. Energy prices are expected to remain stable, aligned with government commitments. However, external factors such as global supply chain disruptions, commodity price volatility, and changes in energy policies could influence inflation trends in the medium term.

The fiscal deficit is projected to decline steadily, from 3.7% of GDP in 2024 to 2.6% in 2027, driven by a shrinking share of expenditure relative to GDP. Revenue as a share of GDP is set to remain stable, though income tax revenues are estimated to dip in 2025 due to tax band adjustments. The structural budget deficit is anticipated to narrow, reaching 2.6% of GDP by 2027, largely due to lower spending on inflation-mitigation measures. The debt-to-GDP ratio is expected to rise to 50.1% by 2026 and remain at this level in 2027 (compared to 48.9% in 2024), influenced by primary deficits and other fiscal adjustments. Fiscal policy is likely to continue focusing on infrastructure investments, social spending, and digital transformation initiatives aimed at enhancing long-term productivity.

Risks to economic activity are deemed to be balanced. Downside risks stem from potential geopolitical tensions, additional US tariffs, and prolonged economic uncertainty. Upside risks include stronger-than-expected labour market performance, private consumption, and investment. The Central Bank of Malta also views as balanced the risks to inflation, with potential upward pressures from supply chain disruptions and trade policy changes, while weaker euro area growth could exert downward pressure. Fiscal risks are mainly deficit-increasing, with potential spending overruns in energy subsidies and social benefits, including higher-than-expected pensions and wages. Moreover, structural challenges, such as housing affordability and skills mismatches in the labour market, could present long-term risks to economic stability and growth.

Key Economic Indicators	**2023 Actual**	**2024 Actual**	**2025 Forecast**	**2026 Projection**	**2027 Projection**
Real GDP growth *(% change, year-on-year)*	7.50	6.00	4.00	3.60	3.30
Inflation *(% change, year-on-year)*	5.60	2.40	2.10	2.00	2.00
Unemployment (% of labour force)	3.50	3.20	3.10	3.00	3.00
General Government budget balance *(% of GDP)*	(4.50)	(3.70)	(3.40)	(2.90)	(2.60)
Gross public debt *(% of GDP)*	47.40	48.90	49.60	50.10	50.10

PART 2 – PERFORMANCE REVIEW

8. FINANCIAL INFORMATION

The historical information is extracted from the audited annual financial statements of AX Real Estate for the years ended 31 October 2022, 31 October 2023, and 31 October 2024.

The forecast information for the financial year ending 31 October 2025 has been provided by the Group and is based on assumptions deemed reasonable. However, actual outcomes may be affected by unforeseen circumstances, and the variation between forecasts and actual results could be material.

The estimates for FY2025 assume that the carrying values of the Group's investment properties will not be revalued upwards or impaired, and therefore no adjustments have been made as to possible uplifts or impairments in value of assets which can materially affect the Income Statement and the Statement of Financial Position.

AX Real Estate p.l.c. **Income Statement** **For the financial year 31 October**	**2022** **Actual** **€'000**	**2023** **Actual** **€'000**	**2024** **Actual** **€'000**	**2025** **Forecast** **€'000**
Revenue	8,910	11,754	19,405	19,416
Net operating expenses	(1,362)	(1,157)	(963)	(815)
EBITDA	**7,548**	**10,597**	**18,442**	**18,601**
Investment property revaluation	2,787	(1,818)	(690)	-
Operating profit	**10,335**	**8,779**	**17,752**	**18,601**
Other income	-	1,000	-	-
Net finance costs	(3,274)	(5,201)	(6,423)	(6,588)
Profit before tax	**7,061**	**4,578**	**11,329**	**12,013**
Taxation	(3,464)	(4,167)	(3,730)	(2,895)
Profit for the year	**3,597**	**411**	**7,599**	**9,118**
Total comprehensive income	**3,597**	**411**	**7,599**	**9,118**

AX Real Estate p.l.c. Key Financial Ratios	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Forecast
EBITDA margin (%) *(EBITDA / revenue)*	84.71	90.16	95.04	95.80
Operating profit margin (%) *(Operating profit / revenue)*	115.99	74.69	91.48	95.80
Net profit margin (%) *(Profit after tax / revenue)*	40.37	3.50	39.16	46.96
Return on equity (%) *(Profit after tax / average equity)*	3.26	0.30	5.57	6.57
Return on assets (%) *(Profit after tax / average assets)*	1.37	0.14	2.41	2.78
Return on invested capital (%) *(Operating profit / average equity and net debt)*	4.49	3.42	6.43	6.38
Interest cover (times) *(EBITDA / net finance costs)*	2.31	2.04	2.87	2.82

INCOME STATEMENT

In **FY2022**, AX Real Estate recorded a net profit of €3.60 million which translated into a return on equity of 3.26% and a return on assets of 1.37%. EBITDA amounted to €7.55 million, translating into a healthy margin of 84.71%. Net finance costs increased materially to €3.27 million, but the Group still achieved an interest cover of 2.31 times.

In **FY2023**, the Issuer registered a marked decline in net profit to just €0.41 million. Despite the strong increase in EBITDA to €10.60 million (+40.38%), which also resulted in an improvement in the relative margin to 90.16%, the Group's financial performance was dented by a negative movement of €1.82 million in the fair value of investment property (FY2022: uplift of €2.79 million). Furthermore, AX Real Estate incurred higher net finance costs (+€1.93 million to €5.20 million) and tax charges (+€0.70 million to €4.17 million). On the other hand, the Issuer posted an extraordinary income of €1 million which related to a waiver of a portion of an amount owed to AX Group for additions to investment property.

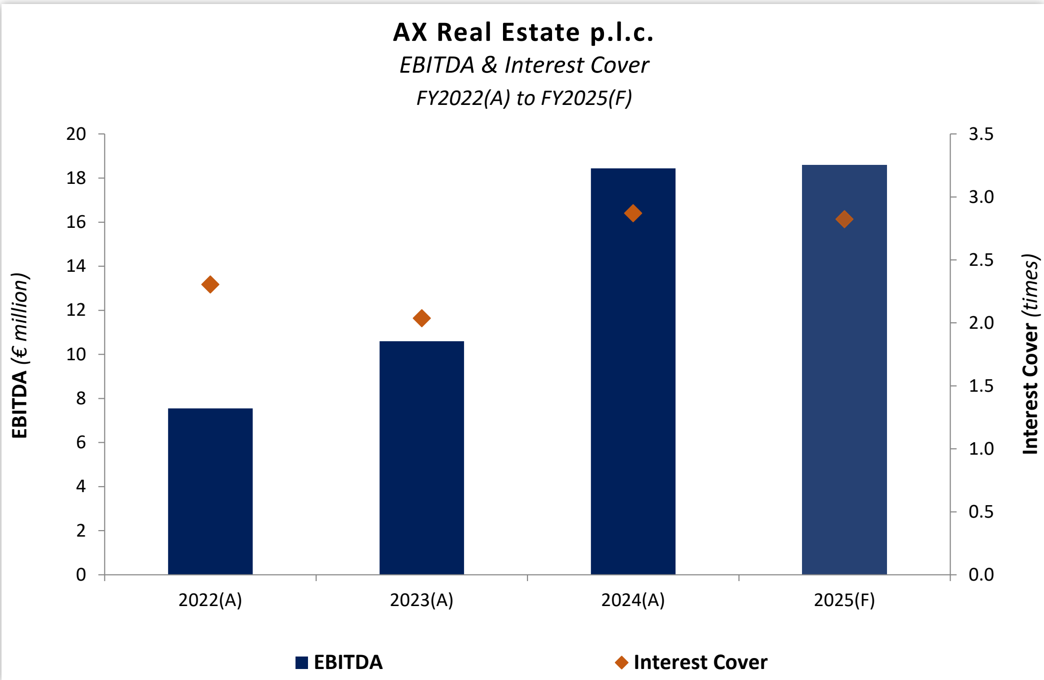
Given the sharper percentage increase in net finance costs to the growth in EBITDA, the interest cover eased to 2.04 times. Similarly, the Group's return on equity and return on assets trended lower to 0.30% and 0.14% respectively.

FY2024 was a positive year for the Group in view of the material increase in profitability reflecting the twelve-month rental income from the lease of AX ODYCY as well as the sterling operational performance of all hotels which resulted in a substantial increase in the variable rent component. These dynamics led to an upsurge of 74.03% in EBITDA to €18.44 million and an increase in the relative margin to 95.04%. Furthermore, notwithstanding the 23.50% increase in net finance costs to €6.42 million, the interest cover strengthened to 2.87 times. The higher cost of debt was primarily due to higher interest expense on fully drawn bank loans, as well as the non-recurrence of capitalised interest.

In aggregate, AX Real Estate registered a net profit of €7.60 million which translated into a return on equity of 5.57% and a return on assets of 2.41%. The net profit margin also increased notably year-on-year, reaching 39.16% compared to 3.50% in FY2023.

AX Real Estate expects to generate a stable level of EBITDA in **FY2025**, in line with FY2024. However, the updated forecast EBITDA of €18.60 million is significantly higher than the previous estimate of €16.14 million, reflecting the positive dynamics underpinning the operations of the Group's hotels which translate into additional variable rent and higher profitability. Year-on-year, the EBITDA margin is expected to improve further to 95.80%.

Net finance costs are projected to increase marginally to €6.59 million, resulting in a slight decline in the interest cover to 2.82 times. On the other hand, tax charges are estimated to drop by €0.84 million to €2.90 million, thus leading to a net profit figure of €9.12 million. The latter would translate into a margin of 46.96%. The return on equity and the return on assets are likewise projected to trend higher year-on-year to 6.57% and 2.78% respectively.



AX Real Estate p.l.c. Statement of Cash Flows For the financial year 31 October	2022 Actual €'000	2023 Actual €'000	2024 Actual €'000	2025 Forecast €'000
Net cash from operating activities	6,058	6,233	13,465	10,082
Net cash used in investing activities	(31,646)	(26,713)	(14,149)	(13,663)
Free cash flow	**(25,588)**	**(20,480)**	**(684)**	**(3,581)**
Net cash from / (used in) financing activities	36,648	16,125	(2,742)	1,303
Net movement in cash and cash equivalents	**11,060**	**(4,355)**	**(3,426)**	**(2,278)**
Cash and cash equivalents at beginning of year	1,001	12,061	7,706	4,280
Cash and cash equivalents at end of year	**12,061**	**7,706**	**4,280**	**2,002**

STATEMENT OF CASH FLOWS

Cash generated from operating activities increased substantially year-on-year during **FY2022** to €6.06 million. Cash flows before changes in working capital amounted to €7.56 million but the Issuer recorded a significant adverse movement in trade and other receivables amounting to €3.72 million.

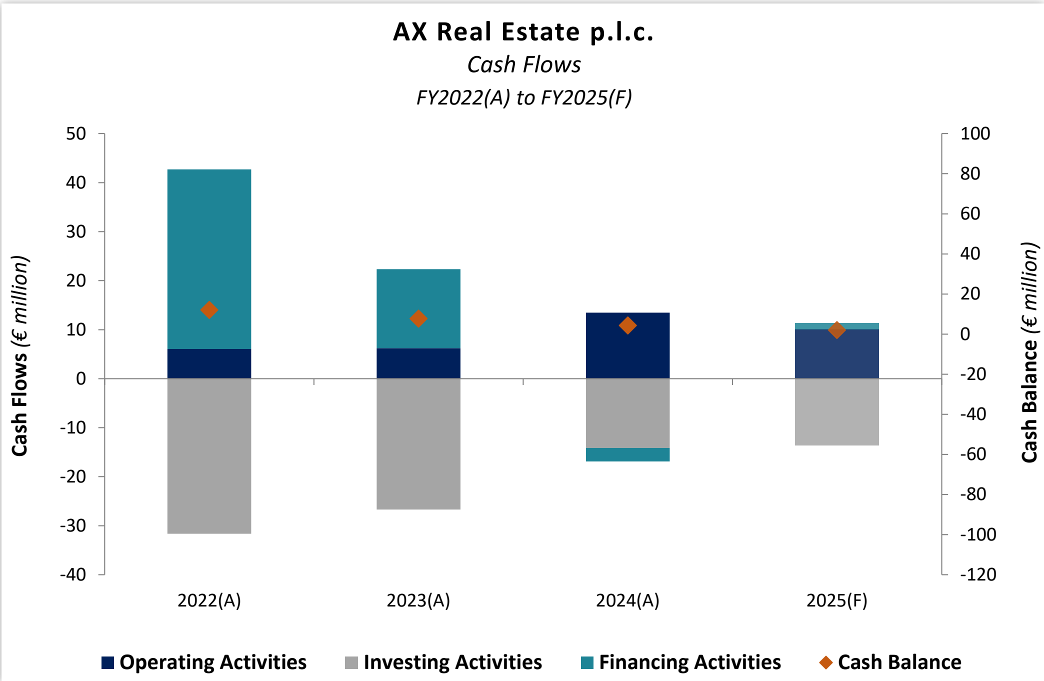
Net cash used in investing activities amounted to €31.65 million, primarily on account of the capital expenditure relating to the extension and refurbishment of AX ODYCY and the development of Verdala Wellness Hotel. Conversely, during the year the Group raised €36.65 million from financing activities reflecting the issuance of new shares (€13.17 million) and bonds (€17.80 million), and an increase of €12.85 million in bank borrowings. In FY2022, AX Real Estate also paid €3.43 million in dividends and reduced the amount of shareholder loan by €3.74 million.

Cash generated from operations increased by 2.89% year-on-year in **FY2023** to €6.23 million. Cash flows before changes in working capital amounted to €11.58 million but during the year, the Issuer's cash flows were negatively impacted by an adverse movement of €1.02 million in working capital, as well as higher net interest (€3.10 million) and tax (€1.23 million).

Net cash used in investing activities amounted to €26.71 million as AX Real Estate completed the multi-million project related to the refurbishment and extension of AX ODYCY and continued with the construction of the Verdala Wellness Hotel. In terms of financing activities, during FY2023 the Group took on additional bank borrowings (+€22.08 million), received €0.91 million as shareholder loan, and paid €6.86 million in dividends. Overall, the Group's cash balances contracted by €4.36 million year-on-year to €7.71 million compared to a balance of €12.06 million as at the end of FY2022.

The Issuer recorded a €3.43 million reduction in cash balances in **FY2024**, closing the year with €4.28 million. Despite more than doubling the amount in cash generated from operating activities to €13.47 million (reflecting the notable upswing in business), AX Real Estate used €14.15 million in its investing activities primarily on account of the capital expenditure relating to AX ODYCY (circa €9 million) and the construction of the Verdala Wellness Hotel (circa €5 million). During the year, the Group also increased the annual capital expenditure budget for the Sliema Hotels. Meanwhile, cash used in financing activities amounted to €2.74 million (FY2023: cash inflow of €16.13 million) as the net increase of €3.39 million in borrowings was outweighed by a cash outflow of almost €6 million in dividends.

The forecasts for **FY2025** show that the Group is expecting to end the year with a cash balance of just over €2 million, representing a year-on-year decline of €2.28 million. Net cash from operating activities is expected to amount to €10.08 million whilst net cash from financing activities is projected at €1.30 million. In terms of financing activities, AX Real Estate is forecasting a net cash outflow of €13.66 million, primarily due to the completion of construction and finishing works at Verdala Wellness Hotel.



AX Real Estate p.l.c. Statement of Financial Position As at 31 October	**2022 Actual €'000**	**2023 Actual €'000**	**2024 Actual €'000**	**2025 Forecast €'000**
ASSETS				
Non-current assets				
Intangible assets	2	2	1	1
Investment property	260,255	293,230	310,530	322,608
	260,257	**293,232**	**310,531**	**322,609**
Current assets				
Inventories	438	421	275	242
Trade and other receivables	14,107	6,783	8,562	7,933
Cash and cash equivalents	12,061	7,706	4,280	2,002
	26,606	**14,910**	**13,117**	**10,177**
Total assets	**286,863**	**308,142**	**323,648**	**332,786**
EQUITY				
Ordinary 'A' shares	12,149	12,149	12,149	12,149
Ordinary 'B' shares	22,143	22,143	22,143	22,143
Share premium	41,374	41,374	41,374	41,374
Revaluation reserve	40,408	38,809	38,375	38,375
Other reserves	331	331	331	331
Retained earnings	25,628	20,779	22,816	25,937
	142,033	**135,585**	**137,188**	**140,309**
LIABILITIES				
Non-current liabilities				
Bonds	39,501	39,556	39,612	39,667
Bank borrowings	21,944	41,873	43,005	38,960
Lease liabilities	-	-	3,268	3,316
Amounts due to AX Group companies	45,438	48,403	52,859	65,129
Trade & other payables	355	88	307	-
Deferred tax liabilities	22,638	25,653	26,662	26,662
	129,876	**155,573**	**165,713**	**173,734**
Current liabilities				
Bank borrowings	2,119	4,267	4,970	4,044
Lease liabilities	-	-	32	30
Amounts due to AX Group companies	6,404	5,451	8,234	8,483
Trade & other payables	5,878	6,788	5,571	3,987
Current tax liabilities	553	478	1,940	2,199
	14,954	**16,984**	**20,747**	**18,743**
Total liabilities	**144,830**	**172,557**	**186,460**	**192,477**
Total equity and liabilities	**286,863**	**308,142**	**323,648**	**332,786**
Total debt	*115,406*	*139,550*	*151,980*	*159,629*
Net debt	*103,345*	*131,844*	*147,700*	*157,627*
Invested capital (total equity plus net debt)	*245,378*	*267,429*	*284,888*	*297,936*

AX Real Estate p.l.c. Key Financial Ratios	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Forecast
Net debt-to-EBITDA *(times)* *(Net debt / EBITDA)*	13.69	12.44	8.01	8.47
Net debt-to-equity *(times)* *(Net debt / total equity)*	0.73	0.97	1.08	1.12
Net gearing *(%)* *(Net debt / net debt and total equity)*	42.12	49.30	51.84	52.91
Debt-to-assets *(times)* *(Total debt / total assets)*	0.40	0.45	0.47	0.48
Leverage (times) *(Total assets / total equity)*	2.02	2.27	2.36	2.37
Current ratio *(times)* *(Current assets / current liabilities)*	1.78	0.88	0.63	0.54

STATEMENT OF FINANCIAL POSITION

Total assets amounted to €286.86 million as at **31 October 2022** and principally comprised the Group's investment property portfolio valued at €260.26 million, trade and other receivables (€14.11 million), and cash balances of €12.06 million. During FY2022, the value of the Qawra Hotels increased by €25.09 million to €100 million, reflecting the significant investments in AX ODYCY.

Despite the substantial increase in total assets, total liabilities contracted by 9.21% to €144.83 million whilst total equity expanded significantly to €142.03 million following the IPO and the capitalisation of amounts due to AX Group. Furthermore, notwithstanding the issuance of the new bonds and the increase in bank borrowings, total debt and net debt trended lower to €115.41 million and €103.35 million respectively due to the marked reduction in other financial liabilities to €51.84 million.[5] As a result, the Group's principal credit metrics strengthened in FY2022, reflecting an improved credit risk profile.

During **FY2023**, total assets expanded by 7.42% to €308.14 million. The growth was due to the further increase in the value of investment property to €293.23 million mostly reflecting the investment in AX ODYCY. On the other hand, the Group's cash balances dropped by €4.36 million to €7.71 million whilst trade and other receivables decreased by €7.32 million to €6.78 million mainly on account of the reduction in amounts owed by related parties including advance supplies and rent.

[5] Other financial liabilities comprise amounts owed to AX Group p.l.c. and other related parties. Only a small portion of such financial liabilities is interest free and have no fixed date of repayment. The remaining amount is repayable on 31 December 2034 whilst the payment of the interest due is deferred until 31 December 2032.

Total liabilities increased by 19.14% to €172.56 million mostly due to the higher level of debt which stood at €139.55 million as at 31 October 2023. During the year, AX Real Estate increased its bank borrowings by €22.08 million to €46.14 million (31 October 2022: €24.06 million) whilst other financial liabilities only increased by €2.01 million to €53.85 million. Coupled with the 4.54% contraction in the Group's equity base to €135.59 million (largely reflecting the reduction in retained earnings), the Issuer's principal credit metrics deteriorated year-on-year. The net debt-to-equity and leverage ratios increased to 0.97 times and 2.27 times respectively from 0.73 times and 2.02 times as at the end of FY2022. Likewise, the net gearing ratio trended higher to 49.30% (31 October 2022: 42.12%) whilst the debt-to-assets ratio stood at 0.45 times as at 31 October 2023 compared to 0.40 times as at the end of FY2022.

Total assets increased by 5.03% to €323.65 million in **FY2024**, primarily driven by a further increase in the value of the Group's investment property to €310.53 million, which, in turn, mainly reflected the investments in AX ODYCY.

Total liabilities also trended higher during the year to €186.46 million (+8.06%) amid an increase of 8.91% in total debt to €151.98 million resulting from higher levels of bank borrowings (+€1.84 million to €47.98 million), lease liabilities (+€3.30 million), and other financial liabilities (+€7.24 million to €61.09 million).

Notwithstanding the 1.18% growth in equity to €137.19 million, the Group's debt metrics weakened marginally year-on-year. The net debt-to-equity and leverage ratios increased to 1.08 times and 2.36 times respectively. Likewise, the net gearing ratio trended higher to 51.84% whilst the debt-to-assets ratio edged to 0.47 times. On the other hand, the net debt-to-EBITDA multiple improved significantly to 8.01 times compared to 12.44 times in FY2023 and 13.69 times in FY2022, reflecting the upsurge in EBITDA in FY2024 following the recovery in business from the COVID-19 pandemic as well as the extension and complete renovation of AX ODYCY.

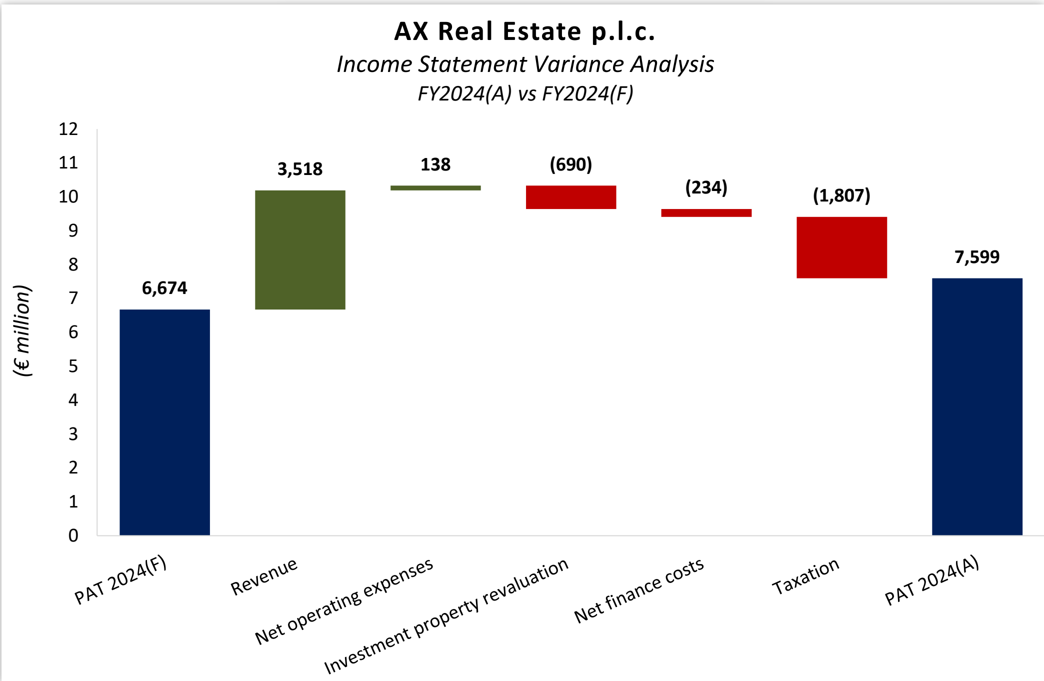
Total assets are expected to increase by 2.82% in **FY2025** to €332.79 million mostly due to the higher level of investment property to €322.61 million (+€12.08 million). Similarly, total liabilities are also expected to increase, by 3.23% to €192.48 million, largely reflecting the further rise in other financial liabilities to €73.61 million (+€12.52 million) which outweighs the reduction of almost €5 million in bank borrowings to just over €43 million.

Despite the expected strengthening of the Group's equity base to €140.31 million (+€3.12 million), the sharper increase in indebtedness is projected to weaken the net debt-to-equity ratio and net gearing ratio to 1.12 times and 52.91% respectively. Similarly, the debt-to-assets and leverage ratios are expected to rise to 0.48 times and 2.37 times respectively. Furthermore, with EBITDA forecasted to remain virtually unchanged year-on-year, the net debt-to-EBITDA multiple is anticipated to increase to 8.47 times.

9. VARIANCE ANALYSIS

The following is an analysis of the major variances between the forecast financial information for the year ended 31 October 2024, as included in the Analysis dated 19 April 2024, and the audited annual financial statements for the same period, published on 24 February 2025.

AX Real Estate p.l.c. **Income Statement** **For the financial year 31 October**	**2024** **Actual** **€'000**	**2024** **Forecast** **€'000**	
Revenue	19,405	15,887	*(1)*
Net operating expenses	(963)	(1,101)	
EBITDA	**18,442**	**14,786**	
Investment property revaluation	(690)	-	*(2)*
Operating profit	**17,752**	**14,786**	
Net finance costs	(6,423)	(6,189)	
Profit before tax	**11,329**	**8,597**	
Taxation	(3,730)	(1,923)	*(3)*
Profit for the year	**7,599**	**6,674**	
Total comprehensive income	**7,599**	**6,674**	



The Group reported a higher net profit figure than previously estimated (+€0.93 million) principally on the back of the more buoyant performance of the hotel properties which led to higher rental income from the variable rent component ***(1)***. This outweighed the negative movement in the fair value of investment property ***(2)*** as well as the higher tax expense ***(3)***.

AX Real Estate p.l.c. Statement of Cash Flows For the financial year 31 October	**2024 Actual €'000**	**2024 Forecast €'000**	
Net cash from operating activities	13,465	7,799	***(1)***
Net cash used in investing activities	(14,149)	(14,719)	
Free cash flow	**(684)**	**(6,920)**	
Net cash from / (used in) financing activities	(2,742)	885	***(2)***
Net movement in cash and cash equivalents	**(3,426)**	**(6,035)**	
Cash and cash equivalents at beginning of year	7,706	7,706	
Cash and cash equivalents at end of year	**4,280**	**1,671**	

AX Real Estate ended the 2024 financial year with a higher cash balance of €4.28 million compared to the forecasted figure of €1.67 million. This was mostly due to the better-than-expected generation of cash from operating activities ***(1)*** reflecting the superior performance of the Group's hotel properties particularly AX ODYCY. On the other hand, the Issuer registered a negative variance of €3.63 million relating to financing activities reflecting the cash outflow of €2.74 million compared to the forecasted inflow of €0.89 million ***(2)***.

The material variances between the actual and forecast Statement of Financial Position as at 31 October 2024 were as follows:

(1) Total assets amounted to €323.65 million compared to the estimated figure of €317.01 million. The positive variance of €6.64 million (or +2.09%) related to the higher value of investment property (+€2.65 million), cash (+€2.61 million), and trade and other receivables (+€1.49 million).

(2) The Group's equity position stood at €137.19 million as at 31 October 2024 compared to the forecasted figure of €134.82 million. The positive variance of €2.37 million (or +1.76%) was mainly due to the higher amount of retained earnings (+€2.80 million) amid a better-than-expected profit registered for the year.

(3) AX Real Estate had total liabilities of €186.46 million as at the end of FY2024 compared to the estimated figure of €182.19 million. The positive variance of €4.27 million (or +2.34%) was mainly the result of higher debt (+€1.53 million), tax liabilities (+€1.72 million), and trade and other payables (+€1.03 million).

AX Real Estate p.l.c. Statement of Financial Position As at 31 October	2024 Actual €'000	2024 Forecast €'000	
ASSETS			
Non-current assets			
Intangible assets	1	1	
Investment property	310,530	307,877	
	310,531	**307,878**	
Current assets			
Inventories	275	393	
Trade and other receivables	8,562	7,068	
Cash and cash equivalents	4,280	1,671	
	13,117	**9,132**	
Total assets	**323,648**	**317,010**	*(1)*
EQUITY			
Ordinary 'A' shares	12,149	12,149	
Ordinary 'B' shares	22,143	22,143	
Share premium	41,374	41,374	
Revaluation reserve	38,375	38,809	
Other reserves	331	331	
Retained earnings	22,816	20,015	
	137,188	**134,821**	*(2)*
LIABILITIES			
Non-current liabilities			
Bonds	39,612	39,612	
Bank borrowings	43,005	43,206	
Lease liabilities	3,268	-	
Amounts due to AX Group companies	52,859	54,703	
Trade & other payables	307	-	
Deferred tax liabilities	26,662	25,653	
	165,713	**163,174**	
Current liabilities			
Bank borrowings	4,970	4,957	
Lease liabilities	32	-	
Amounts due to AX Group companies	8,234	7,977	
Trade & other payables	5,571	4,853	
Current tax liabilities	1,940	1,228	
	20,747	**19,015**	
Total liabilities	**186,460**	**182,189**	*(3)*
Total equity and liabilities	**323,648**	**317,010**	
Total debt	*151,980*	*150,455*	
Net debt	*147,700*	*148,784*	
Invested capital (total equity plus net debt)	*284,888*	*283,605*	

PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers and their respective debt securities listed on the Regulated Main Market (Official List) of the Malta Stock Exchange. Although there are significant variances between the activities of the Group and those of other debt issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business/es and those of other debt issuers, the comparative analysis illustrated in the table below serves as an indication of the relative financial strength and creditworthiness of the Group.

Comparative Analysis*	Amount Issued	Yield-to-Maturity / Worst	Interest Cover	Net Debt-to-EBITDA	Net Gearing	Debt-to-Assets
	(€'000)	*(%)*	*(times)*	*(times)*	*(%)*	*(times)*
5.10% 6PM Holdings p.l.c. Unsecured 2025**	13,000	4.93	13.36	0.04	1.31	0.09
4.50% Hili Properties p.l.c. Unsecured & Guaranteed 2025	37,000	4.43	1.80	8.70	46.06	0.45
3.25% AX Group p.l.c. Unsecured 2026	15,000	3.24	3.09	7.54	42.13	0.37
4.25% CPHCL Finance p.l.c. Unsecured & Guaranteed 2026	40,000	4.25	1.45	11.49	43.52	0.41
5.00% Dizz Finance p.l.c. Unsecured & Guaranteed 2026	8,000	4.98	2.27	8.24	80.39	0.57
4.35% Hudson Malta p.l.c. Unsecured & Guaranteed 2026	12,000	4.35	5.64	6.37	77.20	0.60
4.00% International Hotel Investments p.l.c. Secured 2026	55,000	4.78	1.61	10.49	43.07	0.41
4.00% International Hotel Investments p.l.c. Unsecured 2026	60,000	3.99	1.61	10.49	43.07	0.41
3.75% Premier Capital p.l.c. Unsecured 2026	65,000	4.22	10.89	2.16	65.14	0.57
4.00% Eden Finance p.l.c. Unsecured & Guaranteed 2027	40,000	4.00	5.43	4.21	26.73	0.24
4.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2027	50,000	4.00	4.60	4.44	69.59	0.61
5.25% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2027	30,000	4.76	5.42	2.67	20.40	0.19
4.35% SD Finance p.l.c. Unsecured & Guaranteed 2027	65,000	4.61	5.86	2.93	30.32	0.34
4.00% Stivala Group Finance p.l.c. Secured & Guaranteed 2027	45,000	4.00	5.67	4.17	22.93	0.21
4.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2025-2027	14,670	4.74	57.57	7.98	65.66	0.64
4.75% Gap Group p.l.c. Secured & Guaranteed 2025-2027	23,000	4.34	n/a	3.47	55.05	0.56
3.85% Hili Finance Company p.l.c. Unsecured & Guaranteed 2028	40,000	4.51	4.60	4.44	69.59	0.61
5.85% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2028	20,000	4.52	5.42	2.67	20.40	0.19
5.75% Plan Group p.l.c. Secured & Guaranteed 2028	12,000	5.28	7.37	9.26	54.58	0.48
3.75% AX Group p.l.c. Unsecured 2029	10,000	3.75	3.09	7.54	42.13	0.37
3.80% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.43	4.60	4.44	69.59	0.61
5.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.94	4.60	4.44	69.59	0.61
3.65% Stivala Group Finance p.l.c. Secured & Guaranteed 2029	15,000	3.65	5.67	4.17	22.93	0.21
5.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2027-2029	15,000	4.91	57.57	7.98	65.66	0.64
6.25% GPH Malta Finance p.l.c. Unsecured & Guaranteed 2030	18,144	5.35	1.81	6.89	96.76	0.83
3.65% International Hotel Investments p.l.c. Unsecured 2031	80,000	4.18	1.61	10.49	43.07	0.41
5.35% Best Deal Properties Holding p.l.c. Unsecured 2032	7,000	4.83	57.57	7.98	65.66	0.64
3.50% AX Real Estate p.l.c. Unsecured 2032	40,000	4.45	2.87	8.01	51.84	0.47
5.00% Mariner Finance p.l.c. Unsecured 2032	36,930	4.22	4.89	6.08	50.77	0.50
5.85% AX Group p.l.c. Unsecured 2033	40,000	4.76	3.09	7.54	42.13	0.37
6.00% International Hotel Investments p.l.c. Unsecured 2033	60,000	5.24	1.61	10.49	43.07	0.41
5.35% Hal Mann Vella Group p.l.c. Secured 2031-2034	23,000	4.74	2.21	9.47	51.49	0.43
4.50% The Ona p.l.c. Secured & Guaranteed 2028-2034	16,000	4.50	3.09	16.34	74.89	0.65
5.30% International Hotel Investments p.l.c. Unsecured 2035	35,000	5.30	1.61	10.49	43.07	0.41
5.50% Juel Group p.l.c. Secured & Guaranteed 2035	32,000	4.99	1.13	39.37	60.27	0.55

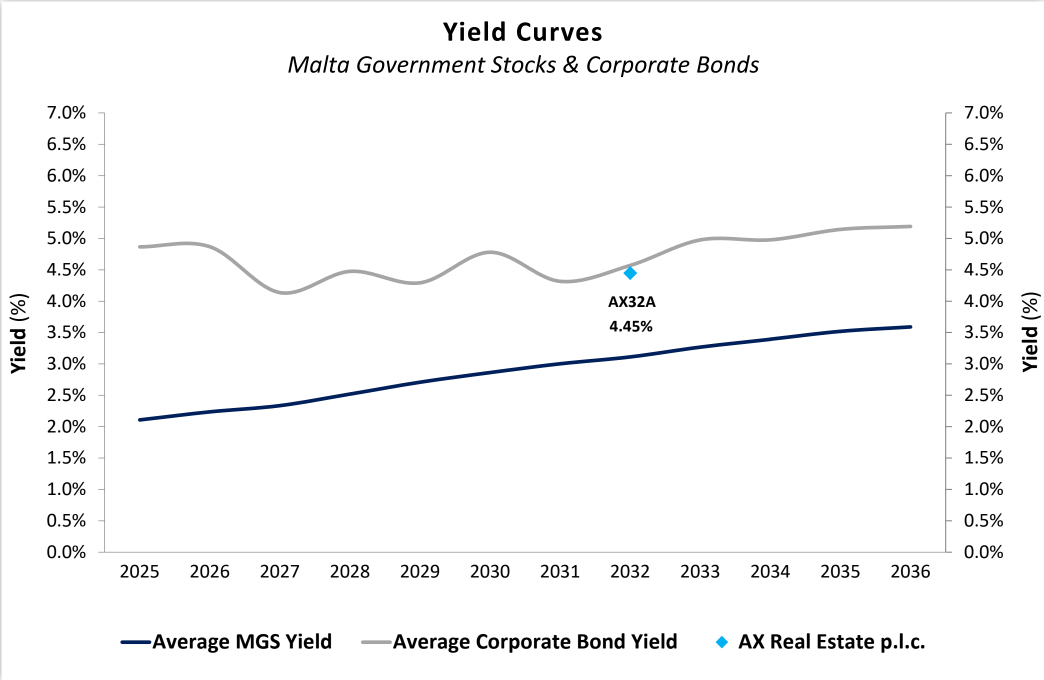
As at 28 March 2025

***** The financial ratios pertain to Idox p.l.c..***

Sources: Malta Stock Exchange

M.Z. Investment Services Limited

Most recent audited annual financial statements except for Juel Group p.l.c. (FY2024 forecast, as included in the Financial Analysis Summary dated 28 June 2024).



The closing market price as at 28 March 2025 for the **3.50% AX Real Estate p.l.c. unsecured bonds 2032** (AX32A) was 94.50%. This translated into a yield-to-maturity ("**YTM**") of 4.45%, which was 12 basis points lower than the average YTM of 4.57% for other local corporate bonds maturing in the same year. The premium over the corresponding average Malta Government Stock yield (3.11%) of equivalent maturity stood at 134 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	Earnings before interest, tax, depreciation, and amortisation. It is a metric used for gauging operating performance excluding the impact of capital structure. EBITDA is usually interpreted as a loose proxy for operating cash flows.
Adjusted operating profit / (loss)	Profit (or loss) from core operations, excluding movements in the fair value of investment property, share of results of associates and joint ventures, net finance costs, and taxation.
Operating profit / (loss)	Profit (or loss) from operating activities, including movements in the fair value of investment property but excluding the share of results of associates and joint ventures, net finance costs, and taxation.
Share of results of associates and joint ventures	Share of profit (or loss) from entities in which the company does not have a majority shareholding.
Profit / (loss) after tax	Net profit (or loss) registered from all business activities.

Profitability Ratios	
EBITDA margin	EBITDA as a percentage of revenue.
Operating profit margin	Operating profit (or loss) as a percentage of total revenue.
Net profit margin	Profit (or loss) after tax as a percentage of total revenue.
Return on equity	Measures the rate of return on net assets and is computed by dividing the net profit (or loss) for the year by average equity.
Return on assets	Measures the rate of return on assets and is computed by dividing the net profit (or loss) for the year by average assets.
Return on invested capital	Measures the rate of return from operations and is computed by dividing operating profit (or loss) for the year by the average amount of equity and net debt.

Statement of Cash Flows	
Net cash from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Net cash from / (used in) investing activities	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
Net cash from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the capital structure, and thus result in changes to share capital and borrowings.
Free cash flow	Represents the amount of cash generated (or consumed) from operating activities after considering any amounts of capital expenditure.

Statement of Financial Position

Non-current assets	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that the amortisation of the cost of the asset takes place over the number of years for which the asset will be in use. This is done instead of allocating the entire cost to the accounting year in which the asset was acquired.
Current assets	All assets which could be realisable within a twelve-month period from the date of the Statement of Financial Position. Such amounts may include development stock, accounts receivable, cash and bank balances.
Non-current liabilities	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
Current liabilities	Liabilities which fall due within the next twelve months from the date of the Statement of Financial Position, and typically include accounts payable and short-term debt.
Total equity	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength / Credit Ratios

Interest cover	Measures the extent of how many times a company can sustain its net finance costs from EBITDA.
Net debt-to-EBITDA	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from EBITDA, assuming that net debt and EBITDA are held constant.
Net debt-to-equity	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
Net gearing	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing net debt by the level of invested capital.
Debt-to-assets	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities (including lease liabilities) by total assets.
Leverage	Shows how many times a company is using its equity to finance its assets.
Current ratio	Measures the extent of how much a company can sustain its short-term liabilities from its short-term assets.