VBL Plc (C56012)

("the Company")

COMPANY ANNOUNCEMENT

Financial Analysis Summary

Date: 24 June 2025
Ref. VBL09/2025

This is a Company Announcement made by the Company in compliance with the Capital Markets Rules.

The Company hereby announces that the 2025 Financial Analysis Summary compiled by Calamatta Cushcieri Investment Services Limited is attached herewith and may be accessed on the Company's website: https://vbl.com.mt/investors/

Dr Mikiel Calleja
Company Secretary

Calamatta Cuschieri

The Directors
VBL p.l.c.
54,
Marsamxett Road,
Valletta,
Malta

24 June 2025

Re: Financial Analysis Summary – 2025

Dear Board Members,

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 the financial analysis is that of summarising key financial data appertaining to VBL p.l.c. (the "**Issuer**"). The data is derived from various sources, including the prospectus dated 4 October 2024 published by the Issuer (the "**Prospectus**"), or is based on our own computations as follows:

a) Historical financial data for the three years ending 31 December 2022, 2023 and 2024 has been extracted from the audited financial statements of the Issuer.

b) The forecast data for the financial year ending 31 December 2025 has been extracted from the financial analysis summary included as part of the Prospectus.

c) Our commentary on the Issuer results and financial position is based on the explanations provided by management.

d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

e) Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Issuer. The Analysis does not contain all data that is relevant to investors or potential investors. The 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 in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

P. M

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Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2025

VBL p.l.c.

24 June 2025

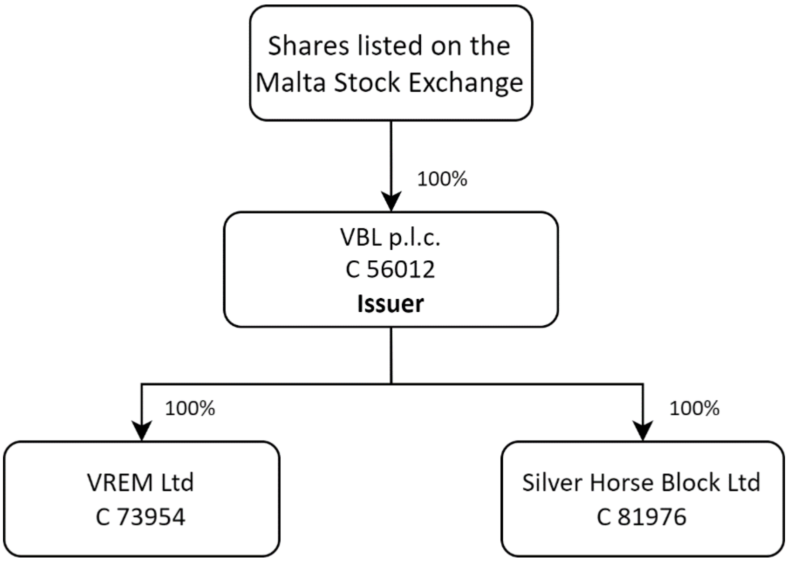
Prepared by Calamatta Cuschieri Investment Services Limited

Table of Contents

Part 1 - Company Information

1.1 Key Activities and Structure

The organisational structure of the Issuer as at the date of this Analysis is illustrated in the diagram below:



The Issuer was incorporated on 18 April 2012 as a private limited liability with company registration number C 56012. It changed its status to a public limited company on 14 September 2020. VBL has an authorised share capital of €66,000,000 made up of 330,000,000 ordinary shares of €0.20 each. The issued share is of €49,835,836.60, comprising 249,179,183 ordinary shares of €0.20.

As per the Issuer's audited financial statements for the year ended 31 December 2024, its shares are held as follows:

- Approximately 54.3% are held directly, or indirectly through VBLM Limited (C 60381), by its three executive directors, namely; Andrei Imbroll; Geza Szephalmi; and Julian Tzvetkov;
- Approximately 17.7% are held by Artur Haze, who is one of the Issuer's non-executive directors; and
- Approximately 28% are held by the general public.

VREM Ltd ("**VREM**") was incorporated on 15 January 2016 as a private limited liability with company registration number C 73954. It has an authorised and issued share capital of €10,000 made up of 10,000 ordinary shares of €1 each. VREM is a wholly-owned subsidiary of VBL.

Silver Horse Block Ltd ("**Silver Horse**") was incorporated on 14 September 2017 as a private limited liability with company registration number C 81976. It has an authorised and issued share capital of €1,200 made up of 1,200 ordinary shares of €1 each. Silver Horse is a wholly-owned subsidiary of VBL and is currently inactive.

The "**Group**" (being VBL and its two aforementioned subsidiaries), in essence, invests in and manages properties in Valletta.

The Group's strategy to achieve this is based on five pillars;

- *Acquire*: acquisition of unkept property at commercially attractive prices;
- *Conceptualise*: designing a unique concept for each property depending on the property's specifics and location;
- *Restructure*: resolve any legal issues tied with the property, opening it up to development;
- *Develop*: construction and finishing works on the property; and
- *Operate*: properties are then mainly held for rental.

The Group has been dealing in property acquisition, regeneration and property management for over 13 years. Its property portfolio, predominantly based in Valletta, Malta is further described in section 1.3 below.

1.2 Directors and Key Employees

Board of Directors

Name	Designation
Dr Geza Szephalmi	Chairman and Executive Director
Dr Andrei Imbroll	Executive Director
Mr Julian Tzvetkov	Executive Director
Mr Artur Haze	Non-executive Director
Mr David Galea Souchet	Independent non-executive director
Ms Isabella Vella	Independent non-executive director
Dr John Attard	Independent non-executive director

The business address for all the directors is the registered office of the Issuer, which is located at 54, Marsamxett Road, Valletta VLT 1853, Malta.

Dr Joseph Borg Bartolo and Dr Mikiel Calleja are the company secretaries of the Issuer.

Geza Szephalmi is the chairman and one of the three executive directors of VBL. Andrei Imbroll and Julian Tzvetkov are the other two executive directors. Artur Haze, David Galea Souchet, Isabella Vella and John Attard serve on the board of the Issuer in a non-executive capacity. The latter three are considered independent directors since they are free of any significant business, family or other relationship with the Issuer, its major shareholders or the management of either, that could create a conflict of interest such as to impair their judgement.

1.3 Major Assets Owned by the Issuer

Being a property operation, the Group's assets mainly consist of investment properties, valued at €83.4m as at 31 December 2024. As at the date of this Analysis, only about 30% of the Issuer's portfolio is developed and operational.

The Issuer owns a portfolio of properties in Valletta, with the below being some of the more prominent holdings:

- Coliseum Shopping Arcade – a property measuring 2,503 sqm currently at conceptualisation stage;

- Orangery Lodge Phase 2 is made up of a) a property situated in West Street, Valletta measuring *circa* 651sqm, currently under development for hospitality and/or residential use; b) a retail unit in West Street, Valletta measuring *circa* 97sqm, currently under development; and c) the common area and airspace measuring *circa* 287sqm forming part of and servicing Orangery Lodge Block (Phase 1 and Phase 2). Orangery Lodge Phase 1 is a property consisting of eight residential units, all of which were sold;

- The Gut – forming part of the Silver Horse Project, a property measuring *circa* 1,331 sqm consisting of nine renovated and operational commercial outlets. Eight of the nine commercial outlets making up the Gut are currently leased on long-term contracts, with the remaining unit currently affected by the development and not rented (part of the Silver Horse Development explained in section 1.4 below);

- Silver Horse Phase 2 – a property measuring *circa* 5,808 sqm of gross development area, currently comprising a block spanning over six floors. This property is currently in advanced stage of development, as explained in section 1.4 below);

- Silver Horse Phase 3 – are several properties situated in Strait Street and Old Bakery Street, including "Little Horse" and "Stone Mason's House", measuring in aggregate *circa* 992 sqm, adjacent to the property part of Silver Horse Project. Silver Horse Phase 3 may also include any other building in close proximity of the aforesaid, as may be acquired in future, inclusive of properties currently under promise of sale agreements, for eventual use as hospitality assets or as a possible extension to the Silver Horse Project.

1.4 Operational Developments

The main activity of VBL revolves around the five pillars explained in section 1.1. The most material ongoing property developments are as follows:

<u>Silver Horse Phase 2</u>
The largest current development of the Issuer is the Silver Horse Phase 2 project. Said project is undergoing development for use in the hospitality sector. The property will consist, following completion of development, of six floors, a roof-top garden terrace, and a pool area, overlying Silver Horse Phase 1 and adjacent to Silver Horse Phase 3. VBL is in possession of a full development permit, however, it has applied to change the intended use of the property to a hotel or guest house.

VBL have made significant upgrades to this 19th century building, such as internal features and overall finishings, with the expectation being higher rental yields, based on long-term lease agreement. Post-development, VBL expects this to result in a final net leasable area of *circa* 5,370 sqm.

VBL expects the cost of development to be around €11.5m, part of which is planned to be part-financed from the proceeds of the bond issue. At operational stage, the Issuer is forecasting annual rental revenues exceeding €2m, starting in 2H2026.

Orangery Lodge Phase 2

This property, adjacent to the Orangery Lodge Phase 1 explained in the previous section 1.3, will be developed into nine apartments for accommodation. One of the units has already been developed and sold as development works were conducted in parallel with that of Orangery Lodge Phase 1. VBL is in possession of the full development permit to work on the Orangery Lodge Phase 2 project.

Using upgraded access areas shared with the operational Orangery Lodge Phase 1, VBL is expecting this development to make use of traditional building materials already present, recycled and made part of modern hospitality units, retaining the original Maltese style and features.

VBL expects the cost of development to be around €1.8m, part of which is planned to be financed from the proceeds of the bond issued in FY24.

Part 2 - Historical Performance and Forecasts

The historical financial information for the Group for the financial years ended 31 December 2022, 2023 and 2024, as extracted from the audited financial statements of the Group, as well as the projected financial information for the year ending 31 December 2025, are presented in this section 2.

Projected financial information relates to events in the future and is based on assumptions that the Issuer believes to be reasonable, based on the available information and its current best knowledge. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Income Statement

Group Income Statement for the year ended 31 December	FY2022A	FY2023A	FY2024A	FY2025F
	€000s	€000s	€000s	€000s
Revenue	2,316	3,246	4,065	4,302
Investment income	6,874	2,042	2,559	1,172
Cost of sales	(1,168)	(1,696)	(1,702)	(2,069)
Gross profit	**8,022**	**3,592**	**4,922**	**3,405**
Other operating income	8	28	22	10
Administrative expenses	(897)	(1,046)	(1,221)	(1,109)
EBITDA	**7,133**	**2,574**	**3,722**	**2,306**
Depreciation and amortisation	(280)	(312)	(466)	(460)
EBIT	**6,853**	**2,262**	**3,255**	**1,846**
Interest income	7	10	18	98
Impairment on inventory	(66)	-	-	-
Receivable written off	-	(20)	-	-
Finance costs	(190)	(231)	(327)	(669)
Profit before tax	**6,604**	**2,021**	**2,946**	**1,275**
Income tax expense	(281)	(322)	(464)	(105)
Profit after tax	**6,323**	**1,699**	**2,482**	**1,170**
EBITDA excluding investment income	**259**	**532**	**1,163**	**1,134**

Ratio Analysis	FY2022A	FY2023A	FY2024A	FY2025F
Profitability				
Growth in Revenue (YoY Revenue Growth)	117.9%	40.2%	25.2%	5.8%
EBITDA Margin (EBITDA* / Revenue)	11.2%	16.4%	28.6%	26.4%
Operating (EBIT) Margin (EBIT* / Revenue)	-0.9%	6.8%	17.1%	15.7%
Net Margin (Profit for the year / Revenue)	273.0%	52.3%	61.1%	27.2%
Return on Common Equity (Net Income / Average Equity)	10.5%	2.6%	3.7%	1.7%
Return on Assets (Net Income / Average Assets)	8.9%	2.2%	2.8%	1.2%

**EBITDA / EBIT excluding investment income*

The Group generates revenue primarily from renting out and managing owned properties (both hospitality and commercial) and managing properties of third parties through property management agreements.

Revenue increased by €819k in FY24, as the Group continued increase its proportion of operational assets and improving economies of scale. Revenue is expected to grow by a further 5.8% in FY25 driven by the same operational reasons and implementation of the development strategy of the Group. A €2.6m increase in the fair value of investment properties, reflected as investment income, was also recognised in FY24. The increase is reflective of market conditions and also a result of the implementation of the Group's development strategy.

Cost of sales remained stable compared to FY23, notwithstanding the 25% increase in revenue. However, the €237k revenue growth projected in FY25 is expected to be entirely offset by a €367k increase in direct costs. Administrative expenses, which predominantly consist of staff costs and management fees, increased by 16.7% compared to the prior year. Whilst these costs are stable costs in nature, there is also an element of fluctuation driven by ongoing development activity and operational expansion efforts. Management expects that profit margins will improve on the mid- long-term, as a result of completion of the major development, while administrative expenses will stabilise at around current levels, excluding inflation adjustments.

The Group's operational EBITDA (EBITDA excluding investment income) grew year-on-year, both in terms of absolute figures and EBITDA margin. Management anticipates that operational EBITDA for FY25 will be broadly in line with the level achieved in FY24. Total EBITDA then varies by the realised investment property value and the positive impact of new acquisitions.

Finance costs increased by €97k in FY24 compared to FY23 as a result of the interest incurred on the bond issued and a higher interest charge on lease liabilities which was partially offset by a reduction in bank interest expense as a higher proportion of the latter was capitalised in 2024. The expected increase in finance costs in FY25 is mainly linked to the full year interest incurred on the bond, compared to the two months of interest incurred in FY24.

After accounting for depreciation, interest costs on borrowings and income tax, the Issuer reported €2.5m net profit for the year ended 31 December 2024.

Net profit margin (including investment income) reached 61.1% in FY24 and is projected to decline to 27.2% in FY25. This decline is purely driven by anticipated lower revaluation gains. Expected operational performance, EBITDA and related margins for 2025 remain in line with actuals achieved in 2024. The return on equity and return on assets ratios are expected to show similar short- term fluctuation (decreasing and increasing patterns) for the same reasons.

2.1.1 Variance Analysis

Income Statement	FY2024P	FY2024A	Variance
	€000s	€000s	€000s
Revenue	3,990	4,065	75
Investment income	1,022	2,559	1,537
Cost of sales	(1,929)	(1,702)	227
Gross profit	**3,083**	**4,922**	**1,839**
Other operating income	9	22	13
Administrative expenses	(1,417)	(1,221)	196
EBITDA	**1,675**	**3,722**	**2,047**
Depreciation and amortisation	(410)	(466)	(56)
EBIT	**1,265**	**3,255**	**1,990**
Interest income	23	18	(5)
Impairment on inventory	-	-	-
Receivable written off	-	-	-
Finance costs	(443)	(327)	116
Profit before tax	**845**	**2,946**	**2,101**
Income tax expense	(126)	(464)	(338)
Profit after tax	**719**	**2,482**	**1,763**
Revaluation of financial assets at FVOCI, net of tax	-	(9)	(9)
Total comprehensive income for the year		**2,473**	**1,754**
EBITDA excluding investment income	**653**	**1,163**	**510**

Revenue in FY24 was in line with projections while investment income was €1.5m higher than budgeted due to development activity and the process of converting unproductive owned assets into revenue generating properties. Cost of sales and administrative expenses were €227k and €196k lower than expected respectively, mainly due to some costs and expenses being delayed and realised in later periods. Other operating income, depreciation & amortisation and interest income were in line with FY24 expectations.Finance costs were €116k lower than anticipated mainly due to lower utilisation of the available credit line facilities, while the income tax charge exceeded projections by €338k, primarily due to higher deferred tax recognised on investment income. This led to an increase in EBITDA excluding investment income, profit before tax and total comprehensive income of €510k, €2.1m and €1.8m respectively, when compared to FY24 projections.

2.2 Statement of Financial Position

Group Statement of Financial Position as at 31 December	2022A	2023A	2024A	2025F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Intangible assets	114	96	53	32
Property, plant and equipment	853	800	736	713
Investment property	73,664	77,128	83,351	91,251
Investment in subsidiary	1	1	1	1
Loan receivable	114	-	-	-
Financial assets at fair value through other comprehensive income	-	-	3,898	-
Deferred tax asset	225	142	374	168
Total non-current assets	**74,971**	**78,167**	**88,413**	**92,165**
Current assets				
Asset held for sale	510	-	-	-
Financial assets at fair value through other comprehensive income	-	-	5,207	3,900
Inventory	271	2	2	2
Current tax receivable	15	-	3	-
Loans receivable	-	120	126	120
Trade and other receivables	403	261	540	321
Cash and cash equivalents	1,347	932	1,086	1,077
Total current assets	**2,546**	**1,315**	**6,965**	**5,420**
Total assets	**77,517**	**79,482**	**95,378**	**97,585**
Equity and liabilities				
Equity				
Share capital	49,609	49,836	49,836	49,836
Share premium	1,017	1,085	1,086	1,086
Other reserves	353	330	298	330
General reserves	1	1	1	1
Retained earnings	12,626	14,180	16,497	15,668
Total equity	**63,606**	**65,432**	**67,718**	**66,921**
Non-current liabilities				
Borrowings	7,877	7,842	18,546	22,614
Lease liabilities	286	271	1,362	253
Deferred tax liabilities	4,166	4,374	5,049	4,484
Trade and other payables	89	106	123	106
Total non-current liabilities	**12,418**	**12,593**	**25,080**	**27,457**
Current liabilities				
Income tax payable			26	
Borrowings	338	428	591	-
Lease liabilities	13	16	234	-
Trade and other payables	1,142	1,013	1,731	3,207
Total current liabilities	**1,493**	**1,457**	**2,581**	**3,207**
Total liabilities	**13,911**	**14,050**	**27,660**	**30,664**
Total equity and liabilities	**77,517**	**79,482**	**95,378**	**97,585**

Ratio Analysis	FY2022A	FY2023A	FY2024A	FY2025F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	10.1%	10.4%	22.5%	24.6%
Gearing 2 (Total Liabilities / Total Assets)	17.9%	17.7%	29.0%	31.4%
Gearing 3 (Net Debt / Total Equity)	11.3%	11.7%	29.0%	32.6%
Net Debt / EBITDA*	27.7x	14.3x	16.9x	19.2x
Current Ratio (Current Assets / Current Liabilities)	1.7x	0.9x	2.7x	1.7x
Interest Coverage level 1 (EBITDA* / Cash interest paid)	1.3x	1.0x	2.0x	1.1x
Interest Coverage level 2 (EBITDA* / Finance costs)	1.4x	2.3x	3.6x	1.7x

**EBITDA excluding Investment Income*

The Group's total assets have increased year-on-year, rising from €77.5m in FY22 to €95.4m in FY24. The largest component of VBL's asset base remains investment property which consists of properties (both owned and leased) that are being utilised as rental assets by the Issuer, as detailed in section 1.3 of this Analysis. The €6.2m increase in investment property (net of depreciation) as at December 2024 is linked to €4.0m of actual additions, of which €1.4m relate to additions to right-of-use assets, and a fair value gain of €2.6m. Looking forward, the next major impact on the portfolio is forecast to come from the completion of the development of Silver Horse Phase 2, the value of which is gradually increasing as the development progresses. Management explained that the said project is the major contributor to the projected increase in value by end of FY25.

The Issuer, as part of its cash management policy, opted to invest part of the bond proceeds that are currently not being used into quoted debt instruments. The duration of such instruments is aligned to the expected liquidity needs of the Issuer, and are expected to be partly liquidated in FY25 to finance the identified developments.

Equity is primarily made up of the Issuer's share capital, share premium, and retained earnings. The only variable in the Group's total equity is its retained earnings, which moves in line with its profit at the end of each year.

The Group's non-current liabilities are made up of borrowings, deferred tax liabilities, lease liabilities, and trade and other payables.

Borrowings increased by €10.9 between FY23 and FY24, primairly due to the issue of a €10.0m bond in November (recognised at €9.6m net of unamortised bond issue costs). The remaining movement in borrowings is linked to bank borrowings which increased as a result of the utilisation of the previously secured development bank loan of €14.5m, which was secured to fund the Group's development and acquisitions programme. As at end of FY24, only about 65% of this loan had been utilised. The Group expects to further utilise available funds from said loan in FY25, in line with the development plans annouced (as described in section 1.4 of this Analysis). Borrowings included under current liabilities reflect amounts repayable in less than one year.

Deferred tax liabilities relate to the accumulated tax liability as a result of revaluation of investment properties while lease liabilities increased in line with right-of-use assets. Note that deferred tax liabilities are payable only in the case of property sales, which is not part of the Group's current plan.

The increase in trade and other payables during FY24 was predominantly driven by an increase in accruals which are linked to the Company's long-term contracts and development projects. Management expect trade and other payables to increase significantly in FY25 as a result of the ongoing investment programme and status of major development projects.

Gearing ratios show low indebtedness when compared to the equity capital of the company in both historical and forecasted periods. The Bond issue increased the Gearing 1 ratio to 22.5% in FY24 and is forecast to increase slightly to 24.6% in FY25, implying a healthy and conservatively leveraged capital structure. The Group's interest coverage ratio increased from 1.0x in FY23 to 2.0x in FY24. Such ratio has consistently remained above 1.0x throughout all periods, indicating that it has maintained, and is expected to continue maintaining, sufficient earnings to meet its interest obligations during the forecasted period.

2.3 Statement of Cash Flows

Group Statement of Cash Flows for the year ending 31 December	2022A	2023A	2024A	2025F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Profit before tax	6,604	2,021	2,946	1,275
Depreciation and amortisation	280	313	466	460
Amortisation of bond issuance costs			6	
Provision for expected credit losses	39	-	-	-
Receivable written off	-	20	-	-
Investment income	(6,874)	(2,043)	(2,559)	(1,172)
Impairment on inventory	66	-	-	-
Interest income	(7)	(10)	(18)	(98)
Interest expense	190	231	327	669
Tax paid	-	-	(1)	(75)
Cash flows generated before working capital changes	**298**	**532**	**1,169**	**1,059**
Movement in inventory	(271)	-	(1)	-
Movement in trade and other receivables	(22)	191	(270)	280
Movement in trade and other payables	618	(216)	687	25
Net cash generated from operating activities	**623**	**507**	**1,584**	**1,364**
Cash flows from investing activities				
Purchase of intangible assets	-	(25)	-	-
Purchase of property, plant and equipment	(15)	(23)	(9)	-
Proceeds from sale of investment	-	-	-	-
Proceeds from sale of investment property	850	467	-	-
Acquisition of and development of investment properties	(6,278)	(965)	(2,332)	(9,013)
Key money received	-	-	-	-
Purchase / sale of financial assets at FVOCI	-	-	(9,114)	5,261
Net cash used in investing activities	**(5,443)**	**(546)**	**(11,455)**	**(3,752)**
Cash flows from financing activities				
Net proceeds from issuance of share capital	-	295	-	-
Proceeds from bond issue	-	-	9,641	
Interest paid on borrowings	(170)	(514)	(413)	(973)
Withholding tax paid	(8)	-	-	-
Dividends paid	(160)	(180)	(200)	(200)
Movement in borrowings	4,589	55	1,166	3,587
Principal lease repayments	(12)	(13)	(95)	(17)
Interest paid on leases	(20)	(19)	(74)	(18)
Net cash generated from / (used in) financing activities	**4,219**	**(376)**	**10,025**	**2,379**
Net movement in cash and cash equivalents	**(601)**	**(415)**	**154**	**(9)**
Cash and cash equivalents at start of year	1,948	1,347	932	1,086
Cash and cash equivalents at end of year	**1,347**	**932**	**1,086**	**1,077**

Ratio Analysis	FY2022A	FY2023A	FY2024A	FY2025F
Cash Flow	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	(4,820)	(39)	(757)	(7,649)

Cash flow generated from operating activities before working capital changes in FY24 increased significantly compared to previous years as more properties became operational and the Group solidified its performance. This is also after adjusting for the non-cash investment income. Combined with positive movements in net working capital, VBL generated €1.6m in net cash generated from operating activities. Management expects net operating cash flow before working capital changes to remain in line with the cash generation achieved in FY24.

Cash flows from investing activities in FY24 include outflows of €2.3m related to the acquisition and development of the Company's owned investment property, as explained and detailed in chapter 1.3. above. Moreover, the Group opted to invest its free cash, including the unutilised parts of the bond proceeds received in low-risk, sovereign quoted debt instruments that can be liquidated promptly. The Company's cash management policy considers the needs and cash necessary to finance the projected developments in FY25 and the liquidity reserves are handled accordingly.

Given the above, the Group's financial assets held at FVOCI and cash and cash equivalents are effectively one and the same thing for VBL and are classified separately due to IFRS classifications.

The Group's financing activities revolve around its bank and bond borrowings and dividends paid on its existing shares on the Malta Stock Exchange. In FY24, the Group received €9.6m in bond proceeds and drew down an additional €1.2m from its existing bank facility which were and will be utilised to finance its property development programme.

Free cash flow is negative in both the historical and forecasted periods mainly due to the heavy acquisition and development strategy of the Issuer. The nature of the Group's business requires heavy upfront investment into acquisition and renovation of properties which will then return stable recurring revenues for prolonged periods of time and so it is therefore expected for current free cash flow to be negative. Revaluation gains are excluded from free cash flow as they are non-cash in nature and would only enhance the Group's cash position in the event that a property is actually sold.

Part 3 - Key Market and Competitor Data

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget and their profitable operation. These include factors such as the health of the local and international property and tourism markets, inflation and fluctuations in interest rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Group's planning during development, this shall have an adverse impact on the financial condition of the Group and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.1 Economic Update[1]

The Central Bank of Malta's Business Conditions Index (BCI) indicates that in April 2025, annual growth in business activity increased marginally, and remained slightly above its long-term historical average as estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta decreased in April, but nevertheless remained above its long-term average, estimated since November 2002. The latest deterioration was mostly driven by the services sector.

In terms of economic uncertainty, the Central Bank of Malta's Economic Policy Uncertainty Index (EPU) continued its increase above its historical average estimated since 2004, indicating elevated levels of uncertainty. However, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty and a potential trend reversal, predominantly driven by industry.

In March, industrial production rose at an accelerating pace whilst retail trade turned positive on a year-on-year basis. In February, the services sector recorded its first year-on-year contraction in activity since 2022.

The unemployment rate remained unchanged at 2.8% in March but stood below that of 3.4% in March 2024.

Commercial and residential building permits in March were higher than a month earlier. In April, the number of residential promise-of-sale agreements rose on a year earlier, whilst the number of final deeds of sale decreased.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.6% in April, up from 2.1% in the previous month. HICP excluding energy and food in Malta clocked in at 2.5%, remaining below the euro area average. Inflation based on the Retail Price Index (RPI) increased to 2.4%, up from 2.1% in March.

3.2 Economic Outlook[2]

According to the Central Bank's latest forecasts, Malta's gross domestic product (GDP) is expected to moderate from 6.0% in 2024 to 4.0% in 2025. Growth is then projected to ease further to 3.3% by 2027. Despite the impact of potential US tariffs, the Bank's forecasts remain broadly unchanged driven by an uptick in expected government consumption and investment plans.

The abovementioned growth is expected to be driven by domestic demand predominantly in private consumption and the continued recovery in investment. Net exports are also expected to retain a positive contribution over the projection period, albeit a smaller contribution when compared to domestic demand.

Employment growth is set to moderate, albeit from a high rate of 5.1% in 2024, to 2.3% by 2026 and 2027. The unemployment rate is expected at 3.0% for 2025 and remain at this rate throughout the forecast period. In line with the decrease in inflation pressures and labour market tightness, growth in the average wage is expected to ease from 5.9% in 2024 to 4.4% in 2025, and is then expected to moderate further in the forecast years that follow.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to continue its decrease from 2.4% in 2024 to 2.3% in 2025 and reaching 2.0% by 2027. Compared to previous projections, inflation has been revised up by 0.2 and 0.1 percentage points in 2025 and 2026 respectively, largely reflecting recent outcomes in services inflation.

The general government deficit-to-GDP ratio is set to decline to 3.5% in 2024, and to narrow further over the rest of the forecast horizon, to stand at 2.7% by 2027. The general government debt-to-GDP ratio is set to increase throughout the forecast horizon, stabilising at 48.6% by 2026. When compared with the previous projection round, the projected deficit ratio is higher, while the debt ratio has been revised slightly lower.

Risks to activity are broadly balanced. Downside risks largely relate to possible negative effects on foreign demand arising from geopolitical tensions, additional US tariffs, and any potential additional retaliatory measures. On the other hand, the labour market could exhibit stronger dynamics

[1] Central Bank of Malta – Economic update – 05/2025

[2] Central Bank of Malta – Economic projections – 2025 - 2027

than expected, which could result in stronger than expected consumption and investment growth.

Risks to inflation are also broadly balanced over the forecast period and mainly related to external factors. Upside risks to inflation in the short term are also linked to global trade policy and potential retaliatory measures. Such risks could also be counterbalanced by the rerouting of exports from competitor countries to the EU and heightened competitive pressures in markets targeted by tariffs. On the downside, imported inflation could fall more rapidly than expected if the adverse effects of trade barriers on global demand turn out stronger than expected.

On the fiscal side, risks are mostly tilted to the downside (deficit-increasing). These mainly reflect the possibility of slippages in current expenditure. They also reflect the possibility of additional increases in pensions and wages in the outer years.

3.3 Tourism and the short-let property market

The short-let industry has rapidly become a prominent segment within the global real estate market, driven by the increasing demand for short-term accommodation among tourists and business travellers. This emerging model, where residential properties are rented for short periods, has been spurred by the rise of platforms such as Airbnb and Booking.com, which offer property owners the ability to market their homes to a global audience. While international standards and regulations surrounding short-let operations are still evolving, the sector has grown significantly over the past decade, resulting in a volatile yet lucrative market environment for property owners and investors alike.

Short-let rentals offer property owners the potential for higher returns than traditional long-term leases, especially in popular tourist destinations. This is particularly attractive in urban centres where real estate values are high and demand for short-term stays is consistent throughout the year. However, operating a short-let property is not without its challenges. Managing bookings, handling guest inquiries, and ensuring that the property is well-maintained between stays requires a level of attention that many property owners may find overwhelming. As a result, professional property management companies have emerged as essential players in this industry, providing services that streamline operations and reduce the burden on property owners.

Property management companies specialising in short-let operations offer a wide range of services designed to maximize occupancy rates and income for property owners while maintaining the quality and upkeep of the assets. These services often include marketing, booking management, guest communication, cleaning, and maintenance, ensuring that properties are always guest-ready. Some management companies also handle the more complex aspects of the business, such as obtaining licenses, managing regulatory compliance, and even overseeing renovations or upgrades to make properties more competitive in the market. These full-service solutions allow property owners to benefit from the short-let market without needing to be directly involved in the daily operations.

According to the National Statistics Office (NSO)[3], Malta's tourism sector experienced robust growth in 2024, with increases in tourist arrivals, guest nights and expenditure compared to the previous year.

Such growth appears to be continuing in 2025 with inbound tourists for the first four months of 2025 amounted to 1,044,657, an increase of 17.4% compared to the corresponding period in 2024. Similarly, total nights spent during the January – April 2025 period rose by 17.1%, reaching 5,985,257 nights from 5,109,521 nights over the same period in 2024.

Total tourist expenditure was estimated at €804.7 million during the first four months of 2025 compared to the €647.7 million estimated in 2024, equivalent to a 24.2% increase. Total expenditure per capita increased from €728 in 2024 to €770 in 2025.

According to the Deloitte MHRA Hotel Survey[4], c. 30.7% of tourist arrivals in Q1 2025 chose to stay at private accommodation (which includes short-let rentals) as opposed to collective accommodation (i.e. hotels).

According to the European Travel Commission Q4 2024 report[5], European tourism remained strong in 2024, despite geopolitical pressures and economic pressures, which are expected to continue into 2025. Indeed, inflationary pressures (which have impacted travel costs) have pushed tourists to seek value-for-money destinations, with Malta ranking among the top 5 countries in the EU that received the highest sentiment scores in terms of value for money.

3.4 Commercial property market[6]

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in

[3] National Statistics Office – News Release – 101/2025

[4] MHRA Hotel Survey by Deloitte – Key Highlights: Q1 2025

[5] European Travel Commission - European Tourism: Trends & Prospects (Q4/2024)

[6] KPMG & Malta development Association – Construction Industry and Property Market Report 2024

Malta. To address such growing demand, the supply of office and commercial space in Malta has considerably increased over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered to be a cultural and administrative hub with many law firms, government entities and long-established family businesses holding their main office space there.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline.

Although the supply for commercial property has increased in recent years, rental demand is still greater than supply as can be seen in the increase in average asking rental rates for office space which increased to €234/sqm in 2024, up from €214/sqm in 2023. The largest increase in rental rates came from the central region which saw growth of 12.5%. Further analysis shows that the highest proportion of office space can be found in the Northern Harbour region (56.3% of all listings), followed by the Central region (29.6%).

However, commercial property sales tell a story of divergence. Office properties are showing weakness, with the average price per sqm decreasing by 7.4% in 2024 over the prior year. On the other hand, retail commercial property remains strong, with selling prices per sqm increasing by 5.9% over the prior year. Office space in Valletta is shown to be smaller than typical of other locations and amongst the priciest on a rental cost per square metre basis, perhaps indicative of a lower level of supply within this category when compared with the rest of Malta.

Key stakeholders in the commercial real estate segment also indicate that the industrial and warehousing segments remain strong.

This story of divergence, particularly in the office sector reflects potential misalignment of expectations between renters and property owners at the advertised prices stage.

Despite last year's risks of higher local interest rates as resulting from the ECB's increase in base rate to up to 4.5%, these have so far not yet materialised in the local lending market. Since then, the ECB's base rate has been recently cut to 2.0%, supporting the expectations of lower inflation and mitigating, but definitely not yet eliminating, the level of risk to commercial property from movements in interest rates.

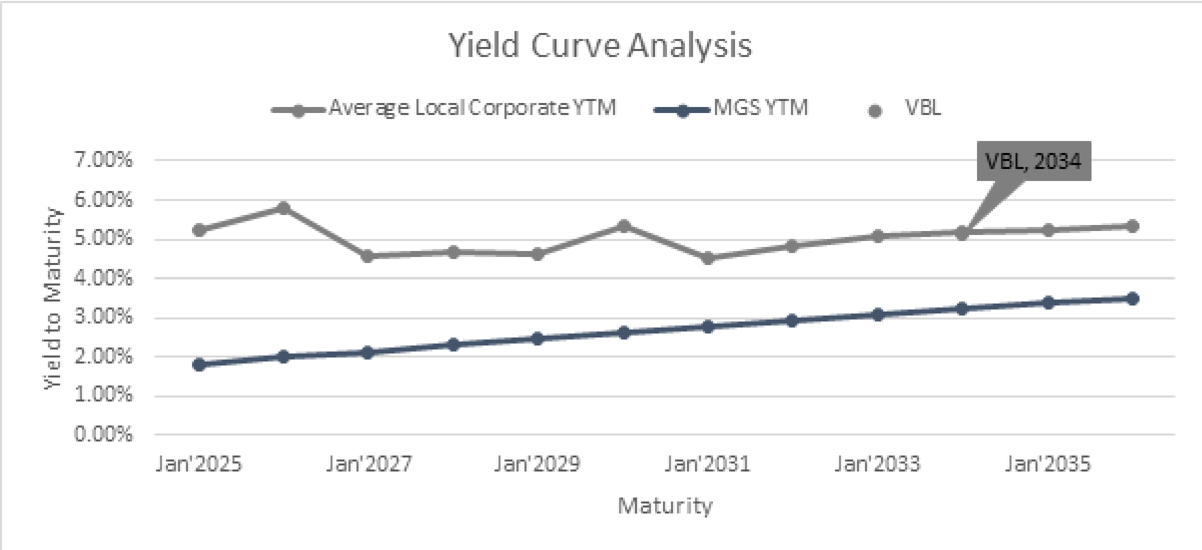
3.5 Comparative Analysis

The purpose of the table below compares the Bond issued by the Issuer to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
6.25% Camilleri Finance plc € Unsecured Bonds 2034	15,000	5.70%	0.7x	49.7	16.5	66.8%	52.3%	20.0x	0.9x	-6.4%	-6.0%	-4.4%
4.50% The Ona plc Secured € 2028-2034	16,000	4.50%	(2.3)x	38.9	8.0	79.6%	77.3%	12.8x	1.4x	-9.7%	-10.6%	110.3%
5.3% Mercury Projects Finance plc Secured € Bonds 2034	20,000	5.16%	(.8)x	279.0	66.1	76.3%	73.2%	(46.3)x	0.6x	-1.8%	-12.5%	-58.8%
5.2% VBL plc Secured € Bonds 2030-2034	10,000	5.13%	3.6x	95.4	67.7	29.0%	22.5%	16.9x	2.7x	3.7%	61.1%	25.2%
5.2% TUM Finance plc Secured Callable € Bonds 2031 -2034	12,000	4.93%	1.3x	137.8	40.0	71.0%	54.5%	46.8x	0.8x	-3.6%	-79.0%	-49.4%
	Average*	5.19%										

Source: Latest available audited financial statements

Last price as at 20/06/2025
*Average figures do not capture the financial analysis of the Group



Source: Central Bank of Malta and Malta Stock Exchange (MSE)

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 yield of the VBL p.l.c. bond.

As at 20 June 2025, the average spread over the Malta Government Stocks (MGS) for issuers with a maturity range of 9 years (2034) was 197 basis points. The VBL p.l.c. bond is is trading at YTM of 5.13%, meaning a spread of 191 basis points over the equivalent MGS, and therefore at a discount to the average on the market of 6 basis points. It is pertinent to note that the analysis has been done on a maturity matching basis and as such the industy of the Issuer differs significantly to the corporates identified .

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	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.
Profit After Taxation	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.
Gross Profit Margin	Gross profit 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 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 less any interest incurred on debt.
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)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de 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.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
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 de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within 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.

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 is calculated by dividing EBITDA of one period by finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by 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.

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.

Calamatta Cuschieri

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