



ARUNDEL

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PRESS RELEASE
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**ARUNDEL AG
AUDITED RESULTS ANNOUNCED
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Company is pleased to report its results for the year ended 31 December 2020 (“Dec20”).

The activities of the Arundel Group (the “Group”) have historically comprised:

- (i) principal investments in selective assets;
- (ii) the financing of investment opportunities from which the Company generates fees and carried interests; and
- (iii) the provision of advice to various groups which generate fees and investment opportunities.

Financial review

Overall, your Company is reporting a consolidated net profit of \$11.4 million for Dec20 compared to a net profit of \$10.0 million for the year ended 31 December 2019 (“Dec19”). Total equity increased to \$38.3 million at 31 December 2020 from \$25.3 million at 31 December 2019.

During 2020, 76% of the Company’s income was derived from rent and 24% was derived from investment advisory activities which is comparable to the split of income for 2019.

At 31 December 2020, the independent valuation of the Group’s investment properties in Germany which are leased to the Government of Saxony (the “Leipzig Properties”) increased to €148.5 million from €137.1 million compared to the end of 2019. This increase primarily resulted from a decline in capitalisation and discount rates used in preparing the independent valuation (which reflect a portion of the decrease in the yields on 10-year and 30-year German Government bonds). In addition, the Euro strengthened against the US dollar resulting in further gains on capital invested in the Leipzig Properties. Clearly, a reversal of the exchange rate and/or an increase in German Government bond yields could lead to a reversal of some of these fair value gains in future reporting.

Management will continue to seek opportunities to refinance the Group’s more expensive debt and to reduce other expenses over the short to medium term to combat uncertainties in the current environment.

Operational review

I am pleased to confirm that the Group’s core business continued as normal despite the impact of the Covid-19 pandemic and that our employees have successfully worked from home since mid-March 2020. However, the impact of the pandemic did hamper our ability to generate and transact new corporate finance transactions due to the disruption of businesses across the world.

Key developments during 2020 and early 2021 included the following:

- The Directors have conducted an operational review and commenced a restructuring that will lead to a streamlining of our activities and the reduction in the number of subsidiary companies in the medium term. To assist with our programme to reduce operational costs, the Group intends to relinquish its authorisation as a regulated entity in the UK in a phased manner and will only offer strategic advice in the UK going forward.

- Like many companies, the Directors concluded that more flexible working arrangements for employees will be offered in the post pandemic period. The impact of this policy change will allow the Group to free up space in the London office building for which the UK subsidiary will seek tenants. This process is likely to take time as many companies are reviewing how they wish to proceed with their own office space requirements going forward. The Group remains convinced that the prime location of the London office building will continue to make it an attractive asset to hold.
- Personnel costs have been reduced across the Group. Senior executives have agreed to reduce their salaries by 20% with effect from 1 January 2021 resulting in further savings of more than \$0.2 million per annum going forward.
- The Company has initiated discussions with various parties which may lead to a strategic partnership being concluded in due course to expand and enhance the Group's activities.

Covid-19

The Directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic. While there was no adverse impact on the Group's existing sources of income during 2020 the prospect of earning new transaction income from the Group's advisory business remains reduced for the immediate future. The Directors believe that the Leipzig Properties, the freehold office building located in the prime location of St James's Square in London and its development land in India outside of Chennai represent an excellent source of long-term value for the Group. Based on the Group's current activities and prospects, its current working capital position and its ability to further reduce costs in the short term, the Directors are confident that this risk can be managed for the year ahead.

New advisory business

The Group is actively pursuing a number of opportunities which may lead to the prospect of joint ventures or mergers to enhance the Group's operational capability and earnings. Such opportunities may result in the Company reassessing its decision to hold certain assets for the longer term and to liquidate and redeploy capital invested on more attractive terms. There are no firm plans at the present time and the Company will keep shareholders apprised of material developments.

Whilst the economic back drop remains challenging, the directors believe that the Group's historic relationships and operations in the United States, Europe and Asia provide it with a unique set of diversified opportunities once the business environment stabilises.

Management matters

At 31 December 2020 management owned 4,008,743 of the Company's issued share capital which represents 26.5% of the total number of shares in issue. These holdings remain unchanged from shares held at 31 December 2019.

Dr Klaucke retired as Chairman and Director of the Company and the Group CEO at the Company's AGM held on 26 May 2020. Dr Klaucke served as a Director from 2005 and as Chairman from 2012 until 2020. I take this opportunity to again thank him for his long service to the Group.

We look forward to reporting on future developments in the months ahead.

Full details of the audited consolidated financial statements for the year ended 31 December 2020 are available at: http://www.arundel-ag.com/get.php/2021/Annual_Report_2020.pdf

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