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PRESS RELEASE

(*Ad Hoc Announcement Pursuant to Article 53 of the SIX Exchange Regulation Listing Rules*)

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ARUNDEL AG
AUDITED RESULTS ANNOUNCED
FOR THE YEAR ENDED 31 DECEMBER 2022

The Company is pleased to report its results for the year ended 31 December 2022 ("Dec22").

During 2022, the activities of the Arundel Group (the "Group") comprised:

(i) maintenance and strategic evaluation of the Group's principal investments in selective assets; and
(ii) the provision of unregulated advice to various groups which generate fees.

Global factors

During 2022, global inflationary pressures caused by supply shortages as the world emerged in the post-Covid 19 era and the significant effect of the war in Ukraine, particularly on energy and food prices, resulted in a hugely negative impact on the global economy. Interest rates rose rapidly during the year, particularly in the United States, causing material strengthening of the US dollar against most major currencies. That strengthening, in turn, had a significant impact on your Company's results.

Financial review

Overall, your Company is reporting a consolidated net loss of $3.3 million for Dec22 compared to a net loss of $12.2 million for the year ended 31 December 2021 ("Dec21"). Total equity decreased from $22.8 million on 31 December 2021 to $13.2 million on 31 December 2022.

Against the US dollar, the Euro weakened by 5.7%, Sterling by 10.5% and the Indian Rupee by 11.0%. The Group holds assets in each of these currencies and a significant proportion of debt denominated in US dollars. As a result, adverse movements in foreign exchange rates had a dramatic effect and accounted for 76.9% of the decrease in net assets during the year ended 31 December 2022.

The US dollar began to weaken in the fourth quarter of 2022 and has continued to weaken during 2023. If current exchange rates were used the company's net asset values would be approximately $2.2 million higher than reported at the end of 2022.

During 2022, 76.6% of the Company's revenue was derived from rent and 23.4% was derived from advisory fees which is comparable to the split of revenue for 2021.

On 31 December 2022, the independent valuation of the Group's investment properties in Germany which are leased to the Government of Saxony (the "Leipzig Properties") increased to €143.9 million from €142.8 million compared to the end of 2021. This increase primarily resulted from an increase in the estimated rent used in calculating the residual value of the majority of the properties at the end of the 10-year discounted cash flow period, offset by an increase in the capitalisation and discount rates used in preparing the independent valuation (which reflect the increase in interest rates and in the yields on 10-year and 30-year German Government bonds). However, due to the strength of the US dollar against the Euro between reporting dates, the Leipzig Properties were reported as $154.3 million on 31 December 2022 compared to $162.5 million at the end of 2021, reflecting an adverse foreign exchange movement of $9.3 million.

The valuation of the development land in India was virtually unchanged at INR 787.9 million (2021 – INR 787.6 million), but the strength of the US dollar resulted in an adverse foreign exchange movement of $1.1 million with the land reported at $9.5 million on 31 December 2022 ($10.6 million – 2021).

The Group's freehold property in London is accounted for at its amortised acquisition cost with $0.4 million of amortisation charged in the consolidated income statement for 2022. However, the strength of the US dollar resulted in an adverse foreign exchange movement of $2.6 million in the balance sheet value of the asset which was reported at $22.0 million on 31 December 2022 ($25.1 million – 2021).

As detailed below, management is pursuing strategies to repay the Group's most expensive debt and to reduce other expenses over the short to medium term in order to combat continued uncertainties in the current environment.

Operational review

Key developments during 2022 and developments and plans during early 2023 include the following:

- On 7 January 2022, the Company announced that the Government of Saxony exercised an option to extend the lease on approximately 85% of the Leipzig Properties by three years to 30 June 2028. The balance of the Properties is leased until 31 December 2047.
- In late March 2022, the Group signed a mandate with a German group to explore the sale of a majority stake in the Leipzig Properties and / or to refinance the senior debt secured on the Properties. Due to rapidly rising interest rates during 2022 and the strengthening of the US dollar, little progress could be achieved towards these goals. That mandate is presently being modified to provide for sourcing a minority equity partner for the Leipzig Properties during the course of 2023 / early 2024. On 31 December 2022 the Group's net equity in the Leipzig Properties was approximately $89 million. The exact proportion of equity to be sold will be dependent on developments during the course of 2023. In addition, the Group expects to increase senior debt financing secured against the Leipzig Properties with the current loan to value ratio being 42%. Proceeds of any sale or refinancing would primarily be used to repay debt, finance any capital expenditure requirements and to provide working capital.
- The Directors also intend to sign a mandate before the end of April with an affiliate of the same German group referred to above, to develop a strategy for redevelopment of the Leipzig Properties to improve the Environmental Social Governance ("ESG") aspects of the buildings. The Group has commissioned an initial study to determine the range and scope of improvements to be undertaken. If this project is successful, the Group would seek a new long-term lease with the tenant at an improved rent. The Group would seek ESG financing in Germany for a significant portion of the expected capital expenditure with the balance funded by equity release through a sale of a stake as described above.
- In early May 2022, the Group negotiated the extension by two years to 30 June 2024 of the maturity of loans totalling £1.2 million due to be repaid on 30 June 2022. In December 2022, the Group negotiated the extension of the maturity of loans of approximately $2.8 million due to be repaid on 31 January 2023 by three years to 31 January 2026.
- The Directors have decided to sell the Group's development land in India and have appointed an agent to review optimisation of the Group's freehold office building in London. Such review may also result in a decision to sell. Proceeds of any sales will primarily be used to repay debt and to provide working capital.
- Personnel costs continue to be reduced across the Group. As a result of the UK subsidiary's relinquishment of its UK regulatory licence in July 2022 personnel costs will be approximately $0.5 million lower in 2023 and other legal and professional costs will be reduced significantly. In addition, the Group negotiated an agreement in October 2022 to transfer its US regulatory activities to a new joint venture. The Group's former US employee left the Group at the end of 2022 to run the joint venture. The Group will be a 50% equity partner in the joint venture but will not be involved in the daily operations of the joint venture corporation. In March 2023, the Group agreed to sell its US regulated subsidiary to the joint venture with the sale to be completed upon approval of the relevant US regulatory agency.
- Further reductions in operating costs are expected as assets are sold. The Directors also will explore in the months ahead other opportunities to reduce costs in respect of the Group structure including costs associated with being a listed Company.

Management matters

On 31 December 2022 management owned 2,180,166 of the Company's issued share capital which represents 14.4% of the total number of shares in issue. These holdings remain unchanged from shares held on 31 December 2021.

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 2022 are available at:
https://www.arundel-ag.com/get.php/2023/Annual_Report_2022.pdf

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Further information concerning the Company is also available from the Company's website at

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