



AX REAL ESTATE

Combined Securities Note

Dated 6 December 2021

AX Real Estate p.l.c.

A public limited liability company registered under the laws of Malta with company registration number C 92104 in connection with:

- an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share, or in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share
- an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

Sponsors


RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS


MZ INVESTMENT SERVICES

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Combined Securities Note

dated 6 December 2021

This document is a Combined Securities Note issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation. This Combined Securities Note is issued pursuant to the requirements of Capital Markets Rule 4.14 of the Capital Markets Rules and contains information about securities issued by AX Real Estate p.l.c., for which application has been made for the admission to listing and trading on the Official List of the Malta Stock Exchange. This Combined Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about AX Real Estate p.l.c.

This Combined Securities Note is being issued in respect of:

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in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share in,

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AX REAL ESTATE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA WITH COMPANY REGISTRATION NUMBER C 92104

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

APPROVED BY THE BOARD OF DIRECTORS



ANGELO XUEREB



MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf of each of Christian Farrugia, Joseph Lupi, Denise Micallef Xuereb, Christopher Paris and Stephen Paris

THIS COMBINED SECURITIES NOTE HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THIS COMBINED SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSABILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS. THE APPROVAL OF THE MALTA FINANCIAL SERVICES AUTHORITY SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS COMBINED SECURITIES NOTE.

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE OFFER SECURITIES.

A PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE OFFER SECURITIES OF THE COMPANY AND SHOULD: (I) ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS; AND (II) BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE OFFER SECURITIES OF THE COMPANY AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

Sponsors



Manager & Registrar



Legal Counsel



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IMPORTANT INFORMATION

THIS COMBINED SECURITIES NOTE CONTAINS INFORMATION IN CONNECTION WITH: (I) AN OFFER FOR SALE OF 33,333,333 ORDINARY 'A' SHARES HAVING A NOMINAL VALUE OF €0.125 EACH AT AN OFFER PRICE OF €0.60 PER SHARE IN AX REAL ESTATE P.L.C. (THE "**COMPANY**"); AND (II) AN ISSUE OF UP TO €40,000,000 UNSECURED BONDS 2032 HAVING A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.5% PER ANNUM, PAYABLE ANNUALLY ON 28 JANUARY OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "**COMBINED OFFER**"). WITH RESPECT TO (I) ABOVE, IN THE CASE OF OVER-SUBSCRIPTION OF THE ORDINARY 'A' SHARES, THE COMPANY MAY EXERCISE THE OVER-ALLOTMENT OPTION TO INCREASE THE SHARE OFFER TO SUCH HIGHER AMOUNT OF ORDINARY 'A' SHARES, WHICH IN AGGREGATE WOULD NOT EXCEED 50,000,000 ORDINARY 'A' SHARES HAVING A NOMINAL VALUE OF €0.125 EACH AT AN OFFER PRICE OF €0.60 PER SHARE.

THIS COMBINED SECURITIES NOTE: (I) CONTAINS INFORMATION ABOUT THE COMPANY AND THE SECURITIES IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE ACT AND THE PROSPECTUS REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE LATEST REGISTRATION DOCUMENT ISSUED BY THE COMPANY FORMING PART OF THE PROSPECTUS; AND (II) SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE OFFER SHARES ARE BEING OFFERED, AND THE BONDS ARE BEING ISSUED, BY THE COMPANY, WHICH TERMS SHALL REMAIN BINDING.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY, OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF THE SECURITIES HEREBY MADE OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS OR ADVISERS. THE ADVISERS ENGAGED BY THE COMPANY FOR THE PURPOSE OF THIS COMBINED OFFER ARE ACTING EXCLUSIVELY FOR THE COMPANY.

THIS COMBINED SECURITIES NOTE DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR THE OFFER SECURITIES BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO SUBSCRIBE FOR ANY OFFER SECURITIES BEING OFFERED TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ANY AND ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY OFFER SECURITIES THAT MAY BE ISSUED OR OFFERED BY THE COMPANY SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH OFFER SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE OFFER BEING MADE PURSUANT TO THIS COMBINED SECURITIES NOTE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE COMPANY THAT WOULD PERMIT A PUBLIC OFFERING OF THE OFFER SECURITIES OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

THE OFFER SECURITIES HAVE NOT BEEN, NOR WILL THEY BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, INTO OR WITHIN THE UNITED STATES OF AMERICA (THE "**U.S.**"), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, 1933 AND APPLICABLE STATE SECURITIES LAWS. FURTHERMORE, THE COMPANY WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940, AS AMENDED, AND INVESTORS WILL NOT BE ENTITLED TO THE

BENEFITS SET OUT THEREIN. FURTHERMORE, THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY OR TO SUBSCRIBE FOR, SECURITIES TO ANY PERSON IN ANY OTHER JURISDICTION TO WHOM OR IN WHICH JURISDICTION SUCH OFFER OR SOLICITATION IS UNLAWFUL AND, IN PARTICULAR, IS NOT FOR DISTRIBUTION IN AUSTRALIA, CANADA, JAPAN OR SOUTH AFRICA. NEITHER THE COMPANY NOR ANY OF ITS DIRECTORS ACCEPTS ANY LEGAL RESPONSIBILITY FOR ANY VIOLATION BY ANY PERSON, WHETHER OR NOT A PROSPECTIVE INVESTOR, OF ANY SUCH RESTRICTIONS.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED: (I) TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES; (II) TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS; AND (III) HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES AT THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN. THIS COMBINED SECURITIES NOTE IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO UPDATE THIS COMBINED SECURITIES NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES. APPLICATION HAS ALSO BEEN MADE TO THE MALTA FINANCIAL SERVICES AUTHORITY AND THE MALTA STOCK EXCHANGE FOR THE SECURITIES TO BE ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY OFFER SECURITIES PURSUANT TO THIS COMBINED SECURITIES NOTE SHALL SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE COMPANY (AS THE CASE MAY BE) TO BRING ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF OFFER SECURITIES OR AGREEMENT RESULTING HEREFROM OR THE PROSPECTUS AS A WHOLE IN ANY OTHER COMPETENT JURISDICTION.

THE CONTENTS OF THE COMPANY'S WEBSITE, OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY'S WEBSITE, DO NOT FORM PART OF THE PROSPECTUS, UNLESS OTHERWISE INCORPORATED BY REFERENCE IN THIS PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE OFFER SECURITIES.

ALL THE ADVISERS TO THE COMPANY NAMED IN THE PROSPECTUS UNDER THE HEADING 'ADVISERS' FOUND IN SECTION 4 OF THE REGISTRATION DOCUMENT HAVE ACTED, AND ARE ACTING EXCLUSIVELY, FOR THE COMPANY IN RELATION TO THIS COMBINED SECURITIES NOTE AND THE SECURITIES AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE OFFER SECURITIES.

1. DEFINITIONS

Words and expressions and capitalised terms used in this Combined Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressions and capitalized terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions used in the Combined Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalized form, except where the context otherwise requires.

Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for the Offer Securities made by an Applicant/s through a customised IT system available at any of the Authorised Financial Intermediaries;
Application Form/s	the application through a customised IT system available at any of the Authorised Financial Intermediaries to subscribe for the Offer Securities, specimen of which are contained in Annex II of this Combined Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Combined Securities Note;
Bond Issue Price	€100 per bond;
Bondholder	a holder of the Bonds;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CSD	the Central Securities Depository of the MSE, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Cut-Off Date	close of business 17 December 2021 (trading session of 15 December 2021);
Existing Shareholders	the shareholders of the Company as at the date of this Prospectus, namely: <ul style="list-style-type: none">i. AX Group p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 12271 and having its registered office at AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta; andii. AX Finance Limited, a limited liability company registered under the laws of Malta with company registration number C 6867 and having its registered address as AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta;
Lock-In Agreement	the lock-in agreement dated 11 November 2021, entered into between the Company and the Locked-In Shareholder, as described in further detail in section 5.2 of this Combined Securities Note;
Locked-In Shareholder	the major shareholder of the Company, that is, AX Group p.l.c.;
MSE Bye-Laws	the bye-laws issued by the MSE, as may be amended and, or supplemented from time to time;
Offer Period	the period commencing at 08:30 hours on 10 January 2022 and lapsing at 16:00 hours on 21 January 2022, (or such earlier date as may be determined by the Company) during which the Offer Shares and the Bonds will be available for subscription to Preferred Applicants and the general public;
Offer Price	the price of €0.60 per Offer Share, save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share, resulting in a price of €0.54 per Offer Share) shall apply;

Preferred Applicants	collectively, without any priority or preference among themselves: a. holders of: i. the €15 million unsecured bonds due 2026 of a nominal value of €100 per bond, issued by AX Group p.l.c. (C 12271), redeemable at their nominal value on the relevant redemption date, bearing interest at the rate of 3.25% per annum and having ISIN MT0002361203 (Series I); ii. the €10 million unsecured bonds due 2029 of a nominal value of €100 per bond, issued by AX Group p.l.c. (C 12271), redeemable at their nominal value on the relevant redemption date, bearing interest at the rate of 3.75% per annum and having ISIN MT0002361211 (Series II); and, or iii. the €40 million unsecured bonds due 2024 of a nominal value of €100 per bond, issued by AX Investments p.l.c. (C 27586), redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum and having ISIN MT0000081233, as at the Cut-Off Date; and b. employees of the AX Group who have been in employments since at least 31 October 2021;
Shareholder	a holder of Shares in the Company; and
Terms and Conditions	the terms and conditions applicable to the Offer Shares and the Bonds forming part of the Combined Offer as contained in sections 5,6 and 10 of this Combined Securities Note.

Unless it appears otherwise from the context:

- a. words importing the singular shall include the plural and *vice versa*;
- b. words importing the masculine gender shall include the feminine gender and *vice versa*;
- c. the word “*may*” shall be construed as permissive and the word “*shall*” shall be construed as imperative;
- d. all references in this Securities Note to “*Malta*” shall be construed as defined in Article 124 (1) of the Constitution of Malta;
- e. any phrase introduced by the terms “*including*”, “*include*”, “*in particular*” or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- f. any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force as the date of this Securities Note.

2. RISK FACTORS

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

AN INVESTMENT IN THE OFFER SECURITIES INVOLVES CERTAIN RISKS, INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE OFFER SECURITIES. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE DIRECTORS OF THE COMPANY ARE NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER THREE MAIN CATEGORIES, AS FOLLOWS: (I) RISKS COMMON TO ALL OFFER SECURITIES; (II) RISKS SPECIFIC TO OFFER SHARES; AND (III) RISKS SPECIFIC TO BONDS. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE COMPANY HAVE ASSESSED TO BE, AS AT THE DATE OF THIS COMBINED SECURITIES NOTE, THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AND WHICH CAN BE CORROBORATED BY THE NATURE OF THE OFFER

SECURITIES, AND THE TERMS AND CONDITIONS THEREOF, THAT ARE SUBJECT TO THE OFFERS BEING MADE UNDER THIS COMBINED SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE COMPANY HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT A RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE COMPANY AND ITS OFFER SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

AN INVESTMENT IN A COMBINATION OF OFFER SHARES AND BONDS WOULD INVOLVE ALL RISKS IDENTIFIED IN EACH OF THE THREE MAIN CATEGORIES OF RISKS IDENTIFIED IN THIS DOCUMENT, NAMELY: (I) RISKS COMMON TO ALL OFFER SECURITIES; (II) RISKS SPECIFIC TO OFFER SHARES; AND (III) RISKS SPECIFIC TO BONDS. AN INVESTMENT EXCLUSIVELY IN THE OFFER SHARES WOULD INVOLVE THOSE RISKS WHICH HAVE BEEN CATEGORISED AS: (I) RISKS COMMON TO ALL OFFER SECURITIES; AND (II) RISKS SPECIFIC TO OFFER SHARES. AN INVESTMENT EXCLUSIVELY IN THE BONDS (SUBJECT TO A MINIMUM OF €250,000 AS EXPLAINED IN FURTHER DETAIL IN SECTION 8.2 OF THIS SECURITIES NOTE) WOULD INVOLVE THE RISKS WHICH HAVE BEEN CATEGORISED AS: (I) RISKS COMMON TO ALL OFFER SECURITIES AND (III) RISKS SPECIFIC TO THE BONDS.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, IT COULD HAVE A SERIOUS EFFECT ON THE VALUE OF THE OFFER SECURITIES. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT RELATE TO INVESTING IN THE OFFER SECURITIES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, OR CURRENTLY DEEM TO BE IMMATERIAL, MAY WELL RESULT IN A MATERIAL IMPACT ON THE INVESTMENTS IN THE OFFER SECURITIES AND THE VALUE THEREOF.

NEITHER THIS COMBINED SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS INCORPORATED BY REFERENCE THEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE SECURITIES: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION; OR (II) SHOULD BE CONSIDERED OR CONSTRUED TO CONSTITUTE, A RECOMMENDATION BY THE COMPANY, THE ADVISERS LISTED IN THE PROSPECTUS, OR ANY OF THE OTHER AUTHORISED FINANCIAL INTERMEDIARIES, TO PURCHASE, OR SUBSCRIBE TO, THE SECURITIES, AS APPLICABLE.

ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1. RISKS COMMON TO ALL OFFER SECURITIES

2.1.1. FORWARD-LOOKING STATEMENTS

This Combined Securities Note includes statements that are, or may be deemed to be, “*forward-looking statements*”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “*believes*”, “*estimates*”, “*anticipates*”, “*expects*”, “*intends*”, “*may*”, “*will*” or “*should*” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and, or the Directors concerning, amongst other things, the Company’s and, or the Group’s strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects and dividend policy of the Company, the markets in which it operates and general market conditions.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Company’s and, or the Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition, liquidity, and dividend policy of the Company and, or the Group are consistent with the forward-looking statements contained in the

Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in global and local economic conditions, legislative and regulatory developments, changes in taxation regimes and the availability of suitable financing.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risk factors set out in this section, for a review of the factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Company and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2.1.2. SUITABILITY

An investment in the Offer Securities may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult a licensed stockbroker or an investment adviser licensed under the Investment Services Act (Chapter 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Offer Securities before making an investment decision.

In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a. has sufficient knowledge and experience to make a meaningful evaluation of the Offer Securities, the merits and risks of investing in the Offer Securities and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- b. has sufficient financial resources and liquidity to bear all the risks of an investment in the Offer Securities, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Offer Securities meet the investment objectives of the prospective investor;
- c. understands thoroughly the terms of the Offer Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- d. is able to evaluate possible scenarios for economic, interest rate and other factors that may effect its investment and its ability to bear the applicable risks.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Offer Securities and the inherent risks associated with the Company's business. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

2.1.3. NO PRIOR MARKET FOR THE SECURITIES

Prior to the Combined Offer and admission of the Securities to listing and trading, there has been no public market for the Securities within or outside Malta. Due to the absence of any prior market for the Securities, there can be no assurance that the price of the Securities will correspond to the price at which the Securities will trade in the market subsequent to the Combined Offer. The market price of the Securities could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified in section 2 of the Registration Document.

2.1.4. ORDERLY AND LIQUID MARKET

The existence of an orderly and liquid market for the Securities depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Securities at any given time and the general economic conditions in the market in which the Securities are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Company has no control.

The emergence of the COVID-19 pandemic in Q1 2020 has resulted in a highly volatile economy with the magnitude of the downturn in terms of depth and duration particularly uncertain across the globe. The exact nature of the risks that the Company faces and the manner and the extent to which they ultimately will impact the Company is difficult to predict and to guard against in the light of: (i) the uncertainty as to the duration and depth of the impact of the COVID-19 pandemic; (ii) the difficulties in predicting whether recoveries will be sustained and at what rate; and (iii) the fact that the risks are totally or to a large extent outside the control of the Company. Accordingly, there can be no assurance that an active secondary market for the Securities will develop, or, if it develops, that it will continue. Should there not be a liquid market in the Offer Shares, investors may not be able to sell the Offer Shares at or above the Offer Price, or at all. Furthermore, there can be no assurance that an investor will be able to trade in the Offer Shares and, or the Bonds at all. Furthermore, there can be no assurance that the Offer Price will correspond to the price at which the Offer Shares will trade in the market subsequent to the Share Offer.

2.1.5. FURTHER PUBLIC OFFERS

No prediction can be made about the effect which any future public offerings of the Company's Securities (including but not limited to the effects arising out of a change in the cash flow requirements of the Company or other commitments of the Company *vis-à-vis* the new security holders), or any takeover or merger activity involving the Company (including but not limited to a de-listing, in full or in part, of the Securities), will have on the market price of the Securities prevailing from time to time.

2.1.6. CURRENCY OF REFERENCE

A Shareholder and, or a Bondholder will bear the risk of any adverse fluctuations in exchange rates between the currency of denomination of the Shares and, or the Bonds (this being the Euro "€") and the Shareholder's and, or the Bondholder's currency of reference, if different. Such adverse fluctuations may impair the return of investment of the Shareholder and, or the Bondholder in real terms after taking into account the relevant exchange rate.

2.1.7. CONTINUING OBLIGATIONS

After the Securities are admitted to trading on the Official List of the MSE, the Company must remain in compliance with certain requirements. The MFSA has the authority to suspend trading of either or both of the types of Securities if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or of the integrity or reputation of the market.

Furthermore, the MFSA may discontinue the listing of either or both of the types of Securities if, *inter alia*, it is satisfied that, owing to special circumstances, normal regular dealings in the Listed Shares and, or Bonds are no longer possible, or upon the request of the Company or the MSE. Any such trading suspensions or listing revocations/discontinuations described above, could have a material adverse effect on the liquidity and value of the Listed Shares and, or the Bonds.

2.2. RISKS SPECIFIC TO THE OFFER SHARES

2.2.1. DIVIDENDS

Save for the committed dividend during the first two financial years post subscription, explained in further detail in section 19.2 of the Registration Document, there is no guarantee that dividends will be paid by the Company. Any dividend on the Shares will be limited by the performance of the Company and, in turn, on the performance of its Subsidiaries, on which it is dependant. The Company's dividend policy is described in section 19.2 of the Registration Document ('*Dividend Policy*') and should not be construed as a dividend forecast.

The extent of any dividend distribution by the Company will depend upon, amongst other factors, the profit available for distribution for the year, the Directors' view on the prevailing market outlook, any debt servicing requirements, the cash flows of the Company, working capital requirements, the Board's view on current or future investments, and the requirements of the Act. In terms of Maltese law, a company shall not make a distribution except out of profits available for the purpose, or if the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

2.2.2. VOLATILITY IN THE MARKET PRICE OF LISTED SHARES

Prospective investors should be aware that, following admission of the Listed Shares to listing and trading, the value of an investment in the Offer Shares may decrease or increase abruptly, which may prevent Shareholders from being able to sell their shares at or above the price they paid for them and the Offer Price may not be indicative of prices that will prevail in the trading market.

The price of the Listed Shares may fall in response to market appraisal of the Company's strategy, if the Company's operating results and, or prospects are below expectation of market analysts or Shareholders, in response to regulatory changes affecting the Company's operations. Moreover, stock markets may, from time to time, experience significant price and volume fluctuations which affect the market price of equity securities. A number of factors, some of which are outside the control of the Company, may impact the price and performance of the Listed Shares, including:

- prevailing economic conditions in Malta and conditions or trends in the Maltese property market generally;
- subsequent changes in market interest rates which may adversely affect the value of the Listed Shares;
- differences between the Company's expected and actual operating performance as well as between expected and actual performance of the property rental industry generally;
- strategic actions by the Company or its competitors, such as mergers, acquisitions, partnerships and restructurings;
- speculation, whether or not well-founded, about possible changes in the Company's management team;
- the publication of research reports by analysts or failure to meet analysts' forecasts; and
- regulatory changes.

2.2.3. FURTHER OFFERS OF SHARES

Other than in connection with the Combined Offer, the Company has no current plans for an offering of new shares, although it is possible that the Company may decide to do so in future. Future offerings of new shares, or the availability for sale of substantial amounts of shares in the public market: (i) could dilute the holdings of Shareholders not partaking in such offer or sale of shares; and, or (ii) could also adversely affect the prevailing market price of the shares and may make it more difficult for Shareholders to sell shares at a time and price that they deem appropriate; and, or (iii) could also impair the Company's ability to raise capital through future offers of shares.

2.2.4. LOCK-IN ARRANGEMENT

The Company is unable to predict whether, following the termination of the lock-in restrictions put in place in connection with the Share Offer (further described in section 5.2 below), a substantial amount of Listed Shares may be sold in the open market by the Locked-In Shareholder, as subject to such restrictions. Any sales of substantial amounts of Listed Shares in the public market by the Locked-In Shareholder, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Offer Shares.

A downturn in the market price of the Offer Shares due to an increased supply of Listed Shares on the secondary market by the Existing Shareholders may make it more difficult for other Shareholders to sell Offer Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

2.3. RISKS SPECIFIC TO BONDS

2.3.1. RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu*, without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company. This means that any secured or privileged debts of the Company shall rank at all times ahead of the obligations of the Company under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds in the case of insolvency or an equivalent situation, whether in full or in part. Furthermore, third-party security interests may be registered

which will rank in priority to the Bonds against the assets of the Company, as the case may be, for so long as such security interests remain in effect.

2.3.2. AMENDMENTS TO THE TERMS AND CONDITIONS OF THE BONDS

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. In the event that the Company wishes to amend any of the Terms and Conditions of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 6.2 of this Combined Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

2.3.3. CHANGES IN LAW

The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this Combined Securities Note. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Combined Securities Note.

2.3.4. INTEREST RATE RISK

The Bonds are fixed-rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise.

3. PERSONS RESPONSIBLE AND CONSENT FOR USE OF PROSPECTUS

3.1. PERSONS RESPONSIBLE

All of the Directors of the Company, whose names and functions appear under the subheading '*The Board of Directors of the Company*' in section 14.1 of the Registration Document, accept responsibility for the information contained in this Combined Securities Note. To the best of the knowledge and belief of the Directors of the Company, who have all taken reasonable care to ensure such is the case, the information contained in this Combined Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Company, and the Directors of the Company take sole responsibility for all such representations and statements. The Company's advisers have advised and assisted the Company in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

3.2. CONSENT REQUIRED IN CONNECTION WITH THE USE OF THE PROSPECTUS BY THE AUTHORISED FINANCIAL INTERMEDIARIES

For the purposes of any subscription for the Offer Securities through any of the Authorised Financial Intermediaries in terms of this Combined Securities Note, and any subsequent resale, placement or other offering of the Offer Securities by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Company consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of the Offer Securities, provided this is limited only:

- i. in respect of the Offer Securities subscribed for through Authorised Financial Intermediaries listed in Annex I of this Combined Securities Note;
- ii. to any resale or placement of the Offer Securities subscribed as aforesaid, taking place in Malta; and, or

- iii. to any resale or placement of the Offer Securities taking place within the period of 60 days from the date of the Prospectus.

None of the Company, the Sponsors, the Manager and Registrar or any of their respective advisers take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of the Offer Shares and, or the Bonds.

Other than as set out above, neither the Company nor its advisers has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Offer Shares and, or Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Company or the advisers and neither the Company nor the advisers have any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and, or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Company or its advisers. The Company does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of the Offer Shares and, or the Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of the Offer Shares and, or the Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the relevant Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Company nor its advisers have any responsibility or liability for such information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of the Offer Shares and, or the Bonds subsequent to the Combined Offer shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Company and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to financial intermediaries unknown at the time of this Combined Securities Note will be made available by the Company through a company announcement which will be made available on the Company's website: <https://axrealestate.mt>

4. ESSENTIAL INFORMATION

4.1. WORKING CAPITAL STATEMENT

The Directors of the Company, after reasonable inquiry, are of the opinion that the working capital available to the Group, after taking into consideration the proceeds from the Combined Offer, is sufficient for the present business requirements for the next twelve (12) months of operations.

4.2. CAPITALISATION AND INDEBTEDNESS

This section includes a summary of the capitalisation and net indebtedness position of the Company:

Statement of Indebtedness	Company 31 Oct 2019	Company 31 Oct 2020	Company 30 April 2021	Group 30 April 2021 (Proforma)	Company 30 Sept 2021
	audited €000	audited €000	unaudited €000	unaudited €000	Unaudited €000
Cash and cash equivalents	-	-	-	1,334	51
Liquidity (A)	-	-	-	1,334	51
Current financial debt (unsecured)	-	2,774	3,039	1,959	6,987
Current portion of non-current bank debt (secured and guaranteed)	-	-	-	2,822	-
Current financial indebtedness (B)	-	2,774	3,039	4,781	6,987
Net current financial indebtedness (B) – (A) = (D)	-	2,774	3,039	3,447	6,936
Non-current financial debt (secured and guaranteed)	-	-	-	8,713	-
Non-current financial debt (unsecured)	5,157	-	-	74,316	-
Non-current financial indebtedness (C)	5,157	-	-	83,029	-
Net financial indebtedness (D) + (C)	5,157	2,774	3,039	86,476	6,936

As at 30 September 2021, the Company's net indebtedness position amounted to €6.9 million. This balance relates to related party balances and has increased by a value of €2.8 million compared to the value reported as at 31 October 2020. The increase mostly relates to the conversion of the capital contribution of €3,500,000 as at 31 October 2020 and 30 April 2021 back into a related party balance. The Company has recently undertaken a reorganisation process as described in section 6.1 ('Group Reorganisation') of the Registration Document, which has significantly altered the funding base of the Company. Additional details are presented in section 9 ('Operating and Financial Review') of the Registration Document.

On a pro-forma basis, as at 30 April 2021, the net indebtedness position of the Estates Group post-reorganisation stood at €86.49 million and this comprised of:

- positive bank balances of €1.33 million;
- bank debt of €11.54 million;
- related party balances amounting to €74.32 million; and
- other financial debt amounting to €1.96 million.

	Company	Company	Company	Group	Company
	31 Oct	31 Oct	30 April	30 April	30 Sept
	2019	2020	2021	2021	2021
	audited	audited	unaudited	(Proforma) unaudited	unaudited
	€000	€000	€000	€000	€000
Statement of capitalisation					
Current debt (including current portion of non-current debt)					
Bank debt (secured and guaranteed)	-	-	-	2,822	-
Third party debt (unsecured)	-	-	-	1,959	-
Related party borrowings (unsecured)	-	2,774	3,039	-	6,987
Total current debt	-	2,774	3,039	4,781	6,987
Non-current debt (including current portion of non-current debt)					
Bank debt (secured and guaranteed)	-	-	-	8,713	-
Related party borrowings (unsecured)	5,157	-	-	74,316	-
Total non-current debt	5,157	-	-	83,029	-
Shareholders' equity					
Called up and issued ordinary 'A' shares	1	1	1	22,500	50
Called up and issued ordinary 'B' shares	-	-	-	50,000	-
Capital contribution	-	3,500	3,500	-	-
Retained Earnings	14	172	248	14,075	287
Revaluation reserves	-	-	-	38,682	-
Other reserves	-	-	-	331	-
Total shareholders' equity	15	3,673	3,749	125,588	337
Total capitalisation	5,172	6,447	6,788	208,617	7,324

The bank facilities of the Estates Group are secured by general hypothecs over the Estates Group's assets, by special hypothecs on AX The Palace Hotel situated in Sliema, AX Seashells Resort at Suncrest situated in Qawra, and the Targa Gap complex situated in Mosta, and by pledges over various insurance policies and guarantees given by AX Group p.l.c.. Such facilities bear interest at interest rates ranging from 3.25% p.a. to 5.15% p.a. as at 30 April 2021. No bank overdraft facilities have been utilised by the Company or its Subsidiaries to date.

As at 30 April 2021, the Estates Group had a number of related party loans, one of which being the loan between AX Investments p.l.c. and Simblija Developments Limited dated 1 April 2014, in terms of which AX Investments p.l.c. advanced a portion of the net proceeds from the issue by AX Investments p.l.c. of €40 million bonds due 2024, to Simblija Developments Limited, for the purpose of constructing the Simblija Care Home & Hilltop Gardens Retirement Village. The outstanding balance due by Simblija Developments

Limited in favour of AX Investments p.l.c. is currently approximately €15 million. This loan bears interest at the rate of 6.25% per annum until FY2023, and thereafter interest at the rate of 3% per annum over EURIBOR. Pursuant to an amendment and restatement agreement entered into between the parties, the interest payable on the outstanding balance will be deferred until 31 January 2032.

Another related party loan relevant to the Estates Group is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company pursuant to which *circa* €58.4 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from *inter alia* the Group Reorganisation, and the assignment of certain debts by AX Group to the Company. The Company intends to partly settle the outstanding debt from the proceeds of the Combined Offer, in the amount of *circa* €8.7 million or, in the event that the Company exercises the Over-allotment Option, in the amount of *circa* €18.5 million. Such agreement is unsecured and bears interest at 3% per annum over EURIBOR which will be deferred until 31 January 2032.

Related to this are the intragroup debt agreements between the Company, as lender, and various Subsidiaries listed below, as borrowers, pursuant to which the respective Subsidiaries owe *circa* €34 million in aggregate to the Company, in connection with the abovementioned assignment of certain debts previously due by the Subsidiaries listed below to AX Group p.l.c.

As at 31 October 2021, the following amounts are owed by the Subsidiaries to the Company:

- *circa* €27.0 million owed by Central Leisure Developments Limited;
- *circa* €1.7 million owed by Simblija Developments Limited;
- *circa* €1.6 million owed by Palazzo Merkanti Limited;
- *circa* €0.3 million owed by St. John's Boutique Hotel Limited; and
- *circa* €3.7 million owed by Skyline Developments Limited.

Authorised and contracted commitments for capital expenditure with respect to the development and completion of an office block at Falcon House and a warehouse at Hardrocks Business Park as at 30 April 2021 amounted to *circa* €0.7 million.

The Company's total equity increased from €15,336 as at 31 October 2019 to €3.7 million as at 31 October 2020. The increase is mainly driven by capital contributions of €3.5 million in 2020 in relation to related party loans which were recorded in 2019 in relation to the investment property transferred into the Company upon its inception, as well as increases in retained earnings of the Company from profits over the historical period. Furthermore, the total equity position of the Company as at 30 April 2021 stood at €3.7 million with the change from the previous year being attributable to an increase in retained earnings of the Company from profits generated during the period.

On a pro-forma basis, the total equity of the Estates Group was valued at €125.6 million which comprises the issue of €50 million ordinary 'B' shares to AX Group p.l.c. to part-finance the Group Reorganisation. These shares do not carry any voting rights but are entitled to participate in dividend distributions and profit sharing together with holders of the Listed Shares. Shareholders' equity as at 30 April 2021 on a pro-forma basis also includes revaluation reserves and retained earnings.

As at 30 September 2021, the Company's total capitalisation amounted to €7.3 million that included €50,000 in ordinary 'A' shares and €286,634 retained earnings. This also includes related party balances of €6,987,362. The increase from 30 April 2021 mostly relates to the conversion of the capital contribution of €3,500,000 back into a payable. These balances were not subject to any interest. By 31 October 2021, these balances were part of the related party loan which is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company as mentioned above.

4.3. INTEREST OF NATURAL AND LEGAL PERSONS IN THE COMBINED OFFER

Following the admission of the Securities to listing and trading on the Official List, as further explained and save as otherwise specified in section 5.1 below, the Existing Shareholders will, in aggregate amongst themselves, retain an 88.23% interest in the entire issued share capital of the Company, and a 75% interest in the Listed Shares. Of these, the following members of the Board of Directors are expected to retain, in

aggregate amongst themselves, 62% of the entire issued share capital of the Company and around 53% of the Listed Shares: Mr Angelo Xuereb and Ms Denise Micallef Xuereb, indirectly through their holding in AX Group p.l.c.

Save for the above, and save for the possible subscription for Offer Securities by Authorised Financial Intermediaries (which includes the Sponsors, the Manager and the Registrar) and any fees payable to the Company's advisers in connection with the Combined Offer, respectively, so far, as the Company is aware, no other person involved in the Combined Offer has an interest, conflicting or otherwise, material to the Combined Offer.

4.4. REASONS FOR THE COMBINED OFFER AND EXPENSES

4.4.1. REASONS FOR THE COMBINED OFFER

The Combined Offer follows a reorganisation process at the level of the AX Group which will result in the property-owning companies forming part thereof converging into a single division of the AX Group, that is the Estates Group (as detailed further in section 6.1 of the Registration Document).

The Directors believe that the Estates Group is well-poised for entry into the capital markets, which will aid future growth, if required, and enhance the profile of the Estates Group distinctly from that of its parent company, AX Group p.l.c.

The Combined Offer shall be for the benefit of the Estates Group. The proceeds from the Combined Offer, which, net of estimated bond and equity issue costs of *circa* €1.3 million, would amount to €58.7 million, or up to *circa* €68.5 million in the case of the exercise by the Company of the Over-allotment Option (net of estimated bond and equity issue costs of *circa* €1.5 million, excluding any discounts applicable on the Offer Shares subject to section 8.8 of this Securities Note), will be applied towards the following uses, in the order of priority listed hereunder:

- a. *circa* €25.6 million will be applied to the part-financing of 'Phase 1' (of two) of the Qawra project, as further described in section 8.1.4 of the Registration Document ("**Qawra Phase 1 Project**"). The Qawra Phase 1 Project comprises: (i) the extension of the Seashells Resort at Suncrest by way of four additional floors; (ii) the redevelopment of the lido; and (iii) moveable capital additions related specifically to the hotel operations aspect. The full development and refurbishment cost of the Qawra Phase 1 Project is expected to reach *circa* €52 million. The part-financing of the Qawra Phase 1 Project referred to herein amounting to €25.6 million shall be limited to item (i) hereof, whereas item (ii) will be funded from internal cash resources, and item (iii) will be financed by AX Hotel Operations p.l.c. (C 40905);
- b. *circa* €14.4 million will be utilised for the general corporate funding purposes of the Estates Group, which may or may not include the part funding of the lido at the Seashells Resort at Suncrest referred to in item (a)(ii) above following issuance of the necessary full development permit;
- c. *circa* €10 million will be applied to the part-financing of the development by Heritage Developments Limited (C 14217) and Royal Hotels Limited (C 16994) of the Verdala Hotel, and the refurbishment of the Verdala Hotel Annex (each as defined in the Registration Document), as further described in section 8.1.3 of the Registration Document ("**Verdala Project**"). The full development cost of the Verdala Project is expected to amount to €11.5 million. The remaining balance of €1.5 million will be funded from internal cash generation; and
- d. *circa* €8.7 million, or up to *circa* €18.5 million in the case of the exercise by the Company of the Over-allotment Option, or between *circa* €2.0 million and *circa* €8.7 million in the event of under-subscription of the Share Offer (subject to a minimum threshold of €12 million), will go towards the repayment in part of an existing intragroup loan entered into by and between the Company (in its capacity as borrower) and AX Group p.l.c. (in its capacity as lender), in connection with, *inter alia*, the settlement of consideration due for the purpose of the Group Reorganisation.

For the purpose of the uses specified above in paragraphs (a) and (b) above, the following intra-group loan agreements shall be entered into:

- a. An intra-group loan agreement by and between the Company, as lender, and Suncrest Hotels p.l.c., as borrower, in an amount of €25.6 million, for the purpose of part-financing the Qawra Phase 1 Project to the extent specified in para (a) above;

- b. (i) An intra-group loan agreement by and between the Company, as lender, and Royal Hotels Limited, as borrower, in an amount of €9.4 million, for the purpose of funding the development of the Verdala Hotel; and

- (ii) An intra-group loan agreement by and between the Company, as lender, and Heritage Developments Limited, as borrower, in an amount of €0.6 million, for the purpose of funding the refurbishment of the Verdala Hotel Annex.

Such facilities shall provide for drawdown mechanisms linked to the programme of works of the Qawra Phase 1 Project and the Verdala Project, as applicable, such that not all of the Combined Offer proceeds will be utilised immediately following conclusion of the Combined Offer.

Insofar as the Share Offer is concerned, in the event that following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60):

- i. no allotment of Offer Shares will be made;
- ii. for the purposes of the Share Offer, the subscription for the Offer Shares shall be deemed not to have been accepted by the Company; and
- iii. all proceeds received from Applicants specific to the Share Offer shall be refunded accordingly.

If the Share Offer is under-subscribed and the abovementioned minimum threshold is not met, to the effect that no allotment of Offer Shares is made and all proceeds from the Share Offer are refunded to Applicants, proceeds from the Combined Offer (in effect, limited to the Bond Issue) will be applied exclusively to part-finance the Qawra Phase 1 Project to the extent specified in para (a) above and for general corporate funding purposes as specified in item (b) above. Accordingly, in such case, the Verdala Project will not be part-financed through the proceeds of the Combined Offer, and the cost for its completion will be financed through alternative means.

If on the other hand the Share Offer is under-subscribed however the abovementioned minimum threshold is met, the proceeds from the Share Offer will be applied to part-finance the Verdala Project to the extent specified in para (c) above and any remaining balance of proceeds shall be applied to the repayment in part of intragroup loan to the extent specified in para (d) above, with the outstanding balance on such loan to be financed through alternative means.

4.4.2. EXPENSES

The expenses payable in respect of the Combined Offer, including professional, publicity, printing, the fees payable to the advisers, listing and other miscellaneous expenses or fees, are expected to amount to *circa* €1.3 million (or *circa* €1.5 million in the case of the exercise of the Over-allotment Option), shall be borne exclusively by the Company and accordingly shall be deducted from the proceeds of the Combined Offer.

5. INFORMATION ABOUT THE OFFER SHARES

Description, Amount and Class	33,333,333 ordinary 'A' shares (or up to 50,000,000 ordinary 'A' shares in the event of the exercise of the Over-allotment Option) of a nominal value of €0.125 per share are being offered pursuant to the Share Offer at an Offer Price of €0.60 per Offer Share save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share, resulting in a price of €0.54 per Offer Share) shall apply;
ISIN	MT0002570100;
Dematerialised and uncertificated form	The Offer Shares in the Company will be issued in registered form and, until they are admitted to the Official List of the MSE, they will be in fully-certificated form. The share certificates currently in issue are evidence provided by the Company to its Existing Shareholders of the relevant entry in the register of members of the Company of the Shares held by such members. Following their admission to the Official List of the MSE the ordinary 'A' shares will be in registered dematerialised form and be held in book-entry form at the CSD in accordance with the requirements of the MSE or in such other form as may be determined from time to time by applicable law, the requirements of the MSE or the Company;
Currency of Shares	Euro (€);
Rights attaching to the Offer Shares	The Offer Shares form part of the class of ordinary 'A' shares in the Company. The following are highlights of the rights attaching to the Offer Shares:

Dividends

The Offer Shares shall carry the right to participate in any distribution of dividend declared by the Company *pari passu* with any other Shares in the Company. Details on the dividend policy is found in section 19.2 of the Registration Document.

Voting Rights

Each Offer Share shall be entitled to one vote at meetings of Shareholders.

Pre-emption Rights

In accordance with article 88 of the Act, should any shares in the Company be proposed for allotment for consideration in cash, the Company must, on a pre-emptive basis, offer existing holders a proportion of such shares which are as nearly as practicable equal to the proportion in nominal value held by him/her/it of the aggregate Shares in issue in the Company immediately prior to the new issue of shares. The obligation of the Company to offer shares to existing Shareholders on a pre-emptive basis would not, however, apply to shares issued and allotted to employees of the Company pursuant to any scheme to be approved by the Shareholders.

A copy of any offer of subscription on a pre-emptive basis indicating the period within which this right must be exercised must be delivered to the Registrar of Companies at the Malta Business Registry for registration. This right of pre-emption must be exercised in accordance with the terms and conditions set out in the Articles of the Company and the said right may be assigned in favour of third parties.

This right of pre-emption may be withdrawn by an extraordinary resolution of the general meeting of Shareholders, in which case the Directors will be required to present to that general meeting a written report indicating the reasons for restriction/withdrawal of the said right and justifying the issue price.

Capital Distributions

The Offer Shares shall carry the right for the holders thereof to participate in any distribution of capital made, whether in the context of a winding up or otherwise, *pari passu* with all other ordinary shares of the Company.

Conversion and Redemption of Shares

In terms of the Articles and the Act, the Company may, by ordinary resolution, convert any paid-up shares into stock, and re-convert any stock into paid-up shares of any denomination. Further details on the rights of conversion are included in articles 61 to 64 of the Articles. The Offer Shares are not redeemable or convertible into any other form of security.

Restrictions on Transferability

Save for the restrictions on free transferability applicable to the Locked-In Shareholder in terms of the Lock-In Agreement as explained further in section 5.2 below, the Offer Shares are freely transferable and following admission to listing on the Official List of the MSE shall be transferable in accordance with the applicable rules and procedures of the Official List of the MSE, as may be applicable from time to time.

The minimum initial subscription amount of 5,000 Offer Shares shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Offer Shares are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of one Share.

Any person becoming entitled to any Shares in consequence of the death or bankruptcy of a Shareholder may, upon such evidence being produced as may from time to time properly be required by the Company or the CSD, elect either to be registered himself as holder of the Shares or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by transferring the Share, or procuring the transfer of the Share, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Shares and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Company shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the holder of the Shares, that is, by the relevant transferor and, or transferee as may be agreed among them, or otherwise in accordance with applicable law.

Mandatory Takeover Bids, Squeeze-Out and Sell-Out Rules	Chapter 11 of the Capital Markets Rules, implementing the relevant provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids and the squeeze-out and sell-out mechanisms. The Shareholders of the Company may be protected by the said Capital Markets Rules in the event that the Company is the subject of a Takeover Bid (as defined therein). The Capital Markets Rules may be viewed on the official website of the MFSA – www.mfsa.mt . Chapter 11 of the Capital Markets Rules may be subject to changes following the publication of this Prospectus. Investors should consult with their advisers as to the implications of such changes as, if and when amendments to Chapter 11 of the Capital Markets Rules take effect.
Governing Law	The Offer Shares were created in terms of the Act and are governed by and shall be construed in accordance with Maltese law.
Jurisdiction	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Shares, provided nothing shall limit the right of the the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction.

5.1. DILUTION FOLLOWING SHARE OFFER

As at the date of this Prospectus, the Existing Shareholders hold, in the aggregate, 100,000,000 ordinary 'A' shares in the issued share capital of the Company, of a nominal value of €0.125 each, and 150,000,000 ordinary 'B' shares, of a nominal value of €0.125 each, equivalent in the aggregate to 100% of the issued share capital of the Company as at the date hereof, divided as follows:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
AX Group p.l.c.	99,998,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	99.999%	99.998%
AX Finance Limited	2,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	0.001%	0.002%
Existing Shareholders		100%	100%

- a. If the Share Offer is fully subscribed, but the Company elects not to exercise the Over-allotment Option, the Existing Shareholders' shareholding in the Company will be reduced from 100% to 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares, and the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	100,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	88.23%	75%
New shareholders	33,333,333 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	11.76%	25%

b. If the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment Option:

- i. the Company shall convert such number of ordinary 'B' shares of a nominal value of €0.125 each into ordinary 'A' shares of a nominal value of €0.125 as is necessary to ensure that for every one ordinary 'A' share of a nominal value of €0.125 subscribed for as part of the over-allotment, three ordinary 'B' shares of a nominal value of €0.125 held by AX Group p.l.c. shall be converted to three ordinary 'A' shares of a nominal value of €0.125 for allocation to AX Group p.l.c. (the "**Converted Shares**"). In the event of exercise in full of the Over-allotment Option, 50,000,001 Converted Shares of a nominal value of €0.125 would be issued in favour of AX Group p.l.c.; and
- ii. the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 83.33% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

In the event of exercise in full of the Over-allotment Option, the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	150,000,001 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 100,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	83.33%	75%
New shareholders	50,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	16.67%	25%

- c. if the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60):
 - i. the Company shall convert (on a 1:1 basis) such number of ordinary 'A' shares of a nominal value of €0.125 each currently held by AX Group p.l.c. into ordinary 'B' shares of a nominal value of €0.125 each, as may be necessary for the holding of Listed Shares by AX Group p.l.c. to be diluted to such amount of shares as is equivalent to 75% of the Listed Shares;

- ii. in the case of under-subscription equivalent to the abovementioned minimum threshold of 20,000,000 ordinary 'A' shares of a nominal value of €0.125, the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 92.59% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

In the event of subscriptions equivalent to the abovementioned minimum threshold, the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	60,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 190,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	92.59%	75%
New shareholders	20,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	7.41%	25%

The net asset value of the Group as at 30 April 2021 was €126 million, or €0.50 per existing Share before the Share Offer based on the Shares outstanding. The net asset value per existing Share before the Share Offer represents the amount of total assets less total liabilities as at 30 April 2021 divided by the total number of Shares outstanding. The Offer Shares may be subscribed for at an Offer Price of €0.60 per Offer Share save that a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares.

Without taking into account any other changes in net asset value after 30 April 2021, other than the sale of the Offer Shares in terms of the Share Offer at a price of €0.60 per Offer Share, and after deducting the estimated fees and expenses payable by the Company in relation to the Share Offer, the net asset value following successful completion of the Share Offer will be approximately €145 million (equivalent to approximately €0.51 per Offer Share) in a scenario where the Company does not exercise the Over-allotment Option, and *circa* €155 million (equivalent to approximately €0.52 per Offer Share) in a scenario where the Company exercises the Over-allotment Option in full.

5.2. LOCK-IN ARRANGEMENTS

Pursuant to the Lock-In Agreement, the Locked-In Shareholder undertook, for a period of 24 months from the date when the Offer Shares are admitted to listing on the Official List, not to offer, sell, grant any option, right or warrant to purchase or otherwise transfer, assign or dispose of, any of the Listed Shares in the Company retained by them as at the date of closing of the Share Offer (the **"Lock-In Shares"**). The undertaking constituting the lock-in shall subsist notwithstanding any provisions of the Act and the Memorandum and Articles of Association that would otherwise have permitted such transfer, assignment or disposal.

As an exception to the restrictions on transferability of the Lock-In Shares, the Locked-In Shareholder:

- i. may transfer, sell, assign, or otherwise dispose of Lock-In Shares where such transfer, sale, assignment or disposal is made consequent to the enforcement, as a result of default of the underlying obligation by the pledgor, of a *bona fide* pledge made to a credit institution licensed in Malta or holding an equivalent authorisation in an EU member state or EEA state;
- ii. may transfer, sell, assign, or otherwise dispose of Lock-In Shares as a result of the merger or amalgamation of the Company with any other corporate body in accordance with the provisions of the Act; or
- iii. shall not apply to any newly issued shares or securities which may, in the future, be issued by the Company and subscribed for by the Locked-In Shareholder.

6. INFORMATION ABOUT THE BONDS

Description and Amount	up to €40,000,000 unsecured bonds of a nominal value of €100 per bond are being issued at par pursuant to the Bond Issue;
ISIN	MT0002571215 ;
Issue Date	expected on 28 January 2022;
Form	the Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Company at the CSD;
Denomination	Euro (€);
Interest	3.5% per annum;
Interest Payment Date/s	28 January of each year between and including each of the years 2023 and the year 2032, provided that, if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Yields	the gross yield calculated on the basis of the interest on the Bonds, the Bond Issue Price and the redemption value of the principal of the Bonds is 3.5%;
Redemption Date	28 January 2032;
Status of the Bonds	the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company;
Rights attaching to the Bonds	a Bondholder shall have such rights as are, pursuant to this Combined Securities Note, attached to the Bonds, including: <ol style="list-style-type: none"> i. the repayment of capital; ii. the payment of interest; iii. the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and iv. the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus;
The Limits of the validity of claims	In terms of article 2156 of the Civil Code, the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years;
Governing Law	the Bonds are governed by and shall be construed in accordance with Maltese law;

Jurisdiction

the Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, provided nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction;

Underwriting

the Bond Issue is not underwritten; and

Restrictions on Transferability

the Bonds are freely transferable and following admission to listing on the Official List of the MSE shall be transferable in accordance with the applicable rules and procedures of the Official List of the MSE, as may be applicable from time to time.

The minimum initial subscription amount of €2,000 Bonds shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of €100 Bonds.

Any person becoming entitled to any Bonds in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Company or the CSD, elect either to be registered himself as holder of the Bonds or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by transferring the Bonds, or procuring the transfer of the Bonds, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

The costs and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Company shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the holder of the Bonds, that is, by the relevant transferor and, or transferee as may be agreed among them, or otherwise in accordance with applicable law.

6.1. EVENTS OF DEFAULT

The Bonds shall become immediately due and repayable at their principal amount together with any accrued interest, if any of the following events ("**Events of Default**") shall occur:

- the Company shall fail to pay any interest on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Company by any Bondholder; or
- the Company shall fail to pay the principal amount on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Company by any Bondholder; or
- the Company shall fail to duly perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for 60 days after written notice thereof shall have been given to the Company by any Bondholder; or
- an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Company; or

- the Company stops or suspends payments (whether of principal or interest) with respect to all or any class of its respective debts or announces an intention to do so or ceases or threatens to cease to carry on its respective business or a substantial part of its respective business; or
- the Company is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- there shall have been entered against the Company a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of an amount equivalent to €10,000,000, and 90 days shall have passed since the date of entry of such judgment without its having been satisfied or stayed.

6.2. MEETINGS OF BONDHOLDERS

The Company may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.

A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders.

Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Company shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Company has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 6.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Company.

The amendment or waiver of any of the Terms and Conditions of the Bonds may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

A meeting of the Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two Bondholders must be present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, to constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Company shall within two days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven days, and not later than 15 days, following the original meeting. At an adjourned meeting, the number of Bondholders present, in person or by proxy, shall constitute a quorum, and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the Memorandum and Articles of Association of the Company is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required to be taken at the meeting, the Directors or their representative(s) shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Company and the other Bondholders present at the meeting. The meeting shall then put the matter

as proposed by the Company to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Company.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Company shall *mutatis mutandis* apply to meetings of Bondholders.

7. AUTHORISATIONS

The Combined Offer has been authorised by the Board of Directors of the Company by virtue of a resolution adopted on 24 November 2021.

The MFSA approved the Securities as eligible to listing on the Official List of the MSE pursuant to the Capital Markets Rules by virtue of a letter dated 6 December 2021. The Listed Shares, including the Offer Shares, and the Bonds, are expected to be admitted to the Official List of the MSE by latest 4 February 2022 and trading may be expected to commence thereafter.

8. TERMS AND CONDITIONS OF THE COMBINED OFFER OF THE OFFER SECURITIES TO THE PUBLIC

The following terms and conditions applicable to the Combined Offer should be read and construed as one with the terms and conditions of Application for the Offer Shares and, or the Bonds contained in this Combined Securities Note.

8.1. PLAN OF DISTRIBUTION AND ALLOTMENT

The Offer Securities forming the subject of the Combined Offer are open for subscription to all categories of investors, including Preferred Applicants and the general public.

Without prejudice to section 8.2 below, Applications shall be subject to a minimum initial subscription of 5,000 Offer Shares (equivalent to €3,000), and €2,000 in Bonds (in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, the amount per underlying application must also be for a minimum subscription of 5,000 Offer Shares (equivalent to €3,000) and €2,000 in Bonds) and in multiples of 100 Offer Shares and of €100 Bonds thereafter. Applications for Bonds (including Applications from Preferred Applicants) must be accompanied by an Application for Offer Shares subject to the minimum subscription amounts referred to above unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

It is expected that an allotment advice will be dispatched to Applicants within five Business Days of the announcement of basis of acceptance. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Offer Shares and Bonds shall not commence prior to admission to trading of the Listed Shares and Bonds by the MSE or prior to the said notification.

8.2. ALLOCATION POLICY

The Company shall allocate the Offer Securities issued pursuant to the Combined Offer to Preferred Applicants and the general public. The Company, through the allocation policy adopted, shall give preference to Preferred Applicants.

Bonds Allocation

Applicants (including Preferred Applicants) are required to apply for a combination of Offer Shares and Bonds in order to be considered for any allocation of Bonds, unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

Accordingly, the Company shall allocate Bonds to Applicants based on the following priority:

- i. applicants applying for a combination of Offer Shares and Bonds shall be guaranteed an allocation of Bonds of up to a maximum of €6,000; and
- ii. following the allocation of Bonds in terms of (i) above, the Company shall allocate remaining Bonds to: a) Applicants with respect to such amount of Bonds applied for as may be in excess of the €6,000 threshold referred to above remaining unallocated following the allocation as specified in (i) above; and b) Applicants applying solely for Bonds subject to a minimum application of €250,000. In either case, the Company, through the allocation policy adopted, shall give preference to the Preferred Applicants.

Offer Shares Allocation

Applications for Offer Shares by Preferred Applicants and the general public shall be subject to an allocation policy as determined by the Company. In determining such allocation policy, the Company shall give preference to Preferred Applicants.

The Company will endeavour to ensure, through the allocation policy to be adopted, that there will be a sufficiently dispersed shareholder base to facilitate, as far as possible, an active secondary market in the Shares.

8.3. ELIGIBLE INVESTORS

Subject to section 8.4 hereunder (*'Overseas Investors'*), any person, whether natural or legal, shall be eligible to submit an Application.

8.4. OVERSEAS INVESTORS

The Combined Offer is being made in Malta. The Combined Offer is not being made to persons resident in, or who are citizens of, or who have a registered address in, countries other than Malta.

No person downloading a copy of the Prospectus (or part thereof) or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to him/ her, nor should he/she in any event deal with the Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or the Application Form could lawfully be used or dealt with without contravention of any legal or regulatory requirements.

In light of the aforesaid, and considering the onerous requirements involved in the registration of this Prospectus in any territory other than Malta and, or compliance with the relevant legal or regulatory requirements, the Company has formed the view that it will not mail any applications outside of Malta, and will not accept completed Application Forms from investors residing in, or who are citizens of, a country other than Malta, except where, in the absolute discretion of the Company, it is satisfied that such acceptance would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

8.5. APPLICATION FORM AND METHOD OF PAYMENT

Application Forms for the Offer Securities are available during the Offer Period through a customised IT system available from any of the Authorised Financial Intermediaries listed in Annex I.

Preferred Applicants will be receiving a personalised letter from the Company, which will grant them preference to subscribe for the Securities as further outlined in section 8.2 above.

A specimen of the Application Form can be found in Annex II to this Combined Securities Note. All Application Forms must be accompanied by the full payment due for the Offer Securities applied for. In the event that any cheques accompanying the Application Forms are not honoured on their first presentation, the Company and the Registrar or the Authorised Financial Intermediary reserve the right to invalidate the relative Application.

8.6. REFUND AND UNDERSUBSCRIPTION

In the event that an Applicant has not been allocated any Offer Securities or has been allocated a number of Offer Securities which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Securities applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk, within five Business Days from the date of announcement of basis of acceptance.

In the event that, following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60) (subscriptions for Offer Shares made by persons or entities which, in terms of Capital Markets Rule 3.27, are not considered to be held in public hands, will not be included in determining the minimum percentage required):

- i. no allotment of Offer Shares will be made; and
- ii. all proceeds received from Applicants shall be refunded accordingly by the Company, without interest, by direct credit into the Applicant's bank account as indicated by the Applicant on the relevant Application Form. All refunds in this respect shall be made within ten Business Days from the expiration of the Offer Period.

8.7. MINIMUM APPLICATIONS

All Applications for Offer Shares shall be for a minimum of 5,000 Offer Shares (equivalent to €3,000) and in multiples of 100 Offer Shares thereafter.

Without prejudice to paragraph (ii) of section 8.2, all Applications for Bonds shall be for a minimum of €2,000 in Bonds, and in multiples of €100 thereafter.

8.8. PRICING

The Offer Price for the Offer Shares has been fixed by the Company at €0.60 per Offer Share, save for Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, where a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply.

The Bonds are being issued at par, that is, at €100 per Bond.

8.9. SELLING COMMISSION

Selling commission is payable to the Authorised Financial Intermediaries based on the value of the Offer Securities allocated to Applicants applying through such Authorised Financial Intermediaries at the rate of 1.5% on the value of Offer Shares allocated and 1.0% on the value of Bonds allocated as aforesaid.

8.10. RESULTS OF THE OFFER

Within five Business Days from closing of the Offer Period, the Company shall announce the basis of acceptance of Applications and allocation policy to be adopted. No dealing in the Securities may take place prior to allotment and admission to listing of the Securities.

8.11. INTENTION TO ACQUIRE

The Company does not have any knowledge that any member of the management, supervisory or administrative bodies of the Company or any single investor has the intention of participating in the Share Offer by acquiring more than 5% of the issued share capital of the Company.

8.12. EXPECTED TIMETABLE OF THE COMBINED OFFER

	EVENT	DATE
1	Opening of Offer Period	10 January 2022
2	Closing of Offer Period	21 January 2022
3	Commencement of interest on the Bonds	28 January 2022
4	Announcement of basis of acceptance	28 January 2022
5	Dispatch of allotment advices and refund of unallocated monies (if any)	4 February 2022
6	Expected date of admission of the Securities to listing	4 February 2022
7	Expected date of commencement of trading of the Securities	7 February 2022

The Company reserves the right to close the Offer Period before 21 January 2022, in which case, while the events set out in 4 to 7 above will be brought forward, they will keep the same chronological order as set out above.

9. TAXATION

9.1 GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Securities, including their acquisition, holding, disposal as well as any income or gains derived therefrom or made on their disposal, and, or the distribution and payment of dividends, interest or other distributions on the Securities, as applicable. The following information of the anticipated tax treatment applicable to investors is applicable only in so far as taxation in Malta is concerned as at the date of this Combined Securities Note. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of Maltese tax law and practice relative to the applicable legislation, as known to the Company as at the date of this Combined Securities Note, in respect of a subject on which no official guidelines exist. Investors are reminded that Maltese tax law and practice and their interpretation on the subject matter referred to in the preceding paragraph, as well as the levels of tax, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular individual circumstances and on the classification of the Securities from a Maltese tax perspective, and thus professional advice in this respect should be sought accordingly.

9.2. TAXATION STATUS OF THE COMPANY

The Company is subject to tax in Malta on its worldwide taxable profits at the standard corporate tax rate of 35%. Certain exemptions or low tax rates may apply in respect of particular sources of income.

9.3. MALTA TAX ON DIVIDENDS DISTRIBUTABLE TO HOLDERS OF OFFER SHARES

In general, distributions of dividends from the taxed profits of the Company to its Shareholders should not be subject to any further tax in Malta.

Certain Shareholders might, in certain instances, be able to include certain dividends distributed to them by the Company from its Immovable Property Account, Maltese Taxed Account or Foreign Income Account in their income tax return, with a view to obtaining a full imputation refund in terms of the Full Imputation System. The full imputation refund should be equal to the difference between the tax which is theoretically payable by the Shareholder on the grossed-up dividend and the tax paid by the Company on these profits, but may be subject to cappings.

Full imputation refunds cannot be claimed on profits distributed from the Final Tax Account or profits on which tax has been relieved at the level of the Company by way of certain credits and, or deductions.

Dividends distributed to, amongst others, an individual resident (or deemed to be resident) in Malta (other than a company), from profits allocated to the Untaxed Account, should be subject to a 15% withholding tax. In specific circumstances, such withholding tax may also apply to distributions made to non-resident persons. In such cases, the Company should withhold 15% tax from the amount of the dividend and remit such withholding tax to the Maltese Commissioner for Revenue.

The Shareholders, may, in certain circumstances, opt to declare the gross dividend distributed from the Untaxed Account in their income tax return and claim a refund on the difference between the 15% withholding tax and the personal tax rate applicable to the Shareholder on the dividend (like for instance if the tax rate applicable to the Shareholder is less than 15%).

9.4. MALTA TAX ON INTEREST PAYABLE TO BONDHOLDERS

Since interest is payable in respect of the Bonds which is the subject of a public issue, unless the Company is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of “recipient” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta, hereinafter the “**Income Tax Act**”), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient’s tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Company is required to submit to the Maltese Commissioner for Revenue the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Company shall also render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest shall be paid gross and such person shall be obliged to declare the interest so received in his Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Company will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Company. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Company in terms of law.

9.5. MALTESE TAX ON CAPITAL GAINS ON TRANSFER OF THE SECURITIES

In accordance with the current legislation, if and for as long as the Shares which are subject to this Combined Securities Note are listed on the MSE, and such Shares are held as capital assets, no tax on capital gains is payable in Malta on any transfer of these Shares.

As the Bonds do not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act – that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return” – to the extent that the Bonds are held as capital assets by the Bondholders, no tax on capital gains should be chargeable in respect of the transfer of the Bonds.

9.6. DUTY ON DOCUMENTS AND TRANSFERS

In accordance with the current legislation, if and for as long as the Shares are listed on the MSE, no duty on documents and transfers is payable in Malta on any transfer of these Shares.

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the laws of Malta), duty is chargeable *inter alia* on the transfer *inter vivos* or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the laws of Malta), since the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

9.7. EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Company and, or its agent may be required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Shareholders and the Bondholders) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. This does not constitute tax advice and prospective investors in the Offer Shares and Bonds are to consult their own independent tax advisers.

9.8. THE COMMON REPORTING STANDARD AND THE DIRECTIVE ON ADMINISTRATIVE COOPERATION

The Organisation for Economic Co-operation and Development (“OECD”) has developed a global framework, commonly known as the Common Reporting Standard (“CRS”) for the identification and timely reporting of certain financial information on individuals, and controlling persons of certain entities, who hold financial accounts with financial institutions of participating jurisdictions in order to increase tax transparency and cooperation between tax administrations. Numerous jurisdictions, including Malta, have signed the OECD multilateral competent authority agreement, which is a multilateral agreement outlining the framework to automatically exchange certain financial and personal information as set out within CRS.

So as to introduce an extended automatic exchange of information regime in accordance with the global standard released by the OECD, CRS has also been adopted in the EU through the implementation of Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of tax information in the field of taxation. This has been transposed in Malta by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations, (S.L. 123.127) (“CRS Legislation”), and has been applicable since 1 January 2016. In terms of this legal notice, the automatic exchange of information obligations shall extend to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

Malta based financial institutions (defined as such for the purposes of CRS) are obliged to identify and annually report to the Maltese Commissioner for Revenue financial accounts held by a reportable person, as defined under the CRS Legislation, including certain entities with one or more controlling persons, as defined under the CRS Legislation. Financial information relating to shares and notes and the holders thereof may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

Under CRS, financial institutions resident in a CRS participating jurisdiction (such as Malta) would be required to apply onerous due diligence procedures for the identification of reportable accounts. Shareholders and noteholders may be required to provide certain information and certifications to financial institutions, such as qualifying custodians or any intermediaries, in order to satisfy their obligations under CRS. Certain confidential information in relation to the Shareholders, noteholders and, or other reportable persons may be reported to the Maltese Commissioner for Revenue or other relevant overseas tax authorities and automatically exchanged pursuant to these arrangements with the tax administrations of other participating jurisdictions.

Prospective investors are advised to seek professional advice in relation to the CRS and EU Council Directive 2014/107/EU. Not complying with the CRS rules may give rise to certain fines or closure of financial accounts.

9.9. FOREIGN ACCOUNT TAX COMPLIANCE ACT

The U.S. has enacted rules, commonly referred to as “**FATCA**”, that generally impose a reporting regime, and in some cases withholding requirements, with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends as well as certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The U.S. has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA in Malta, which has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, (S. L. 123.156) (“**FATCA Legislation**”).

Under the FATCA Legislation, financial institutions in Malta (defined as such for the purposes of FATCA) are required to satisfy applicable due diligence requirements to identify and report financial accounts held by specified U.S. persons, as defined under the FATCA Legislation, and certain non-U.S. entities, which are controlled by U.S. Controlling Persons, as defined under the FATCA Legislation, to the Maltese Commissioner for Revenue. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the FATCA Legislation on an automatic basis.

Financial account information in respect of holders of the shares and, or of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations. In order to comply with its FATCA obligations, if any, the Company may be required to obtain certain information, forms and other documentation on the Shareholders and, or the Bondholders to report information on reportable accounts to the Maltese Commissioner for Revenue, in accordance with applicable laws and regulations, which will in turn report this information to the Internal Revenue Service in the U.S. Shareholders and, or Bondholders should note that a specified “U.S. Person”, in terms of FATCA, may include a wider range of investors than the current U.S. Person definition referred to in the term Eligible Investors.

Financial institutions reserve the right to request any information and, or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and any referring legislation. In the case of failure to provide satisfactory documentation and, or information, financial institutions may take such action as it thinks fit, including without limitation, the closure of the financial account.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF THE SECURITIES AS WELL AS INTEREST PAYMENTS AND DIVIDEND DISTRIBUTIONS MADE BY THE COMPANY. THE ABOVE IS A SUMMARY OF THE ANTICIPATED MALTESE TAX TREATMENT APPLICABLE TO THE OFFER SHARES AND TO SHAREHOLDERS, AND THE BONDS AND TO BONDHOLDERS.

THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, AND WHICH SHOULD NOT PURPORT TO BE EXHAUSTIVE IN NATURE, REFERS ONLY TO SHAREHOLDERS AND BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

10. TERMS AND CONDITIONS OF THE APPLICATION

10.1.

The allotment of the Offer Securities in favour of successful Applicants is conditional upon the Offer Shares and, or the Bonds being admitted to the Official List of the MSE. In the event that either the Offer Shares or the Bonds are not admitted to the Official List of the MSE, any Application monies received by the Company relative to the Offer Shares or Bonds (as applicable) not admitted to the Official List of the MSE will be returned, without interest, by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form, and in such case the requirement to subscribe for both the Offer Shares and the Bonds, as set out in section 8.1 and 8.2 of this Combined Securities Note, shall be disappplied.

10.2.

The contract created by the Company's acceptance of an Application shall be subject to all the terms and conditions set out in this section and in the remainder of this Combined Securities Note, the Memorandum and Articles of Association of the Company and in the respective Application Form. It is the responsibility of investors wishing to apply for the Offer Securities to inform themselves of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.

10.3.

Subject to all other terms and conditions set out in the Prospectus, the Company reserves the right to reject, in whole or in part, or to scale down, any Application, and to present any cheques and, or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Company, acting through the Registrar, is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

10.4.

In the case of joint Applications, reference to the Applicant in the general terms and conditions contained in this section is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "*Applicant*" on the Application Form, or first-named in the register of Shareholders and Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "*Additional Applicants*" in the Application Form or joint holders in the register of Shareholders and Bondholders, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Share/s and Bond/s (as applicable) so held.

10.5.

In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person/s authorised to sign and bind such Applicant. It shall not be incumbent on the Company acting through the Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised. Applications by corporate Applicants have to include a valid legal entity identifier ("**LEI**") which must be unexpired. Applications without such information or without a valid LEI will not be accepted.

10.6.

In respect of a Share and, or Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Shareholders and, or Bondholders, as applicable. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Company to be the holder of the Share/s and, or Bond/s so held and shall have the right to: in respect of the Share/s, receive dividends distributed to Shareholders and

to vote at meetings of the Shareholders, but shall not, during the continuance of the Share/s, have the right to dispose of the Share/s so held without the consent of the bare owner; and in respect of the Bond/s, receive interest on the Bond/s and to vote at meetings of the Bondholders, but shall not, during the continuance of the Bond/s have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to repayment of principal on the Bond/s so held, which shall be due to the bare owner.

10.7.

Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an MSE account and that the Application Form is signed by both parents or the legal guardian/s. Any Offer Shares and Bonds allocated pursuant to such an Application shall be registered in the name of the minor as a Shareholder and, or Bondholder, with dividends and, or interest and redemption monies payable (as applicable) to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all dividends shall be paid directly to the registered holder, provided that the Company has been duly notified in writing of the fact that the minor has attained the age of 18 years.

10.8.

All Applications for the Offer Shares and Bonds must be submitted on the appropriate Application Form within the time limits established therein, including the minimum application subscriptions in an initial application of 5,000 Offer Shares and €2,000 in Bonds (without prejudice to section 6.2 above), and applications in excess of the said minimum must be in multiples of 100 Offer Shares and €100 in Bonds. Applications for Bonds (including from Preferred Applicants) must be accompanied by an application for Offer Shares subject to the minimum subscription amounts referred to above, save that in the case of applications for Bonds equal to or in excess of €250,000, no subscription for Offer Shares would be required.

10.9.

All Application Forms are to be processed through any of the Authorised Financial Intermediaries through a customized IT system and must be accompanied by the full price due for the Offer Securities applied for, in Euro (€). Payments may be made by cheque payable to the respective Authorised Financial Intermediary or by any other method of payment as accepted by the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the Company acting through the Registrar or the Authorised Financial Intermediary reserve the right to invalidate the relative Application Form.

10.10.

In the event that an Applicant has not been allocated any Offer Securities or has been allocated a number of Offer Securities which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Offer Securities applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five Business Days from the date of announcement of basis of acceptance.

10.11.

For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as amended), all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in articles 1.2(d) and 2.4 of the *"Code of Conduct for Members of the Malta Stock Exchange"* appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Chapter 586 of the laws of Malta) and, or Regulation (EU) 2016/679 (the **"GDPR"**), as amended, for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.

10.12.

It shall be incumbent upon the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to the subscription of the Offer Shares by an Applicant are

complied with, including without limitation the obligation to comply with all applicable requirements set out in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (“**MIFID II**”), and Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (“**MIFIR**”), in each case as amended, as well as applicable MFSA Rules for investment services providers.

10.13.

By not later than five Business Days following closing of the Offer Period, the Company shall announce the results of the Combined Offer through the issue of a company announcement.

10.14.

No person receiving or downloading a copy of the Prospectus (or part thereof) or an Application Form in any territory other than Malta, may treat the same as constituting an invitation or offer to him/ her, nor should he/she in any event deal with the Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or the Application Form could lawfully be used or dealt with without contravention of any legal or regulatory requirements.

10.15.

Subscription for Offer Securities by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers (including tax and legal advisers) as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Offer Securities. It is the responsibility of any person (including, without limitation, nominees, custodians, depositaries and trustees) outside Malta wishing to participate in the Combined Offer, to satisfy himself/herself/itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes (of any nature whatsoever) due in such territories. The Company shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.

10.16.

The Offer Shares and Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly the Offer Shares may not be offered or sold within the U.S. or to or for the account or benefit of a U.S. Person.

10.17.

Certificates will not be delivered to Shareholders and Bondholders in respect of the Offer Shares and Bonds, respectively, in virtue of the fact that the entitlement to the Offer Shares and Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Company by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Shareholders and Bondholders (as applicable) and particulars of the Shares and Bonds (as applicable) held by them respectively, and the Shareholders and Bondholders shall have, at all reasonable times during business hours, access to the register of Shareholders and Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

10.18.

The CSD will issue, upon a request by a Shareholder or Bondholder, a statement of holdings to such Shareholder or Bondholder evidencing his/her/its entitlement to the Shares or Bonds held in the register kept by the CSD.

10.19.

Applicants may opt to subscribe for the online e-portfolio of the MSE. The Shareholder's and Bondholder's statement of holdings evidencing entitlement to the Shares and Bonds (as applicable) held in the register kept by the CSD and registration advices evidencing movements in such register will be available through

the said e-portfolio facilities on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

By completing and delivering an Application Form, the Applicant:

- i. accepts to be irrevocably contractually committed to acquire the number of Offer Shares and, or Bonds allocated to such Applicant at the Offer Price and, or Bond Issue Price (as applicable) and, to the fullest extent permitted by law, accepts to be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment, such irrevocable offer to purchase, and pay the consideration for, the number of Shares and, or Bonds specified in the Application Form submitted by the Applicant (or any smaller number of Shares and, or Bonds for which the Application is accepted) at the Offer Price or Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions of the Combined Offer, the Application Form and the Memorandum and Articles of Association of the Company;
- ii. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Company and the Combined Offer contained therein;
- iii. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant/s. Failure to include an MSE account number will result in the Application being rejected by the Company acting through the Registrar or the Authorised Financial Intermediary and subscription monies will be returned to the Applicant in accordance with condition (vii) hereunder. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- iv. acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Company, which is available on the Company's website on <https://axrealestate.mt>. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant's consent, in the circumstances set out in the GDPR and the Data Protection Act and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that the Applicant has been provided with and has read the privacy notice;
- v. authorises the Company (or its service providers, including the CSD and, or the Registrar), and the MSE and the relevant Authorised Financial Intermediary, as applicable, to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the securities applied for, as the case may be, in accordance with the GDPR and the Data Protection Act. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed in relation to the Offer Shares and, or Bonds applied for, as the case may be. Any such requests must be made in writing and sent to the Company at the address indicated in the Prospectus and sent to the CSD and the MSE. The requests must further be signed by the Applicant to whom the personal data relates;
- vi. confirms that in making such Application no reliance was placed on any information or representation in relation to the Company or the Combined Offer other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- vii. agrees that any refund of unallocated Application monies, without interest, will be paid by direct credit, at the Applicant's own risk, to the bank account as indicated in the Application Form. The Company shall not be responsible for any loss or delay in transmission or any charges in connection therewith;
- viii. warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Offer Securities, unless and until a payment is made in cleared funds for such Offer Securities and such payment is accepted by the respective Authorised Financial Intermediary or by the Company acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the respective Authorised Financial Intermediary or the Company acting through the Registrar is indemnified for all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the Applicant's remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Company acting through the Registrar of such late payment in respect of the Offer Securities); the Company may, without prejudice to other rights, treat

the agreement to allocate such Offer Securities as void and may allocate such Offer Securities to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Offer Securities (other than return of such late payment);

- ix. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act and regulations made thereunder, and that such monies will not bear interest;
- x. agrees to provide the Company acting through the Registrar, with any information which it/they may request in connection with the Application;
- xi. agrees that all Applications, acceptances of Applications and contracts resulting therefrom will be governed, and construed, in accordance with Maltese law, and to submit to the jurisdiction of the Maltese courts, and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction;
- xii. warrants that, where an Applicant signs and submits an Application Form on behalf of another person or on behalf of a corporation or corporate entity or association of persons, the Applicant is duly authorised to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to submit your power of attorney or a copy thereto duly certified by a lawyer or notary public is so required by the Company or the Registrar;
- xiii. warrants that where the Applicant is under the age of 18 years, or where an Application is being lodged in the name and for the benefit of a minor, the Applicant is the parent/s or legal guardian/s of the minor;
- xiv. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Company or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Offer Securities, and, or his/her Application;
- xv. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- xvi. represents that the Applicant is not a U.S. Person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the U.S., its territories or its possessions, or any area subject to its jurisdiction or on behalf or for the account of anyone within the U.S. or anyone who is a U.S. Person;
- xvii. agrees that the advisers to the Company listed in section 4 of the Registration Document will owe the Applicant no duties or responsibilities (fiduciary or otherwise) concerning the Offer Securities or the suitability thereof to the Applicant;
- xviii. agrees that all documents in connection with the Combined Offer will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- xix. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Company against any amount due under the terms and conditions of the Offer Securities.

11. ADDITIONAL INFORMATION

All the advisers to the Company named in the Registration Document under the heading 'Advisers' in sub-section 4.1 thereof have acted and are acting exclusively for the Company in relation to this admission to listing and trading.

Save for the financial analysis summary set out as Annex III, the Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of M.Z. Investment Services Limited (a private limited liability company registered in Malta, having company registration number C 23936), which has given and has not withdrawn its consent to the inclusion of such report herein.

M.Z. Investment Services Limited does not have any material interest in the Company. The Company confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The business address of M.Z. Investment Services Limited is 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta.

Annex I - Authorised Financial Intermediaries

Name	Address	Telephone
APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR 4012	25603000
Bank of Valletta p.l.c.	Premium Banking Centre, 475, Triq il-Kbira San Guzepp St Venera SVR 1011	22751732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688688
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
FINCO Treasury Management Ltd	The Bastions, Office No 2, Emvin Cremona Street, Floriana FRN 1281	21220002
Hogg Capital Investments Ltd	Nu Bis Centre, Mosta Road, Lija LJA 9012	21322872
Jesmond Mizzi Financial Advisors Ltd	67 Level 3, South Street, Valletta VLT 1105	21224410
Lombard Bank Malta p.l.c.	67, Republic Street, Valletta VLT 1117	25581806
MeDirect Bank (Malta) p.l.c.	The Centre, Tigne` Point, Sliema TPO 0001	25574400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0A St Marta Street Victoria, Gozo VCT 2550	22587000
MZ Investment Services Ltd	61, St. Rita Street, Rabat RBT 1523	21453739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Fourth Floor, High Street, Sliema SLM 1551	22583000

Please read the notes overleaf before completing this Application Form. **Complete in BLOCK LETTERS and Mark 'X' where applicable.**

APPLICANT (see notes 2 to 6)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
MSE A/C NO. (mandatory)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE (mandatory)	COUNTRY OF ISSUE (mandatory)
LEI (Legal Entity Identifier) (If applicant is NOT an Individual)		DATE OF BIRTH (mandatory)	NATIONALITY (mandatory)
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			MOBILE NO. (mandatory for e-portfolio)

ADDITIONAL (JOINT) APPLICANTS (see note 3)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY (see notes 4, 7 & 8)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9 to 10):

NUMBER OF ORDINARY 'A' SHARES IN FIGURES	NUMBER OF ORDINARY 'A' SHARES IN WORDS
--	--

Ordinary 'A' Shares in AX Real Estate p.l.c. with a minimum of 5,000 Ordinary 'A' Shares and in multiples of 100 Shares thereafter at a price of €0.60 per Ordinary 'A' Share save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply (the "Offer Price") as defined in the Prospectus dated 6 December 2021 (the "Prospectus"), payable in full upon application and subject to the terms of: (a) the Prospectus, including the terms and conditions of the Share Offer; and (b) the memorandum and articles of association of AX Real Estate p.l.c.

AMOUNT PAYABLE
€

PAYMENTS (IF APPLICABLE) ARE TO BE MADE INTO (see note 10 & 11)

BANK	IBAN
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I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Ordinary 'A' Shares as contained therein which I/we fully accept.

I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Ordinary 'A' Shares in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor)

(All parties are to sign in the case of a joint Application)

(Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)

Date

AUTHORISED INTERMEDIARY'S STAMP

AUTHORISED INTERMEDIARY'S CODE

APPLICATION NUMBER

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 6 December 2021 regulating the Share Offer forming part of the Combined Offer.

1. This Application is governed by the Terms and Conditions of the Offer contained in Section 6 of the Securities Note dated 6 December 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must provide their passport number.
3. Applicants are to provide the required personal details. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given but **the first named Applicant shall, for all intents and purposes, be deemed to be the registered holder of the Ordinary 'A' Shares (vide note 6 below).**

Upon submission of an Application Form, Applicants who opt to have an online e-portfolio facility, will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Ordinary 'A' Shareholders' statement of holdings evidencing entitlement to Ordinary 'A' Shares held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account with the MSE. Any Ordinary 'A' Shares allocated pursuant to such an Application shall be registered in the name of the minor as Shareholder, with dividend, if any, payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all dividends, if any, shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Full details of the parents/legal guardians must be provided.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be provided together with a valid Legal Entity Identifier ("LEI"). **Failure to provide a valid LEI code, will result in the Application not being accepted at the first instance by the Authorised Financial Intermediary. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
6. **APPLICANTS ARE TO PROVIDE AN MSE ACCOUNT NUMBER, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE..**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be provided.
8. Where an Applicant quotes an MSE account number which is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. Applications must be for a minimum subscription of 5,000 Ordinary 'A' Shares and in multiples of 100 Ordinary 'A' Shares thereafter.
10. The Offer Period will open at 08:30 hours on 10 January 2022 and will close at 16:00 hours on 21 January 2022, or earlier as may be determined by the Issuer. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Ordinary 'A' Shares than those applied for, the monies equivalent to the number of Ordinary 'A' Shares not being accepted will be returned by direct credit into the IBAN specified on this Application Form.
11. Dividends, if any, will be paid by direct credit to the bank account (which must be in Euro and held with a local bank) bearing a valid IBAN as provided by the Applicant and indicated in this Application Form, or to such other bank account indicated by the Ordinary Shareholder to the MSE.
12. The Company reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Combined Offer as contained in the Prospectus dated 6 December 2021.
13. By completing and delivering an Application Form you, as the Applicant/s acknowledge that:
 - a. the Company or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - b. the Company may process such personal data for all purposes necessary for and related to the Shares applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Company. Any such requests must be made in writing and addressed to the Company. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. Prior to purchasing Ordinary Shares, an investor should consult an independent financial adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

APPLICANT (see notes 2 to 6)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME	
MSE A/C NO. (mandatory)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE	COUNTRY OF ISSUE
LEI (Legal Entity Identifier) (If applicant is NOT an Individual)	DATE OF BIRTH	NATIONALITY	MOBILE NO.
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			

ADDITIONAL (JOINT) APPLICANTS (see note 3)

(please use Addendum to Application Form if space is not sufficient)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY (see notes 4, 7 & 8) (to be completed **ONLY** if applicable)

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
		NATIONALITY

I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9):

AMOUNT IN FIGURES €	AMOUNT IN WORDS
------------------------	-----------------

AX Real Estate p.l.c. 3.50% Unsecured Bonds 2032 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 6 December 2021 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. **Applications for Bonds are to be accompanied by an AX Real Estate p.l.c. Offer Shares application for a minimum of 5,000 Ordinary 'A' Shares, unless the Bond application is equal to or exceeding €250,000.**

RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION (see note 10) (to be completed **ONLY** if the Applicant is a resident of Malta)

<input type="checkbox"/> I/We elect to receive interest NET of FWT.	<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without FWT.)
---	---

NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see notes 2 & 11) (to be completed **ONLY** if the Applicant is a non-resident)

TAX COUNTRY	CITY OF BIRTH
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH
<input type="checkbox"/> NOT resident in Malta but resident in the European Union	<input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union

PAYMENTS (IF APPLICABLE) ARE TO BE MADE INTO (see note 12 & 13) (completion of this panel is **MANDATORY**)

BANK	IBAN
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I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Bonds as contained therein which I/we fully accept.

I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s
 (Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
 (All parties are to sign in the case of a joint Application)
 (Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)

Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP	AUTHORISED FINANCIAL INTERMEDIARY'S CODE	APPLICATION NUMBER
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Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 6 December 2021 regulating the Bond Issue forming part of the Combined Offer

1. This Application is governed by the Terms and Conditions of the Bond Issue contained in section 6 of the Securities Note dated 6 December 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must provide their passport number and provide relevant details for tax declaration purposes.
3. Applicants are to provide their full personal details. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given but the first named applicant shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility, will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Company has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Full details of the parents/legal guardians must be provided.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be provided together with a valid Legal Entity Identifier ("LEI"). **Failure to provide a valid LEI code, will result in the Application not being accepted at the first instance by the Authorised Financial Intermediary. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
6. **APPLICANTS ARE TO PROVIDE AN MSE ACCOUNT NUMBER, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE.**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be provided.
8. Where an Applicant quotes an MSE account number which is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro. **This Bond application is to be accompanied by an AX Real Estate p.l.c. Offer Shares application (forming part of the Combined Offer) for a minimum of 5,000 Ordinary 'A' Shares, unless the Bond application is equal to or exceeding €250,000.**
10. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Company will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund will have final withholding tax (currently 10%), deducted from interest payments.

In terms of section 7.4 of the Securities Note, unless the Company is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).
11. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of notes 10 and 11 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account as provided by the Applicant and indicated on this Application Form or as otherwise amended by the Bondholder/s during the term of the Bond.
13. The Offer Period will open at 08:30 hours on 10 January 2022 and will close at 16:00 hours on 21 January 2022, or earlier as may be determined by the Issuer. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified on this Application Form.
14. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Company or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - b. the Company may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Company.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the laws of Malta), for advice.

Financial Analysis Summary

06 December 2021

Issuer

AX Real Estate p.l.c.



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors
AX Real Estate p.l.c.
AX Group, AX Business Centre,
Triq id-Difiza Civili
Mosta MST 1741
Malta

06 December 2021

Dear Sirs

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 the financial analysis is that of summarising key financial data appertaining to AX Real Estate p.l.c. (the “**Company**” or “**AX Real Estate Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the period 6 June 2019 (being date of incorporation) to 31 October 2019 and for the financial year ended 31 October 2020 has been extracted from audited financial statements of the Company for the period/year in question.
- (b) Pro forma consolidated statement of financial position of the Company as at 30 April 2021.
- (c) The projected data for the years ending 31 October 2021, 31 October 2022, 31 October 2023, 31 October 2024 and 31 October 2025 has been provided by management.
- (d) Our commentary on the results of the AX Real Estate Group and on its financial position is based on the explanations provided by management.
- (e) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of such companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.



MZ INVESTMENT SERVICES

The Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the AX Real Estate Group. 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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 Company's securities.

Yours faithfully,

Evan Mohnani

Senior Financial Advisor

MZ Investment Services Ltd

63, St Rita Street,

Rabat RBT 1523,

Malta

Tel: 2145 3739

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PART 1 – INFORMATION ABOUT THE COMPANY

1. COMPANY'S KEY ACTIVITIES

As at the date of this Report, the Company is a wholly owned subsidiary of AX Group p.l.c. and acts as the holding company of the Real Estate division within the AX Group. In the current financial year, the AX Group completed a group reorganisation with the ultimate aim of consolidating its property letting activities into one, newly formed real estate division, the holding entity of which is the Company.

Pursuant to a securities note dated 06 December 2021, the Company is offering 25% of its ordinary 'A' shares for subscription by the general public, which will represent on issue 11.77% of the Company's aggregate ordinary share capital (comprising ordinary 'A' shares and ordinary 'B' shares). In the case that the over-allotment option of €10,000,000 is exercised, the net proceeds will be utilised to repay further amounts owed to the AX Group. The Company will also be issuing €40,000,000 3.5% unsecured bonds maturing in 2032.

The Company 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 the holding entity of the AX Real Estate Group, the Company is economically dependent on the financial position and performance of its Subsidiaries.

The AX Real Estate Group is involved in the letting of properties to the AX Group and to a lesser extent, third parties. A description and analysis of the operational activities and performance of the AX Group is included in the last published financial analysis report which is available on the website of the AX Group (<https://axgroup.mt/investment/>).



2. DIRECTORS AND SENIOR MANAGEMENT

2.1 BOARD OF DIRECTORS

The Company is managed by a Board consisting of seven directors who are entrusted with the overall direction, administration and management of the Real Estate division. The Board currently consists of one executive director, who also occupies the role of Chief Executive Officer, and six non-executive directors of whom three are independent.

Angelo Xuereb	Non-Executive Chairman
Denise Micallef Xuereb	Executive Director and Chief Executive Officer
Michael Warrington	Non-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 Executive Director forms part of the Company's executive team entrusted with the day-to-day management of the Group. The Executive Director is supported in this role by several consultants and key management, and benefits from the know-how gained by members and officers of the AX Group.

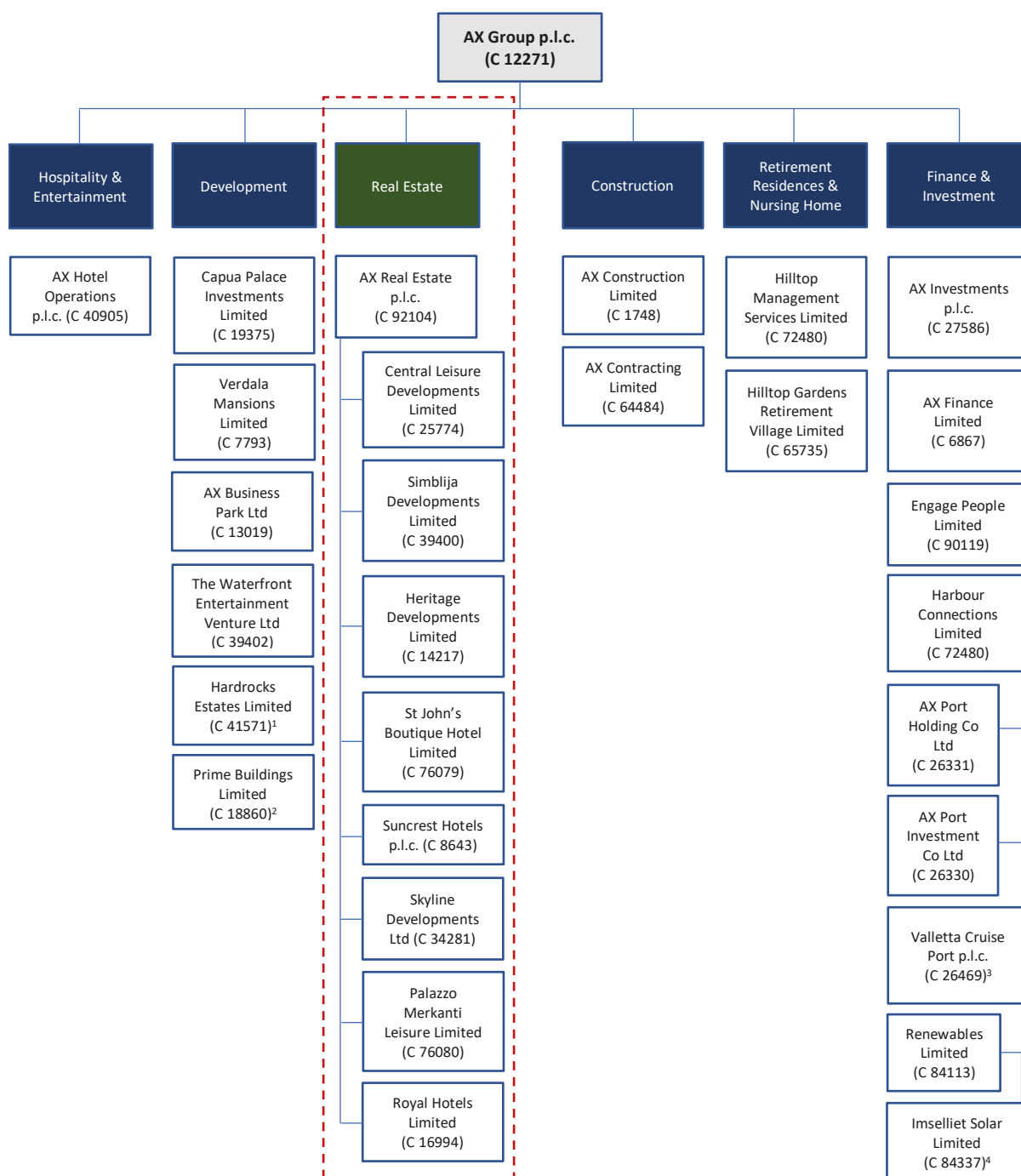
The executive team is composed of the following individuals:

Denise Micallef Xuereb	Chief Executive Officer
Joseph Borg	Chief Financial Officer



3. ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the AX Real Estate Group as at the date of this report, indicating the position of the Company and the Real Estate division within the AX Group.



¹ 51% ownership

² 75% ownership

³ 36% ownership

⁴ 33.3% ownership



4. MAJOR ASSETS OWNED BY THE GROUP

The table below provides a summary of the properties held by the AX Real Estate Group on a pro forma basis as at 30 April 2021 (classified as 'investment property' in the statement of financial position), valued at €231,125,000.

AX REAL ESTATE PLC Group Assets		30 Apr'21 €'000
Sliema Hotels (The Palace Hotel and The Victoria Hotel)		72,750
Qawra Hotels (Seashells Resort at Suncrest, Sunny Coast Resort & Spa and Luzzu Complex)		73,480
Valletta Hotels (Saint John's Boutique Hotel and Rosselli Hotel)		16,010
Part of the Verdala Site earmarked for the proposed Grand Hotel Verdala and Virtu Heights		8,630
Simblija Care Home & Hilltop Gardens Retirement Village		36,870
Targa Gap Complex, Mosta		11,830
Hardrocks Business Park (8 warehouses, an office block and a plot of land)		6,950
Office space at Falcon House, Sliema		4,320
Blackstead Garage		285
		231,125

Source: Consolidated pro forma statement of financial position of AX Real Estate p.l.c.

A brief description of each property is provided below.

4.1 SLIEMA HOTELS

The Palace Hotel is a luxurious 144-room five-star city hotel located in a prime location in Sliema, offering a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2007, marks 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, namely: TemptAsian, The Tabloid, and Talk of Town Café, an outdoor infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, spa and health and fitness centre. The hotel has an underground car park common with The Victoria Hotel.

The Victoria Hotel is a 142-room classical Victorian-style hotel located in the heart of Sliema. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997 and was last refurbished in 2018. The hotel features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre and multi-purpose conference halls.



It also houses the Copperfield restaurant and the Penny Black bar. The hotel has an underground car park accessible from the entrance to The Palace Hotel car park which can accommodate 108 cars.

The proximity between The Palace Hotel and The Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiency, and ultimately operating profits.

Terms of intra-group lease agreement

The Sliema Hotels are leased by Central Leisure Developments Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee). In turn, AX Hotel Operations p.l.c. sub-leases the spa, gym and a shop to independent third-party operators. The lease agreement entered into with AX Hotel Operations p.l.c. is subject to the following terms:

- (a) the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component ;
- (d) the obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Sliema Hotels to independent third parties, once it obtains the lessor's consent.

4.2 QAWRA HOTELS

The Seashells Resort at Suncrest is a four-star hotel located on the Qawra waterfront, featuring 452 rooms designed in a contemporary style, the Carisma Spa and Wellness International Centre, a large outdoor swimming pool and lido, and various food and beverage outlets. The hotel opened for business in 1986 and has undergone extensive refurbishment in 2015, at a total cost of *circa* €7 million, as a result of which all rooms were completely refurbished.

The Sunny Coast Resort and Spa is a 92-room four-star aparthotel situated in Qawra that offers serviced self-catering apartments, with resort facilities on the Qawra coast. It occupies a gross floor area measuring approximately 6,000 sqm. The property has operated in the vacation ownership market since 1983 but will cease such activity on expiration of the timeshare contracts in December 2021. The Sunny Coast Resort and Spa features two restaurants which are leased out to independent third party operators, indoor and outdoor pools, spa and leisure facilities, and a fitness centre.

The Sunny Coast Lido is a facility that forms part of the Sunny Coast Resort and Spa, consisting of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities leased out to third parties.

The Luzzu Complex, which occupies a gross floor area of *circa* 2,250 sqm, comprises a seaside restaurant known as the 'Luzzu Restaurant,' a beach club (namely the 'Luzzu Lido') and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.



Terms of intra-group lease agreement

The Qawra Hotels, with the exception of the outlets that are sub-leased to third parties as indicated above, are leased by Suncrest Hotels p.l.c. (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Qawra Hotels to independent third parties, once it obtains the lessor's consent.

Qawra Project

The AX Group has developed a master plan for the redevelopment of the Qawra Hotels, which project is expected to be phased over a number of years as further explained hereunder.

Phase 1

Suncrest Hotels p.l.c. is in possession of a full development permit to extend the Seashells Resort at Suncrest by adding four additional floors to the existing structure, which will increase the number of rooms of the hotel to 618, as well as new pools, restaurants, bars and other facilities to the hotel. The AX Group plans to upgrade the standard of the hotel to a high level in line with the objectives of the master plan to develop its Qawra Hotels into a key destination.

Simultaneously with the extension to the hotel, the lido at the Seashells Resort at Suncrest will be demolished and redeveloped subject to a full development permit being obtained from the competent authorities. The new lido will include an underground car park, part of the project for the development of a large carpark accommodating 350 cars under the three lidos owned by the AX Group. The new lido will also include a large pool that will eventually form part of a series of laguna pools over the three lido areas, as well as the restaurants and bars operated by the AX Hotels brand.

The aforementioned development has commenced in November 2021 and is expected to be completed by March/April 2023 at a cost of *circa* €52 million, with the hotel assumed to be re-opened by May 2023.



Phase 2

Hotel Resorts Limited (now merged into Suncrest Hotels p.l.c.) has applied for a full development permit for the development of the Sunny Coast Resort & Spa and an outline development permit for the Sunny Coast Lido and Luzzu Complex.

The proposed development of the Sunny Coast Resort & Spa will see the demolition of the existing building and its rebuilding into a 200-unit aparthotel with food and beverage and leisure facilities.

There are presently no firm timelines for the commencement of these works but subject to obtaining the necessary full development permits and the necessary finances and resources are available for the works to commence, it is envisaged that this shall commence within the next five years.

4.3 VALLETTA HOTELS

St. John's Boutique Hotel Limited (C 76079) is the owner of the Saint John's Boutique Hotel, a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant's residence and shop, the Saint John's Boutique Hotel was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of the 19 rooms exudes an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and the latest in-room technology. The boutique hotel features two private meeting rooms accommodating 16 in-theatre style or eight as a board room, ideal for the frequent business traveller who needs to make use of desk space in an office-like setting during his stay. The Saint John's Boutique Hotel is also home to two catering establishments, namely 'Cheeky Monkey Gastropub' and 'Cheeky Monkey Creperie'.

Palazzo Merkanti Leisure Limited (C 76080) holds the Rosselli Hotel under the title of temporary emphyteusis, subject to an annual ground rent of €13,821.60. The 25-room five-star boutique hotel is one of the most prestigious old palazzos in the capital, receiving its first guests in May 2019. The Rosselli Hotel is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Aside from a three-level restaurant with varied cuisine genres, namely 'Under Grain', 'Grain' and 'Over Grain', offering customers refined culinary experiences on each level with 'Under Grain' having been one of the first of only five restaurants to have clinched a Michelin Star on the island, the boutique hotel has a rooftop terrace and swimming pool. Additionally, hotel butler service is on hand to provide a tailor-made experience for guests staying at the Rosselli Hotel.

Terms of intra-group lease agreement

The Saint John's Boutique Hotel is leased by St. John's Boutique Hotel Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee). The Rosselli Hotel is leased by Palazzo Merkanti Leisure Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

Each of the lease agreements is subject to the following terms:



- (a) the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Valletta Hotels to independent third parties, once it obtains the lessor's consent.

4.4 PROPOSED GRAND HOTEL VERDALA AND VIRTU HEIGHTS ANNEX SUITES

Royal Hotels Limited (C 16694) owns the land over which the Verdala Hotel will be developed. A full development permit for the proposed development has been obtained and work on the demolition of the former Grand Hotel Verdala has commenced.

Heritage Developments Limited (C 14217) has signed preliminary agreements to purchase four remaining apartments and thus acquiring full ownership of that part of the Verdala site known as Virtu Heights, which consists of a total of 19 apartments, to be subsequently developed into the Verdala Hotel Annex.

Proposed development

The project will see the dilapidated Grand Hotel Verdala being demolished and redeveloped into a 25-room five-star all-suite hotel, acting as the main hotel building housing all the main facilities for the proposed new luxury suites and the existing 19 Virtu Heights annex suites, which shall also be refurbished to a luxury standard. A multi-level communal pyramidal atrium shall include all the communal facilities and creates a physical and visual corridor from Triq ir-Rghajja to the ridge views overlooking Malta.

By reducing the overall height from the existing hotel by almost two storeys, the development will blend more harmoniously with the promontory. A system of terraces and voids on the ridge side of the building will mimic the natural forms of the rock strata, whilst the back elevations will have greater solidity to tie into the traditional façade typology found in the surrounding streets.

The project will also open up around 2,350 sqm of formerly developed space to the public through the introduction of public piazzas and open spaces. Furthermore, new vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rghajja.

Between the years 2005 and 2019, Heritage Developments Limited entered into 11 deeds of sale pursuant to which 11 out of the 19 apartments were sold to third parties: three of which were rescinded some time thereafter; four were re-acquired by Heritage Developments Limited from said third parties; and the remaining four form the subject of promise of sale/exchange agreements, pursuant to which Heritage Developments Limited will re-acquire the four apartments in exchange for four residential units (and car spaces) forming part of the Verdala Terraces, defined hereunder.



As part of the Group reorganisation exercise, Royal Hotels Limited has transferred a portion of land by virtue of a public deed in the acts of Notary Rosalyn Aquilina dated 28th October 2021 consisting in an area of 8,831 sqm from level -2 downwards and 9,470 sqm from level -1 upwards to a newly incorporated entity forming part of the AX Group, namely Verdala Terraces Limited (C 100344), on which residential units are intended to be developed by the AX Group (the “Verdala Terraces”).

The Verdala Hotel will be developed on the remaining portion of land owned by Royal Hotels Limited. As described above, Heritage Developments Limited owns Virtu Heights, which will be refurbished into the Verdala Hotel Annex.

Works commenced in August 2021 and it is estimated that the investment in the Verdala Hotel and the refurbishing of the Verdala Hotel Annex is estimated to cost €11.5 million.

Terms of intra-group lease agreement

Royal Hotels Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Royal Hotels Limited (in its capacity as lessor) will lease out the Verdala Hotel to AX Hotel Operations p.l.c. (in its capacity as lessee). Heritage Developments Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Heritage Developments Limited (in its capacity as lessor) will lease out the Verdala Hotel Annex to AX Hotel Operations p.l.c. (in its capacity as lessee).

Each of the lease agreements is subject to the following terms:

- (a) the lease term is 20 years with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Verdala Hotel to independent third parties, once it obtains the lessor’s consent.

4.5 SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE

Simblija Developments Limited (C 39400) owns the Hilltop Gardens Retirement Village and Simblija Care Home.

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



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, landscaped gardens and extensive facilities. The complex 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 services be provided at a charge, including cleaning, repairs and maintenance of apartments and 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.

Subject to obtaining the necessary development permits, it is the intention of the Group to construct 50 additional residential units across two additional floors intended for lease in line with the business model of the Hilltop Gardens Retirement Village. No specific date has been set for the commencement of works as of yet.

Terms of intra-group lease agreement

Simblija Developments Limited (in its capacity as lessor) leases the Simblija Care Home and Hilltop Gardens Retirement Village to Hilltop Management Services Limited (C 72480) (in its capacity as lessee), which is then sub-leased to Hilltop Gardens Retirement Village Limited (C 65735). Hilltop Management Services Limited also leases particular establishments within the village in favour of third parties.

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

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a fixed base rent;
- (c) the obligation for ordinary repairs and maintenance rests with the lessee, while the costs of new developments or extraordinary repairs rest with the lessor;
- (d) the right to sub-lease apartments within the Hilltop Gardens Retirement Village to residents who satisfy the residential criteria;
- (e) the lessee may only sub-lease outlets and facilities to independent third parties, once it obtains the lessor's consent.



4.6 TARGA GAP COMPLEX MOSTA

Skyline Developments Ltd (C 34281) owns the Targa Gap Complex in Mosta. The complex which has been built to a high level of finishes and specifications; consists of two blocks of residential apartments, namely the 'Clover' block and the 'Springfield' block. As at the date hereof, the majority of units in the 'Clover' block have been sold to third parties, two will be retained by Skyline Developments Ltd and leased to third parties. Those in 'Springfield' block have also been retained and are currently leased to independent third parties.

The complex also includes the AX Business Centre which houses the 'AX Group Head Office' as well as two separate offices at ground floor level one of which is currently leased to an independent third party. The complex also includes four floors of underground car park. A number of garages in the car park have been sold to owners of the apartments in 'Clover' block. A photovoltaic plant has been installed on the roof of the property.

Terms of intra-group lease agreement

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

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a fixed base rent; and
- (c) the obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs rest with the lessor.

4.7 PROPERTIES AT HARDROCKS BUSINESS PARK

The Company has constructed nine warehouses and an office block at the Hardrocks Business Park. Six of the warehouses are rented to independent third parties on a leasing period between four to fifteen years. Two warehouses and the office block, together with the underlying basement areas, are rented to AX Construction Limited (C 17438) for a term of 20 years and are used as the Company's offices and operating base. Another warehouse (with underlying basement) has been leased out by the Company in part to AX Group p.l.c. and in part to AX Construction Limited. The remaining area of the said warehouse which is currently unoccupied will be leased out to third parties. A third party leases the roof of the warehouses and office blocks.

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 on two levels, of which 80% is leased to a third party. The remaining 20% of office space is currently vacant.

4.9 BLACKSTEAD GARAGE

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



5. ANALYSIS OF REVENUE

The table below analyses the Group's revenue for the historical and projected periods between the principal property categories:

AX Real Estate plc Analysis of Revenue							
	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Projection	FY2023 Projection	FY2024 Projection	FY2025 Projection
Hotel properties	-	-	335	5,583	9,754	13,956	14,954
Healthcare property	-	-	76	1,650	1,683	1,717	1,751
Targa Gap Complex	-	-	20	605	609	613	617
Other properties	19	244	292	623	664	681	700
Rental income	19	244	723	8,461	12,710	16,967	18,022
Proceeds from sale of property	-	-	-	610	455	455	-
Total revenue	19	244	723	9,071	13,165	17,422	18,022
Rental income by tenant							
Income from AX Group companies	19	97	525	7,754	11,968	16,245	17,284
Income from third party tenants	-	147	198	707	742	722	738
Rental Income	19	244	723	8,461	12,710	16,967	18,022

Source: Management information.

The revenue of the Company over the historical period relates to income on investment property leased out to other entities. Revenue increased to €243,673 in 2020 compared to €19,355 over the 5-month period ending 31 October 2019. During the financial year ending 31 October 2020, 61% of revenue related to lease income from related parties. During the afore-mentioned historical period, the Company did not have any underlying subsidiaries or investments in associated undertakings.

The Group reorganisation was mainly conducted during Q4 2021 and as such, revenue for the said financial year reflects income of the Company for the full year and revenue generated by the subsidiaries acquired in the last quarter of FY2021.

The Group's total revenue is projected at €9.1 million in FY2022, increasing gradually to €18.0 million by FY2025. The principal driver of the projected growth relates to rental income from hotel properties which is projected to increase from €5.6 million in FY2022 to €15.0 million in FY2025. Rental income from hotel properties is based on a fixed component and a variable rent structure linked to the revenue of each property. Such projected revenue is based primarily on the historical revenue generation of the hotels in the financial years ended 31 October 2018 and 2019, which were the last full financial years prior to the onset of the COVID-19 pandemic. The assumption is that of a gradual recovery from the effects of COVID-19 with hotel revenue returning to pre-pandemic levels by 2023-24.

In FY2021, the Group initiated the extension and refurbishment of the Suncrest Hotel in Qawra which will extend the hotel's room capacity to 618 rooms by the addition of 4 new floors. It will also allow the hotel to expand its amenities particularly in terms of the food and beverage outlets and lido



facilities. In terms of the lease agreement with the Company, the projections assume that the rental charge portion relating to the Suncrest Hotel will be waived during the period of development and resume once the hotel recommences operations in mid-2023.

Furthermore, the Group is expected to undertake the development of the Verdala Hotel between 2021 and 2023, with the hotel assumed to be operational as from FY2024. The Hotel will be operated by AX Operations in terms of its lease agreement with the AX Real Estate Group. This lease agreement also includes 19 residential apartments forming part of the existing “Virtu Heights” building, which will be utilised by AX Operations as serviced apartments.

Additional revenue in the projected period is also expected from the Rosselli Hotel in Valletta which only opened in June 2019.

The projected rental income from properties other than hotel properties is based on the provisions of the rental agreements that are in place at the time of the preparation of the projections. Any rental agreements that expire in the projection period are assumed to be renewed at the existing terms.

The Healthcare Complex is subject to a long-term lease agreement with Hilltop Management Services Limited, that operates the complex. The agreement provides for fixed rental income with annual increments.

The Targa Gap Complex in Mosta includes a mix of office space, residential units and garage spaces. The vast majority of the office space (including garage spaces) in this building is subject to a long-term agreement with the AX Group. The office space and garage spaces that are currently vacant are assumed to be rented in FY2022.

‘Other properties’ comprise the Hardrock Warehouses in Burmarrad, the Falcon House offices in Sliema and a garage in Naxxar known as Blackstead Garage. The Group’s warehouses within the Hardrocks Complex in Burmarrad are currently rented either to other AX Group companies or to third parties. A plot of land on this site is currently being developed into new warehouse space and the projections assume that this development will be completed and leased out during FY2022. The office space at Falcon House and the Blackstead Garage are both subject to lease agreements in place with third parties.

The projected revenue from the sale of property relates to the assumed disposal of residential and garage spaces at the Targa Gap Complex and which are held as inventory. No other future sales of properties are projected to be effected by the AX Real Estate Group.

6. BUSINESS DEVELOPMENT STRATEGY – CONVERGENCE WITH THE AX GROUP

6.1 ETHOS OF THE AX GROUP AND THE AX REAL ESTATE GROUP

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the AX Group’s ethos of ensuring a proper balance between effective organisational practices and procedures, together with the investment in its human capital resources driven by a core executive management team made up of market leaders in their respective areas.



The AX Group believes that investment in immovable property in good locations and to high standards of design tailored to the operation of innovative business models and concepts provides high return on investment over the long term.

This same business philosophy has been adopted by the AX Real Estate Group, which also recognises the opportunities for return provided by judicious real estate investment and sees the AX Group's operating companies as an important customer for its investments. The intention is to retain alignment between the two groups' business strategies so that one complements and supports the other, with the main underpinning to these common strategies being a common ethos driving the business.

One of the main contributors which has led towards the successful history of growth experienced by the AX Group has been the segregation of asset owning and operating functions to enable individual subsidiaries to focus on their core objectives and to share the knowhow, experience and resources to avoid duplication of effort and cost. It is the intention of the Company to replicate this proven strategy and extend it to the Company's business.

6.2 ORGANISATIONAL PRACTICES AND PROCEDURES

The Company shall implement a combination of organisational checks and balances designed, on the one hand, to identify, evaluate and ultimately mitigate risk and, on the other hand, to explore and exploit business opportunities.

These policies, procedures, controls and systems shall be reviewed from time to time in order to reflect new operational and market realities, ensuring that the Company evolves in tandem with the latest developments in a timely manner, seeking to pre-empt challenges and maximise potential. Business plans, financing arrangements, marketing tools and other key aspects of the day-to-day business and operations of the Company are prepared, evaluated and subsequently scrutinised by the competent members of the executive team.

6.3 GROWTH STRATEGY

The Company shall focus its energies on strengthening its business and developing its structures/Furthermore, the various divisions of the AX Group have diversified their markets and business delivery, and marketing strategies have been developed and implemented for each of its properties depending on the location and nature of the property.

Since March 2020, the hospitality industry has been impacted by the COVID-19 pandemic due to a temporary decline in travel demand, which affected the operation of the operators of the properties within the Hospitality Group. A gradual return to normality has been experienced since June 2021 and the Company is optimistic that the hotel industry in Malta will perform positively in the years to come, thereby giving the operators of the Hospitality Properties the stability required to ensure payment of rent when due. The AX Group believes the AX Group Hospitality Properties currently have the right management and resources to successfully grow the business units and potentially take on others.

Similarly, the construction division of the AX Group, which leases its offices at the Hardrocks Industrial Park from the Company has grown rapidly following a restructuring of the business. This growth is



supported by the strong performance at a national level of the construction and development sectors as well as specific measures taken in order to respond to the continuing challenges involved in operating in the construction industry.

6.4 HUMAN RESOURCE MANAGEMENT

The Company believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives and the retention of key talent is at the core of the Company's philosophy.

The Company intends to utilise as per a contracted services agreement, the services of a number of Departments within the AX Group including those of the Human Resource Department with a view to avoid duplication of resources and the associated costs. For this reason the Company will have a lean organisation structure and only directly engage personnel where this is specifically necessary to further its business interests.

The AX Group, which shall be provided such services to the Company, operates the 'AX Academy' specialising in training and development personnel, and set up its own recruitment agency focused on long-term human resources planning and finding the appropriate candidates to further strengthen its leadership and operating teams. The Company, through the above-mentioned Services Agreements, shall be entitled to partake to the resultant expertise and resources.

7. FUTURE DEVELOPMENT

The Company will actively seek to acquire properties which are of high standard and which lend themselves to being used for activities of the Subsidiaries or by independent third parties, for rent at market rates. Such properties will need to meet the criteria and high standards of design and functionality in line with the philosophy of the AX Real Estate Group and the AX Group.

In addition, where applicable planning laws allow, the AX Real Estate Group will seek to obtain permits to extend or redevelop its real estate assets in line with the business requirements from time to time.

The AX Real Estate Group will maintain its properties to a high standard to optimise the economic returns from such investments.

8. MARKET OVERVIEW

8.1 ECONOMIC UPDATE

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, the authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put



Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.¹

Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

The authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over

¹ International Monetary Fund – Malta (IMF Country Report No. 21/211, September 2021).



the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.



PART 2 – GROUP PERFORMANCE REVIEW

9. PRO FORMA FINANCIAL INFORMATION RELATING TO AX REAL ESTATE PLC

As at 30 April 2021, the Company did not have any underlying subsidiaries or investments in associated undertakings. The financial information set out in this review represents pro forma consolidated financial information and presents the position of the Group post-completion of the Group Reorganisation as at 30 April 2021. Accordingly, the pro-forma financial information illustrates the Group's statement of financial position as it would have been in the hypothetical situation that these assets were transferred as at 30 April 2021 ("April 2021PF").

AX Real Estate plc

Pro forma consolidated statement of financial position

As at 30 April 2021

	Company	Adjustments					Group
	(i)	(ii)	(iii)	(iv)	(v)		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS							
Non-current assets							
Investment property	6,609	247,102	(22,586)				231,125
	6,609	-	247,102	(22,586)	-	-	231,125
Current assets							
Inventories		1,193					1,193
Trade and other receivables	179	708					887
Cash and cash equivalents		49	1,285				1,334
	179	49	3,186	-	-	-	3,414
Total assets	6,788	49	250,288	(22,586)	-	-	234,539
EQUITY							
Capital and reserves							
Issued ordinary 'A' shares	1	49			12,450		12,500
Issued ordinary 'B' shares				18,750			18,750
Capital contribution	3,500	(3,500)		31,250			31,250
Retained earnings	248	36,277			(12,450)		24,075
Revaluation reserves		60,766	(21,540)				39,226
Other reserves		331					331
	3,749	49	93,874	(21,540)	50,000	-	126,132
LIABILITIES							
Non-current liabilities							
Bank borrowings		8,713					8,713
Amounts owed to related parties		124,316		(50,000)			74,316
Deferred tax liability		21,643	(1,046)				20,597
	-	-	154,672	(1,046)	(50,000)	-	103,626
Current liabilities							
Bank borrowings		2,822					2,822
Trade and other payables	3,039	(1,080)					1,959
	3,039	-	1,742	-	-	-	4,781
	3,039	-	156,414	(1,046)	(50,000)	-	108,407
Total equity and liabilities	6,788	49	250,288	(22,586)	-	-	234,539



The following is a description of the pro forma adjustments made to the financial position of the Company as at 30 April 2021:

- i. Being the increase in the issued share capital of the Company by virtue of an issue and allotment of shares effected in favour of AX Group p.l.c. of an additional 195,200 ordinary shares of a nominal value of €0.25 each;
- ii. Being the consolidated assets and liabilities upon the business combination, hypothetically taking place on 30 April 2021, involving Central Leisure Developments Limited, Suncrest Hotels plc, Palazzo Merkanti Limited, St John's Boutique Hotel Limited, Heritage Developments Limited, Royal Hotels Limited, Simblija Developments Limited and Skyline Developments Limited, following the acquisition of the shareholding of these entities by the Company from the previous shareholders, all being under common control of AX Group p.l.c. Further to this transaction, the Company will own 99.99% of the issued share capital of these entities, with the exception of 1 share in each entity held by AX Finance Limited;
- iii. Being the movement in fair value of the Estates Group property portfolio in line with the independent qualified architect's property valuation reports dated 19 November 2021, and the related deferred tax impact. The properties being valued are subject to the lease agreements described in section 4 of this report and the property values are being established through a discounted cash flow (DCF) method. The DCF method is based on the present value of expected rental income over the specific projected period and a discounted terminal value;
- iv. Being the capitalisation of amounts due by the Company to AX Group p.l.c. into ordinary 'B' shares;
- v. Being the declaration and distribution of an interim dividend from subsidiaries to the Company and subsequent capitalisation of retained earnings into ordinary share capital.

Following the Group Reorganisation, the Group's total assets amount to €234.5 million as at 30 April 2021PF (30 April 2021: €6.8 million) and comprise a number of investment properties with a fair value of €231.1 million. A summary of the investment property value as at 30 April 2021PF is included in section 4 of this report.

The Group also holds inventory balances of €1.2 million as at 30 April 2021PF which mainly represent properties held for resale within the Targa Gap Complex. Cash and cash equivalents of €1.3 million as at the date of this financial period are freely transferable and unencumbered.

The Group Reorganisation as at 30 April 2021PF is part financed through the issue of €50 million ordinary 'B' shares (at a premium) in favour of related parties. Ordinary 'B' shares do not hold any voting rights but are entitled to dividends and profit sharing as per ordinary 'A' shares.

The financial position of the Group as at 30 April 2021PF indicates that operations are mainly financed through equity and reserves, and a mix of bank borrowings and related party facilities.

As at 30 April 2021PF, the Group had aggregate bank facilities amounting to €11.5 million. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over various immoveable properties and by pledges over various insurance policies and guarantees given by AX



Group p.l.c. Such facilities bear interest at interest rates ranging from 3.25% to 5.15% p.a. as at 30 April 2021. No bank overdraft facilities have been utilised by the Company or its subsidiaries to date.

As at 30 April 2021PF, the AX Real Estate Group had two related party loans, one of which being the loan between AX Investments p.l.c. and Simblija Developments Limited in terms of which AX Investments p.l.c. advanced a portion of the net proceeds from the issue by AX Investments p.l.c. of €40 million bonds due 2024, to Simblija Developments Limited, for the purpose of constructing the Hilltop Gardens Care Home & Residences, the outstanding balance of which is currently €15.0 million. This loan bears interest at the rate of 6.25% per annum until FY2024 and thereafter interest at the rate of 3% per annum. Pursuant to an amendment and restatement agreement entered into between the parties, the interest payable on the outstanding balance will be deferred until the redemption date of the proposed new bond issue.

Another related party loan relevant to the AX Real Estate Group is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company pursuant to which €59.3 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from, *inter alia*, the Group Reorganisation and the assignment of certain debts by AX Group to the Company. The Company intends to partly settle the outstanding debt from the proceeds of the proposed share and bond offers, in the amount of *circa* €8.7 million, or in the event that the Company exercises the over-allotment option, in the amount of up to €18.7 million. Such agreement is unsecured and bears interest at 3%, which will be deferred.

As at 30 April 2021PF, the Group holds a deferred tax liability of €20.6 million in relation to timing differences on capital gains arising on the investment properties transferred into the Group following the reorganisation.

10. FINANCIAL INFORMATION RELATING TO AX REAL ESTATE PLC

The following financial information is extracted from the audited financial statements of AX Real Estate p.l.c. for the financial years ended 31 October 2019 and 31 October 2020. The consolidated financial information for the projected years 31 October 2021 to 31 October 2025 has been provided by Group management. The Group reorganisation was mainly conducted during Q4 2021. As such, financial information relating to years ended 31 October 2019 and 31 October 2020 reflect the performance of the Company, while financial information with respect to the year ended 31 October 2021 relates to the performance of the Company for the full year and that of the subsidiaries acquired in the last quarter of FY2021.

The projected financial statements are based on future events and assumptions which AX Real Estate Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between projections and actual results may be material. The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the balance sheet values.



AX Real Estate p.l.c. Statement of Comprehensive Income for the year ended 31 October							
	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	19	244	723	9,071	13,165	17,422	18,022
Operating expenses	(1)	(18)	(50)	(968)	(862)	(876)	(713)
Depreciation and amortisation	-	-	-	(148)	(48)	(48)	(48)
Operating profit	18	226	673	7,955	12,255	16,498	17,261
Finance costs	-	-	(70)	(4,417)	(4,131)	(3,587)	(3,530)
Profit before tax	18	226	603	3,538	8,124	12,911	13,731
Taxation	(4)	(68)	(194)	(1,287)	(2,496)	(3,316)	(3,587)
Profit for the year	14	158	409	2,251	5,628	9,595	10,144
Total comprehensive income	14	158	409	2,251	5,628	9,595	10,144

Key Accounting Ratios							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
Operating profit margin (Operating profit/revenue)	95%	93%	93%	88%	93%	95%	96%
Interest cover (times) (Operating profit/finance cost)	n/a	n/a	9.61	1.80	2.97	4.60	4.89
Net profit margin (Profit after tax/revenue)	74%	65%	57%	25%	43%	55%	56%
Earnings per share (€) (Profit after tax/number of shares)	11.67	131.67	0.00	0.01	0.02	0.03	0.04
Return on equity (Profit after tax/shareholders' equity)	93%	4%	0%	2%	4%	7%	7%
Return on capital employed (Op. profit/total assets less current liabilities)	0%	6%	0%	3%	4%	6%	6%
Return on assets (Profit after tax/total assets)	0%	2%	0%	1%	2%	3%	3%

Source: MZ Investment Services Ltd

Section 5 of this report provides an in-depth analysis of AX Real Estate Group's revenues during the historical financial years (FY2019 and FY2020) and expected to be generated throughout the 5-year projected period (FY2021 to FY2025).

Revenue in FY2021 is estimated at €0.7 million, which is reflective of the income expected to be generated by the Company for the full year as well as the income expected to be generated mainly in Q4 of the said financial year subsequent to the Group reorganisation. FY2022 is the first full year of operations wherein the AX Real Estate Group is projected to generate €9.1 million in rental income.

Projected revenue for FY2023 is assumed at €13.2 million, an increase of €4.1 million (+45%) from the prior year, mainly on account of the gradual return to pre-COVID 19 levels in the hospitality sector. A further increase of €4.2 million in revenue (to €17.4 million) is expected in FY2024 in consequence of the re-opening of the Seashells Resort at Suncrest and to a lesser extent the inauguration of the Grand Hotel Verdala. Thereafter, a 3% growth rate has been assumed for the purposes of the projections.



The operating profit margin in FY2021 is forecasted at 86% and is expected to increase to 95% in FY2024. As such, the trajectory of operating profits is broadly similar to that of Group revenues explained above. Interest cover is projected at 2 times in FY2022 and should improve significantly to 5 times by FY2024. Overall, the Group expects to generate a net profit of €2.3 million in its first full year. On the assumption that the Seashells Resort at Suncrest re-opens in FY2024 and that hospitality operations return to pre-COVID levels in the same year, the AX Real Estate Group's net profit in FY2024 is expected to amount to €9.6 million. As for FY2025, the Group is projected to increase y-o-y net profit by 6% to €10.1 million.

Projected dividends

The intention of the Directors is to sustain a strong dividend pay-out ratio. Subject to any unforeseen circumstances, the AX Real Estate Group is expected to distribute the majority of the Group's profit after taxation subject to the availability of cash and retaining a minimum cash balance of €1 million. With respect to the payment of dividend, it is projected that an interim dividend (50% of annual dividend) is paid in July and the final dividend (remaining 50% of annual dividend) is paid in January.

The Directors believe that this dividend policy is sustainable because full funding is in place for the capital projects planned for the short to medium term. Furthermore, most of the Group's borrowings relate to the amounts due to the AX Group that are not due for repayment in the next 10 years.

As illustrated in the table below, the AX Real Estate Group expects to regularly declare dividends to shareholders as from FY2022. The net dividend yield, which is based on the IPO price, is projected to progressively increase from 4.1% in FY2022 to 5.1% in FY2025.

AX Real Estate p.l.c. Projected Dividends for the year ended 31 October							
	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000	2022 Projection €'000	2023 Projection €'000	2024 Projection €'000	2025 Projection €'000
Profit for the year	14	158	409	2,251	5,628	9,595	10,144
Proposed dividends	-	-	-	6,936	7,075	7,955	8,625
Dividend payout as a % of annual profits	-	-	-	308%	126%	83%	85%
Dividend attributable to general public	n/a	n/a	n/a	816	832	936	1,014
Net dividend yield (based on IPO price) <i>(dividend/EUR 20,000,000)</i>	n/a	n/a	n/a	4.1%	4.2%	4.7%	5.1%



**AX Real Estate p.l.c. Statement of Financial Position
as at 31 October**

	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS							
Non-current assets							
Investment property	5,216	6,349	232,977	256,994	281,860	284,107	286,082
Other assets	9	-	100	432	384	336	288
	5,225	6,349	233,077	257,426	282,244	284,443	286,370
Current assets							
Inventories	-	-	1,193	897	720	543	543
Trade and other receivables	19	115	3,122	2,797	3,851	4,918	5,178
Cash at bank and in hand	-	-	15,457	26,169	1,314	1,520	1,808
	19	115	19,772	29,863	5,885	6,981	7,529
Total assets	5,244	6,464	252,849	287,289	288,129	291,424	293,899
EQUITY							
Ordinary A shares	1	1	12,509	16,676	16,676	16,676	16,676
Ordinary B shares	-	-	18,764	18,764	18,764	18,764	18,764
Capital contribution	-	3,500	-	-	-	-	-
Revaluation reserve	-	-	39,226	39,226	39,226	39,226	39,226
Share premium	-	-	31,236	45,470	45,470	45,470	45,470
Other reserves	-	-	331	331	331	331	331
Retained earnings	14	172	28,325	23,640	22,193	23,674	25,196
	15	3,673	130,391	144,107	142,660	144,141	145,663
LIABILITIES							
Non-current liabilities							
Bonds	-	-	-	40,000	40,000	40,000	40,000
Bank borrowings	-	-	23,693	7,270	5,802	4,289	3,541
Amounts due to AX Group companies	5,157	-	73,526	67,237	69,668	71,610	73,552
Trade & other payables	-	-	-	3,468	3,537	4,057	4,311
Deferred tax liabilities	-	-	20,597	20,597	20,597	20,597	20,597
	5,157	-	117,816	138,572	139,604	140,553	142,001
Current liabilities							
Borrowings	-	-	2,588	1,423	1,467	1,514	748
Trade & other payables	72	2,791	2,054	3,187	4,398	5,216	5,487
	72	2,791	4,642	4,610	5,865	6,730	6,235
Total liabilities	5,229	2,791	122,458	143,182	145,469	147,283	148,236
Total equity and liabilities	5,244	6,464	252,849	287,289	288,129	291,424	293,899

Key Accounting Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
Gearing ratio (<i>Net debt/net debt and shareholders' equity</i>)	100%	0%	39%	38%	45%	45%	44%
Gearing ratio 2 (times) (<i>Net debt/shareholders' equity</i>)	343.80	-	0.65	0.62	0.81	0.80	0.80
Net debt to EBITDA (years) (<i>Net debt/EBITDA</i>)	286.50	-	125.33	11.28	9.43	7.02	6.72
Net assets per share (€) (<i>Net asset value/number of shares</i>)	12.50	3,060.83	0.52	0.51	0.50	0.51	0.51
Liquidity ratio (times) (<i>Current assets/current liabilities</i>)	0.26	0.04	4.26	6.48	1.00	1.04	1.21

Source: MZ Investment Services Ltd



Total assets are projected at €252.8 million as at 31 October 2021 and principally include the investment property portfolio (carried at €233.0 million) and cash balances (€15.5 million). Total assets are projected to increase in the reviewed period to €293.9 million as at 31 October 2025. The principal movement reflects the deployment of the cash raised through the combined offer in the development of the Seashells Resort at Suncrest and the new Grand Verdala Hotel. The projections exclude any potential adjustments to the carrying amount of the investment property that may arise from the annual valuations of the portfolio.

The AX Real Estate Group's total liabilities are projected at €122.5 million as at 31 October 2021 which principally includes amounts due to the AX Group (€73.5 million), bank borrowings (€26.3 million) and deferred tax liabilities arising in connection with the revaluation of investment properties (€20.6 million). Total liabilities are projected to increase in the period to €148.2 million as at 31 October 2025 (+€25.7 million) primarily on account of the net increase in borrowings (being the addition of €40 million of bonds less repayment of borrowings).

The AX Real Estate Group's total equity is projected at €130.4 million as at 31 October 2021, including retained earnings of €28.3 million. In FY2022, it is assumed that total equity will increase by €13.7 million pursuant to the issue of €20 million of ordinary 'A' shares less distribution of dividends. The projections assume that the majority of profits generated in the period will be distributed as dividends and therefore the book value of the Group's equity is expected to increase marginally thereafter and reach €145.7 million as at 31 October 2025.

The gearing ratio is projected at 38% in FY2022 and stabilise thereafter at *circa* 45%. The Board's view is that this level of gearing provides sufficient headroom for the Group to cover existing financing obligations, and to support any further borrowing capacity if needed to take advantage of growth opportunities in the future.

**AX Real Estate p.l.c. Cash Flow Statement
for the year ended 31 October**

	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	67	-	(1,476)	4,154	6,009	9,572	10,204
Net cash from investing activities	-	-	(2,112)	(24,017)	(24,866)	(2,247)	(1,976)
Net cash from financing activities	(67)	-	17,711	30,575	(5,998)	(7,119)	(7,940)
Net movement in cash and cash equivalents	-	-	14,123	10,712	(24,855)	206	288
Cash and cash equivalents at beginning of year	-	-	1,334	15,457	26,169	1,314	1,520
Cash and cash equivalents at end of year	-	-	15,457	26,169	1,314	1,520	1,808
Free cash flow¹	67	-	(3,588)	(19,863)	(18,857)	7,325	8,228

¹ Free cash flow is arrived at by deducting capital expenditure from cash generated from operating activities.

The cash flows for the projected period indicate that the net proceeds from the combined offer (€58.7 million) are expected to be deployed to finance the capital expenditure relating to the Seashells Resort at Suncrest and the new Grand Verdala Hotel (*circa* €50 million), and to repay €8.7 million of existing intra-group loans. The afore-mentioned projects will therefore be substantially funded through these



proceeds with a minimal reliance on the AX Real Estate Group's projected cash generation. During the period FY2022 to FY2025, net cash used in financing activities comprise dividends paid to shareholders, interest payable and net repayment of borrowings.

Net cash flows from operating activities principally relate to the operations of the AX Real Estate Group, which are analysed in further detail in sections 5 and 6 of this report. Cash generated from the Group's operations is projected to increase from €4.2 million in FY2022 to €10.2 million in FY2025, which is reflective of the projected increase in profitability in this period.

Debt Securities issued by the AX Group

Below is a list of outstanding debt securities as at the date of this report.

Security ISIN	Amount Listed	Security Name	Currency
MT0000081233	40,000,000	6% AX Investments p.l.c. 2024	EUR
MT0002361203	15,000,000	3.25% AX Group plc 2026	EUR
MT0002361211	10,000,000	3.75% AX Group plc 2029	EUR

Source: Malta Stock Exchange



PART 3 – COMPARABLES

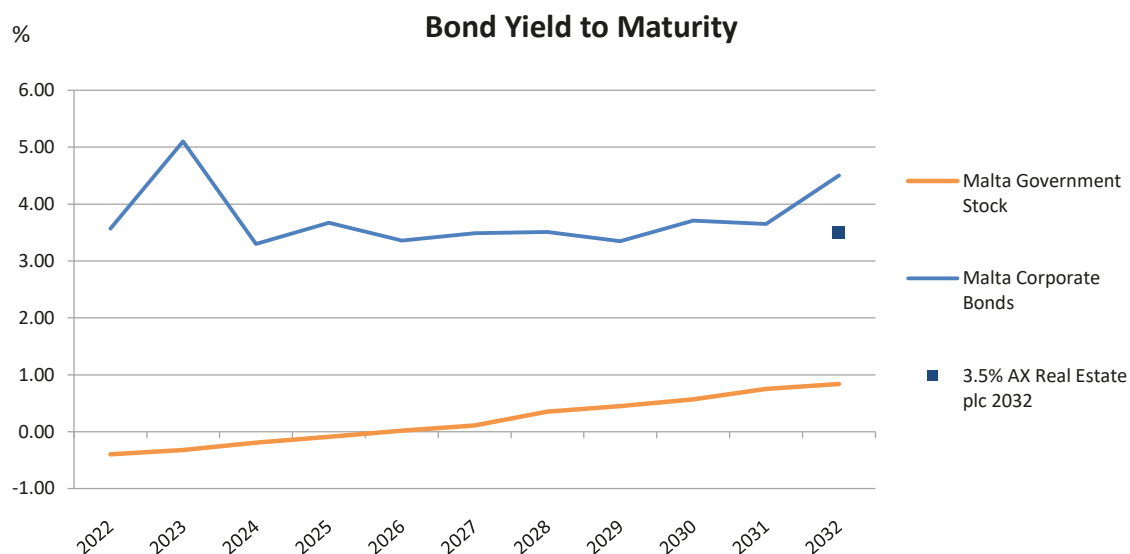
The table below compares the Company and its proposed bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)	
5.80% International Hotel Investments plc 2021	20,000,000	5.52	-	0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	29,218,400	3.57	2.24	103,895	15,134	73.44	
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	3.18	1.79	60,578	29,491	36.39	
4.25% GAP Group plc Secured € 2023	19,247,300	3.70	2.24	103,895	15,134	73.44	
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91	
5.80% International Hotel Investments plc 2023	10,000,000	5.00	-	0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.16	0.76	348,657	217,449	25.57	
6.00% International Hotel Investments plc € 2024	35,000,000	5.54	-	0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.30	3.66	100,350	50,297	48.12	
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.57	2.04	122,396	47,319	52.86	
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.30	3.09	135,492	45,574	27.66	
4.25% Best Deal Properties Holding plc Secured € 2024	14,341,100	2.88	-	27,453	4,128	81.72	
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.04	2.24	103,895	15,134	73.44	
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.64	-	0.61	1,544,099	773,176	41.87
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	4.21	7.33	160,836	54,602	29.84	
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.67	1.46	149,639	62,675	54.94	
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.36	3.16	43,383	5,522	81.61	
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	-	0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.30	-	0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22	
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.67	-	0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.77	0.76	348,657	217,449	25.57	
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.93	0.88	328,464	131,504	30.32	
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.49	-	0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.34	2.30	354,069	231,437	26.54	
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.51	3.44	624,222	106,811	78.42	
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.35	2.30	354,069	231,437	26.54	
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42	
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.32	0.76	348,657	217,449	25.57	
3.50% AX Real Estate plc Unsec Bds 2032	40,000,000	3.50	1.83	287,289	144,107	38.38	

01-Nov-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

1 November 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The bonds will have a yield of 3.50%, which is *circa* 100 basis points below other corporate bonds maturing in the same year. The premium over FY2032 Malta Government Stock is 266 basis points.



PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including rent receivable and related services.
Net operating expenses	Net operating expenses include the direct expenses and administrative costs.
Operating profit	Operating profit can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.



Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Free cash flow	Free cash flow is arrived at by deducting capital expenditure from cash generated from operating activities.

Balance Sheet

Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Such assets principally comprise investment properties.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, property for resale, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current 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 a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a Group's net debt by shareholders' equity plus net debt. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.



