AX REAL ESTATE

AX Real Estate p.l.c.

Investor Presentation

November 2021

www.axrealestate.mt

Important Information & Disclaimers

This presentation contains information about the business of, and the shares and bonds being offered by, AX Real Estate p.l.c. (the "Company"). This presentation and the information contained herein is subject to change at the Company's sole discretion.

The combined offer of shares and bonds by the Company is the subject of an application with the Malta Financial Services Authority for authorisation for admissibility to listing on the Official List of the Malta Stock Exchange. No shares and bonds shall be issued, nor shall any documents be released except on a confidential basis, without the prior approval of the Malta Financial Services Authority. Prospective investors are deemed to have knowledge of such facts.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors (the most material of which are annexed to this presentation) associated with an investment in the combined offer and the risks associated with the Company's business. If any risks materialise, the value of the shares and bonds offered by the Company, could be adversely affected. Furthermore, any forward-looking statements which involve projections and assumptions of future circumstances of the Company, are subject to a number of risks, uncertainties, assumptions and important factors that could cause actual risks to differ materially from the expectations of the Company's directors. No assurance is given that the future performance of the Company will align with the directors' current expectations.

This presentation is for information purposes only. Prospective investors should not make an investment decision based solely on this presentation and are advised to read the prospectus in its entirety, and in particular, all the risk factors set out therein, once this is approved by the Malta Financial Services Authority and published by the Company. Prior to making an investment in the combined offer, prospective investors should consult their own independent financial and other professional advisors.

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Background

- AX Real Estate p.l.c., a subsidiary of AX Group is seeking to raise new capital and debt in order to finance two key development projects for which permits were obtained in 2021. These projects are expected to be a major driver of the Company's future growth.

- The Verdala Hotel site and the Suncrest site are the sites of two major projects to be developed over the next three years. Both projects have been designed to be developed to the highest standards synonymous with the AX Group.

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AX Real Estate p.l.c.

- Company was formed in 2019. In 2021 a reorganisation of AX Group p.l.c. was undertaken with a view towards consolidating the ownership of a number of AX Group subsidiaries under one intermediate asset holding company being AX Real Estate p.l.c.

- These subsidiaries own immoveable properties consisting in hotels, a retirement village, and a residential and a commercial properties within the AX Group. The operations of the hospitality and healthcare offerings are managed by specific specialised companies within AX Group p.l.c. not forming part of the AX Real Estate p.l.c.

- AX Real Estate p.l.c. owns a portfolio of established, well known properties in Malta that have been recently developed or refurbished. All these properties benefit from steady revenue streams which emanates both from AX Group p.l.c. operating companies and third-party clients.

- AX Real Estate p.l.c. will be inviting interested parties to subscribe to a new share issue of €20m (subject to an over-allotment option of €10m) and €40m in unsecured bonds with the proceeds to be channelled towards funding the investment in the Verdala and Suncrest projects, as well as partly refinancing intragroup debt owing to AX Group p.l.c.

Group Structure

- **AX Group p.l.c.** C 12271
  - **AX Real Estate p.l.c.** C 92104
    - Falcon House Offices
    - Hardrocks Warehouses
    - **Royal Hotels Ltd** C 16994
      - Verdala Hotel
      - Rabat
    - **Heritage Developments Ltd** C 14217
      - Virtu Heights
      - Rabat
    - **Suncrest Hotels p.l.c** C 8643
      - AX Seashells Resort at Suncrest
      - AX Sunny Coast Resort and Spa
      - Luzzu Restaurant & Lido Complex
      - Qawra
    - **Skyline Developments Ltd** C 34281
      - Targa Gap Complex
      - Mosta
    - **Central Leisure Developments Ltd** C 25774
      - AX The Palace
      - AX The Victoria Hotel
      - Sliema
    - **Simblija Developments Ltd** C 39400
      - Hilltop Gardens
      - Simblija Care Home
      - Naxxar
    - **Palazzo Merkanti Ltd** C 25774
      - Rosselli - AX Privilege
      - Valletta
    - **St. John Boutique Hotel Ltd** C 76079
      - AX The Saint John
      - Valletta
  - Other AX Group Subsidiaries

Board of Directors

Angelo Xuereb
Chairman

Denise Micallef Xuereb
Executive Director / CEO

Dr. Christian Farrugia
Non-Executive Director

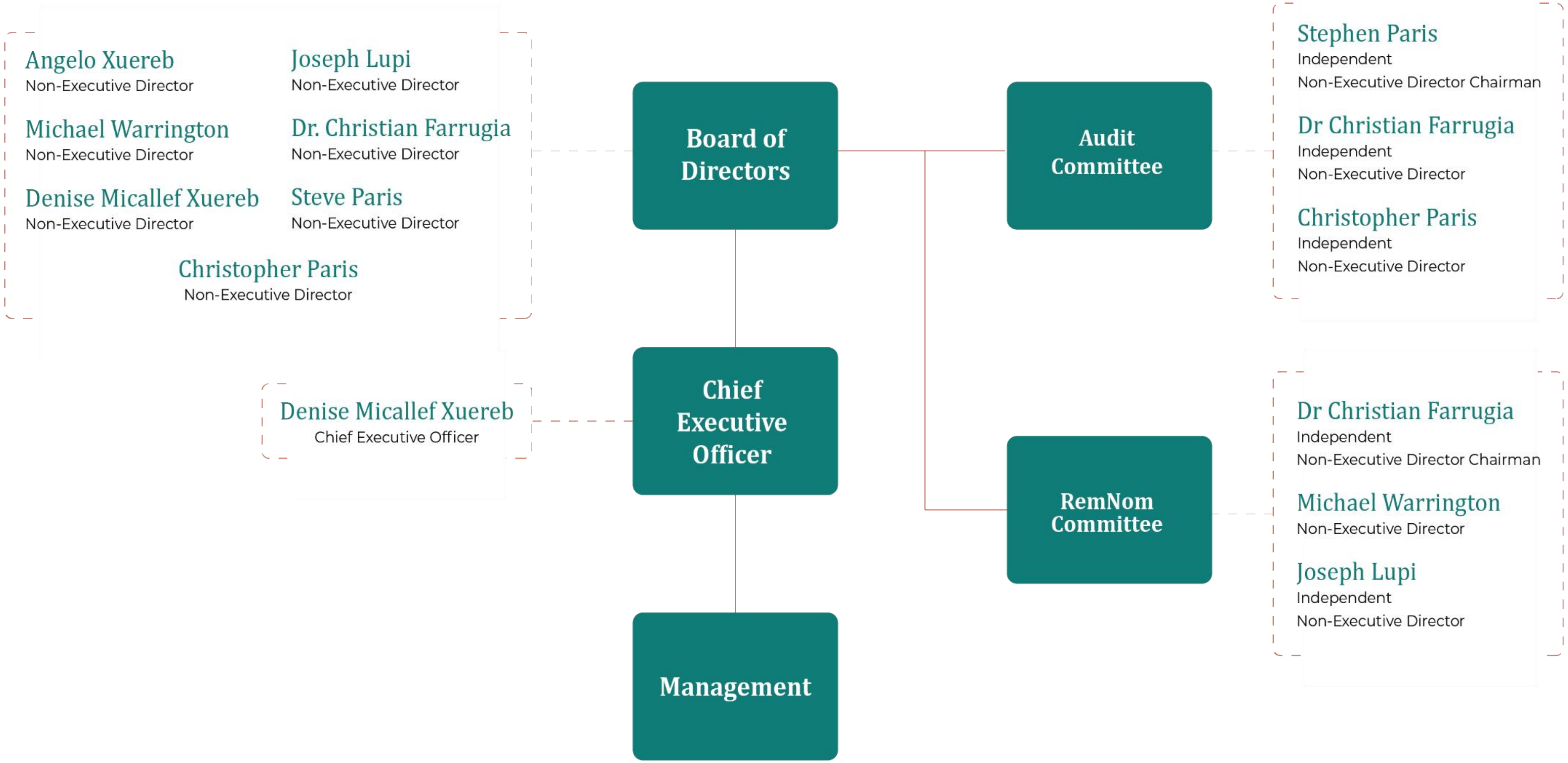
Christopher Paris
Non-Executive Director

Joseph Lupi
Non-Executive Director

Michael Warrington
Non-Executive Director

Stephen Paris
Non-Executive Director

Organisational Chart



Our Vision

To acquire, manage and lease properties in prime locations for investment and development. To work with the stakeholders and the communities where we operate and interact for the attainment of sustainable returns.

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Qawra Properties

Assets Value
€73.5 million

- AX Seashells Resort at Suncrest Hotel, Qawra
  - 452 rooms - 4 star hotel
  - Beach lido and food and beverage outlets
- AX Sunny Coast Hotel, Qawra
  - 92 rooms - 4 star aparthotel
  - Beach lido and food and beverage outlets
- Luzzu Restaurant and Lido Complex, Qawra
  - Connecting the lidos of both Sunny Coast and Suncrest Hotels
- All properties leased on a long-term basis to AX Hotel Operations p.l.c.

Sliema Properties

Assets Value
€72.7 million

- AX The Palace, Sliema
  - 144 rooms - 5 star hotel
  - 4 food and beverage outlets
  - Parking and other facilities
- AX The Victoria Hotel, Sliema
  - 142 rooms - 4 star hotel
  - 4 food and beverage outlets
  - Parking and other facilities
- Both hotels are leased on a long-term basis to AX Hotel Operations p.l.c.

Valletta Properties

Assets Value
€16 million

- Rosselli – AX Privilege
  - 25 rooms - 5 star luxury boutique hotel
  - 3 food and beverage outlets
- AX The Saint John
  - 19 rooms - boutique hotel
  - 2 food and beverage outlets
- Both hotels are leased on a long-term basis to AX Hotel Operations p.l.c.

Rabat Properties

Assets Value
€8.6 million

- The Verdala Hotel, Rabat
  - 25 luxury suites
  - 19 serviced apartments
  - Hotel facilities including Spa, parking, and food and beverage outlets
- Currently under development.
- Virtu Heights apartments will be renovated and will form part of the hotel annex.
- Signed agreement in place with AX Hotel Operations p.l.c. to lease the property on a long term basis once developed.

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Targa Gap Development

Assets Value

€11.8 million

- 2,860 sqm of office space
  - 2 floors leased to AX Group p.l.c. as its head office
  - Ground floor leased to third parties
  - 4 floors of underground parking

- 7 penthouses leased to third parties.

Hilltop Complex

Assets Value
€37.2 million

- The Hilltop complex is spread over a footprint of circa 17,000 sqm.
- Hilltop Complex comprises of the Simblija Care Home with 155 beds, and the Hilltop Gardens Retirement Village with 133 independent living apartments.
- The complex includes a number of facilities namely:
  - The Orchard restaurant
  - A spa and hydro-therapy pool
  - Underground parking
  - A private clinic
  - Indoor and outdoor pools
  - A gymnasium
- The Hilltop Complex is leased on a long-term basis to Hilltop Management Services Ltd.

Other Property Held Directly by AX Real Estate

Assets Value
€11.3 million

- 2,674 sqm of warehouse floor area are leased to third parties.
- 582 sqm of warehouse floor area, 540 sqm of office space, and underground basement are leased to AX Construction Ltd.
- Over 1,000 sqm of warehouses are currently being finished and have been earmarked for leasing.
- 965 sqm of office space at Falcon House, Sliema. A lease agreement with third party tenant for most of the office space has been signed.

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Suncrest Hotel Redevelopment | Artistic Impression

Suncrest Hotel Redevelopment

- The Group has conceived a master plan to develop its Qawra properties into a high-end destination. This vision shall be executed in two phases.
- Part of the proceeds from this issue will be partially deployed to complete phase 1 which involves:
  - Adding an extension of 166 rooms to the Suncrest hotel, increasing the total number of rooms to 618; and
  - Rebuilding new pools, restaurants, bars and other facilities to the hotel including underground parking.
- Investment in Phase 1 by AX Real Estate is estimated to cost €42m.
- A full executable development permit for the Suncrest extension is in hand, whilst a development permit for the lido is pending approval.
- Preparatory works commenced in April 2021. Hotel operation closed down in November 2021 for a period of 18 months.
- Property shall be ready to welcome guests in April 2023 in time for the peak season.
- Phase 2 will see the complete redevelopment of the remaining properties to consolidate the Qawra foreshore into one destination.

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Verdala Boutique Hotel | Artistic Impression

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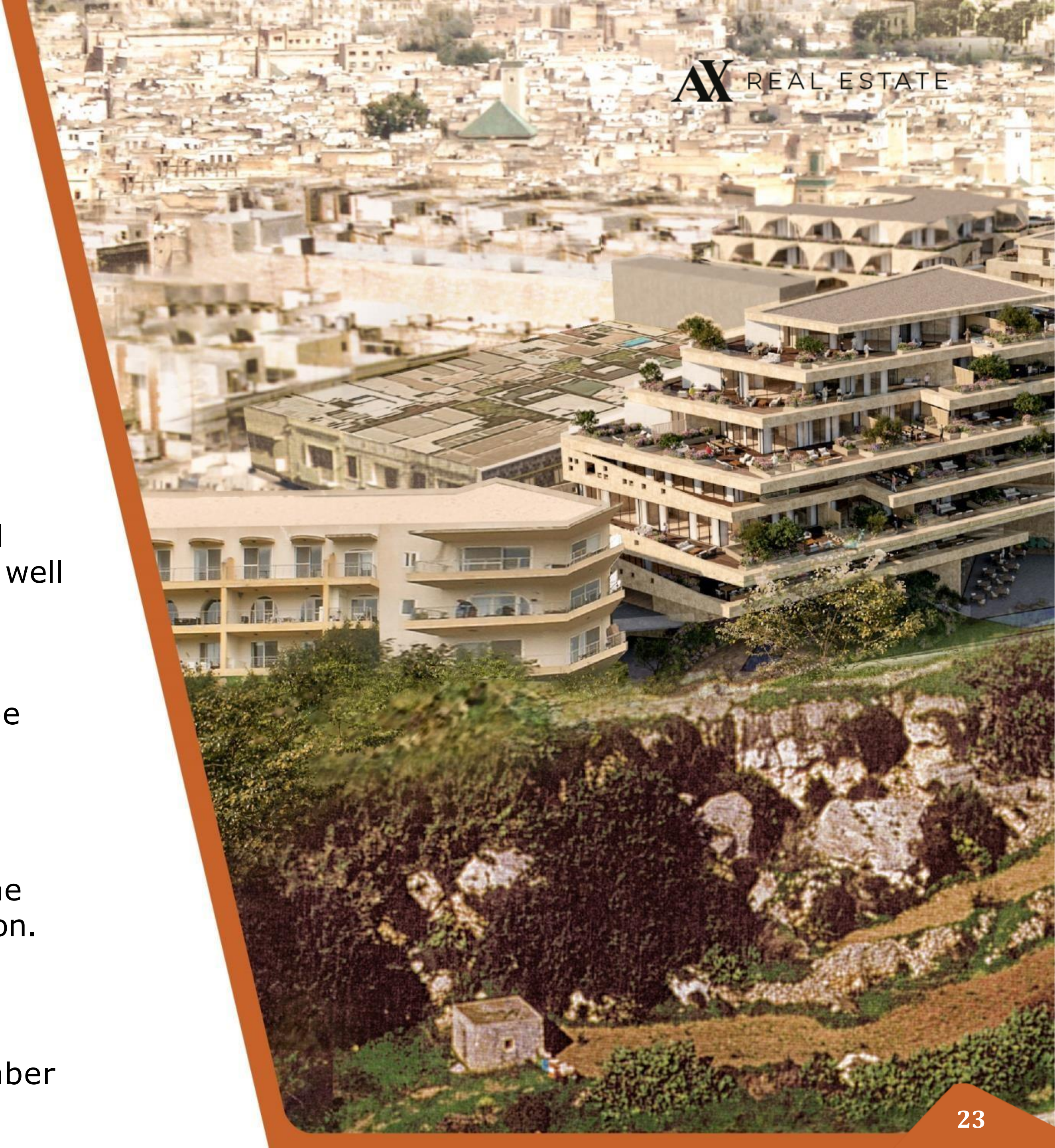
Verdala Hotel Development

- AX Group has owned the site known as The Grand Hotel Verdala and adjacent Virtu Heights apartments in Rabat since 1997.
- The Project will see the demolishing of the current hotel structure and the construction of a hotel with 25 suites, as well as the refurbishment of 19serviced apartments in Virtu Heights annexed to the hotel that is yet to be built.
- AX Real Estate Group owns the area where the hotel will be built along with the Virtu Heights apartments.
- A full and executable development permit is in hand.
- The investment in the Hotel site and the refurbishing of the Virtu Heights hotel annex is estimated to cost Euro 11million.
- Demolition works commenced in September 2021.
- Property shall be ready to welcome guests around November 2023.



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Pro Forma Financial Position (1) Asset Value and (2) Debt

- Total Asset Value of €212m includes the investment property carried at fair value, inventory of unsold units at the TG Complex and deferred tax liability of € 21m.
- Total debt of €86m that equates to a financial gearing ratio (debt: debt +equity) of 40%.
- Amounts due to AX Group of €74m arising from a restructuring exercised prior to the combined offer. Of this, €9m will be repaid to the Group through the proceeds of the combined offering.
- An agreement is in place between the Company and the AX Group p.l.c. providing that the settlement of the remaining balance will be deferred for a period of 10 years and will carry interest at 3%.
- Bank borrowings of €12m exist relating to existing facilities attached to the properties taken over by AX Real Estate. These are term loans repayable between 1 to 10 years.

Pro Forma Financial Position 30/04/2021

Amounts in €'million

Property Portfolio	
Investment property (at valuation)	231.1
Inventory (at cost)	1.2
Deferred tax liability	(20.6)
Net Working Capital	
Trade receivables/ payables	(1.1)
Cash balances	1.3
Debt	
Amounts due to the AX Group	(74.3)
Bank borrowings	(11.5)
Total Equity	**126.1**

Represented by:	
Ordinary A shares (voting) - to be listed	50.0
Ordinary B shares (non-voting)	76.1

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Pro Forma Financial Position (3) Equity

- Book value of Equity of €126m that is comprised of the following two share classes:
  - Ordinary A shares, a voting share class with a total value of €50m. This is the share class that will be listed.
  - Ordinary B Shares, a non-voting share class ranking pari passu with the Ordinary A shares having a total value of €76m. This share class is expected to be created through the capitalisation of part of the balance owed to the AX Group.

Pro Forma Financial Position 30/04/2021

Amounts in €'million

Property Portfolio	
Investment property (at valuation)	231.1
Inventory (at cost)	1.2
Deferred tax liability	(20.6)
Net Working Capital	
Trade receivables/ payables	(1.1)
Cash balances	1.3
Debt	
Amounts due to the AX Group	(74.3)
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Total Equity	**126.1**

Represented by:	
Ordinary A shares (voting) - to be listed	50.0
Ordinary B shares (non-voting)	76.1

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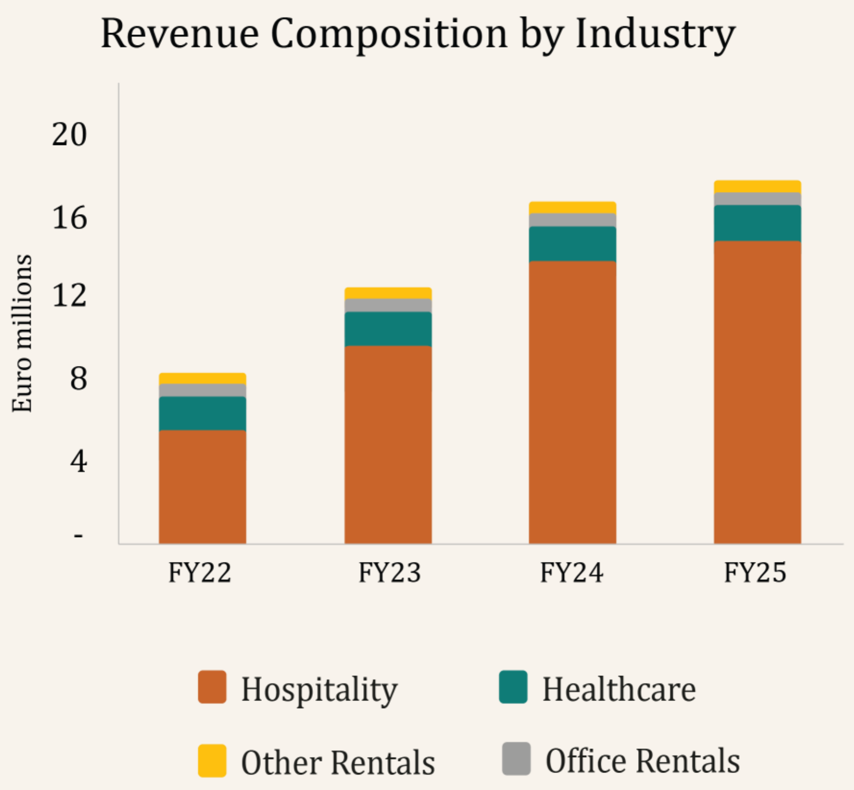
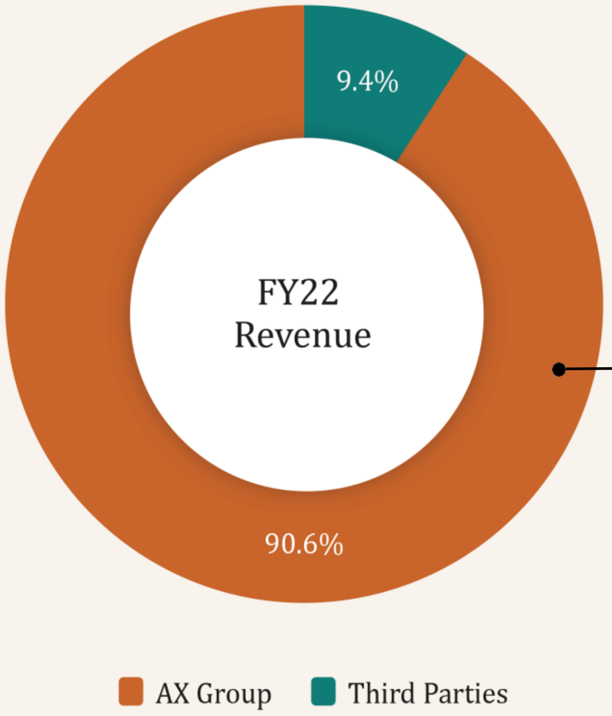
Projected Income Statement

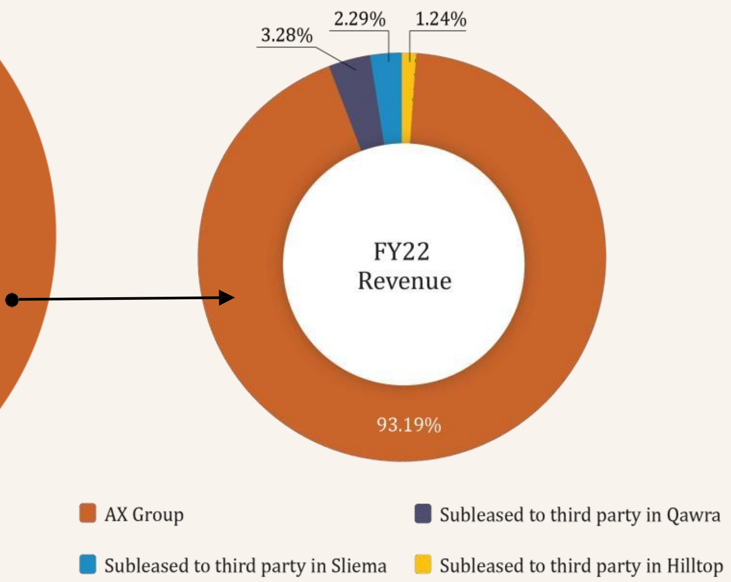
- More than 74%of the rental income represents the base rent which is payable irrespective of the performance of the underlying assets. The variable rent represents less than 25% of the total rental income.
- Profit after tax forecast at €2.3m in FY22, increasing to € 10.1m by FY25.
- Profitability in the initial years is affected by the closure of the Suncrest Hotel which is planned to open in May 2023.
- Underlying projections of operating entities are based on the expectation that hotels will return to pre-Covid performance by 2023 – 2024.

Projected Statement of Comprehensive Income	FY21 (6 months)	FY22	FY23	FY24	FY25
Amounts in €'million					
Rental income	0.6	8.4	12.7	16.9	18.0
Operating costs	(0.0)	(0.7)	(0.7)	(0.7)	(0.7)
EBITDA (excl. property sales)	0.6	7.8	12.0	16.3	17.3
Profit from sale of properties (before tax)	-	0.3	0.3	0.3	-
EBIT	0.6	8.1	12.3	16.5	17.3
Finance & related costs	(0.1)	(4.6)	(4.2)	(3.6)	(3.6)
Profit before tax	0.5	3.5	8.1	12.9	13.7
Corporate tax	(0.2)	(1.3)	(2.5)	(3.3)	(3.6)
Profit after tax	0.3	2.3	5.6	9.6	10.1
EBITDA y-o-y growth	n/a	n/a	54.4%	35.3%	6.4%
Profit after tax y-o-y growth	n/a	n/a	150.1%	70.5%	5.7%
Effective tax rate	31.3%	36.4%	30.7%	25.7%	26.1%

Revenue Composition







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AX Real Estate p.l.c. - Key Strengths

- Strong financial position
- Significant growth potential
- Diversification
- Local real estate portfolio in prime locations

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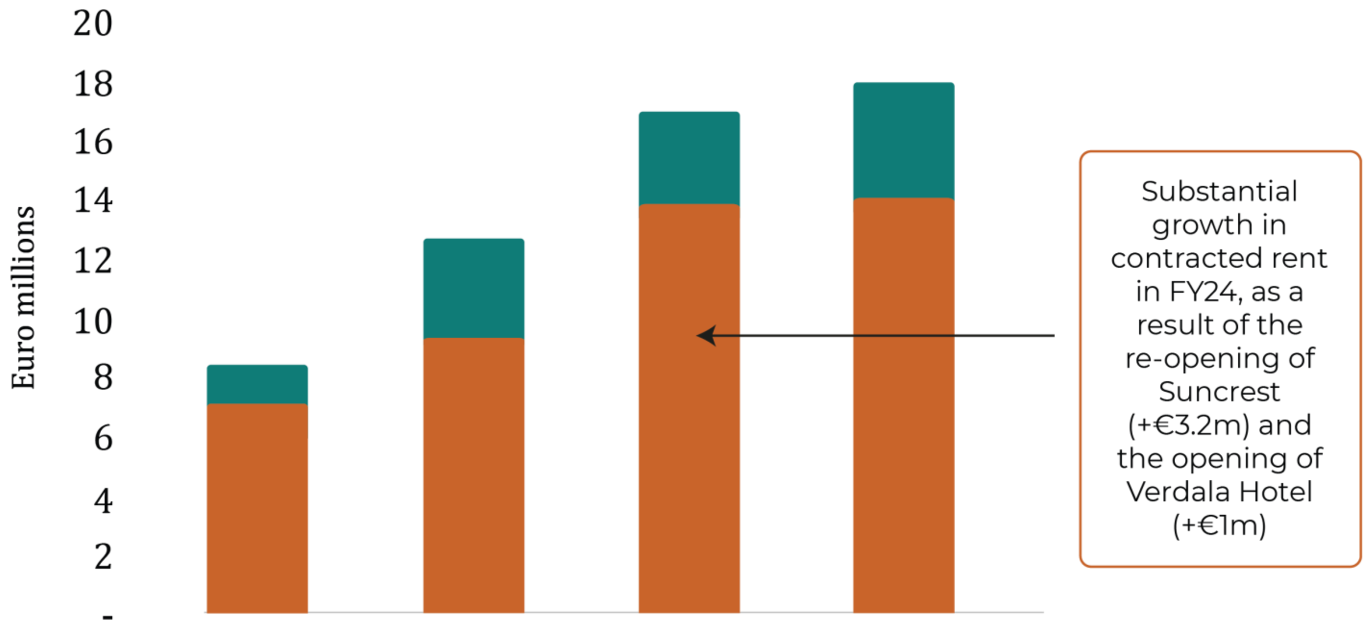
Fixed vs Variable Rent

- The base rent represents more than 74% of the rental income and is not dependent on performance. Lease agreements provide for an annual increase in the base rent.
- The variable rent will be payable based on a set percentage of the Hotel's actual total revenue.



	FY22	FY23	FY24	FY25
Variable Rent	15.6%	25.9%	19.2%	22.4%
Fixed Rent	84.4%	74.1%	80.8%	77.6%

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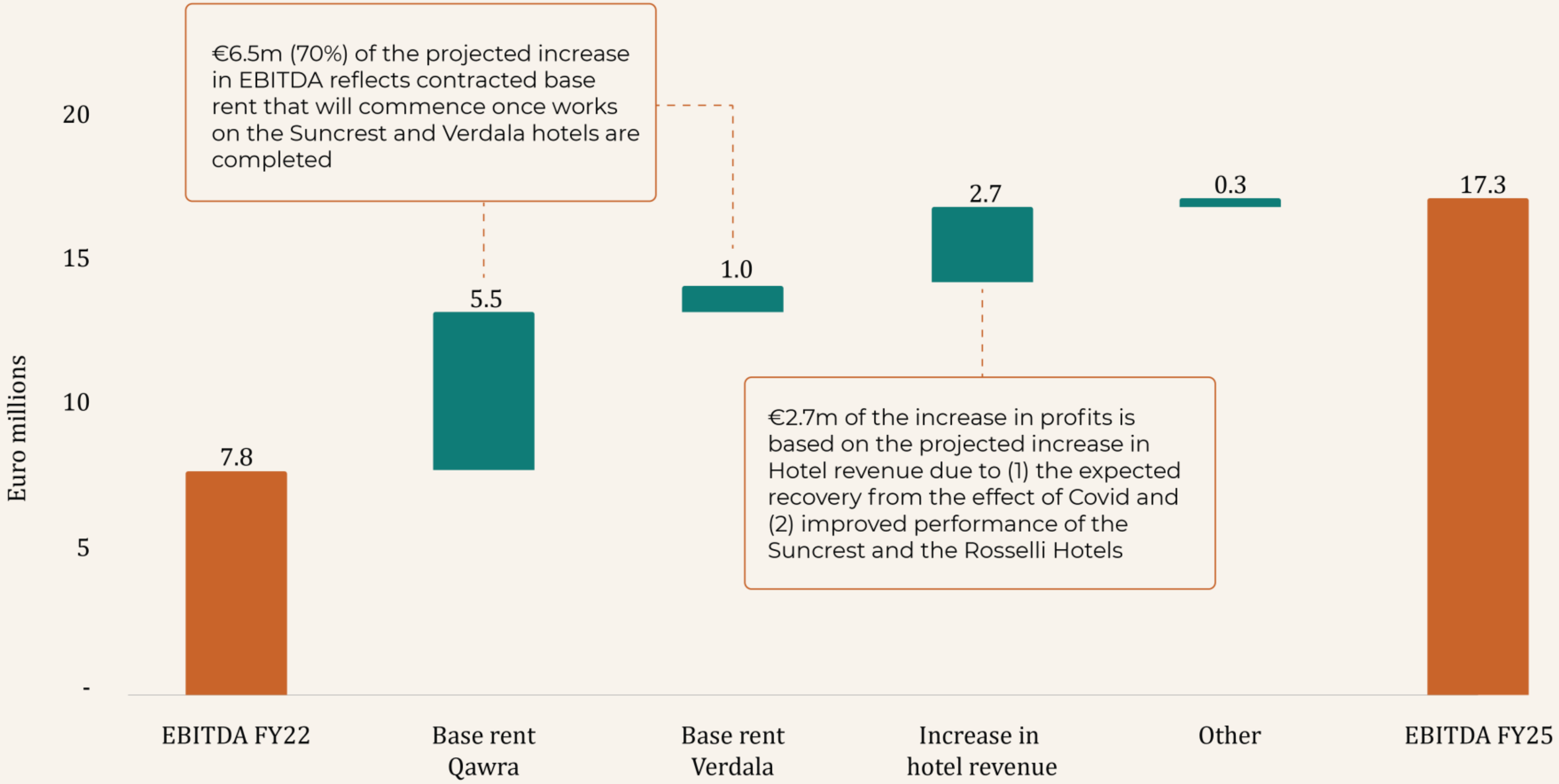
Analysing Projected Growth in EBITDA



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Dividend Policy

- The dividend policy is based on the distribution of the majority of the annual distributable profits generated by the Group, provided that a minimum balance of €1.0M in cash is retained within the Estates Group at any given time.
- AX Real Estate p.l.c. is committing to a guaranteed minimum gross dividend yield of 6.4% in the first two years.
- Upon the lapse of two years, by which time the proposed projects mentioned above should have been completed, projections show a sustainable and strong dividend distribution higher than the initial two years.

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Key Performance Indicators

	FY22	FY23	FY24	FY25
Profitability				
Revenue growth	n/a	50.3%	33.5%	6.2%
EBITDA margin	92.2%	94.7%	96.0%	96.1%
Net profit margin	26.7%	44.3%	56.6%	56.3%
Indebtedness				
Financial gearing	40.0%	46.2%	46.0%	45.8%
Net debt to EBITDA	12.2 x	10.0 x	7.5 x	7.0 x
Interest cover	1.8 x	3.0 x	4.6 x	4.9 x
Returns				
Return on assets	0.8%	2.0%	3.3%	3.5%
Return on book value of equity *	1.8%	4.5%	7.6%	8.0%

** Based on Proforma Equity book value of €126m*

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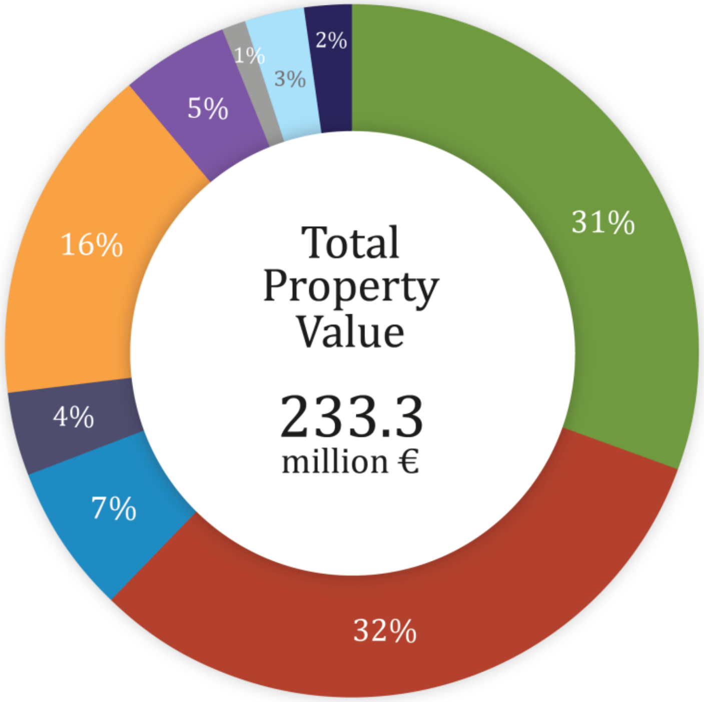
Asset Portfolio Composition

- Combined value of property portfolio of €233m.
- Based on valuation prepared by architect Pierre Sapiano in connection with the equity issue.
- Valuations are based on the present value of projected rental income streams (based on terms of contract for each property) for remaining useful life of each building.



	Valuation (€m)	% of total
Hotel Properties		
Sliema Hotels	72.8	31%
Qawra Hotels	73.5	32%
Valletta Hotels	16.0	7%
Verdala Land & Virtu Heights Apartments	8.6	4%
Other Properties		
Healthcare Complex	37.2	16%
Targa Gap Complex	11.8	5%
Warehouses at Hardrocks Complex	7.0	3%
Office Space at Falcon House	4.3	2%
Property Held For Resale		
Residential Units and Car Spaces at Targa Gap	2.1	1%
Total Property Value	233.3	100%

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Valuation Based on Property Values

- The Enterprise value of € 233m is based on the property values as per Architect valuations and includes the residential units available for sale within the TG Complex.
- Valuation based on the Assets Approach shows a total equity value as at 30 April 2021 of € 147m, with € 58m attributable to the Ordinary A shares.

Valuation based on Assets Approach:	*€'million*
Enterprise Value based on Assets Approach	**233.2**
Adjustments based on Pro Forma Statement of Financial Position as at 30 April 2021:	
Amounts due to AX Group	(74.3)
Bank borrowings	(11.5)
Cash balances	1.3
Net working capital balances	(1.2)
Equity Valuation as at 30 April 2021	**147.4**

Represented by:	
Ordinary A shares (voting)	58.4
Ordinary B shares (non-voting)	89.0

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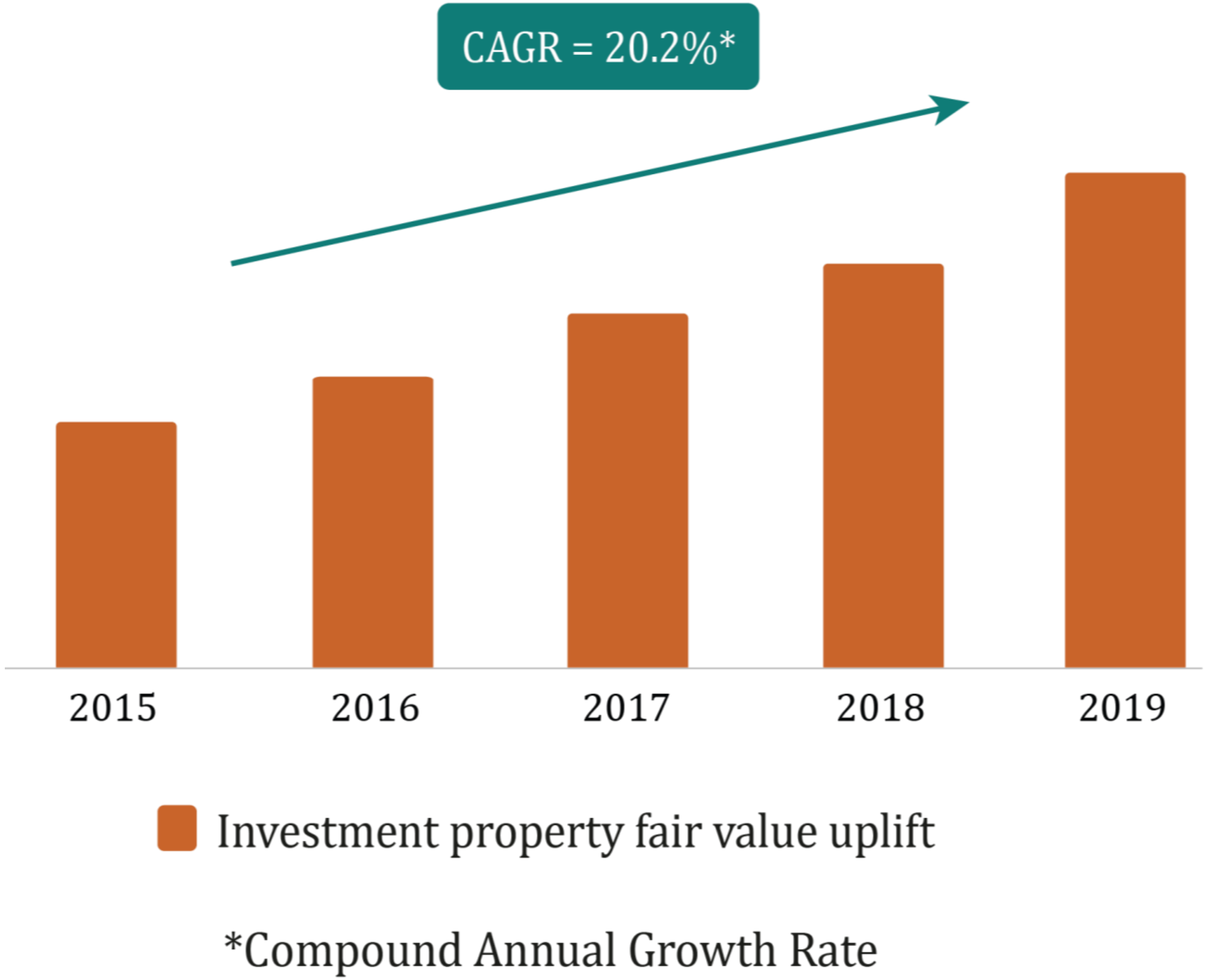
Historic Value Uplifts in Key Hospitality Assets

- In the period between FY15 and FY19, the fair value of the Company's key properties (within the Hospitality sector) increased by an average of 20.2% per annum.
- This suggests that the value of every €1 invested in AX Group's property portfolio more than doubled in value by the end of FY19 largely through property appreciation.



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Projected Shareholder Returns

- Shareholders in AX Real Estate p.l.c. would be receiving steady dividends in line with the dividend policy and will also be participating in the returns from the appreciation of the Company's property portfolio.
- Notwithstanding the historical value uplifts in key hospitality assets, for illustrative purposes a prudent growth of 4%was forecasted. On this basis, the assumed uplift in the property value is estimated at €137m in FY31 (net of deferred tax)
- Taking into consideration this return (over and above the dividend stream) would result in a Shareholders IRR (share of public) of 9.7% p.a. over the period, based on an investment of €20m.

Amounts in €'million	Yr0	Yr1	Yr2	Yr3	Yr4	...	Yr10
Investment							
Equity injection	(20.0)						
Returns							
Dividends (Share of public)							
Interim		0.4	0.4	0.5	0.5	...	
Final		-	0.4	0.4	0.5	...	
Equity value (share of public) including investment property revaluation at 31 October 2031							34.2
Net cash flow	(20.0)	0.4	0.8	0.9	1.0	...	34.2
Shareholders IRR	9.7%						

Investment property (book) value at FY31	295.2
Adjusted for inflation	445.6
Increase in value	150.4
Deferred tax	(13.4)
Uplift in IP value	137.0
Book value of equity as at 31/10/2031	154.1
Uplift in investment property (net of deferred tax)	137.0
Equity value including investment property revaluation	291.1
Share of Public	34.2

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Proposed Transaction

- AX Real Estate p.l.c. will be offering to the general public:
  - A fresh issue of 33,333,333 ordinary ‘A’ shares of a nominal value of €0.125 per share at an Offer Price of €0.60 per share, subject to an over-allotment option which, if exercised, would increase the offer up to an aggregate of 50,000,000 ordinary ‘A’ shares. The allocation in full of the share offer would result in 25% of the Ordinary 'A' shares of the company being held by the general public.
  - An unsecured bond Issue of €40,000,000 - 3.5% redeemable in 2032.

- Proceeds raised from both issues shall be deployed as follows:
  - €25.6m will be applied to part-finance the Suncrest extension;
  - €10m will be applied to part-finance the Verdala Project;
  - €14.4m will be utilised for general corporate funding; and
  - €8.7m (€18.5m in case the over-allotment option is exercised)

    shall be used to pay part of the AX Group loan.

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Terms of Participation

- The minimum subscription is set at 5,000 ordinary 'A' shares having a nominal value of €0.125 and €2,000 for the bond issue.
- Investors will be guaranteed a minimum allocation of €6,000 in the bond but can subscribe for higher amounts.
- Bond issue applications unaccompanied by equity applications will only be considered if the bond application is for a minimum of €250,000
- Equity investors applying for in excess of 200,000 ordinary 'A' shares will benefit from a discount of 10% on the offer price.
- Preference in allocation will be given to current bond holders of AX Group p.l.c. and AX Investment p.l.c.

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Expected Timeline

Dec 2021	Jan 2022	Feb 2022	Feb 2022
6th December 2021	10th January 2022	15th February 2022	16th February 2022
Approval by the MFSA	Opening of the offer period	Listing on the Malta Stock Exchange	Commencement of trading

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Team Members

Sponsors	RIZZO FARRUGIA YOUR INVESTMENT CONSULTANTS; CURMI & PARTNERS; MZ INVESTMENT SERVICES
Manager and Registrar	BOV Bank of Valletta
Auditors	EY
Legal Counsel	CAMILLERI PREZIOSI ADVOCATES
Financial Advisors	pwc

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Key risks specific to the Company and the Estates Group

Risks associated with rental income of the Estates Group's property portfolio

The revenue generated from the Estates Group's property investment activities is dependent in the main part on tenants fulfilling their obligations under their lease agreements. There can be no assurance that the tenants will be in a position, at all times, to perform their obligations. The majority of the current operative commercial leases are those entered into between the Estates Group and operating and trading companies within the AX Group, therefore both the risks inherent to AX Group's operations as well as the risks inherent to the market within which they operate will affect the ability of those companies to operate efficiently, which in turn could have an effect on their ability to pay the rent due and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. Similarly, current commercial leases with third parties not forming part of the AX Group will be susceptible to risks inherent to the industries in which such third parties operate as well as the risks specific to the business. Moreover, the Estates Group is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements. Should any of the abovementioned risks materialise, this could have a material adverse effect on the Estates Group's business, the results of its operations and its prospects.

Risks relating to title over immovable property

The Estates Group's proposed developments are dependent on the performance of a due diligence exercise on the good title over the land or immovable property being acquired and, or developed. To the extent that the Estates Group, or its third-party advisers, fail to identify defects in title or erroneously assess the materiality or implication of the findings of the due diligence exercise, including environmental liabilities, structure or operational defects, or other material issues, the Estates Group may, notwithstanding that it proceeds with the intended acquisition or development, subsequently be exposed to claims and, or liabilities relating to such issues.

Risks associated with ability to obtain necessary planning and development permits and maintaining ongoing compliance therewith

Securing planning approvals by the competent authorities in a timely manner is of key importance to the Estates Group's property development activities. There can be no certainty that any given planning application will result in planning approvals being granted, or that if granted, will not be on unduly onerous or restrictive terms, which, may materially and adversely affect the Estates Group's business. Additionally, opposition to the Estates Group's proposed developments may also cause, or oblige, the Estates Group to adjust development plans on any pending or future projects, which adjustments may expose the Estates Group to additional unrecoverable expenses and render the development plan unfeasible. If any of these risks were to materialise, this could have a material adverse effect on the business, financial condition and profitability of the Estates Group.

Key risks specific to the Company and the Estates Group

The Estates Group may not realise the benefits it expects from property investments

The Estates Group has made and expects to continue making significant investments in the acquisition, development and improvement of its existing and new properties as deemed appropriate. The Estates Group is susceptible to experiencing cost over-runs relating to unanticipated delays in developing property, unanticipated liabilities associated with property under development and by affecting enhancements to development projects. If these risks were to materialise, the Estates Group may fail to realise the expected benefits from investments made in its properties and the Estates Group’s business, financial condition and results of operations may be adversely affected.

Risks relating to the Estates Group’s financing and investment strategies

The Estates Group may not be able to obtain the financing it requires for the continued operation of its business and investments, including for the acquisition, development, expansion or improvement of existing or new properties, on commercially reasonable terms, or at all. No assurance can be given that sufficient financing will be available on commercially reasonable terms. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms may limit the Estates Group's growth and adversely affect its business, financial condition, results of operations and prospects.

Risks relating to the economic repercussions of COVID-19

The continued or renewed imposition of preventative and containment measures as a result of the COVID-19 pandemic has had, and is expected to continue to have, a negative impact on the expectations relating to the operations run or to be run from the Group Hospitality Properties, which may, in turn, impact the operators’ ability to service rental payment obligations in full and on time, create pressures for reductions in rent and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. Moreover, the Estates Group’s business, operations, and financial performance, particularly to the extent that these may impact the ability of the Subsidiaries’ tenants to service their rental payment obligations in full and on time, remain susceptible to the risk represented by the uncertainty resulting from the pandemic. Any of the above factors could have an adverse effect on the Estates Group’s operational results, financial position and performance. Even after the COVID-19 outbreak has subsided, the Estates Group may still be susceptible to experience material adverse impacts on its businesses and operations as a result of the impeded market and economic conditions precipitated by the COVID-19 pandemic.

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Key risks specific to the Company and the Estates Group

- **Risks relating to property development activities**
  Property development projects are subject to a number of specific risks, including but not limited to the risk of insufficiency of resources to complete development projects in the manner or within the timeframe envisaged; the risk of cost overruns and unexpected increases in project execution costs; the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged, and risks relating to general industry trends and the local property development market. The occurrence of any of said property development risks could have a material adverse effect on the Estates Group's business, financial condition and results of operation.

- **Risks associated with the hospitality industry**
  The Estates Group's property portfolio is significantly linked to the hospitality sector, which is subject to a number of external factors that could adversely affect the Estates Group's business. Many of such factors are common to the hospitality industry and beyond the Group's control, and may impact owners and operators alike. The impact of any of these factors may adversely affect room rates and occupancy levels at the Group Hospitality Properties operated by the Estates Group's hotels, or otherwise cause a reduction in the income generated from the Group's hospitality division, which would have a material adverse effect on the Group's business, financial condition and results of operations and, in turn, on its ability to meet its rental payment obligations on time and in full, and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent mechanisms.

- **Risks associated with the healthcare industry**
  The Estates Group is subject to general risks inherent in the provision of accommodation for elderly persons including risks relating to changes in consumer preferences and in occupancy levels; risks relating to the recruitment of adequate medical staff; risks relating to breaches of licence conditions and risks relating to medical claims. Additionally, the Estates Group's care homes are susceptible to the outbreak of pandemics which could present major operational difficulties. The occurrence of said healthcare industry risks may adversely affect the business, results of operations and financial condition of the Estates Group.

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Key risks that are specific to the securities

- **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 independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Offer Securities before making an investment decision.

- **No prior market for the Securities**
  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.

- **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. Should there not be a liquid market in the Securities, there can be no assurance that an investor will be able to trade in Securities.

- The most material risk factors specific to the Offer Shares are set out below:

  Dividends
  Save for a guaranteed net dividend yield of 4% in the first two financial years post-subscription, 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 dependent.

  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, a substantial amount of Listed Shares will be sold in the open market by the Locked-in Shareholder. 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 effect on the market price of the Offer Shares.

- The most material risk factor specific to the Bonds is set out below:

  Ranking of the Bonds
  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. 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.

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