

SECURITIES NOTE

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the “**Prospectus Regulation**”), as amended, and in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder.

This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by AX Group p.l.c. for which an application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

Dated 22 November 2019

in respect of an issue of up to €25,000,000 Unsecured Bonds
of a nominal value of €100 per Bond issued at par by

AX Group p.l.c.

in any one or a combination of the following series:

3.25% 2026 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series I Bonds**”)

ISIN:- MT0002361203

3.75% 2029 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series II Bonds**”)

ISIN:- MT0002361211

Sponsor

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE LISTING AUTHORITY HAS AUTHORISED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. IN PROVIDING THIS AUTHORISATION, THE LISTING 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 THIS SECURITIES NOTE BY THE LISTING AUTHORITY SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE.

THE LISTING 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 BONDS. A PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN INDEPENDENT ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE BONDS 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 SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

Approved by the Directors



Angelo Xuereb



Michael Warrington

signing in their own capacity as directors of the Issuer and on behalf of each of Claire Zammit Xuereb, Denise Micallef Xuereb, Christopher Paris, John Soler and Josef Formosa Gauci as their duly appointed agents

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION OF AN ISSUE BY AX GROUP P.L.C. (THE “ISSUER”) OF UP TO €25,000,000 BONDS, COMPRISED OF ONE OR A COMBINATION OF: (I) UNSECURED BONDS 2026 OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.25% PER ANNUM, PAYABLE ANNUALLY ON 20 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE (THE “**SERIES I BONDS**”); AND, OR (II) UNSECURED BONDS 2029 OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.75% PER ANNUM, PAYABLE ANNUALLY ON 20 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE (THE “**SERIES II BONDS**”), WHICH COMBINATION SHALL BE DETERMINED IN ACCORDANCE WITH THE ALLOCATION POLICY OF THE ISSUER SET OUT IN SECTION 6.4 OF THIS SECURITIES NOTE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE RELEVANT REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

THIS SECURITIES NOTE:

- I. CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE PROSPECTUS REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE LATEST REGISTRATION DOCUMENT ISSUED BY THE ISSUER FORMING PART OF THE PROSPECTUS; AND
- II. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER, WHICH TERMS SHALL REMAIN BINDING UNTIL THE RESPECTIVE REDEMPTION DATE OF EACH OF SERIES I AND SERIES II OF THE BONDS UNLESS THEY ARE OTHERWISE AMENDED IN ACCORDANCE WITH SECTION 5.12 OF THIS SECURITIES NOTE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER 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 ISSUER OR ITS DIRECTORS OR ADVISORS. THE ADVISORS ENGAGED BY THE ISSUER FOR THE PURPOSE OF THIS BOND ISSUE ARE ACTING EXCLUSIVELY FOR THE ISSUER.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR THE BONDS 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 APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER 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 SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH 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 SECURITIES NOTE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE 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 BONDS 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, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE THE ISSUER 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.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED: (I) TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING 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 PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

THE CONTENTS OF THE ISSUER'S WEBSITE, OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE, DO NOT FORM PART OF THE 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 BONDS.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING "IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE COMPANY" UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS BOND ISSUE 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 ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

1 DEFINITIONS

In this Securities Note, the following words and expressions shall bear the following meanings, except where the context otherwise requires:

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|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Admission | admission of the Bonds to the Official List and to trading on the main market for listed securities of the MSE becoming effective in accordance with the Listing Rules and the MSE Bye-Laws; |
| 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 Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries; |
| Application Form/s | the forms of application of subscription for the Bonds, specimens of which are contained in Annex 2 of this Securities Note; |
| Authorised Financial Intermediaries | the licensed stockbrokers and financial intermediaries listed in Annex 1 of this Securities Note; |
| AX Group Employees | employees and directors of any company forming part of the AX Group as at 14 November 2019; |
| AXI Bondholders | means holders of AXI Bonds as at the Cut-Off Date; |
| AXI Bonds | means the €40,000,000 6% bonds 2024, issued by AX Investments p.l.c. (a public limited liability company registered in Malta with company registration number C 25786) pursuant to a prospectus dated 3 February 2014 (ISIN:- MT0000081233); |
| Bond/s | collectively the Series I Bonds and the Series II Bonds; |
| Bondholder | a holder of Bonds; |
| Bond Issue | the issue of the Bonds being made pursuant to and in accordance with the terms and conditions of this Securities Note; |
| Bond Issue Price | the price of €100 per Bond; |
| 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; |
| Company or Issuer | 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 House, Mosta Road, Lija LJA 9010, Malta; |
| CSD | the Central Securities Depository of the MSE, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta; |
| Cut-Off Date | 14 November 2019 with last trading date being on 12 November 2019; |
| Interest Payment Date | with respect to the: i. Series I Bonds , means 20 December of each year between and including each of the years 2020 and the year 2026; and ii. Series II Bonds , means 20 December of each year between and including each of the years 2020 and the year 2029; provided that, in either case, 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; |
| Intermediaries' Offer | the offer of Bonds to the Authorised Financial Intermediaries, either for their own account or for the account of underlying customers, consisting of a maximum aggregate amount equal to the balance of the Bonds, if any, not subscribed to by Preferred Applicants, pursuant to the terms of the plan of distribution and allotment contained in section 6.2 of this Securities Note; |
| Intermediaries' Offer Date | 18 December 2019 by 14:00 hrs; |

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|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Listing Authority | the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta); |
| Listing Rules | the listing rules of the Listing Authority; |
| Malta Stock Exchange or MSE | Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525; |
| Manager & Registrar | Bank of Valletta p.l.c., a company registered under the Laws of Malta with company registration number C 2833 and having its registered address at 58, Zachary Street, Valletta VLT 1130, Malta; |
| 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 between 29 November 2019 and 12 December 2019 (or such earlier as may be determined by the Issuer) during which the Bonds will be available for subscription by Preferred Applicants; |
| Official List | the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws; |
| Preferred Applicants | collectively the AX Group Employees and AXI Bondholders; |
| Prospectus | collectively the Registration Document, Summary Note and this Securities Note; |
| Redemption Date | means, with respect to: <ul style="list-style-type: none"> i. the Series I Bonds, the 20 December 2026; and ii. the Series II Bonds, the 20 December 2029; (unless previously purchased for cancellation by the Issuer); |
| Redemption Value | the nominal value of each Bond (€100 per Bond); |
| Securities Note | this document in its entirety; |
| Series I Bonds | the unsecured bonds 2026, of a nominal value of €100 per bond, 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 II Bonds | the unsecured bonds 2029, of a nominal value of €100 per bond, redeemable at their nominal value on the relevant Redemption Date, bearing interest at the rate of 3.75% per annum and having ISIN MT0002361211; |
| Sponsor | MeDirect Bank (Malta) plc a company registered under the laws of Malta with company registration number C 34125 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly; |
| Summary Note | the summary note issued by the Issuer dated 22 November 2019, forming part of the Prospectus; and |
| Terms and Conditions | the terms and conditions applicable to the Bonds forming part of the Bond Issue contained in section 6 of this 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*; and
- c. the word "*may*" shall be construed as permissive and the word "*shall*" shall be construed as imperative.

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 BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, OR INCORPORATED BY REFERENCE THEREIN, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE, AT THE DATE OF THIS SECURITIES NOTE, THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER 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 ISSUER AND ITS SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR INCORPORATED BY REFERENCE THEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION; OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE, OR ANY OTHER PART OF THE PROSPECTUS, OR INFORMATION INCORPORATED BY REFERENCE THEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY SECURITIES OF THE ISSUER, SHOULD PURCHASE ANY BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THE PROSPECTUS.

This Securities Note contains 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, such as the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. Forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus, and documents incorporated therein by reference, and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer’s and, or the Group’s strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects, 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 Issuer’s and, or the Group’s actual results of operations, financial condition, liquidity, and the development of its business 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, and, or liquidity of the Issuer 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.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risks set out in this section and in the section entitled ‘Risk Factors’ in the Registration Document, for a review of the factors that could affect the Issuer’s 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 Issuer 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. RISKS RELATING TO THE BONDS

Status of the Bonds

- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. This means that any secured or privileged debts of the Issuer shall rank at all times ahead of the obligations of the Issuer 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, subject to the negative pledge covenant (section 5.6 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer, as the case may be, for so long as such security interests remain in effect, which registration may further impede the ability of the Bondholders to recover their investment upon enforcement of such security interests, whether in full or in part.

No prior market for the Bonds

- Prior to the Bond Issue and Admission, there has been no public market for the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the price of the Bonds will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue. The market price of the Bonds 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.

Orderly and liquid secondary market

- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to trade in the Bonds at all.

Future public offers

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

Suitability

- An investment in Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult 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 Bonds 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 Bonds, the merits and risks of investing in the Bonds 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 Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Bonds meet the investment objectives of the prospective investor;
- c. understands thoroughly the terms of the Bonds 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 Bonds and the inherent risks associated with the Issuer'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.

Fixed interest rate

- The Bonds shall carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Investors should also be aware that the price of fixed rate bonds should theoretically move adversely to changes in interest rates. When prevailing market interest rates are rising, their prices decline and conversely, if market interest rates are declining, the prices of fixed rate bonds rises. This is called market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.

Currency of reference

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

Continuing obligations

- After the Bonds are admitted to trading on the Official List of the MSE, the Issuer must remain in compliance with certain requirements. The Listing Authority has the authority to suspend trading of the Bonds 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 Listing Authority may discontinue the listing of the Bonds if, *inter alia*, it is satisfied that, owing to special circumstances, normal regular dealings in the Bonds are no longer possible, or upon the request of the Issuer 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 Bonds.

Changes in law

- The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this Prospectus. 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 Prospectus.

Amendments to the Terms and Conditions of the Bonds

- In the event that the Issuer 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 5.12 of this 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.

3 PERSONS RESPONSIBLE

The Directors of the Issuer, whose names appear under the sub-heading “**Directors of the Company**” under the heading “**Identity of Directors, Advisors and Auditors of the Company**” in section 3.1 of the Registration Document, accept responsibility for the information contained in this Securities Note. To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

3.1. CONSENT FOR USE OF THE PROSPECTUS

Consent required in connection with the use of the Prospectus during the Offer Period by the Authorised Financial Intermediaries:

For the purposes of any subscription for the Bonds through any of the Authorised Financial Intermediaries during the Offer Period, and any subsequent resale, placement or other offering of the Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Issuer 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 Bonds, provided this is limited only:

- i. in respect of the Bonds subscribed for through Authorised Financial Intermediaries during the Offer Period;
- ii. to any resale or placement of the Bonds taking place in Malta; and, or
- iii. to any resale or placement of the Bonds taking place within the period of 60 days from the date of the Prospectus.

It is the sole responsibility of the Authorised Financial Intermediary to ensure its 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 Bonds.

Other than as set out above, neither the Issuer nor the Sponsor 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 Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has 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 Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of 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 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 Issuer nor the Sponsor has 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 Bonds subsequent to the Bond Issue 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 Issuer 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 Securities Note will be made available by the Issuer through a company announcement which will be made available on the Issuer's website: www.axgroup.mt

4 ESSENTIAL INFORMATION ON THE BOND ISSUE

4.1 EXPECTED TIMETABLE OF THE BOND ISSUE

| | | |
|----|-------------------------------------------------------|------------------|
| 1 | Application Forms mailed to AXI Bondholders | 26 November 2019 |
| 2 | Application Forms available to AX Group Employees | 29 November 2019 |
| 3 | Closing of Offer Period (at 14:00 hours) | 12 December 2019 |
| 4 | Intermediaries' Offer* | 18 December 2019 |
| 5 | Commencement of interest on the Bonds | 20 December 2019 |
| 6 | Announcement of basis of acceptance | 20 December 2019 |
| 7 | Refund of unallocated monies (if any) | 6 January 2020 |
| 8 | Dispatch of allotment advices | 6 January 2020 |
| 9 | Expected date of admission of the Bonds to listing | 6 January 2020 |
| 10 | Expected date of commencement of trading in the Bonds | 7 January 2020 |

The Issuer reserves the right to close the Offer Period before 12 December 2019, in which case the events set out in 6 to 10 above, will be brought forward, although the number of working days between the respective events will not be altered.

** In the event that the total value of Applications received from Preferred Applicants, exceeds €25,000,000, the Intermediaries' Offer will not take place.*

4.2. REASONS FOR THE BOND ISSUE AND USE OF PROCEEDS

The aggregate proceeds from the Bond Issue, which net of expenses are expected to amount to approximately €24,500,000, will be used by the Issuer for the following purposes (paragraphs 4.2.1 - 4.2.4 together hereinafter referred to as the **"Intended Uses"**):

- 4.2.1. the amount of *circa* €7,000,000 will be used to part finance the acquisition of land situated in *'Tas-Sienja'*, Marsa earmarked for development into a mixed residential, office and commercial complex, as further described in section 5.5 of the Registration Document ('Investments'), currently subject to a promise of sale agreement, and in the respective independent expert valuation report contained in Annex 2 thereof (the **"Marsa Project"**);
- 4.2.2. the amount of up to €9,000,000 will be used to part finance the Group's acquisition and development of *'41, Merchant Street'* situated in Valletta, currently subject to a promise of sale agreement, as further described in section 5.5 of the Registration Document ('Investments') and in the respective independent expert valuation report contained in Annex 2 thereof (the **"Valletta Project"**);
- 4.2.3. the amount of up to €4,500,000, together with any amounts not utilised in accordance with paragraph 4.2.1 and, or paragraph 4.2.2 above, will be used for the part refinancing of existing banking facilities of the Group. Details of the said outstanding banking facilities are provided in section 5.2 of this Securities Note ('Ranking of the Bonds') below; and
- 4.2.4. the amount of up to €4,000,000, together with any residual amounts not utilised in accordance with paragraphs 4.2.1 to 4.2.3 above, if any, will be used for general corporate funding purposes of the Group.

The promise of sale agreements relative to the acquisition of the land situated in *'Tas-Sienja'*, Marsa and to the acquisition of *'41, Merchant Street'*, Valletta were entered into on 24 October, 2017 and on 4 July 2019, respectively. Although it is strongly anticipated that the corresponding deeds of sale will be concluded shortly after the issuance of the Bonds, in the unlikely event that either or both of the deeds of sale is / are not concluded, the Issuer undertakes to utilise the funds earmarked for the said purposes for either or both of the following uses (the **"Alternative Uses"**, each an **"Alternative Use"**), as may be determined by the Issuer:

- 4.2.5. the part refinancing of the following existing banking facilities of the Group: the *circa* €8,300,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Central Leisure Developments Limited (C 25774) pursuant to a sanction letter dated 26 October 2016 (as subsequently amended), the amount outstanding of which as at 31 October 2019 is €4,885,000, and the *circa* €4,300,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Palazzo Merkanti Leisure Limited (C 76080), pursuant to a sanction letter dated 4 November 2016 (as subsequently amended), the amount outstanding of which as at 31 October 2019 is €3,729,000. The first mentioned loan facility was granted for the purpose of financing the development of AX The Palace Hotel, Sliema, whilst the other loan facility was granted for the purpose of financing the acquisition of Palazzo Merkanti (subsequently developed and renamed The AX Rosselli). Further details of the aforementioned banking facilities of the Group are provided in section 5.2 of this Securities Note ('Ranking of the Bonds') below. Any amounts loaned in terms of this Alternative Use shall be over and above any amount which may be loaned to Central Leisure Developments Limited and, or Palazzo Merkanti Leisure Limited in terms of paragraph 4.2.3 above; and, or
- 4.2.6. the part financing of key developments which the Group is presently committed to and which are identified in section 5.5 ('Investments') of the Registration Document.

For the purposes of paragraphs 4.2.1 to 4.2.6 above, a loan agreement has been entered into on 8 November 2019 by and between the Issuer (as lender) and AX Holdings Limited (as borrower) (the **"Principal Loan Agreement"**), which agreement is conditional upon the issue and allotment of the Bonds and the Bonds being admitted to the Official List. The Principal Loan Agreement shall be subject to the payment of interest at 4% per annum. The principal amounting to €24,500,000 shall be repayable as follows: (i) the amount representing the proportionate amount of the principal equivalent to the amount of Series I Bonds, as allocated by the Issuer in terms of section 6.4 of this Securities Note ('Allocation Policy'), shall be repayable on 16 November 2026; and (ii) the amount representing the proportionate amount of the principal equivalent to the amount of Series II Bonds, as allocated by the Issuer in terms of the said section 6.4 of this Securities Note, shall be repayable on 16 November 2029.

AX Holdings Limited (as lender) shall in turn be entering into loan agreements with selected Subsidiaries for such Subsidiaries to deploy the proceeds from the Bond Issue in the manner indicated in this section 4.2 (the **"Subsidiary Loan Agreements"**). The terms of the Subsidiary Loan Agreement are set out in a template appended to the Principal Loan Agreement, which shall be applied by AX Holdings Limited and the relevant Subsidiaries for the purpose of constituting the respective loans to be granted to such Subsidiaries. The Principal Loan Agreement sets out the purposes for which the subsidiary loans can be granted, specifically the Intended Uses and, in the unlikely event that either or both of the deeds of sale referred to in paragraphs 4.2.1 and 4.2.2 is/are not concluded, the Alternative Uses. The Subsidiary Loan Agreements will be conditional upon AX Holdings Limited receiving the loan proceeds from the Principal Loan Agreement. The Subsidiary Loan Agreements shall also be subject to the same terms as those to which the Principal Loan Agreement is subject, save that in respect of the repayment term to be applied to such subsidiary loans, AX Holdings Limited reserves the right to determine which of the seven-year repayment term or ten-year repayment term referred to in the preceding paragraph to apply to the particular Subsidiary Loan Agreement, as it may consider necessary for the purpose of fulfilling its repayment obligations under the Principal Loan Agreement.

In the event that the Series I Bonds and, or the Series II Bonds are not fully subscribed, the Issuer will proceed with the listing of the amount of Series I Bonds and, or Series II Bonds, as applicable, actually subscribed for. Accordingly, the Issuer shall apply the net proceeds from the Bond Issue in the manner and order of priority set out above (where necessary applying the re-allocation of proceeds to the Alternative Uses), and any residual amounts required by the Issuer for the purposes of the Intended Uses which shall not have been raised through the Bond Issue, shall be financed from the AX Group's general cash flow.

4.3. EXPENSES

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €500,000 in the aggregate. There is no particular order of priority with respect to such expenses.

The expenses pertaining to the Bond Issue shall be deducted entirely from the proceeds of the Bond Issue and accordingly shall be borne exclusively by the Company.

4.4. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE BOND ISSUE

Save for the possible subscription for the Bonds by Authorised Financial Intermediaries (which includes MeDirect Bank (Malta) plc, being the Sponsor, and Bank of Valletta p.l.c., being the Manager & Registrar), and any fees payable to MeDirect Bank (Malta) plc and Bank of Valletta p.l.c. in connection with the Bond Issue as Sponsor and as Manager & Registrar, respectively, so far as the Issuer is aware, no other person involved in the Bond Issue has an interest, conflicting or otherwise, material to the Bond Issue.

5 INFORMATION CONCERNING THE BONDS

5.1. BOND ISSUE STATISTICS

All terms and conditions of this Securities Note shall apply equally to all Bonds, unless as otherwise expressly specified in this Securities Note as applying exclusively and limitedly to the Series I Bonds or to the Series II Bonds, as the case may be.

| | |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ISIN: | with respect to: i. the Series I Bonds:- MT0002361203; ii. the Series II Bonds:- MT0002361211; |
| Amount: | aggregate amount of up to €25,000,000, comprised of any one or a combination of Series I Bonds and, or Series II Bonds, which combination shall be determined in accordance with the allocation policy of the Issuer set out in section 6.4 of this Securities Note; |
| Bond Issue Price: | at par (€100 per Bond); |
| Minimum amount per subscription: | minimum of €2,000 with respect to Series I Bonds and minimum of €10,000 with respect to Series II Bonds, and for both Series I and Series II Bonds, in multiples of €100 thereafter; |
| Issue Date: | expected on 6 January 2020; |
| Interest: | in the case of: i. Series I Bonds, interest of 3.25% per annum; ii. Series II Bonds, interest of 3.75% per annum; |
| Interest Payment Date(s): | means, with respect to the: i. Series I Bonds, 20 December of each year between and including each of the years 2020 and the year 2026; and ii. Series II Bonds, 20 December of each year between and including each of the years 2020 and the year 2029; provided that, in either case, 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; |
| Redemption Date: | means, with respect to: i. the Series I Bonds, the 20 December 2026; and ii. the Series II Bonds, the 20 December 2029; unless previously purchased for cancellation by the Issuer; |
| Denomination: | Euro (€); |
| Status of the Bonds: | the Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt of the Issuer, present and future, if any; |
| 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 Issuer at the CSD; |
| Admission to Listing and Trading: | the Listing Authority has approved the Bonds for admissibility to listing on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List; |

| | |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Application Forms available: | Application Forms will be mailed to AXI Bondholders on 26 November 2019. AX Group Employees may obtain an Application Form from the Issuer's offices as from 29 November 2019; |
| Offer Period: | the period between 08:30 hours on 29 November 2019 and 14:00 hours on 12 December 2019 (or such earlier as may be determined by the Issuer) during which the Bonds will be available for subscription by Preferred Applicants; |
| Intermediaries' Offer: | by 14:00 hours on 18 December 2019. The Intermediaries' Offer will only take place should there still remain Bonds available for subscription following the closure of the Offer Period during which the Bonds are on offer exclusively to Preferred Applicants as aforesaid; |
| 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; and |
| Underwriting: | the Bond Issue is not underwritten. |

5.2. RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of the Issuer present and future, if any. Furthermore, subject to the negative pledge clause set out in section 5.6 of this Securities Note, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following table sets out a summary of the Group's indebtedness, and includes details of security given in respect of guarantees, overdraft facilities, and bank loans as at 25 October 2019. The bank borrowings and facilities listed below are secured by privileges, hypothecs and guarantees, and therefore, to the extent that such borrowings and/or facilities remain outstanding, the indebtedness being created by the Bonds would, specifically in respect of the assets constituting the said security, rank after all these borrowings and/or facilities. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and, or a hypothec, in so far as the asset constituting the relevant security is concerned. Existing bank facilities forming part of the Group indebtedness set out in the table below shall be repaid out of part of the net proceeds of the Bond Issue, up to an aggregate amount of €4,500,000.

Table 1: Group Net Indebtedness

Below is a summary of the Group's bank and other borrowings.

| AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED) | | | | |
|------------------------------------------------------------|--------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| BORROWINGS | | | | |
| As at | 30-Apr-2019 Unaudited €'000 | 31-Oct-2018 Audited €'000 | 31-Oct-2017 Audited €'000 | 31-Oct-2016 Audited €'000 |
| Bank borrowings | | | | |
| Central Leisure Developments Ltd | 5,426 | 5,860 | 6,794 | 8,300 |
| Capua Palace Investments Ltd | 784 | 886 | 1,081 | 1,268 |
| Suncrest Hotels p.l.c. | 4,477 | 4,533 | 5,365 | 6,195 |
| Luzzu Properties Ltd | - | - | 429 | 2,760 |
| AX Holdings Ltd | - | - | 2,112 | 2,924 |
| Palazzo Merkanti Leisure Ltd | 3,839 | 3,947 | 4,157 | - |
| Bank overdrafts | - | 559 | 1,144 | 283 |
| | 14,526 | 15,785 | 21,082 | 21,730 |
| Bonds | | | | |
| 6% Bonds 2024 | 39,487 | 39,456 | 39,394 | 39,540 |
| | 39,487 | 39,456 | 39,394 | 39,540 |
| Other borrowings | | | | |
| Malta Enterprise | - | - | 6,529 | 6,311 |
| Shareholder's loan | - | 237 | 1,204 | 1,517 |
| | - | 237 | 7,733 | 7,828 |
| Total borrowings and bonds | 54,013 | 55,478 | 68,209 | 69,098 |

The Issuer will utilise an amount of up to €4,500,000 from the proceeds of the Bond Issue to re-finance in part the following existing banking facilities:

- i. the €7,000,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Suncrest Hotels p.l.c. (C 8643), pursuant to a sanction letter dated 31 December 2013 (as subsequently amended). The loan facility was granted for the purpose of financing the refurbishment of the guestrooms of the Suncrest Hotel, Qawra and is repayable over a 10-year period ending 2023 in equal monthly instalments at an interest rate of 2.75% over the prevailing bank base rate. This loan facility is secured by a first ranking general hypothec over the present and future assets of Suncrest Hotels p.l.c., as well as a first ranking general hypothec over the Suncrest Hotel. Other security granted in respect of this facility includes a pledge over receivables and insurance. As at the date of this Securities Note, an amount of €4,096,000 was outstanding under this loan facility; and
- ii. the *circa* €950,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Capua Palace Investments Ltd (C 19375), pursuant to a sanction letter dated 1 November 2013 (as subsequently amended). The loan facility was granted for the purpose of the financing of amounts due in respect of the acquisition of the Capua Palace, Sliema, and is repayable over a 10-year period ending 2023 in equal monthly instalments at an interest rate of 2% over the prevailing bank base rate. This loan facility is secured by a first ranking special hypothecary guarantee given by Suncrest Hotels p.l.c. and various bank guarantees given by other companies forming part of the Group. As at the date of this Securities Note, an amount of €698,900 was outstanding under this loan facility.

Further details on the Group's bank borrowings are contained in section 6 of the Registration Document entitled 'Capital Resources'.

Table 2: Security

| Property secured | Type of security | Amount secured (€) |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|
| All the present and future assets of: | | |
| • AX Holdings Limited (C 3595) | GH | 11,982,100 |
| • Suncrest Hotels p.l.c. (C 8643) | GH | 15,676,546 |
| • Central Leisure Developments Limited (C 25774) | GH | 8,566,742 |
| • Capua Palace Investments Limited (C 19375) | GH | 951,436 |
| • AX Finance Ltd (C 6867) | GH | 5,000,000 |
| • AX Hotel Operations p.l.c. (C 40905) | GH | 2,700,000 |
| • Holiday Resorts Limited (C 5733) | GH | 1,282,100 |
| • AX Construction Limited (C 17438) | GH | 2,500,000 |
| • Verdala Mansions Limited (C 7793) | GH | 1,282,100 |
| • Skyline Development Limited (C 34281) | GH | 4,700,000 |
| • Palazzo Merkanti Leisure Limited (C 76080) | GH | 3,912,403 |
| Hypothec over the following immovable property: | | |
| • AX Seashells Resort at Suncrest, Qawra, (inclusive of Tal-Kaptan restaurant and lido but exclusive of 6th floor) | SH GHG | 20,927,982 2,700,000 |
| • Sunny Coast Resort and Spa Complex, Qawra (inclusive of Coral Reef Restaurant, excluding 26 apartments under timeshare agreements) | SH | 2,581,000 |
| • AX The Palace Hotel, Sliema | SH GHG | 22,044,742 5,980,000 |
| • AX Rosselli, Valletta | SH | 3,912,403 |
| • Verdala Mansions, Rabat | GHG | 1,680,000 |
| • Tal-Qares site, Mosta | SH | 4,700,000 |

(SH = special hypothec; GH = general hypothec; GHG = general hypothecary guarantee)

5.3. RIGHTS ATTACHED TO THE BONDS

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- i. the repayment of capital;
- ii. the payment of interest;
- iii. ranking with respect to other indebtedness of the Issuer in accordance with the provisions of section 5.2 above;
- iv. attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and
- v. enjoy all such other rights attached to the Bonds emanating from this Prospectus.

5.4. INTEREST

5.4.1. The Bonds shall bear interest:

- i. with respect to the Series I Bonds, from and including 20 December 2019 at the rate of 3.25% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020); and
- ii. with respect to the Series II Bonds, from and including 20 December 2019 at the rate of 3.75% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020);

Provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

5.4.2. In terms of article 2156 of the Civil Code (Cap. 16 of the laws of Malta), 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.

5.4.3. When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

5.5. YIELD

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at the Redemption Date is: (i) 3.25% with respect to the Series I Bonds; and (ii) 3.75% with respect to the Series II Bonds.

5.6. NEGATIVE PLEDGE

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

- **"Financial Indebtedness"** means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;
- **"Security Interest"** means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;
- **"Permitted Security Interest"** means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the Unencumbered Assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time. Provided that the aggregate Security Interests referred to in (B) and (C) hereof do not result in the unencumbered assets of the Issuer being less than 103.75% of the aggregate principal amount of the Bonds still outstanding;
- **"Unencumbered Assets"** means assets which are not subject to a Security Interest.

5.7. PAYMENTS

5.7.1. Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven days of the relevant Redemption Date. The Issuer shall not be responsible for any charges, loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

5.7.2. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

5.7.3. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 15 days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be

effected within seven days of the Interest Payment Date. The Issuer shall not be responsible for any charges, loss or delay in transmission.

5.7.4. All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

5.7.5. No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.8. REDEMPTION AND PURCHASE

5.8.1. Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on the relevant Redemption Date.

5.8.2. Subject to the provisions of this section 5.8, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

5.8.3. All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

5.9. 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:

5.9.1. the Issuer 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 Issuer by any Bondholder; or

5.9.2. the Issuer 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 Issuer by any Bondholder; or

5.9.3. the Issuer shall fail duly to 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 Issuer by any Bondholder; or

5.9.4. an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or

5.9.5. the Issuer 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

5.9.6. the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or

5.9.7. there shall have been entered against the Issuer 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 at least 10% of the equity value of the Company, and 90 days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or

5.9.8. any default occurs and continues for ninety 90 days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer in excess of an amount equivalent to at least 10% of the equity value of the Company or its equivalent at any time.

5.10. TRANSFERABILITY OF THE BONDS

5.10.1. The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. The minimum subscription amount of €2,000 for Series I Bonds and €10,000 for Series II Bonds shall only apply during the Offer Period and in relation to the Intermediaries' Offer (if it takes place). 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.

5.10.2. Any person becoming entitled to a Bond 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 Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect 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 Bond, or procuring the transfer of the Bond, in favour of that person.

- 5.10.3.** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.10.4.** 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 Issuer 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 Issuer.
- 5.10.5.** The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

5.11. FURTHER ISSUES

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities or upon such terms as the Issuer may determine at the time of their issue.

5.12. MEETINGS OF BONDHOLDERS

- 5.12.1.** The Issuer 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.
- 5.12.2.** 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.
- 5.12.3.** Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer 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 Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.12.4.** 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.
- 5.12.5.** A meeting of 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 present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall 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 Issuer 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.
- 5.12.6.** Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.
- 5.12.7.** 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 at the meeting the Directors or their representative 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 Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer 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.
- 5.12.8.** The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.
- 5.12.9.** 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.
- 5.12.10.** Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.13. AUTHORISATIONS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 8 November 2019.

The Listing Authority admitted the Bonds as eligible to listing on the Official List of the MSE pursuant to the Listing Rules by virtue of a letter dated 22 November 2019.

5.14. NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 24 hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

6 TERMS AND CONDITIONS OF THE BOND ISSUE

6.1. GENERAL TERMS AND CONDITIONS OF THE BONDS

THESE GENERAL TERMS AND CONDITIONS SHALL APPLY TO ALL APPLICATIONS FOR BONDS MADE PURSUANT TO THE BOND ISSUE UNDER THIS SECURITIES NOTE, REGARDLESS OF WHETHER AN APPLICATION IS MADE FOR SERIES I BONDS, SERIES II BONDS, OR BOTH:

- 6.1.1.** The allotment of Bonds in favour of successful Applicants is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official list of the MSE, any Application monies received by the Issuer will be returned, without interest, by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 6.1.2.** The contract created by the Issuer's acceptance of an Application shall be subject to all the general terms and conditions set out in this section 6.1 and in the remainder of this Securities Note, the Memorandum and Articles of the Issuer and in the respective Application Form. It is the responsibility of investors wishing to apply for Bonds 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.
- 6.1.3.** Subject to all other terms and conditions set out in the Prospectus (including, in particular, the allocation policy set out in section 6.4 of this Securities Note), the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, 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 Issuer 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.
- 6.1.4.** In the case of joint Applications, reference to the Applicant in these general terms and conditions set out in this section 6.1 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 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 (Joint) Applicants" in the Application Form or joint holders in the register of Bondholders, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s (as applicable) so held.
- 6.1.5.** 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 or 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.
- 6.1.6.** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Bondholders. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond/s so held and shall have the right to: (a) receive interest on the Bond/s; and (b) to vote at meetings of the Bondholders, but shall not, during the continuance of the Bond/s, have: (i) the right to dispose of the Bond/s so held without the consent of the bare owner; and (ii) shall not be entitled to the repayment of principal on the Bond/s so held (which shall be due to the bare owner).
- 6.1.7.** 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.
- 6.1.8.** Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as a Bondholder, with 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 or interest and redemption monies (as applicable) shall be paid directly to the registered holder, provided that the MSE has been duly notified in writing of the fact that the minor has attained the age of 18 years.

- 6.1.9.** All Applications for the Bonds must be submitted on the appropriate Application Form within the time limits established therein, including the minimum application subscriptions in an initial application amount of €2,000 for Series I Bonds and €10,000 for Series II Bonds, and Applications in excess of the said minimum must be in multiples of €100 in Bonds;
- 6.1.10.** All Application Forms are to be lodged with any of the Authorised Financial Intermediaries. All Application Forms must be accompanied by the full price due for the Bonds applied for, in Euro, and payments may be made in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Company acting through the Registrar reserve the right to invalidate the relative Application Form.
- 6.1.11.** In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds 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 Bonds 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.
- 6.1.12.** 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 (Cap. 586 of the Laws of Malta) and/or Regulation (EU) No. 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.
- 6.1.13.** It shall be incumbent upon the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to the subscription of the Bonds 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.
- 6.1.14.** By not later than 20 December 2019, the Issuer shall announce the results of the Bond Issue through a company announcement.
- 6.1.15.** 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.
- 6.1.16.** Subscription for Bonds 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 Bonds. It is the responsibility of any person (including, without limitation, nominees, custodians, depositories and trustees) outside Malta wishing to participate in the Bond Issue, 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 Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.
- 6.1.17.** Having considered the circumstances, the Company has formed the view (due to 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) not to send Application Forms to AXI Bondholders, having their address as included in the register of bondholders, outside Malta, except where, *inter alia*, in the absolute discretion of the Company, it is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.
- 6.1.18.** The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 6.1.19.** Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to the Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer 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 Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 6.1.20.** The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to the Bonds held in the register kept by the CSD.

6.1.21. Applicants may opt to subscribe for the online e-portfolio of the MSE. The Bondholder's statement of holdings evidencing entitlement to the 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 facilities on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

6.1.22. By completing and delivering any Application Form, the Applicant:

- i. accepts to be irrevocably contractually committed to acquire the number of Bonds allocated to such Applicant at the Bond Issue Price 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 Bonds specified in the Application Form submitted by the Applicant (or any smaller number of Bonds for which the Application is accepted) at the Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions, 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 Issuer and the issue of the Bonds 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 cancelled by the Issuer (acting through the Registrar) and subscription monies will be returned to the Applicant in accordance with section 6.1.11 above. 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 Issuer, which is available on the Issuer's website on: www.axgroup.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 (Cap. 586 of the laws of Malta) and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that the he/she has been provided with and has read the privacy notice;
- v. authorises the Issuer (or its services 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 (Cap. 586 of the laws of Malta). 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 Bonds applied for, as the case may be. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus and sent to the CSD at 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 Issuer or the Bond Issue 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: (i) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Bonds, unless and until a payment is made in cleared funds for such Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer 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 Issuer acting through the Registrar of such late payment in respect of the Bonds); or (ii) the Company may, without prejudice to other rights, treat the agreement to allocate such Bonds as void and may allocate such Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Bonds (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 (Cap. 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- x. agrees to provide the Issuer (acting through the Registrar), as the case may be, 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 the Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and undertake to submit your power of attorney or a copy thereto duly certified by a lawyer or notary public if 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 Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Bonds, 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 United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- xvii. agrees that the advisors to the Issuer listed in section 3.2 of the Registration Document under the heading "Advisors" will owe the Applicant no duties or responsibilities (fiduciary or otherwise) concerning the Bonds or the suitability thereof to the Applicant;
- xviii. agrees that all documents in connection with the issue of the Bonds 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 Issuer against any amount due under the terms and conditions of the Bonds.

6.2. PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds are open for subscription to all categories of investors, which may be broadly split as follows:

- i. Preferred Applicants up to the total aggregate amount of the Bonds; and
- ii. the Authorised Financial Intermediaries shall be entitled to subscribe for the Bonds through an Intermediaries' Offer, for their own account or on account of their underlying clients, up to the balance, if any, of the Bonds not subscribed for by the Preferred Applicants as described in further detail in section 6.5 of this Securities Note.

In each case, subscription amounts shall be in multiples of €100, subject to a minimum initial subscription of €2,000 with respect to Series I Bonds and €10,000 with respect to Series II Bonds (such minimum amounts for each respective Series shall also apply in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, for each underlying application (and in multiples of €100 thereafter)).

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.

Dealing in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

6.3. PRICING

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

6.4. ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following allocation policy and order of priority:

- i. A maximum amount of up to €25,000,000 in Bonds shall be first allocated to the Preferred Applicants, in accordance with an allocation policy as determined by the Issuer (acting through the Registrar).

It is the intention of the Issuer to split the Bonds into €15,000,000 Series I Bonds and €10,000,000 Series II Bonds. Preferred Applicants may indicate the amount of Series I and, or Series II Bonds they wish to apply for. In the event that Applications from Preferred Applicants in any one of the Series exceed the respective intended threshold indicated above, but there remain unallocated Bonds in the other Series, the Issuer (acting through the Registrar) shall, to the extent possible, allocate such remaining Bonds to those Applicants that have indicated on the respective Application Form (by ticking the appropriate box in Panel D) their willingness to have the excess utilised for the subscription for Bonds of the other Series of Bonds.

If following application of the mechanism specified in the preceding paragraph, Applications from Preferred Applicants exceed the amount available for subscription, the Issuer (acting through the Registrar) shall scale down Applications in accordance with its allocation policy and the subscription of any unsatisfied Applications, or part thereof, shall be returned by direct credit transfer to the account number indicated on the respective Application Form within five Business Days from the announcement of the basis of acceptance.

- ii. Any balance of the Bonds not subscribed for by Preferred Applicants shall be made available for subscription by Authorised Financial Intermediaries through an Intermediaries' Offer, whether for their own account or on account of their underlying customers, who have submitted a subscription agreement as detailed in section 6.5 hereunder.

In the event that the subscription agreements received exceed the amount available for subscription in terms of this point (ii), the Issuer (acting through the Registrar) shall scale down each subscription agreement in accordance with its allocation policy and the subscription monies of any unsatisfied subscription agreements, or part thereof, shall be returned by direct credit transfer to the respective Authorised Financial Intermediary to the account number indicated on the respective subscription agreement by latest 20 December 2019.

Notwithstanding the Issuer's intention to split the Bonds in the amount of €15,000,000 Series I Bonds and €10,000,000 Series II Bonds, the Issuer reserves the right to allocate the Bonds in any one or a combination of Series I Bonds and Series II Bonds, which allocation will be determined at the sole discretion of the Board of Directors of the Issuer. The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 20 December 2019.

6.5. INTERMEDIARIES' OFFER

The Issuer may enter into conditional subscription agreements with Authorised Financial Intermediaries for the subscription of the resultant balance of Bonds not subscribed to by Preferred Applicants, if any.

In terms of each subscription agreement entered into with an Authorised Financial Intermediary, the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe to, on its own account or on account of its underlying clients, the number of Bonds indicated therein subject to being admitted to trading on the Official List of the Malta Stock Exchange. The subscription agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the subscription agreement.

The minimum which each Authorised Financial Intermediary may apply for in terms of the subscription agreement is €2,000 with respect to Series I Bonds and €10,000 with respect to Series II Bonds. The minimum subscription amounts for each respective Series shall also apply for each underlying application (and in multiples of €100 thereafter).

6.6. APPLICATIONS FOR BONDS

Preferred Applicants may subscribe for Series I Bonds by completing Application Form 'Series I' and for Series II Bonds by completing Application Form 'Series II', specimens of which can be found in Annex 2 to this Securities Note. Such Application Forms may be submitted to any Authorised Financial Intermediary by latest 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer.

In the eventuality that the Intermediaries' Offer takes place, other investors may subscribe for Series I Bonds and, or Series II Bonds through any Authorised Financial Intermediary. Authorised Financial Intermediaries need to submit completed subscription agreements as further described in section 6.5 above, indicating the number of Bonds they are interested to subscribe for in the respective Series of Bonds by latest 14:00 hours on 18 December 2019.

All applications shall be subject to the General Terms and Conditions of the Bonds as set out in section 6.1 above, the terms of which shall form an integral part hereof.

6.7. ADMISSION TO TRADING

- 6.7.1.** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 22 November 2019.
- 6.7.2.** Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.
- 6.7.3.** The Bonds are expected to be admitted to the Official List of the MSE with effect from 6 January 2020 and trading is expected to commence on 7 January 2020.

7 TAXATION

7.1. 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 Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders respectively, in so far as taxation in Malta is concerned. 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 tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, 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 circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

7.2. INFORMATION TO INVESTORS IN THE BONDS

7.2.1. Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise 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), interest shall be paid to such person 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 (Cap. 123 of the laws of Malta). 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 Issuer will 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 will be paid gross and such person will 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 Issuer 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 Issuer. 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) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act, including but not limited to the condition that the Bondholder is not owned and controlled by, whether directly or indirectly, nor acts on behalf of an individual/s who are ordinarily resident and domiciled in Malta, are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

7.2.2. Maltese taxation on capital gains on transfer of the Bonds

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 Bondholder, no tax on capital gains is chargeable in respect of transfer of the Bonds.

7.2.3. Duty on documents and transfers

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 as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds do not constitute marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof is not chargeable to duty.

7.3. EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU, 2015/2376, 2016/881 and 2016/2258) provides for the implementation of the Common Reporting Standard (“CRS”) into Maltese legislation. The CRS has been proposed by the OECD as a new global standard for the automatic exchange of financial account information between tax authorities in participating jurisdictions. CRS has been transposed into Maltese legislation by virtue of the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127 (“CRS Legislation”). Malta based financial institutions

("FIs") (defined as such for the purposes of CRS) are obliged to identify and report to the Maltese tax authorities financial accounts held by a Reportable Person, as defined under the CRS Legislation, and certain entities with one or more Controlling Persons, as defined under the CRS Legislation, which is classified as a Reportable Person. Financial information relating to Bonds and the holders of the Bonds may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

In particular with respect to CRS, the following information will be reported by the FIs to the Maltese competent authority in respect of each reportable account maintained by the FIs:

- i. The name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth;
- ii. The account number (or functional equivalent in the absence of an account number);
- iii. The account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account;
- iv. The total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

The Maltese tax authorities shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority on annual basis, any relevant information that may fall to be classified as reportable, and *vice versa*.

The Maltese tax authorities shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority, any relevant information that may fall to be classified as reportable, and *vice versa*.

Foreign Tax Compliance Act ("FATCA") has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156 ("FATCA Legislation"). Under the FATCA Legislation, FIs in Malta (defined as such for the purposes of FATCA) are obliged 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 tax authorities. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the Order on an automatic basis. Non-compliance may result in a punitive 30% withholding tax on distributions captured by FATCA. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

In particular, FIs reserve the right to store, use, process, disclose and report any required information including all current and historical data related to the past and/or present account(s) held by Reportable Persons, including, but not limited to, the name, address, date of birth, place of birth and US TIN, the details of any account transactions, the nature, balances and compositions of the assets held in the account, to the Maltese competent authority.

FIs 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 CRS and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, FIs 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 BONDS AS WELL AS DISTRIBUTION OF INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

8 INDEPENDENT CREDIT RATING

The Issuer has not sought, nor does it intend to seek the credit rating of an independent agency and there has been no assessment of the Bonds by any independent rating agency.

9 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex 3, this 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 the Sponsor (MeDirect Bank (Malta) plc a company registered under the laws of Malta with company registration number C 34125 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'), which has given and has not withdrawn its consent to the inclusion of such report herein. The Sponsor does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

ANNEX 1

AUTHORISED FINANCIAL INTERMEDIARIES

| Name | Address | Telephone |
|-----------------------------------------------------|-----------------------------------------------------------------------------------|-----------|
| APS Bank p.l.c. | APS Centre, Tower Road, Birkirkara BKR 4012 | 25603000 |
| Bank of Valletta p.l.c. | BOV Centre, Cannon Road, Zone 4, Central Business District, Santa Venera CBD 4060 | 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 |
| Financial Planning Services Ltd | 4, Marina Court, G Cali Street, Ta' Xbiex XBX 1421 | 21344244 |
| 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 | 67/3, South Street, Valletta VLT 1105 | 23265696 |
| Lombard Bank Malta p.l.c. | 67, Republic Street, Valletta VLT 1117 | 25581806 |
| MeDirect Bank (Malta) p.l.c. | The Centre, Tigné Point, Sliema TPO 0001 | 25574400 |
| Michael Grech Financial Investment Services Limited | The Brokerage, Level O A, St Marta Street, Victoria VCT 2550, Gozo | 21554492 |
| 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 |
| Zenith Finance Ltd | 220, Immaculate Conception Street, Msida MSD 1838 | 21332200 |

ANNEX 2

SPECIMEN APPLICATION FORMS



AX GROUP P.L.C.

€25,000,000*

3.25% UNSECURED BONDS 2026

APPLICATION FORM SERIES I - PREFERRED APPLICANTS

*in any one or a combination of the 3.25% unsecured bonds 2026 and/or 3.75% unsecured bonds 2029

This Application Form is not transferable and entitles you to subscribe for AX Group p.l.c. 3.25% Unsecured Bonds 2026 as a Preferred Applicant (collectively AXI Bondholders and AX Group Employees) as at 14 November 2019. Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------|
| A APPLICANT (see notes 2 to 7) | | | |
| | | I.D. CARD / PASSPORT NO. | MSE A/C NO. (mandatory) |
| | | | |
| DOCUMENT TYPE | COUNTRY OF ISSUE | DATE OF BIRTH | NATIONALITY |
| LEI (Legal Entity Identifier) (If Applicant is NOT an individual) | | PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/> | MOBILE NO. (mandatory for e-portfolio) |
| | | | |
| B 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 |
| C DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) (see notes 4 & 7) (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 |
| D I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8): | | | |
| AMOUNT IN FIGURES € | | AMOUNT IN WORDS | |
| AX Group p.l.c. 3.25% Unsecured Bonds 2026 (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 22 November 2019 (the "Prospectus"), payable in full upon application under the General Terms and Conditions of the Bonds as set out in the Prospectus. | | | |
| <input type="checkbox"/> I hereby elect to have any unallocated amounts with respect to my Application to subscribe for the Series I Bonds to be considered for allocation for the Series II Bonds (which election shall apply only where there remains unallocated Bonds for the Series II Bonds, and which allocation shall, in any case, be subject to the allocation policy of the Issuer). | | | |
| E RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION (see notes 9 & 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) | |
| F NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see notes 2 & 10) (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 | |
| G INTEREST, REFUND AND REDEMPTION MANDATE (see notes 11 & 12) (completion of this panel is MANDATORY) | | | |
| BANK | | IBAN | |
| <p>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.</p> <p>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.</p> | | | |
| Signature/s of Applicant/s | | Date | |
| (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 of Bonds that are subject to usufruct) | | | |
| AUTHORISED FINANCIAL INTERMEDIARY'S STAMP | AUTHORISED FINANCIAL 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 22 November 2019 regulating the Bond Issue

1. This Application is governed by the General Terms and Conditions of the Bonds contained in Section 6.1 of the Securities Note dated 22 November 2019 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. For applicants who are non-residents in Malta for tax purposes, the relative box in Panel F must be completed.
3. The MSE account number pertaining to AXI Bondholders, has been preprinted in Panel A and reflects the MSE account number on the bond register of the €40 million AX Investments p.l.c. 6% Bonds 2024 held at the CSD as at 14 November 2019 (trading session of the 12 November 2019). If an MSE account pertains to more than one person (including husband and wife), the full details of all individuals must be given in Panels A and B but the person whose name appears in Panel A shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). **Applications by more than two persons are to use the Addendum to the Application Form.**
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), 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 on 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. Panel C must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **AX GROUP EMPLOYEES ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL A, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. PREFERRED 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 EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE AFFECTED.**
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 included in Panel C.
8. 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.
9. 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 7.2 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).
10. 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 9 and 10 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Offer Period will open at 08:30 hours on 29 November 2019 and will close at 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in Annex I of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. 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 in panel G.
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 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 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. 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.

This Application Form is not transferable and entitles you to subscribe for AX Group p.l.c. 3.75% Unsecured Bonds 2029 as a Preferred Applicant (collectively AXI Bondholders and AX Group Employees) as at 14 November 2019. Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------|
| A APPLICANT <i>(see notes 2 to 7)</i> | | | |
| | | I.D. CARD / PASSPORT NO. | MSE A/C NO. <i>(mandatory)</i> |
| DOCUMENT TYPE | COUNTRY OF ISSUE | DATE OF BIRTH | NATIONALITY |
| LEI (Legal Entity Identifier) <i>(if Applicant is NOT an individual)</i> | | PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/> | MOBILE NO. <i>(mandatory for e-portfolio)</i> |
| B ADDITIONAL (JOINT) APPLICANTS <i>(see note 3)</i> <i>(please use Addendum to Application Form if space is not sufficient)</i> | | | |
| TITLE (Mr/Mrs/Ms/...) | | FULL NAME AND SURNAME | |
| | | I.D. CARD/PASSPORT NO. | |
| DOCUMENT TYPE | COUNTRY OF ISSUE | DATE OF BIRTH | NATIONALITY |
| C DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) <i>(see notes 4 & 7)</i> <i>(to be completed ONLY if applicable)</i> | | | |
| 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 |
| D I/WE APPLY TO PURCHASE AND ACQUIRE <i>(see note 8):</i> | | | |
| AMOUNT IN FIGURES € | | AMOUNT IN WORDS | |
| <p>AX Group p.l.c. 3.75% Unsecured Bonds 2029 (the "Bonds") (minimum subscription of €10,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 22 November 2019 (the "Prospectus"), payable in full upon application under the General Terms and Conditions of the Bonds as set out in the Prospectus.</p> <p><input type="checkbox"/> I hereby elect to have any unallocated amounts with respect to my Application to subscribe for the Series II Bonds to be considered for allocation for the Series I Bonds (which election shall apply only where there remains unallocated Bonds for the Series I Bonds, and which allocation shall, in any case, be subject to the allocation policy of the Issuer).</p> | | | |
| E RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION <i>(see notes 9 & 10)</i> <i>(to be completed ONLY if the Applicant is a resident of Malta)</i> | | | |
| <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) | |
| F NON-RESIDENT - DECLARATION FOR TAX PURPOSES <i>(see notes 2 & 10)</i> <i>(to be completed ONLY if the Applicant is a non-resident)</i> | | | |
| 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 | |
| G INTEREST, REFUND AND REDEMPTION MANDATE <i>(see notes 11 & 12)</i> <i>(completion of this panel is MANDATORY)</i> | | | |
| BANK | | IBAN | |
| <p>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.</p> <p>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.</p> | | | |
| Signature/s of Applicant/s <i>(Parent/s or legal guardian/s are/s to sign if Applicant is a minor)</i> <i>(All parties are to sign in the case of a joint Application)</i> <i>(Bare owner/s and usufructuary/ies to sign in the case of holdings of Bonds that are subject to usufruct)</i> | | Date | |
| AUTHORISED FINANCIAL INTERMEDIARY'S STAMP | | AUTHORISED FINANCIAL INTERMEDIARY'S CODE | |
| | | <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> | |
| 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 22 November 2019 regulating the Bond Issue

1. This Application is governed by the General Terms and Conditions of the Bonds contained in Section 6.1 of the Securities Note dated 22 November 2019 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. For applicants who are non-residents in Malta for tax purposes, the relative box in Panel F must be completed.
3. The MSE account number pertaining to AXI Bondholders, has been preprinted in Panel A and reflects the MSE account number on the bond register of the €40 million AX Investments p.l.c. 6% Bonds 2024 held at the CSD as at 14 November 2019 (trading session of the 12 November 2019). If an MSE account pertains to more than one person (including husband and wife), the full details of all individuals must be given in Panels A and B but the person whose name appears in Panel A shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). **Applications by more than two persons are to use the Addendum to the Application Form.**
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), 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 on 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. Panel C must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **AX GROUP EMPLOYEES ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL A, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. PREFERRED 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 EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE AFFECTED.**
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 included in Panel C.
8. Applications must be for a minimum subscription of €10,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
9. 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 7.2 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).
10. 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 9 and 10 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Offer Period will open at 08:30 hours on 29 November 2019 and will close at 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in Annex I of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. 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 in panel G.
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 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 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. 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.

ANNEX 3

FINANCIAL ANALYSIS SUMMARY

Financial Analysis Summary

22 November 2019

Issuer

AX Group p.l.c. (formerly Fulcrum Services Limited)



A division of MeDirect Bank (Malta) plc

The Directors
AX Group p.l.c. (formerly Fulcrum Services Limited)
Ax House, Mosta Road
Lija LJA 9010
Malta

22 November 2019

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority 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 Group p.l.c. (the “**Company**” or “**AX Group**” or “**Group**”). The data is derived from various sources or is based on our own computations as follows:

- a. Historical financial data for the three years ended 31 October 2016 to 31 October 2018 has been extracted from audited consolidated financial statements of the Company for the three years in question.
- b. The projected data for the years ending 31 October 2019 and 31 October 2020 has been provided by management.
- c. Our commentary on the results of the Company and on its financial position is based on the explanations provided by management.
- d. The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e. 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.

The Analysis is meant to assist investors in the Company’s securities and potential investors by summarising the more important financial data of the 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.

A handwritten signature in blue ink, appearing to read "E. Mohnani", with a stylized flourish at the end.

Evan Mohnani
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – INFORMATION ABOUT THE COMPANY

1 COMPANY'S KEY ACTIVITIES

The principal activity of the Company is to carry on the business of a finance and investment company within the AX Group.

The Company does not itself carry on any trading activities apart from investing in other companies; acquiring, holding and disposing of immovable or movable property; and the raising of capital and the advancing thereof to members of the AX Group as and when the demands of their business or the demands of a particular project so require. Accordingly, the Company is economically dependent on the AX Group.

2 GROUP'S KEY ACTIVITIES

The AX Group is principally engaged in the provision of hospitality services, operates a care home & retirement village and is also involved in construction & property development. The Group operates exclusively in and from Malta. It commenced operations in the 1970s and in the earlier period, construction was the primary activity of the Group. During the 1980s, the AX Group diversified its activities into hotel operations and developed two hotels, the Sunny Coast Resort & Spa and the Seashells Resort at Suncrest, both located in Qawra Malta. The Group continued to grow this segment through the development of The Victoria Hotel and The Palace Hotel in 1996 and 2007 respectively, both of which are situated in Sliema Malta.

Over the years, the AX Group was involved in a number of property related projects, including the construction of the Valletta Cruise Port, the four hotels owned by the Group, Verdala Mansions, Capua Hospital and the Parliament Building in Valletta, amongst others. Furthermore, the AX Group has specialised in restoration works and has to date completed various restoration projects on a number of buildings in Malta, including Casino di Venezia, Valletta Waterfront, Palazzo Capua and Valletta & Birgu bastions.

In FY2014, the AX Group commenced development of the Simblija Care Home & Hilltop Gardens Retirement Village and by end of 2015 construction was largely complete with finishes at an advanced stage. The property was officially opened on 10 December 2015 and is being marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The Simblija Care Home & Hilltop Gardens Retirement Village also includes a nursing home which provides intensive nursing care to dependent elderly residents. The expenditure on development and plant & equipment in relation to the aforesaid project amounted to *circa* €25 million. Hilltop Gardens Retirement Village achieved a 100% take up in 2018.

In FY2016, the Group increased its shareholding in Valletta Cruise Port p.l.c. from 24% to 36% for a total consideration of €3.9 million. The aggregate value of the said investment as at 31 October 2018 amounts to €10.7 million (FY2017: €9.7 million). During FY2016, the Group also acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel at a total cost (property acquisition and development) of €5.1 million. The Saint John Boutique Hotel commenced operations in August 2017.

In November 2016 (FY2017), the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million, which was developed into the 5-star Rosselli Boutique Hotel for a total cost amounting to *circa* €7.0 million. The hotel commenced operations in May 2019 and comprises 25 luxury rooms, meeting room facilities, a lounge area & restaurant and a roof-top pool.

3 DIRECTORS AND SENIOR MANAGEMENT

3.1. BOARD OF DIRECTORS

AX Group p.l.c. is managed by a Board consisting of seven directors who are entrusted with the overall direction, administration and management of the AX Group.

| | |
|------------------------|------------------------------------------------|
| Angelo Xuereb | Executive Director and Chairman |
| Michael Warrington | Executive Director and Chief Executive Officer |
| Claire Zammit Xuereb | Executive Director |
| Denise Micallef Xuereb | Executive Director |
| Chris Paris | Non-Executive Director |
| John Soler | Non-Executive Director |
| Josef Formosa Gauci | Non-Executive Director |

3.2. SENIOR MANAGEMENT

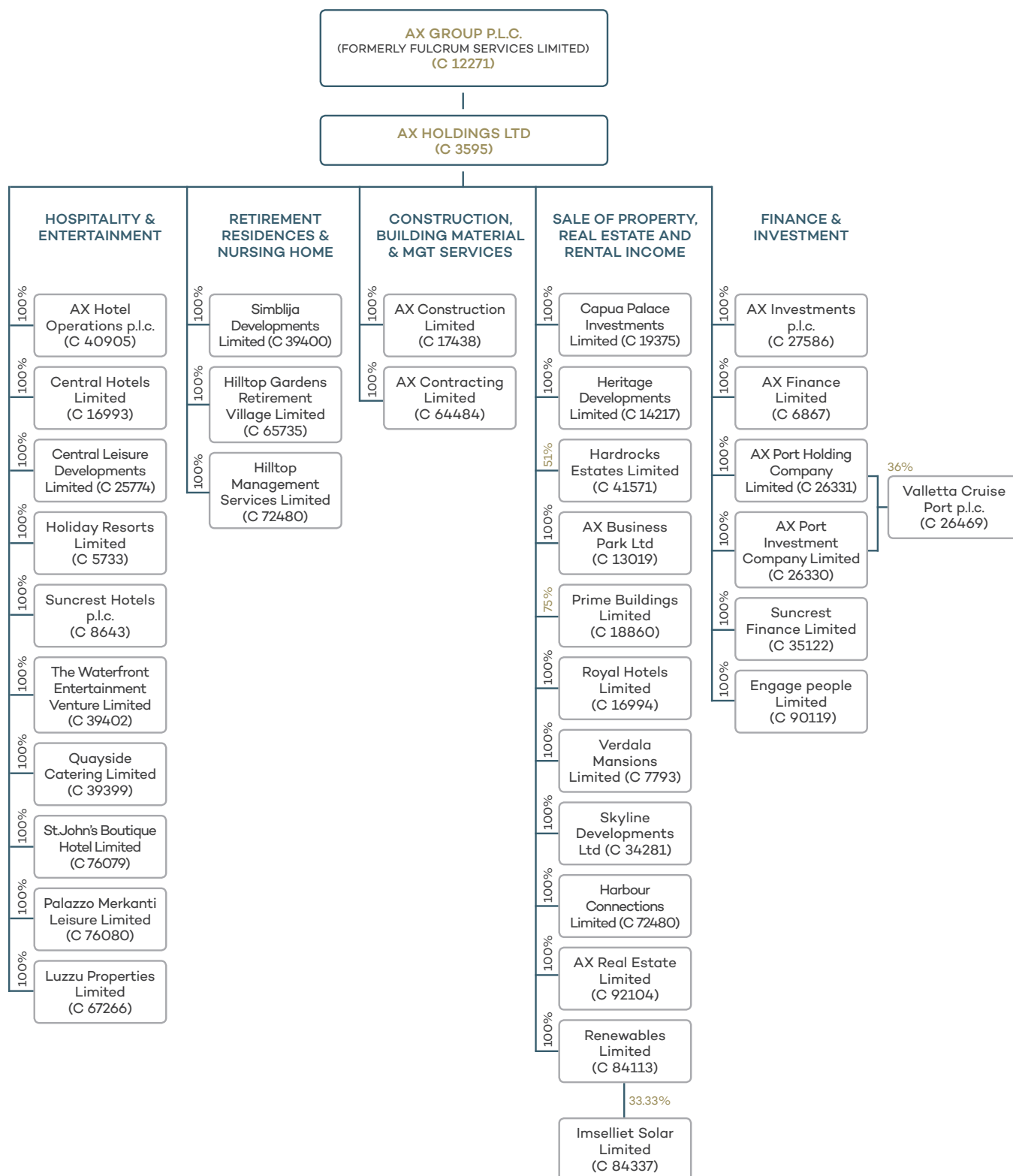
In the day-to-day operations of the AX Group, the executive Directors are supported by members of the Company's Executive Committee, responsible for the determination of policy and strategic guidance and management. The Executive Committee is composed of the following individuals:

| | |
|------------------------|---------------------------------------------|
| Michael Warrington | Chief Executive Officer |
| Albert Bonello | Chief Financial Officer |
| David Wain | Chief Legal Officer |
| Claire Zammit Xuereb | Group Hospitality Director |
| Denise Micallef Xuereb | Group Construction and Development Director |
| Charmaine Attard | General Manager, Hilltop Gardens |
| Joseph Vella | General Manager, Qawra Properties |
| Kevin Callus | General Manager, Sliema Properties |
| Lawrence Degabriele | Head of I.T. |
| Caroline Schembri | Administration Manager |

The weekly average number of employees directly engaged with the companies forming part of the AX Group during FY2018 amounted to 666 persons (FY2017: 707).

4 GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Group:



The Group operates in the following industry sectors, which are each described in further detail elsewhere in this report:

- Hospitality & entertainment
- Retirement residences & nursing home
- Construction, building materials & management services
- Sale of property, real estate & rental income

5 MAJOR ASSETS OWNED BY THE GROUP

The AX Group is the owner of a number of properties which are included in the consolidated balance sheet under the headings: 'property, plant & equipment', 'investment property', and 'inventory of property'. The following is a list of major assets owned by the AX Group.

| AX GROUP P.L.C. GROUP ASSETS | FY2016 | FY2017 | FY2018 | Revaluation FY16 - FY18 |
|---------------------------------------------------------|----------------|----------------|----------------|----------------------------|
| | €'000 | €'000 | €'000 | €'000 |
| The Palace Hotel | 36,555 | 35,800 | 43,890 | 8,839 |
| Victoria Hotel | 20,754 | 21,274 | 20,940 | |
| Seashells Resort at Suncrest | 79,219 | 77,865 | 76,556 | 53,621 |
| Sunny Coast Resort & Spa | 19,015 | 19,104 | 19,109 | |
| Palazzo Capua | 8,863 | 8,793 | 8,699 | 750 |
| Grand Hotel Verdala | 11,423 | 11,423 | 28,600 | 16,985 |
| Simblija Care Home & Hilltop Gardens Retirement Village | 42,812 | 42,501 | 45,987 | 4,298 |
| Villa Vistana | 3,500 | 3,800 | 3,800 | 300 |
| Tad-Dwiemes, Marsa | 3,402 | 3,402 | 11,120 | 7,718 |
| Hard Rocks Warehouses | 2,650 | 5,683 | 5,160 | 2,710 |
| Luzzu Complex | 2,903 | 2,977 | 3,208 | |
| Saint John's Boutique Hotel | 2,990 | 4,571 | 4,895 | |
| Palazzo Merkanti | - | 5,024 | 6,402 | |
| Targa Gap Complex, Mosta | - | 3,674 | 4,098 | 3,649 |
| Other assets | 8,604 | 8,163 | 9,599 | 2,337 |
| | 242,690 | 254,054 | 292,062 | 101,207 |

Source: Consolidated audited financial statements of AX Group p.l.c.

6 GROUP OPERATIONAL DEVELOPMENT

The AX Group is principally involved in hotel operations, construction & property development, and related services, and the management of a retirement home. A divisional analysis of the Group's business is provided below.

6.1. KEY FINANCIAL INFORMATION – THE GROUP

| AX GROUP DIVISIONAL ANALYSIS | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|--------------------------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 38,030 | 45,851 | 55,807 | 52,030 | 66,149 |
| Hospitality & entertainment | 32,131 | 35,508 | 38,936 | 37,841 | 39,723 |
| Construction, building materials & management services | 3,447 | 5,503 | 8,146 | 7,011 | 9,173 |
| Sale of property, real estate & rental income | 493 | 588 | 2,740 | 510 | 9,424 |
| Retirement residences & nursing home | 1,008 | 3,359 | 4,763 | 5,560 | 6,611 |
| Dividend receivable | 951 | 893 | 1,222 | 1,108 | 1,218 |
| Gross Operating Profit (€'000) | 13,886 | 16,593 | 19,935 | 17,882 | 27,681 |
| Hospitality & entertainment | 14,087 | 15,759 | 16,901 | 15,812 | 17,404 |
| Construction, building materials & management services | 463 | 481 | 740 | 701 | 960 |
| Sale of property, real estate & rental income | 418 | 513 | 2,058 | 432 | 7,603 |
| Retirement residences & nursing home | (1,083) | (160) | 236 | 937 | 1,714 |
| Gross Operating Profit Margin (%) | 37% | 36% | 36% | 34% | 42% |
| Hospitality & entertainment | 44% | 44% | 43% | 42% | 44% |
| Construction, building materials & management services | 13% | 9% | 9% | 10% | 10% |
| Sale of property, real estate & rental income | 85% | 87% | 75% | 85% | 81% |
| Retirement residences & nursing home | -107% | -5% | 5% | 17% | 26% |

Source: Management Information

6.2. MARKET OVERVIEW

6.2.1. Economic Update¹

Malta's economy grew by 6.7% in 2018, making it the fifth year in a row in which real GDP has grown by over 5%. The structural shift towards a fast growing, internationally-oriented services sector is the main factor behind Malta's recent economic success. Domestic demand was the main growth driver in 2018, replacing net exports. In particular, strong employment growth boosted household disposable income, resulting in record-high private consumption. In the first quarter of 2019, domestic demand was underpinned by public consumption and investment, while private consumption growth eased slightly. At the same time, net exports declined as a result of strong import growth. Consumer confidence remained above its historical average, but overall sentiment began to deteriorate in March, particularly in the services sector.

While growth momentum is expected to remain solid, GDP growth is forecast to moderate in 2019 and 2020 to 5.3% and 4.8%, respectively. This is the result of private consumption growth gradually moderating, mirroring the pace of job creation. Public expenditure is expected to increase faster than private consumption, as the government makes use of the fiscal space it has accumulated over recent years. Investment is expected to remain robust over the forecast horizon, supported by planned infrastructure and health projects. Looking at the external sector, import growth is set to pick up in parallel with investment growth, narrowing the large current account surplus. After reaching 1.7% in 2018, inflation was subdued in the first months of 2019 before accelerating in April, driven by rising food prices. Prices are expected to further increase during the peak tourism season and then slightly decelerate, pushing headline inflation to 1.8% in 2019 and 1.9% in 2020.

¹ European Economic Forecast – Summer 2019 (European Commission Institutional Paper 108 July '19), pages 20 - 21

6.2.2. Tourism Market²

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments³, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 when compared to a year earlier.

Inbound tourist trips for the initial six months of 2019 amounted to 1.2 million, an increase of 3.9% over the same period in 2018. Total nights spent by inbound tourists went up by 2.4%, reaching nearly 7.9 million nights, 44% of which were in private accommodation⁴. Total guests (residents and non-residents) residing in collective accommodation establishments in the first six months of 2019 amounted to 947,485, a decrease of 0.8% over the prior comparable period. Further analysis shows that 5-star and 3-star hotels registered y-o-y declines of 8.6% and 11.4% respectively, while 4-star hotels reported an increase of 6.8% when compared to the same period in 2018. Furthermore, the average length of stay continued to shorten, albeit by 1.5%. Tourists staying in hotels have spent an average of 5.5 days in Malta, which is significantly less than the 8.4 days average spent in private accommodation.

During the second quarter of 2019, 5-star hotels reported a decline in both room rates and non-accommodation revenue, whilst occupancy levels declined by 3.3%. Total revenue per available room (RevPAR) decreased by 7.3% when compared to the same quarter in 2018. In contrast, the 4-star sector maintained comparable trends to those registered in the first 3 months of the year. Occupancy levels were at par, whilst average daily rates decreased by 4.9%. As to 3-star hotels, this segment reported a 4.2% improvement in occupancy levels, and average daily rates and non-accommodation income also increased by 5.9% and 7.5% respectively. These trends contributed to an increase in revenue of 10.9% per available room.

The overall outlook for the tourism industry in 2019 is positive with the airport projecting 7.2 million passengers to pass through the terminal by the end of the calendar year, which translates to an increase of 5.8% over 2018. However, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

6.2.3. Food & Beverage Service Sector

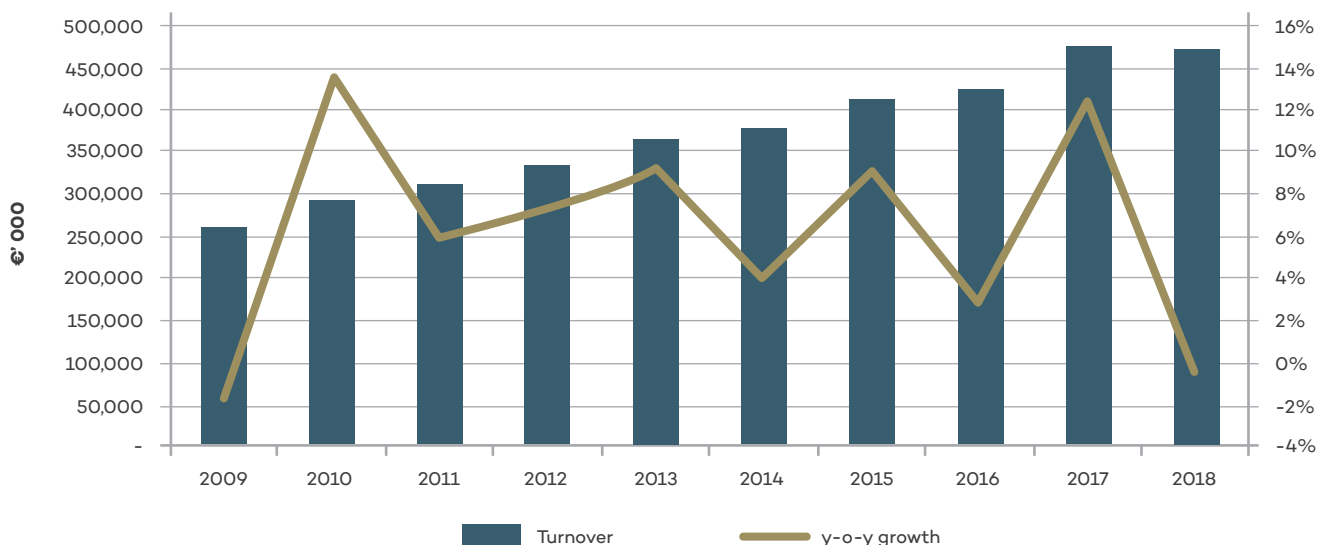
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2018, the total income from this sector in Malta amounted to €472.6 million, a decrease of 0.3% over the previous year (2017: €474.0 million). Between 2009 and 2017, market output had progressively increased year-on-year, and as such the year-on-year decrease in 2018 marks the first decline in the past 10 years. Albeit, it is worth noting that the 2018 marginal decline follows a 12.5% increase in 2017 over 2016. The chart below illustrates the output from the food & beverage service sector in Malta for the past 10 years (2009 to 2018). Since 2009, the food & beverage service sector grew at a compound annual growth rate of 7.0%.

2 https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_017.pdf;
https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_032.pdf; https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_127.pdf; https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_135.pdf; MHRA Q2 2019 (Hotel Survey by Deloitte).

3 Collective accommodation establishments comprise hotels, apart-hotels, guest houses, hostels and tourist villages.

4 Private accommodation comprises holiday furnished premises, host families, use of private residence, and staying with relatives of friends.

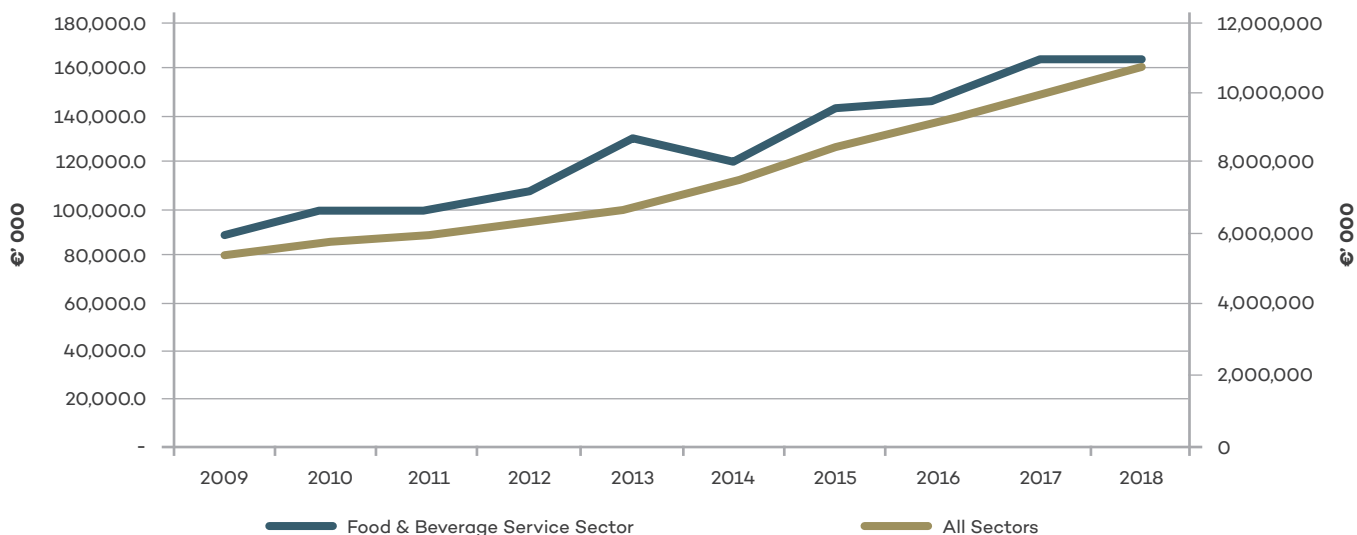
Food & Beverage Service Sector in Malta



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €89.5 million in 2009 to €163.8 million in 2018. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of circa 1.7%.

Gross Added Value



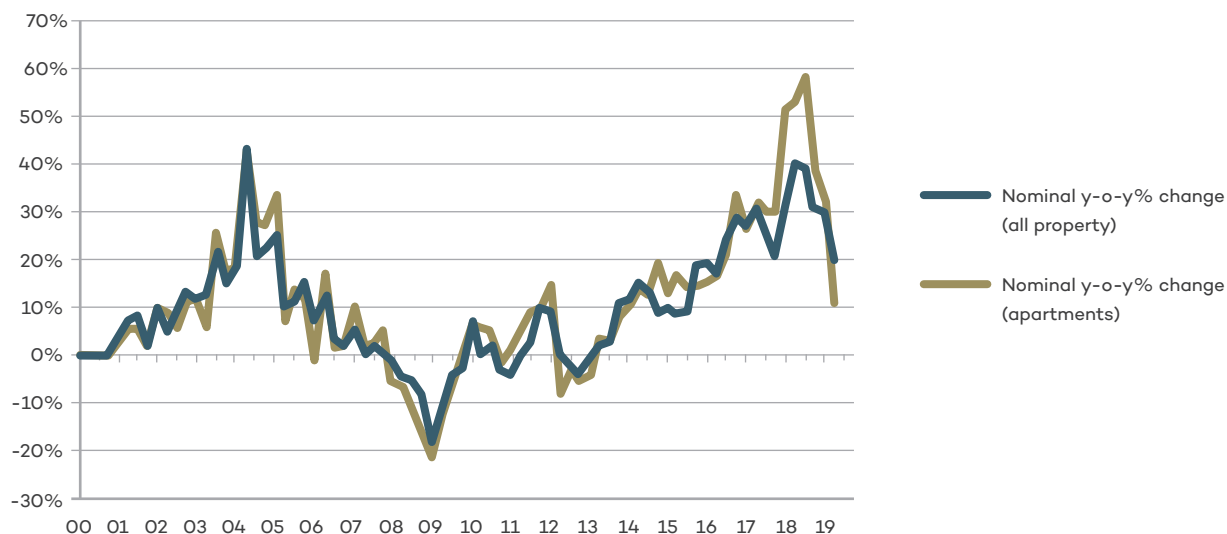
Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

6.2.4. Property Market & Construction Sector

Property prices during the last six years (Q2 2013 to Q2 2019) increased by 78%, primarily on account of a strong economy and a robust labour market. Furthermore, as illustrated in the chart below⁵, the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018. In the subsequent 3 quarters - Q3 2018 to Q1 2019 - property prices continued to increase albeit at a slower pace. In Q2 2019, property prices declined marginally by 0.23% when compared to Q1 2019 and apartments in particular registered a quarterly decrease of 3.9% during the same period.

5 <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).

CHART I: Change in Property Prices

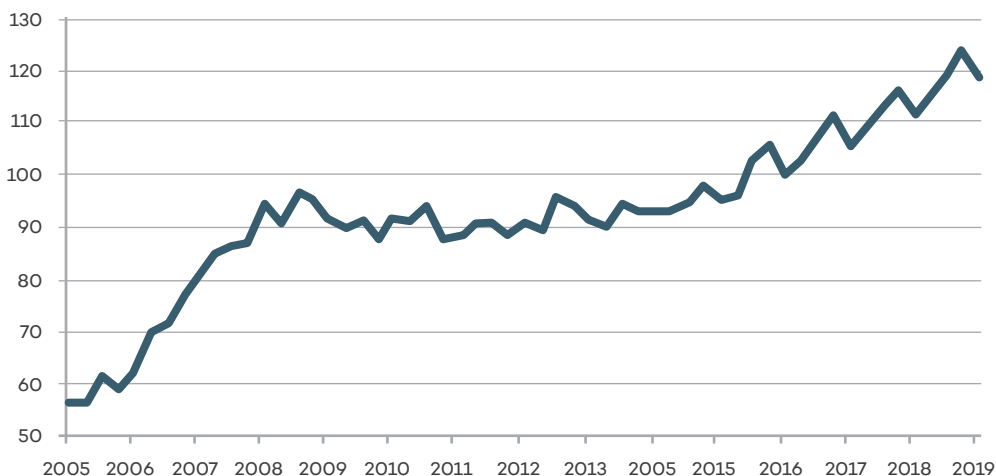


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta⁶ – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q1 2019 and shows that said prices increased by 6.5% compared with the same quarter of 2018 (vide Charts II below).

CHART II: Malta House Price Index

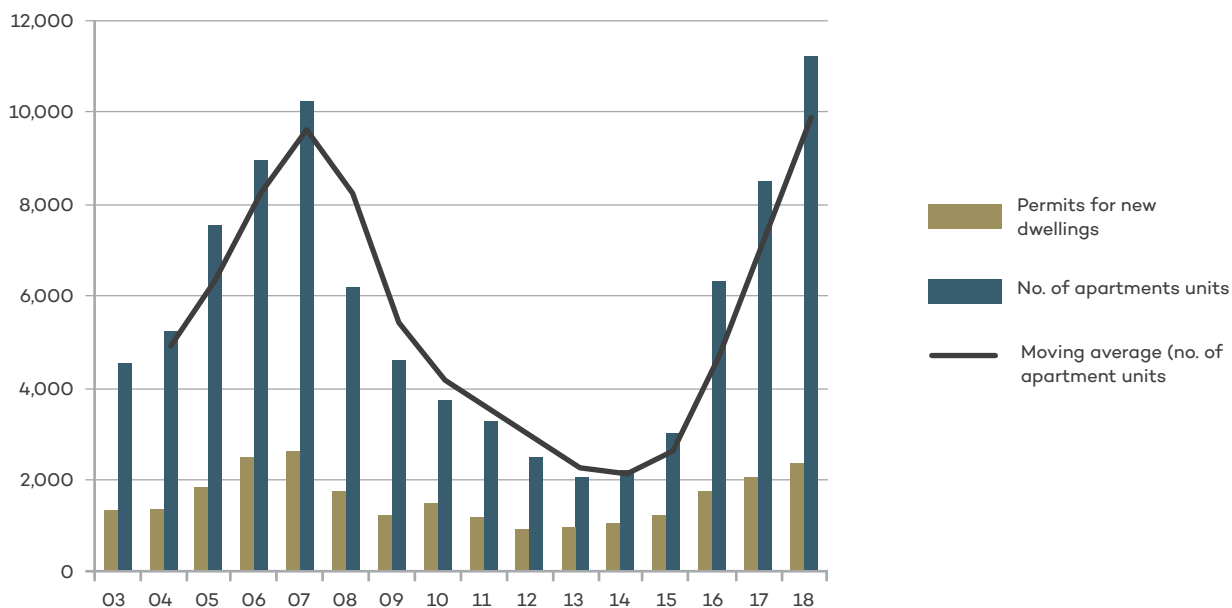


Source: Eurostat

With regard to development permits⁷, in 2018, Planning Authority issued 2,363 permits (2017: 2,079 permits) for the development of 12,885 units (2017: 9,822). The increase in permits during the year was mostly driven by the largest residential category, namely apartments, which accounted for 87% of total permits granted (2017: 87%). The aggregate number of units in the last 3 years (FY16 to FY18) amounted to 30,215 units, which is comparable to the 3-year period FY05 to FY07, whereby 30,833 units were at the time sanctioned for development.

6 <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipsho40;>
 7 <https://www.centralbankmalta.org/real-economy-indicators> (development permits for dwellings, by type).

CHART III: Development Permits for Dwellings



Source: Planning Authority

COMMERCIAL PROPERTY

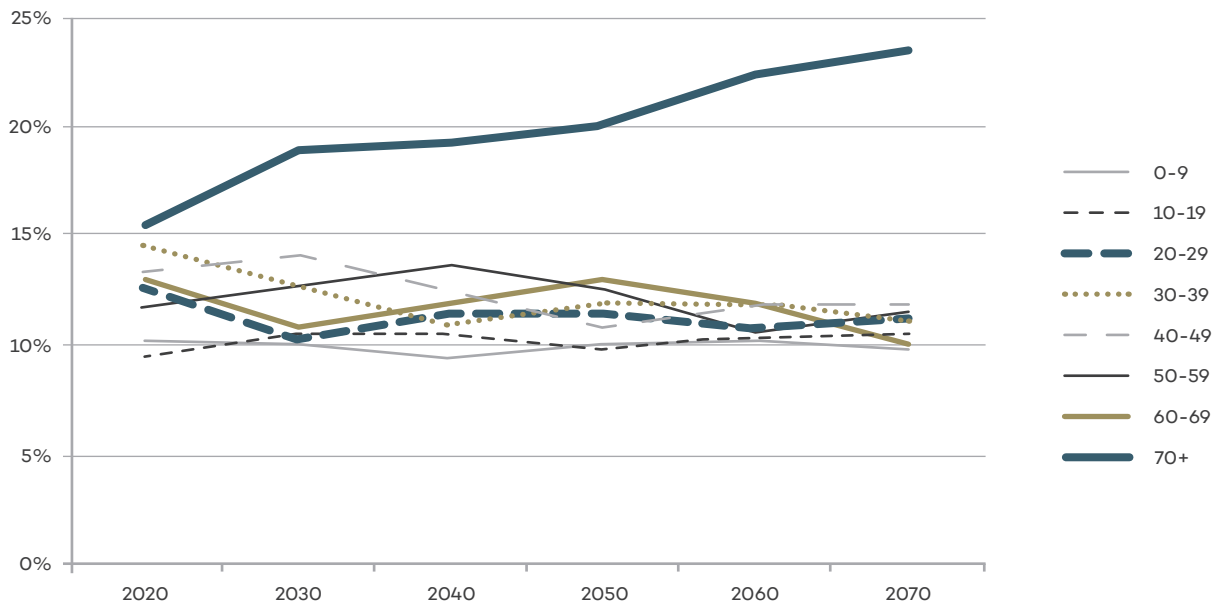
National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is also corroborated when assessing the lack of availability of large office and commercial space, as well as, the number of projects presently being developed, and others set to commence in the near future.

6.2.5. Long-Term Care Trend Analysis

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO⁸, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has circa 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

8 https://nso.gov.mt/en/publicatons/Publications_by_Unit/Documents/C5_Population%20and%20Migration%20Statistics/Demographic_Review_2014.pdf.

Projected percentage distribution of total population



Source: Demographic Review 2014, National Statistics Office, Malta

6.3. HOSPITALITY & ENTERTAINMENT

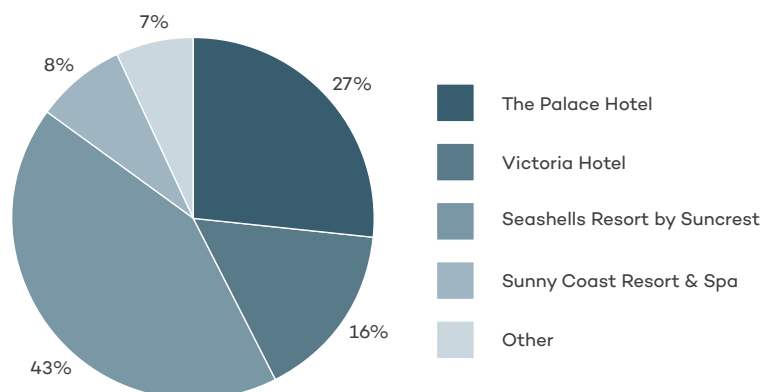
6.3.1. Financial Information – Sector Analysis

| HOSPITALITY & ENTERTAINMENT | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|------------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 32,131 | 35,508 | 38,936 | 37,841 | 39,723 |
| The Palace Hotel | 9,749 | 10,129 | 10,355 | 9,510 | 10,022 |
| Victoria Hotel | 4,927 | 5,469 | 6,239 | 6,305 | 6,501 |
| Seashells Resort by Suncrest | 13,354 | 15,299 | 16,658 | 16,701 | 17,157 |
| Sunny Coast Resort & Spa | 2,663 | 2,882 | 2,985 | 2,924 | 2,929 |
| Saint John's Boutique Hotel | - | 249 | 1,178 | 1,444 | 1,488 |
| Rosselli Boutique Hotel | - | - | - | 751 | 1,626 |
| Tal-Kaptan Restaurants | 1,438 | 1,480 | 1,521 | 206 | - |
| Gross Operating Profit (€'000) | 14,087 | 15,759 | 16,901 | 15,812 | 17,404 |
| The Palace Hotel | 4,280 | 4,580 | 4,558 | 3,929 | 4,632 |
| Victoria Hotel | 2,415 | 2,629 | 3,075 | 3,143 | 3,256 |
| Seashells Resort by Suncrest | 5,936 | 7,085 | 7,415 | 6,940 | 7,146 |
| Sunny Coast Resort & Spa | 1,337 | 1,463 | 1,574 | 1,609 | 1,597 |
| Saint John's Boutique Hotel | - | (100) | 180 | 320 | 322 |
| Rosselli Boutique Hotel | - | - | - | (98) | 451 |
| Tal-Kaptan Restaurants | 120 | 102 | 99 | (31) | - |
| Gross Operating Profit Margin (%) | 44% | 44% | 43% | 42% | 44% |
| The Palace Hotel | 44% | 45% | 44% | 41% | 46% |
| Victoria Hotel | 49% | 48% | 49% | 50% | 50% |
| Seashells Resort by Suncrest | 44% | 46% | 45% | 42% | 42% |
| Sunny Coast Resort & Spa | 50% | 51% | 53% | 55% | 55% |
| Saint John's Boutique Hotel | - | -40% | 15% | 22% | 22% |
| Tal-Kaptan Restaurants | 8% | 7% | 6% | -15% | 0% |

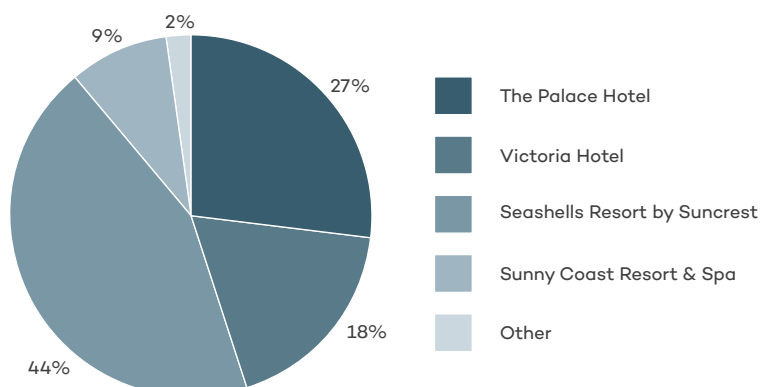
Source: Management Information

6.3.2. Aggregate Hotel Revenue and Operating Profit

% Total Revenue by Hotel – FY2018



% Total Operating Profit by Hotel - FY2018



As illustrated above, the principal contributor to the Group's hotel sector in terms of both revenue and gross operating profit is the Seashells Resort by Suncrest, and the second best performer is The Palace Hotel. In aggregate, both hotels generated in FY2018 (being the latest audited financial year) 70% of total revenue and 71% of gross operating profit.

6.3.3. The Palace Hotel

The Palace Hotel is a 144-room five-star city hotel located in Sliema, Malta and offers extensive conference and events facilities. It was developed by the AX Group in 2007. The Palace Hotel also includes two restaurants (The Tabloid and TemptAsian), a spa, and an indoor & outdoor pool. In January 2019, the hotel closed for a 3-week period in order to complete a soft refurbishment of all the rooms and the TemptAsian restaurant. Works were carried out at a cost of *circa* €1.9 million. The carrying amount of the Hotel as at 31 October 2018 is €43.9 million (FY2017: €35.8 million).

OPERATIONAL PERFORMANCE

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| THE PALACE HOTEL | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 9,749 | 10,129 | 10,355 | 9,510 | 10,022 |
| Gross operating profit (€'000) | 4,280 | 4,580 | 4,558 | 3,929 | 4,632 |
| Gross operating profit margin (%) | 44 | 45 | 44 | 41 | 46 |
| Occupancy level (%) | 90 | 91 | 92 | 83 | 84 |
| Average room rate (€) | 126 | 129 | 136 | 135 | 142 |
| Revenue per available room (RevPAR) (€) | 179 | 186 | 197 | 181 | 191 |
| Benchmark performance | | | | | |
| Occupancy level (%) | 75 | 76 | 74 | n/a | n/a |
| Average room rate (€) | 143 | 157 | 162 | n/a | n/a |
| Revenue per available room (RevPAR) (€) | 163 | 182 | 180 | n/a | n/a |
| Revenue Generating Index | 1.10 | 1.02 | 1.09 | n/a | n/a |

Source: Management Information

In **FY2016**, y-o-y revenue increased by €0.9 million (+10%) to €9.7 million and gross operating profit increased by €0.7 million (+18%) to €4.3 million. Gross operating profit margin improved from 41% in FY2015 to 44% FY2016.

FY2017 was another good year for the hotel as revenue increased by €0.4 million y-o-y (+4%) to €10.1 million, primarily due to an increase in average room rate from €126 in FY2016 to €129. Gross operating profit margin remained stable when compared to the prior year at 45% (FY2016: 44%) which enabled the hotel to register an increase of €0.3 million y-o-y (+7%) in gross operating profit to €4.6 million.

In **FY2018**, the hotel generated revenue amounting to €10.4 million, a marginal increase of €0.3 million (+2%) over the comparable year, whilst gross operating profit was stable at €4.6 million (FY2017: €4.6 million).

In comparison to the Hotel's competitive set, The Palace registered higher occupancy levels of *circa* 90% in each of FY2016, FY2017 and FY2018 compared to *circa* 75% for its competitive set. On the other hand, the average room rate of The Palace was consistently lower when compared to its competitive set. As a result, the Hotel's RevPAR was comparable to its competitive set in FY2017, but 9% higher in FY2018 at €197 (FY2018's RevPAR of competitive set amounted to €180).

During **FY2019**, the hotel underwent a soft refurbishment of its rooms which adversely impacted occupancy level and RevPAR. As such, revenue for the year is forecasted to decrease by €0.9 million from €10.4 million in FY2018 to €9.5 million, while gross operating profit is expected to decline by €0.7 million y-o-y to €3.9 million (FY2018: €4.6 million).

Going forward, the above-mentioned capital expenditure should enable the hotel to maintain its competitiveness in its market. Accordingly, management expects the hotel's average room rate to increase from €135 in FY2019 to €142 in **FY2020** with occupancy expected to reach 84% (FY2019: 83%). Revenue and gross operating profit are projected to increase by €0.5 million and €0.6 million respectively over the prior year to €10.0 million and €4.6 million respectively.

Management's strategy is to continue to increase the Hotel's average room rate without adversely impacting RevPAR, and increase food & beverage revenue mainly through marketing its outlets to non-guests. The forward strategy is to further improve the Hotel's offerings and service, and to enhance average room rate mainly through an increased focus on conference & events business.

6.3.4. Victoria Hotel

The Victoria Hotel was developed by the AX Group in 1996. It is a four-star hotel consisting of 142 rooms and is situated a few metres away from The Palace in Sliema, Malta. The Hotel, together with the adjoining 200-year old Palazzo Capua, features a range of conference and meeting facilities. The carrying amount of the Victoria Hotel as at 31 October 2018 is €20.9 million (FY2017: €21.3 million).

OPERATIONAL PERFORMANCE

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| VICTORIA HOTEL | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 4,927 | 5,469 | 6,239 | 6,305 | 6,501 |
| Gross operating profit (€'000) | 2,415 | 2,629 | 3,075 | 3,143 | 3,256 |
| Gross operating profit margin (%) | 49 | 48 | 49 | 50 | 50 |
| Occupancy level (%) | 78 | 80 | 90 | 89 | 89 |
| Average room rate (€) | 88 | 95 | 96 | 97 | 100 |
| Revenue per available room (RevPAR) (€) | 95 | 105 | 120 | 122 | 125 |
| Benchmark performance | | | | | |
| Occupancy level (%) | 83 | 81 | 82 | n/a | n/a |
| Average room rate (€) | 83 | 85 | 93 | n/a | n/a |
| Revenue per available room (RevPAR) (€) | 94 | 92 | 98 | n/a | n/a |
| Revenue Generating Index | 1.01 | 1.14 | 1.23 | n/a | n/a |

Source: Management Information

Between FY2015 and FY2017, the Hotel executed a renovation programme which included the refurbishment of the rooms and common areas of the property, and the implementation of energy saving measures in all rooms. As a result of this capital expenditure, the Hotel is now in a better position to compete with other hotels, enhance RevPAR and generate higher year-on-year gross operating profits.

Revenue for **FY2016** amounted to €4.9 million, a marginal increase of €0.2 million when compared to the prior year. Gross operating profit increased by €0.4 million (+18%) from €2.0 million in FY2015 to €2.4 million in FY2016, thereby improving the gross operating profit margin by 6 percentage points to 49%.

In **FY2017**, revenue increased by 11% compared to FY2016, to €5.5 million, an increase of €0.6 million from the prior year. Gross operating profit also increased by €0.2 million (+9%) in FY2017 to €2.6 million for the year compared to €2.4 million in FY2016, however losing a percentage point on gross operating profit margin which was 48% in FY2017 compared to 49% in the prior year.

During **FY2018**, revenue increased by 14% compared to FY2017, to €6.2 million, an increase of €0.7 million when compared to FY2017. Gross operating profit also increased by €0.5 million (+17%) in FY2018 to €3.1 million (FY2017: €2.6 million).

Management expects the hotel's performance to be relatively stable in FY2019 and FY2020 when compared to FY2018. As such, revenue is projected to increase from €6.2 million in FY2018 to €6.3 million and €6.5 million in FY2019 and FY2020 respectively and gross operating profit margin is expected to be maintained at the 50% level.

As for benchmark performance, the Hotel performed broadly in line with competition in FY2016, mainly as a consequence of ongoing refurbishment works. In FY2017, the Hotel achieved a lower occupancy (80%) when compared to the competitive set (81%), but average room rate was higher (€95) as compared to the benchmark rate of €85. Also, the Hotel's RevPAR was higher than that of its competitive set, at €105 compared to the competitive set of €92. During FY2018, the Victoria Hotel outperformed its competitive set's KPIs with an occupancy level of 90% (competitive set: 82%), average room rate of €96 (competitive set: €93) and RevPAR of €120 (competitive set: €98).

6.3.5. Seashells Resort at Suncrest

Seashells Resort at Suncrest is a four-star hotel located in Qawra Malta that also offers all-inclusive packages. It features 452 rooms designed in a contemporary style; the Carisma Spa and Wellness International Centre; a large outdoor swimming pool; and various food and beverage operations. All external and internal areas of the Seashells Resort at Suncrest (such as the pool area and lobby) were renovated and the final phase of this programme was executed between 1 November 2014 and 31 March 2015 at a total cost of *circa* €7 million.

Furthermore, in November 2014, the Group acquired the Luzzu Complex in Qawra for a consideration of €3 million. The property occupies a gross floor area of *circa* 2,235m² and includes a restaurant at ground level, conference facilities at a lower level and a lido. As a consequence of this acquisition, F&B revenue has increased considerably and moreover, the Hotel's offerings have increased to cater for conferences and business events. During FY2017, the Group finalised the refurbishment of the Luzzu Conference Centre and Poseidon Conference Hall at an aggregate cost of *circa* €1.25 million. In the near term, the Group intends to internally connect the Luzzu Complex, Suncrest Hotel and the Sunny Coast Resort & Spa. The Hotel was developed by the AX Group in 1988 and its carrying value as at 31 October 2018 is €76.6 million (FY2017: €77.9 million).

OPERATIONAL PERFORMANCE

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| SEASHELLS RESORT AT SUNCREST | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|------------------------------|
| Turnover (€'000) | 13,354 | 15,299 | 16,658 | 16,701 | 17,157 |
| Gross operating profit (€'000) | 5,936 | 7,085 | 7,415 | 6,940 | 7,146 |
| Gross operating profit margin (%) | 44 | 46 | 45 | 42 | 42 |
| Occupancy level (%) | 82 | 84 | 84 | 77 | 77 |
| Average room rate (€) | 57 | 66 | 71 | 73 | 74 |
| Revenue per available room (RevPAR) (€) | 81 | 93 | 101 | 101 | 104 |
| Benchmark performance | | | | | |
| Occupancy level (%) | 83 | 83 | 82 | n/a | n/a |
| Average room rate (€) | 64 | 70 | 79 | n/a | n/a |
| Revenue per available room (RevPAR) (€) | 81 | 85 | 95 | n/a | n/a |
| Revenue Generating Index | 1.00 | 1.09 | 1.06 | n/a | n/a |

Source: Management Information

As from **FY2016**, the hotel refrained from the practice of closing between December and March, and commenced operating for a full year. This resulted in a marked improvement in achieved revenue, which increased by €4.2 million from €9.1 million in FY2015 to €13.4 million in FY2016. The gross operating profit margin remained stable at 44%, thus resulting in an increase in gross operating profit of €2.0 million from €3.9 million in FY2015 to €5.9 million.

In **FY2017**, the hotel continued to perform positively, with an increase in revenue of €1.9 million (+15%), whilst increasing gross operating margin by two percentage points from FY2016, to 46% (FY2016: 44%). This resulted in a gross operating profit of €7.1 million in FY2017, an increase of €1.2 million (+19%) compared to FY2016 gross operating profit of €5.9 million.

During **FY2018**, revenue increased by €1.4 million (+9%), but gross operating margin declined marginally by one percentage point (y-o-y) to 45%. Gross operating profit for FY2018 amounted to €7.4 million, an increase of €0.3 million (+5%) when compared to FY2017's gross operating profit of €7.1 million.

In the projected financial years **FY2019** and **FY2020**, the hotel's average room rate is expected to improve marginally from €71 in FY2018 to €73 and €74 respectively, but occupancy is projected to decrease from 84% in FY2018 to 77% primarily due to an increase in market pressures. Notwithstanding, RevPAR should be maintained above €100 (FY2020: €104).

The hotel has matched performance compared to its competitive set in FY2016 due to the achievement of a higher RevPAR when compared to prior years. In FY2017, the Hotel has managed to match occupancy and average room rate compared to its competitive set and achieved a higher RevPAR at €93 compared to its competitive set of €85. During FY2018, achieved occupancy of 84% was two percentage points higher than its competitive set, but average room rate was comparably lower by €8 to €71. In terms of RevPAR, the hotel has performed marginally better than its competitive set in each of the reviewed financial years.

In the near term, management will continue to focus on improving RevPAR, mainly by increasing average room rate without lowering occupancy level. This is being achieved through the replacement of bookings made by groups (which typically secure discounted rates) with direct and OTA (online travel agency) bookings.

6.3.6. Sunny Coast Resort & Spa

The Sunny Coast Resort & Spa commenced operations in 1983 and was the first hotel developed by the AX Group. It is a four-star hotel situated in Qawra, Malta and includes 92 rooms offered on a self-catering basis. The Hotel features five restaurants, external and heated indoor pools, spa and leisure facilities, and a squash court. The carrying amount of the Sunny Coast Resort & Spa as at 31 October 2018 is €19.1 million (FY2017: €19.1 million).

OPERATIONAL PERFORMANCE

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| SUNNY COAST RESORT & SPA | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|------------------------------|
| Turnover (€'000) | 2,663 | 2,882 | 2,985 | 2,924 | 2,929 |
| Gross operating profit (€'000) | 1,337 | 1,463 | 1,574 | 1,609 | 1,597 |
| Gross operating profit margin (%) | 50 | 51 | 53 | 55 | 55 |
| Occupancy level (%) | 78 | 76 | 78 | 80 | 78 |
| Average room rate (€) | 80 | 90 | 90 | 86 | 88 |
| Revenue per available room (RevPAR) (€) | 82 | 89 | 89 | 87 | 87 |
| Benchmark performance | | | | | |
| Occupancy level (%) | 83 | 83 | 82 | n/a | n/a |
| Average room rate (€) | 64 | 70 | 79 | n/a | n/a |
| Revenue per available room (RevPAR) (€) | 81 | 85 | 95 | n/a | n/a |
| Revenue Generating Index | 1.01 | 1.05 | 0.94 | n/a | n/a |

Source: Management Information

The apartments at the Sunny Coast Resort & Spa were sold as timeshare accommodation during the initial years of operation. To date, timeshare contracts comprise the equivalent of 58 apartments or 64% of the hotel and will expire over the next 2 years (term of contract was for 30 years). Such apartments are offered to other hotel visitors when not occupied by timeshare owners. In fact, in FY2018 timeshare revenue accounted for only 22% of total accommodation income (FY2017: 25%). In view of the maturing timeshare contracts, the Group is actively considering various options to fully utilise the property when timeshare is fully phased out. Other than timeshare maintenance fees and accommodation income derived from non-timeshare residents, the hotel generates

'other revenue' which principally consists of rentals of its amenities, including the leisure centre & water activities, five restaurants and the spa. Operational performance in **FY2016** was broadly similar to results achieved in the prior year – revenue was up by €0.3 million (y-o-y) to €2.7 million, whilst gross operating profit increased by €0.1 million (y-o-y) to €1.3 million. During **FY2017**, gross operating profit increased further by €0.2 million (y-o-y) to €1.5 million (+9%). Gross operating profit margin also improved by one percentage point to 51% in FY2017 compared to 50% in FY2016. During **FY2018**, revenue increased by a further €0.1 million (+4%), to €3.0 million, whilst gross operating profit also increased by €0.1 million (+8%), to €1.6 million. An improvement of 2 percentage points in gross operating profit margin was achieved during FY2018, from 51% in FY2017 to 53% in FY2018. The hotel is forecasting broadly similar performance for **FY2019** and **FY2020** when compared to FY2018.

The hotel is not entirely comparable to its competitive set, primarily because it offers only self-catering accommodation and is principally limited to timeshare. Notwithstanding, performance data of its competitive set provides the only benchmark available to access the hotel's level of operation.

Occupancy at the hotel remains significantly lower than the level achieved by its competitive set, reflecting the fact that the hotel has a percentage of apartments dedicated to timeshare residents. However, the low occupancy is compensated for by relatively high average room rates. In FY2018, the rate achieved by the hotel was 14% higher than the average room rate of its competitive set at €90, however its RevPAR was lower than that of its competitive set at €89 (competitive set: €95). Overall, the hotel has performed well in the last three financial years, operating broadly in line with the market. Management's strategy for the forthcoming year is to maintain this positive trend.

6.3.7. Saint John's Boutique Hotel

During FY2016, the Group acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel (known as Saint John's Boutique Hotel) at a total cost (property acquisition and development) of €5.1 million. The property also features two private meeting rooms accommodating 16 in-theatre style or 8 as a board room. The Saint John's boutique hotel initiated operations in August 2017. Its carrying amount as at 31 October 2018 is €4.9 million (FY2017: €4.6 million).

OPERATIONAL PERFORMANCE

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

| SAINT JOHN'S BOUTIQUE HOTEL | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 249 | 1,178 | 1,444 | 1,488 |
| Gross operating profit (€'000) | (100) | 180 | 320 | 322 |
| Gross operating profit margin (%) | (40) | 15 | 22 | 22 |
| Occupancy level (%) | 67 | 75 | 78 | 80 |
| Average room rate (€) | 157 | 157 | 159 | 163 |
| Revenue per available room (RevPAR) (€) | 144 | 170 | 208 | 215 |

Source: Management Information

In **FY2017**, Saint John's Boutique Hotel ("SJBH") was operational for 3 months, during which it generated revenue of €0.25 million and incurred a gross operating loss of €0.1 million. The occupancy level was at 67% and achieved average room rate amounted to €157, with a resulting RevPAR of €144.

During **FY2018**, SJBH was operational for a full 12 months and generated turnover of €1.2 million on an occupancy level of 75%. Gross operating profit amounted to €0.2 million and the gross operating profit margin for the financial year equated to 15%. No available benchmarks are yet available for boutique hotels.

The Group is forecasting to generate revenue of €1.4 million in **FY2019** and to operate at a gross operating profit margin of 22%. As such, the Hotel is expected to report a gross operating profit for the year of €0.3 million. Occupancy level in FY2019 is projected to reach 78%, whilst RevPAR is estimated at €208 as the Hotel is budgeting to achieve an average room rate of €159. Performance in **FY2020** is expected to be broadly similar to the forecast results for FY2019.

6.3.8. Rosselli Boutique Hotel

In November 2016 (FY2017), the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million. This property was developed into the 5-star Rosselli Boutique Hotel at a cost of *circa* €7.0 million and operations commenced in May 2019. The hotel includes 25 luxury rooms, meeting room facilities, a lounge area & restaurant and a roof-top splash pool.

Given the proximity of the Saint John Boutique Hotel to the Rosselli Boutique Hotel, the management team of the former hotel also manages the Rosselli Boutique Hotel, thus taking full advantage of synergies, economies of scale and cost efficiencies. The Rosselli Boutique Hotel targets affluent and business travellers and is marketed through luxury travel websites and upmarket travel agents.

OPERATIONAL PERFORMANCE

The following table sets out the projections for FY2019 and FY2020 for the Rosselli Boutique Hotel:

| ROSSELLI BOUTIQUE HOTEL | FY2019 Forecast | FY2020 Projection |
|-----------------------------------------|--------------------|----------------------|
| Turnover (€'000) | 751 | 1,626 |
| Gross operating profit (€'000) | (98) | 451 |
| Gross operating profit margin (%) | (13) | 28 |
| Occupancy level (%) | 72 | 70 |
| Average room rate (€) | 167 | 187 |
| Revenue per available room (RevPAR) (€) | 194 | 178 |

Source: Management Information

Management expects to generate revenues of €0.8 million from the Rosselli Boutique Hotel as well as the property's catering operations during the initial 5-month period from 1 June 2019 to 31 October 2019. The catering offerings are expected to contribute *circa* 50% of annual revenue of the subject hotel. The occupancy level is expected to reach 72% with an average room rate of €167. RevPAR is projected to amount to €194, which takes into consideration the relatively high F&B component within the hotel's total revenue.

FY2020 will be the first full operational year for the hotel and management expects to generate €1.6 million in revenue (FY2019: €0.8 million) and €0.5 million in gross operating profit (FY2018: gross operating loss of €98,000). Average room rate is expected to increase from €167 in FY2019 to €187 in FY2020, while occupancy level is projected to decrease marginally by 2 percentage points to 70%.

6.3.9. Tal-Kaptan Restaurants

As at 31 October 2018, the AX Group operated two restaurants under the commercial name "Tal-Kaptan". The first restaurant was opened in 1987 and is located within the premises of the Seashells Resort at Suncrest, whilst the other restaurant operated at the Valletta Waterfront since 2007. In FY2018, the Tal-Kaptan restaurants generated revenue of €1.5 million, an increase of 3% compared to FY2017, however gross operating profit remained constant at €0.1 million.

During FY2019, management ceased operations of the Valletta Waterfront restaurant, which coincided with the expiration of the property lease. In consequence, Tal-Kaptan, Qawra has been merged with the Seashells Resort at Suncrest, but will continue to offer guests a casual dining experience, specialising in pizza and pasta dishes.

6.4. CONSTRUCTION, BUILDING MATERIALS & MANAGEMENT SERVICES

6.4.1. Financial Information – Sector Analysis

| CONSTRUCTION, BUILDING MATERIALS & MANAGEMENT SERVICES | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|--------------------------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 3,447 | 5,503 | 8,146 | 7,011 | 9,173 |
| Construction works | 1,964 | 4,755 | 7,327 | 6,761 | 8,673 |
| Construction waste management | 1,225 | 202 | - | - | - |
| Restoration projects | 258 | 546 | 819 | 250 | 500 |
| Gross operating profit (€'000) | 463 | 481 | 740 | 701 | 960 |
| Gross operating profit margin (%) | 13 | 9 | 9 | 10 | 10 |

Source: Management Information

6.4.1. Overview of Sector Activity

Construction & development is another principal activity of the AX Group and relates mainly to civil engineering works, turnkey assignments, project management and restoration works. Over the years, the construction division of the Group was entrusted with a number of major projects including the development of the Group's six hotels; the Group's head office; Verdala Mansions in Rabat, Malta; Capua Hospital in Sliema; Parliament building super-structure in Valletta; is-Suq tal-Belt; the Simblija Care Home & Hilltop Gardens Retirement Village and various other projects which were executed for Group companies and third party clients. Any related party revenue generated from construction and restoration works on the aforementioned projects are eliminated upon consolidation and as such are not included in the consolidated financial information provided in the above table.

In FY2017, the Group was primarily involved in the conversion and completion of "is-Suq tal-Belt" and Saint John's Boutique Hotel in Valletta and in FY2018, the continuation of the development of the Rosselli Boutique Hotel in Merchant Street, Valletta, the construction of the Hotel 1926 in Qui-Si-Sana, Sliema (previously, the Plevna Hotel), the extension and finishes of the KPMG offices, as well as the construction and development of residential blocks and villas. In FY2019, the main projects consist of the restoration and construction works at the Old Farsons Brewhouse, restoration works at the Old University Building in Valletta, the development of a residential block behind Falcon House, Sliema, which on completion will comprise 8 apartments and 1 penthouse, and the construction of the multi-use complex situated in Mosta (known as TG Complex).

In FY2017, the Group generated €4.8 million (FY2016: €2.0 million) from construction works, an increase of €2.8 million (+142%). Further growth in construction activity was registered in FY2018, wherein the Group generated revenue amounting to €7.3 million (FY2017: €4.8 million). The y-o-y increase of €2.5 million (+54%) was principally due to income generated from the completion of "is-Suq tal-Belt" project as well as various turnkey project engagements (including third party private residences), which is broadly in line with the higher level of activity in the local construction industry.

Management forecasts construction revenue for FY2019 to amount to €6.8 million, a decrease of €0.5 million when compared to the prior year (FY2018: €7.3 million). This expected reduction is partly due to an increase in internal projects which are not reflected on a Group basis (since intra-group transactions are eliminated on consolidation). In FY2020, revenue from the construction division is projected to increase by €1.9 million or 28% to €8.7 million (FY2019: €6.8 million), primarily on account of ongoing contracted projects which were initiated in FY2019, projects which are currently being negotiated and other projects assumed to be awarded during the year.

The AX Group was involved in a number of restoration projects during FY2018 which amounted to €0.8 million, an increase of €0.3 million from a year earlier (FY2017: €0.5 million). This business activity slowed down during FY2019 and expected revenue for the year is estimated at €0.3 million. With regard to FY2020, management is projecting to generate *circa* €0.5 million from restoration projects.

Projects awarded to date include: Fort St Angelo, parts of the Valletta & Vittoriosa bastions, Scamps Palace Building (site housing Casino di Venezia), Valletta Waterfront, St Paul's Catacombs, Lascaris War Rooms in Valletta, Birgu bastions, Wignacourt Tower in St Paul's Bay, Auberge d'Italie, Bastions San Salvatore, Farsons Brewery and the Old University Building in Valletta.

Up to FY2017, the AX Group was involved in construction waste management at a site in Mgarr, which consisted of the management and disposal of excavation, construction and demolition waste. The level of activity in waste management increased substantially in FY2016, which reflected the increase in construction activity in Malta. As such, the Group generated €1.2 million in FY2016 from this business activity, an increase of €0.3 million when compared to FY2015. This activity was terminated in FY2017, during which the Group only generated income of €0.2 million.

The site in Mgarr is currently being developed into the Imselliet Solar Farm. The solar farm is expected to go live in December 2019, and should produce up to 5.4MW of electricity to be supplied to the public power grid over a period of 20 years. The Group's investment in the Imselliet Solar Farm equates to 33.33% of Imselliet Solar Limited (held through Renewables Limited).

6.5. PROPERTY, REAL ESTATE & RENTAL INCOME

6.5.1. Financial Information – Sector Analysis

| PROPERTY, REAL ESTATE & RENTAL INCOME | FY2016 Actual | FY2017 Actual | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|---------------------------------------|------------------|------------------|------------------|--------------------|----------------------|
| Turnover (€'000) | 493 | 588 | 2,740 | 510 | 9,424 |
| Sale of property & real estate | - | 50 | 2,198 | - | 8,840 |
| Rental income | 493 | 538 | 542 | 510 | 584 |
| Gross operating profit (€'000) | 418 | 513 | 2,058 | 432 | 7,603 |
| Gross operating profit margin (%) | 85 | 87 | 75 | 85 | 81 |

Source: Management Information

6.5.2. Overview of Sector Activity

Property development was a natural diversification from the construction business. This business segment acquires investment properties, identifies business and commercial uses for these properties through the AX Group sub-divisions, and undertakes such projects to operate or dispose of them, as considered appropriate, at an opportune time. Some of these investments are held on a long-term basis and operated, while others are developed and sold in the normal course of business.

The AX Group has developed a number of landmark projects that span from residential complexes, hotels, restaurants and office blocks, to large scale property development projects such as the development of Falcon House in Sliema and Verdala site in Rabat. The AX Group owns other parcels of land on which it plans to undertake quality residential developments in the coming years and is in the process of acquiring the necessary permits to execute such projects.

During FY2016 and FY2017, the AX Group was not engaged in any major property development for resale. The last major project undertaken by the Group relating to the construction of apartments for resale was Verdala Mansions in 2003, which consisted of 36 upmarket apartments (which were all sold to third parties).

The AX Group has been involved in constructing a number of warehouses located in an industrial zone in Burmarrad, of which, nine properties are held for own use or rental purposes and one warehouse was available for sale. During FY2018, the warehouse available for sale was sold as well another two plots in Mosta, for an aggregate price of €2.2 million. No property sales are envisaged for FY2019. In the subsequent year (FY2020), AX Group is projecting to generate €8.8 million principally from the sale of 8 residential units at Falcon House, 2 apartments at TG Complex Mosta and 11 out of 22 plots in Mosta (known as Tad-Dib) which are presently subject to promise of sale agreements.

Rental income represents proceeds derived from the leasing of Group properties to third parties, and mainly comprises: Villa Vistana and five warehouses (described hereinabove). As from FY2016, the Group is generating income from renting a convenience shop and child care centre situated at Simblija Care Home & Hilltop Gardens Retirement Village. In FY2020, rental income is projected to increase from €510,000 in FY2019 to €584,000 mainly on account of lease income receivable from the Imselliet quarry in Mgarr.

7 SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE

7.1. GENERAL

The AX Group developed the Simblija Care Home & Hilltop Gardens Retirement Village ("**Care & Retirement Home**") during the financial years 2014 and 2015, and officially opened the premises in December 2015. Located in the area known as "Tas-Simblija", limits of Naxxar, the property occupies an area of circa 17,000m², and includes a mix of one and two bedroom apartments & penthouses, landscaped gardens and extensive facilities. The carrying value of this property as at 31 October 2018 amounted to €46.0 million (FY2017: €42.5 million).

The Care & Retirement Home is being marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The facilities at the complex include a restaurant, spa, hair salon, swimming pool, common room and a chapel, amongst others. The Care & Retirement Home offers independent living to the elderly with the security that there is on-site medical care and a support team that can take care of any ancillary services one may need (including laundry, cleaning, transportation and maintenance services). Furthermore, the complex enables residents to live within a community, and enjoy the surrounding gardens and amenities.

The Care & Retirement Home also includes a nursing home which provides intensive nursing care to dependent elderly residents. The nursing home has its own fully equipped hydrotherapy pool, dedicated services and amenities for short term respite care and convalescence as well as post-operation recovery. Furthermore, the home offers specialised support to residents suffering from dementia.

7.2. FINANCIAL INFORMATION

The expenditure on developing the Care & Retirement Village and acquisition of plant & equipment was of €25 million. The village consists of 133 self-catering residential units including common areas, amenities and landscaping and a 155-bed nursing home.

The residential units are to date fully occupied on leases for definite periods ranging from one month to 50 years, the majority of which are for periods up to 10 years. Additional revenue is generated from the sale of consumables, maintenance fees and the provision of services. Furthermore, management offers tenants assistance in re-selling their units to third parties.

The nursing home operates with a full complement of nursing staff and care workers on a 24-hour basis, and residents are charged a daily room rate which is supplemented by a charge for additional services as required.

The following table illustrates the actual results for the initial financial year ended 31 October 2016, full financial years ended 31 October 2017 and 31 October 2018, and the projections for FY2019 and FY2020.

| SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE | FY2016 Actual €'000 | FY2017 Actual €'000 | FY2018 Actual €'000 | FY2019 Forecast €'000 | FY2020 Projection €'000 |
|------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------|----------------------------------------|
| Residences & other income | 261 | 1,395 | 2,076 | 2,407 | 2,548 |
| Nursing home | 747 | 1,964 | 2,687 | 3,153 | 4,063 |
| Total Revenue | 1,008 | 3,359 | 4,763 | 5,560 | 6,611 |
| Direct costs | (1,514) | (2,184) | (3,087) | (3,334) | (3,578) |
| Other costs | (576) | (1,335) | (1,440) | (1,289) | (1,319) |
| EBITDA | (1,083) | (160) | 236 | 937 | 1,714 |

Source: Management Information

In **FY2016**, the Care & Retirement Home generated total revenue of €1.0 million but incurred an operating loss of €1.1 million. During **FY2017**, 109 units of the self-catering residences (out of 133 units) were either rented or leased. Lease periods during FY2017 ranged from 1 year up to 50 years, with the average lease term being 22 years, whilst rentals were for periods up to one year. The Care & Retirement Home generated €3.4 million in revenue, however still incurred an operating loss of €0.2 million.

During **FY2018**, lease periods were shortened to a range not exceeding 10 years (previously 50 years), whilst rentals were kept for periods of up to one year. In the reviewed year, all 133 units of the self-catering residences were either rented or leased. Revenue generated from residences & other income amounted to €2.1 million, an increase of €0.7 million from a year earlier. Occupancy in the nursing home continued to improve in FY2018, whereby revenue increased by €0.7 million y-o-y to €2.7 million. Overall, the Care & Retirement Home generated €4.8 million in revenue (FY2017: €3.4 million), an increase of €1.4 million or 41%. Furthermore, the Home converted a negative EBITDA of €0.2 million in FY2017 to a positive EBITDA of €0.2 million in FY2018.

It is projected that in **FY2019** and **FY2020**, the Care & Retirement Home will continue to increase occupancy in the nursing home, and as a result, management is estimating revenue to increase to €3.2 million in FY2019 (+19%, y-o-y) and €4.1 million in FY2020 (+28%, y-o-y). Rental income is projected to grow from €2.1 million in FY2018 to €2.5 million by FY2020. Overall, management is projecting the Care & Retirement Home to improve EBITDA from €0.2 million in FY2018 to €0.9 million and €1.7 million in FY2019 and FY2020 respectively, reflecting management's endeavour to keep direct and other costs at an optimal level in order to improve EBITDA margin.

8 BUSINESS DEVELOPMENT STRATEGY

8.1. ETHOS OF THE AX GROUP

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the 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.

8.2. ORGANISATIONAL PRACTICES AND PROCEDURES

The AX Group implements 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 are reviewed from time to time in order to reflect new operational and market realities, ensuring that the AX Group 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 AX Group are prepared and evaluated by the competent members of the Executive Committee and subject to the scrutiny of the said team.

The progressive introduction of this organisational structure has seen the AX Group develop a more objective and evidence-based approach to business opportunity and risk, based on the principle of informed-decision making practices. In addition, all contractual arrangements to be entered into by the AX Group with its business partners and other third parties are vetted by the dedicated in-house legal team of the AX Group.

8.3. GROWTH AND DIVERSIFICATION STRATEGY

The AX Group continues to focus its energies in strengthening its business and operating structures, particularly in its core hospitality operations. Furthermore, the hospitality division of the Group has diversified its markets and business delivery, and marketing strategies have been developed and implemented for each of its hotels depending on the location and nature of the property.

On recognition of the importance of e-commerce for the hospitality industry, the Group has invested in internet marketing to improve its information systems and now has a dedicated team of key personnel who focus on this channel; together they manage more than 24 websites owned by the Group as well as 70 other social media channels. The Group will continue to invest in the latest technologies and techniques to keep abreast with developments in this dynamic sector and optimise its business.

The Group is optimistic that the hotel industry in Malta will continue to perform positively in the coming years and believes that the Group's hospitality properties have the right management and resources to successfully grow the business units and potentially take on others. AX Hotel Operations p.l.c. continues to actively seek new hotel properties to operate and will be seeking opportunities to take on engagements to manage third party owned properties, subject to the right conditions being agreed to and the property matching the AX Hotels brand standards.

An important aspect of the Group's ongoing strategy is the acquisition of a number of sites in strategic locations and in close proximity to one other, and their subsequent consolidation in order to form larger sites to enable the Group to undertake large developments. This can be said for the property the Group owns in Qawra, where the first property acquired was the AX Sunny Coast Resort and Spa site, followed by the sites of AX Seashells Resort at Suncrest and the Luzzu complex site and recently another property adjacent to the AX Sunny Coast Resort and Spa. This strategy has allowed the consolidation of a large tract of prime land along the Qawra shore.

This same process was repeated in Sliema on the sites where AX The Victoria Hotel, AX The Palace Hotel and Palazzo Capua were built, which are all contiguous to each other, and the Hilltop Gardens Retirement Village, where the current property footprint of over 17,000m² was achieved through acquisitions of several properties over a period of time. The recent acquisitions and development of two boutique properties in the heart of Valletta is also in furtherance of this same objective.

This strategy of operating hotels in clusters yields various value-adding advantages such as the allocation of single management teams per location, providing efficiency through the reduction of overlap in areas such as marketing, maintenance, accounting and procurement.

The construction division of the Group has grown rapidly following a restructuring of the business and has, during the past two years, seen its turnover improve at a rate in excess of 25% compound annual growth rate (CAGR). 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.

Due to the unveiling of a large number of prestigious national projects having a strong restoration element over recent years, the AX Group invested in the skills and expertise required to take on sensitive restoration projects and has been successful in contributing significantly to the restoration of our built heritage. The construction division has also introduced contracting and project management strategies which aim to capitalise on the quality, efficiency and experience which are ingrained in the AX Group's culture. This investment in skills and organisational measures has also been augmented by a significant continuing investment in plant, equipment, tools and systems to improve productivity and efficiency and to further strengthen its management and operating teams in anticipation of larger and more demanding projects.

The AX Group owns a number of properties for which it has pending development applications. It continues to actively seek approval from the relevant authorities to undertake the development of the former 'Grand Hotel Verdala' site, located on the Rabat promontory. Other properties include the Marsa business park, which measures *circa* 6,000m² and a significant parcel of land in Mosta to be offered for sale to third parties as properties ready for development.

The AX Group is also currently developing another site in Mosta, which site shall house the AX Group's new state-of-the-art head office as well as a number of residential units.

8.4. HUMAN RESOURCE MANAGEMENT

The AX Group believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives. In today's business climate the recruitment and training of employees is crucial and the retention of key talent has been at the core of the Group's philosophy since inception.

In furtherance of the aforesaid objectives, the AX Group has launched the 'AX Academy' specialising in training and development of its 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 in anticipation of an increase in volume of business across the divisions of the Group.

The Executive Committee reviews the performance of all operating entities within the AX Group as well as its investments on a periodic basis. The Executive Committee foresees that the AX Group will be strongly focused on executing the Verdala Site project in the near term, but also envisages that it has the required resources and capacity to undertake a number of other investments during the coming years such as the extensions to Hilltop Gardens Retirement Village and the AX Seashells Resort at Suncrest, the development of offices and residential units in Mosta and offices in Floriana, and the redevelopment of the AX Sunny Coast Resort and Spa.

9 FUTURE INVESTMENTS

The 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, as a major thrust of its business. Indeed, the majority of the proceeds from the Bond Issue (in terms of a prospectus dated 22 November 2019) are to be used by the Company for the purpose of part financing the acquisition of land situated in Marsa, which land is earmarked for development into a mixed office, residential and commercial complex (the "**Marsa Project**") and the Group's acquisition and development of '41, Merchant Street' situated in Merchant Street, Valletta ("**Valletta Project**"), as further described below.

9.1. MARSJA PROJECT

On 11 April 2019, the Group acquired a site measuring approximately 620m², including its overlying airspace and underlying subsoil, pursuant to a sale agreement entered into by and between third party vendors and AX Business Park Limited (C13019), as purchaser, for a consideration of €600,000. This land is adjacent to a plot measuring *circa* 5,500m² owned by AX Group and known as "Tad-Dwiemes".

Subject to obtaining the necessary development permit, the Group plans to consolidate the aforementioned land with an adjacent area in Marsa known as "Tas-Sienja".

In furtherance of this, a promise of sale agreement dated 24 October 2017 was entered into by and between Salv. Bezzina & Sons Ltd (C350), as vendor and AX Business Park Limited (C13019), as purchaser, pursuant to which the vendor bound itself to sell and transfer to the purchaser, which accepted and bound itself to purchase and acquire 2 parcels of land with buildings situated thereon measuring in aggregate approximately 7,600m² (developable area being *circa* 6,600m²) for a consideration of €7 million. The promise of sale agreement shall remain valid and effective up to 23 October 2020.

The Group does not envisage that this site will be developed in the foreseeable future and, in any case, the development of the land situated in Marsa is only expected to take place after the maturity date of the Bonds. At the date of this report, the Board has

merely commissioned studies regarding the optimal use of the Marsa site and will only proceed to re-activate an application for a development permit previously submitted on 21 February 2018 for the development of the portion of land in Marsa known as “Tas-Sienja” (already owned by the Group), which was suspended on 8 May 2018 given the potential arising, shortly prior to such date, of an opportunity to acquire the aforementioned adjacent piece of land, upon conclusion and evaluation of the necessary studies.

9.2. VALLETTA PROJECT

A promise of sale agreement dated 4 July 2019 was entered into by and between Confident Limited (C78162), in its capacity as the vendor (the “**Vendor**”) and AX Holdings Limited (C3595), in its capacity as the purchaser (the “**Purchaser**”), pursuant to which the Vendor bound itself to sell and transfer to the Purchaser, which accepted and bound itself to purchase, the ‘Palazzo’, bearing official number forty-one (41) in Merchant Street, corner with Saint Lucy Street, Valletta for a consideration of €5,500,000. The promise of sale agreement shall remain valid and effective up to 15 January 2020 (the “**41, Merchant Street**”). Following the conclusion of the deed of sale for the acquisition of the 41, Merchant Street, and subject to obtaining the necessary development permits, the Group is intent on converting the property into a self-catering accommodation which shall comprise nine luxury apartments, scheduled to start operating in 2021.

9.3. OTHER PROJECTS

In addition to the Marsa Project and the Valletta Project, the key developments to which the Group is committed to in the foreseeable future include the following:

| Expected Year of Commencement and Completion | Development | Status | Investment |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------|
| 2019 - 2020 | Development of luxury units on Falcon House land, Sliema - The Group is currently developing a block of residential units at the Falcon House site in Sliema (adjacent to the existing Falcon House Complex) which shall comprise eight luxury apartments and a penthouse. | Relevant planning permits have been obtained and the land in question is currently being developed. | €1.5 million |
| 2019 - 2020 | Development of offices and residential units at Tal-Qares, Mosta (Targa Gap Complex) – A plot of land in Targa Gap, Mosta is currently being developed by the Group into a mixed use development. The development will comprise the Group’s new head office, residential units held for sale or lease to third parties, a showroom and four levels of underground parking. Development is planned to be completed in FY20. | Relevant planning permits have been obtained and the land in question is currently being developed. | €7.5 million |
| 2021 - 2022 | Development of office space in Floriana – The Group entered into a promise of sale agreement for the acquisition of three properties in Floriana which the Group is planning to consolidate and convert into office space for lease to third parties. The acquisition is planned to be completed in FY20, and the development is planned to commence in FY21. | The Group is in the process of submitting the relevant planning permit application. | €3.8 million |
| 2020 - 2023 | Verdala Site, Rabat - The Group plans to develop a 40-suite boutique hotel and 19-serviced apartments to be managed as one operation by AX Hotel Operations p.l.c. The hotel and serviced apartments are projected to commence operations in FY23. The Group also plans to develop 100 luxury apartments on the same site, earmarked for sale to third parties. Development of the said apartments is projected to be completed during FY23. | Outline application stage | €37 million |

| | | | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------|
| 2021 – 2023 | The extension of the Hilltop Gardens Retirement Village – The Group plans on adding 71 units for lease or rental at the Hilltop Gardens Retirement Village. | Permit application submitted – pending approval | <i>circa</i> €6 million |
| 2023 – 2024 | The redevelopment of the AX Sunny Coast Resort and Spa, Qawra – The Group plans to demolish and rebuild the Sunny Coast Resort & Spa in Qawra. | Permit application submitted – pending approval | <i>circa</i> €18 million |
| 2025 – 2026 | The extension of AX Seashells Resort at Suncrest, Qawra – The Group plans to extend the AX Seashells Resort at Suncrest by an additional two floors, adding a total of 200 rooms. The entire hotel and lido area is also planned to be refurbished and redecorated. | Permit application submitted – pending approval | <i>circa</i> €13 million |

PART 2 – GROUP PERFORMANCE REVIEW

10. FINANCIAL INFORMATION RELATING TO AX GROUP PLC

The following financial information is extracted from the audited consolidated financial statements of AX Group p.l.c. for the three years ended 31 October 2016 to 31 October 2018. The financial information for the years ending 31 October 2019 and 31 October 2020 have been provided by Group management.

The projected financial statements are based on future events and assumptions which AX 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.

PRIOR YEAR ADJUSTMENT

A prior year adjustment was passed to properly account for share of profits resulting from investments in associates which was overstated in previous years. The following balance sheet items were affected by such adjustment.

| | €'000 |
|------------------------------------------------|---------------|
| <i>Investments in associates</i> | |
| At 01.11.2016, as previously stated | 8,586 |
| Prior year adjustment | (1,603) |
| At 01.11.2016, as restated | 6,983 |
| Share of profits, as previously stated | 1,087 |
| Prior year adjustment | (574) |
| | 513 |
| At 31.10.2017, as restated | 7,495 |
| <i>Retained earnings</i> | |
| At 01.11.2016, as previously stated | 16,673 |
| Prior year adjustment | (1,603) |
| At 01.11.2016, as restated | 15,070 |
| Profit for the year, as previously stated | 12,252 |
| Prior year adjustment | (574) |
| Profit for the year, as restated | 11,678 |
| Dividends paid | (2,300) |
| Revaluation of investment property, net of tax | (5,561) |
| At 31.10.2017, as restated | 18,887 |

AX GROUP P.L.C.
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER

| | 2016 Actual €'000 | 2017 Restated €'000 | 2018 Actual €'000 | 2019 Forecast €'000 | 2020 Projection €'000 |
|--------------------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-----------------------------|
| Revenue | 38,060 | 46,157 | 56,776 | 52,389 | 66,482 |
| Net operating expenses | (25,397) | (30,793) | (35,832) | (36,362) | (41,033) |
| EBITDA | 12,663 | 15,364 | 20,944 | 16,027 | 25,449 |
| Depreciation | (4,825) | (5,238) | (5,348) | (5,895) | (5,875) |
| Investment property revaluation | 900 | 6,211 | 26,589 | - | - |
| Share of results of associated undertaking | 696 | 513 | 3 | 383 | 359 |
| Investment income | 8 | 11 | 1 | - | - |
| Net finance costs | (3,494) | (3,459) | (3,007) | (3,164) | (3,965) |
| Profit before tax | 5,949 | 13,401 | 39,182 | 7,351 | 15,968 |
| Taxation | (1,918) | (1,690) | (8,228) | 4,929 | (3,297) |
| Profit after tax | 4,030 | 11,711 | 30,954 | 12,280 | 12,671 |
| Other comprehensive income | | | | | |
| Gains on property revaluation | 53,622 | - | 13,136 | - | - |
| Taxation | (5,418) | - | (1,384) | - | - |
| | 48,204 | - | 11,752 | - | - |
| Total comprehensive income | 52,234 | 11,711 | 42,706 | 12,280 | 12,671 |

AX GROUP P.L.C.
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER

| | 2016 Actual €'000 | 2017 Restated €'000 | 2018 Actual €'000 | 2019 Forecast €'000 | 2020 Projection €'000 |
|--------------------------------------------------|-------------------------|---------------------------|-------------------------|---------------------------|-----------------------------|
| Net cash from operating activities | 17,564 | 17,516 | 15,164 | 8,849 | 14,288 |
| Net cash from investing activities | (16,853) | (12,084) | (4,890) | (10,130) | (24,280) |
| Net cash from financing activities | 2,708 | (4,816) | (10,190) | (3,031) | 61,916 |
| Net movement in cash and cash equivalents | 3,419 | 616 | 84 | (4,312) | 51,924 |
| Cash and cash equivalents at beginning of year | 2,174 | 5,593 | 6,209 | 6,293 | 1,981 |
| Cash and cash equivalents at end of year | 5,593 | 6,209 | 6,293 | 1,981 | 53,905 |

AX GROUP P.L.C.
STATEMENT OF FINANCIAL POSITION

| | 31 Oct'16 Actual €'000 | 31 Oct'17 Restated €'000 | 31 Oct'18 Actual €'000 | 31 Oct'19 Forecast €'000 | 31 Oct'20 Projection €'000 |
|-----------------------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|----------------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant & equipment | 218,791 | 223,930 | 235,045 | 243,673 | 250,863 |
| Investment property | 24,395 | 30,969 | 58,722 | 31,526 | 42,742 |
| Investments in associates | 8,586 | 7,495 | 7,499 | 7,882 | 8,241 |
| Deferred tax asset & other non-current assets | - | - | - | 7,208 | 7,172 |
| | 251,772 | 262,394 | 301,266 | 290,289 | 309,018 |
| Current assets | | | | | |
| Inventories | 2,721 | 2,971 | 2,370 | 25,260 | 27,596 |
| Trade & other receivables | 11,162 | 12,258 | 13,046 | 11,406 | 11,968 |
| Cash at bank and in hand | 5,876 | 7,353 | 6,852 | 1,981 | 53,905 |
| | 19,759 | 22,582 | 22,268 | 38,647 | 93,469 |
| Total assets | 271,531 | 284,976 | 323,534 | 328,936 | 402,487 |
| EQUITY | | | | | |
| Share capital | 1,165 | 1,165 | 1,165 | 1,165 | 1,165 |
| Reserves | 145,440 | 151,901 | 186,358 | 185,058 | 185,059 |
| Retained earnings | 16,673 | 17,987 | 23,724 | 33,280 | 42,139 |
| Non-controlling interest | 1,401 | 1,434 | 1,503 | 1,515 | 1,577 |
| | 164,679 | 172,487 | 212,750 | 221,018 | 229,940 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings & debt securities | 60,429 | 57,357 | 53,149 | 52,964 | 121,092 |
| Trade & other payables | 3,281 | 6,578 | 11,591 | 12,745 | 11,983 |
| Deferred tax liabilities | 18,731 | 19,256 | 24,823 | 24,695 | 24,695 |
| | 82,441 | 83,191 | 89,563 | 90,404 | 157,770 |
| Current liabilities | | | | | |
| Borrowings | 9,022 | 10,500 | 2,919 | 2,346 | - |
| Trade & other payables | 15,389 | 18,798 | 18,302 | 15,168 | 14,777 |
| | 24,411 | 29,298 | 21,221 | 17,514 | 14,777 |
| Total liabilities | 106,852 | 112,489 | 110,784 | 107,918 | 172,547 |
| Total equity and liabilities | 271,531 | 284,976 | 323,534 | 328,936 | 402,487 |

| KEY ACCOUNTING RATIOS | FY2016 Actual | FY2017 Restated | FY2018 Actual | FY2019 Forecast | FY2020 Projection |
|------------------------------------------------------------------------------|------------------|--------------------|------------------|--------------------|----------------------|
| Operating profit margin (EBITDA/revenue) | 33% | 33% | 37% | 31% | 38% |
| Interest cover (times) (EBITDA/net finance cost) | 3.62 | 4.44 | 6.97 | 5.07 | 6.42 |
| Net debt to EBITDA (years) (Net debt/EBITDA) | 5.02 | 3.94 | 2.35 | 3.33 | 2.64 |
| Net profit margin (Profit after tax/revenue) | 11% | 25% | 55% | 23% | 19% |
| Earnings per share (€) (Profit after tax/number of shares) | 3.46 | 10.06 | 26.58 | 10.54 | 10.88 |
| Return on equity (Profit after tax/shareholders' equity) | 2% | 7% | 15% | 6% | 6% |
| Return on capital employed (EBITDA/total assets less current liabilities) | 5% | 6% | 7% | 5% | 7% |
| Return on assets (Profit after tax/total assets) | 1% | 4% | 10% | 4% | 3% |

Source: Charts | A Division of MeDirect Bank plc

INCOME STATEMENT

During **FY2016**, revenue of the Group increased by €6.0 million (+19%) from €32.1 million in FY2015 to €38.1 million. The aforementioned increase in revenue was mainly generated from the hospitality sector as to €5.8 million (principally from Seashells Resort by Suncrest and The Palace Hotel) and the care & retirement home generated €0.9 million in its first year of operation. Revenue from construction and real estate decreased by €1.5 million when compared to FY2015, and dividends receivable from Valletta Cruise Port p.l.c. increased from €0.4 million in FY2015 to €1.0 million in FY2016.

EBITDA increased by €2.8 million (+28%), from €9.9 million in FY2015 to €12.7 million in FY2016, substantially generated from Seashells Resort by Suncrest and The Palace Hotel. After accounting for depreciation of €4.8 million (FY2015: €3.2 million), an uplift of €0.9 million (FY2015: nil) in the valuation of the Hardrocks warehouses, investment income & net finance costs of €3.5 million (FY2015: €1.5 million) and share of results of associates of €0.7 million (FY2015: 0.4 million), the Group registered a profit before tax of €5.9 million, a y-o-y increase of €0.3 million when compared to FY2015 (profit before tax: €5.6 million). In FY2016, the property valuations (net of deferred tax) of Seashells Resort by Suncrest and Palazzo Capua were revised upwards by an aggregate amount of €48.2 million, and as a consequence, the comprehensive income for FY2016 amounted to €52.2 million (FY2015: €9.7 million).

In **FY2017**, revenue of the Group increased by €8.1 million (+21%), from €38.1 million in FY2016 to €46.2 million in FY2017. The year-on-year increase was spread primarily across the hospitality sector, construction sector as well as the care & retirement home (which is in its second year of operation). Revenue from sale of property, real estate and rental income increased by €0.1 million, whilst dividends receivable from Valletta Cruise Port p.l.c. decreased by €0.06 million to €0.89 million in FY2017.

During FY2017, EBITDA increased by €2.7 million (+21%) from €12.7 million in FY2016 to €15.4 million, a significant portion of which was generated from the operations of Seashells Resort by Suncrest. After accounting for depreciation of €5.2 million (FY2016: €4.8 million), investment income and net finance costs of €3.5 million (FY2016: €3.5 million), an uplift of €6.1 million (FY2016: €0.9 million), and share of results of associates of €0.5 million (FY2016: €0.7 million), the Group registered a profit before tax of €13.4 million, compared to €5.9 million in FY2016 (+125%).

Profit after tax amounted to €11.7 million in FY2017 as compared to €4.0 million in FY2016, an increase of €7.7 million (+191%). Total comprehensive income in FY2017 was unchanged at €11.7 million (FY2016: €52.2 million).

During **FY2018**, total revenue generated by the Group increased by €10.6 million (+23%), from €46.2 million in FY2017 to €56.8 million in FY2018. The year-on-year increase was spread primarily across all sectors with the hospitality sector registering the highest increase in terms of value (+€3.4 million, y-o-y). The construction sector and sale of property, real estate and rental income registered positive increases of €2.6 million and €2.2 million, respectively. Revenue from the retirement home increased by €1.4 million, whilst dividends receivable from Valletta Cruise Port p.l.c. increased by €0.3 million to €1.2 million in FY2018.

During FY2018, EBITDA increased by €5.5 million (+36%) from €15.4 million in FY2017 to €20.9 million, a fair amount of which was generated from the sale of property as well as the aggregate increases in revenue in the sub-divisions of the hospitality & entertainment sector. After accounting for depreciation of €5.3 million (FY2017: €5.2 million), investment income and net finance costs of €3.0 million (FY2017: €3.5 million), and an investment property revaluation uplift of €26.6 million (FY2017: €5.8 million), the Group registered a profit before tax of €39.2 million, compared to €13.4 million in FY2017 (+192%). The afore-mentioned revaluation of €26.6 million related to uplifts in the fair value of the Verdala site in Rabat, a plot of land in Marsa (known as Tad-Dwiemes) and the Virtu Apartments in Rabat.

Profit after tax amounted to €30.9 million in FY2018 as compared to €11.7 million in FY2017, an increase of €19.2 million (+164%). Total comprehensive income in FY2018 increased to €42.7 million (FY2017: €11.7 million) due to gains on property revaluation net of tax of €11.8 million (FY2017: nil) in relation to The Palace Hotel and Simblija Care Home & Hilltop Gardens Retirement Village.

In **FY2019**, revenue is forecasted to decrease by €4.4 million from €56.8 million in FY2018 to €52.4 million. Revenue generated by the hospitality & entertainment division is expected to decline by €1.1 million (y-o-y) due to the temporary closure of The Palace Hotel for a refurbishment exercise, which will not be compensated by an increase in RevPAR. As a result of rising competition in the local tourism market, particularly from non-hotel self-catering accommodation properties, management's ability to increase room rates is somewhat limited.

The construction and property divisions are also expected to register a y-o-y decline, from an aggregate of €10.9 million in FY2018 to €7.5 million, in view of the fact that no property sales are forecasted for FY2019. In contrast, revenue from the retirement home is forecasted to increase by €0.8 million (+17%, y-o-y) to €5.6 million in FY2019.

EBITDA in FY2019 is estimated at €16.0 million, a decrease of €4.9 million (-23%) when compared to FY2018. The Group is forecasted to register a profit before tax in FY2019 of €7.4 million, a decrease of €31.8 million from a year earlier. This decrease is mainly attributable to the fact that management has prudently assumed no investment property valuation gains will be accounted for in FY2019, compared to a gain of €26.6 million in FY2018. In FY2019 Sunny Coast Resort & Spa in Qawra and The Victoria Hotel in Sliema will be revalued in line with the ongoing property revaluation programme of the Group. After accounting for a tax credit of €4.9 million (as a result of the recognition of a deferred tax asset from an investment tax credit on the retirement home), total comprehensive income in FY2019 is projected to amount to €12.3 million (FY2018: €42.7 million).

Revenue in **FY2020** is projected to increase substantially by €14.1 million (+27%, y-o-y) to €66.5 million, primarily on account of expected disposal of various properties amounting to €8.8 million. The remaining balance is projected to be generated from the other divisions of the Group. The surge in revenue is expected to result in a €9.4 million increase in EBITDA, from €16.0 million in FY2019 to €25.4 million. Similarly, profit before tax is projected to increase y-o-y by €8.6 million as no property fair value uplifts are being assumed. Overall, total comprehensive income in FY2020 is projected at €12.7 million, compared to €12.3 million being forecasted for FY2019.

STATEMENT OF FINANCIAL POSITION

Non-current assets of the Group principally comprise property, plant & equipment (mainly hotel properties and the Simblija Care Home & Hilltop Gardens Retirement Village), investment property (mainly Verdala site and a plot of land in Marsa) and a 36% shareholding in Valletta Cruise Port p.l.c. (investment in associates). In FY2018, non-current assets increased by €38.9 million to €301.3 million (FY2017: €262.4 million) primarily on account of uplifts in fair value of assets. Current assets as at 31 December 2018 amounted to €22.3 million compared to €22.6 million in FY2017. Current assets mainly include trade & other receivables and cash & bank balances.

During the projected years (FY2019 and FY2020), property, plant & equipment is expected to increase by €15.8 million (from €235.0 million in FY2018 to €250.9 million in FY2019), primarily in relation to the completion of the Rosselli Hotel and development works at TG Complex in Mosta, as well as ongoing capital expenditure at the Group's properties.

With regard to investment property, in FY2019, the portion of the Verdala site earmarked for the development of residential units and which will be available on the market for sale will be transferred to inventories. As such, inventories (current asset) are set to increase from €2.4 million in FY2018 to €25.3 million in FY2019 and investment property (non-current asset) will decrease by a corresponding amount.

Total liabilities represent trade and other payables (FY2018: €29.9 million as compared to FY2017: €25.4 million), deferred taxation (FY2018: €24.8 million as compared to FY2017: €19.3 million) and borrowings as provided hereinafter.

AX GROUP P.L.C.
GROUP BORROWINGS

| | 31 Oct'16 Actual €'000 | 31 Oct'17 Restated €'000 | 31 Oct'18 Actual €'000 | 31 Oct'19 Forecast €'000 | 31 Oct'20 Projection €'000 |
|---------------------------------------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|----------------------------------|
| Bank borrowings | | | | | |
| Bank loans | 21,681 | 19,937 | 15,226 | 15,266 | 6,461 |
| Bank overdrafts | 283 | 1,144 | 559 | - | - |
| | 21,964 | 21,081 | 15,785 | 15,266 | 6,461 |
| Bonds | | | | | |
| 6% Bonds 2024 | 39,540 | 39,394 | 39,456 | 39,516 | 39,631 |
| 3.25% Bonds 2026/3.75% Bonds 2029 | | | | | 74,470 |
| | 39,540 | 39,394 | 39,456 | 39,516 | 114,101 |
| Other borrowings | | | | | |
| Malta Enterprise | 6,311 | 6,634 | - | - | - |
| Other loans | 119 | 211 | 590 | - | - |
| Shareholder's loan | 1,517 | 537 | 237 | 528 | 530 |
| <i>(unsecured, interest free and no fixed date repayment)</i> | | | | | |
| | 7,947 | 7,382 | 827 | 528 | 530 |
| Total borrowings and bonds | 69,451 | 67,857 | 56,068 | 55,310 | 121,092 |

| KEY ACCOUNTING RATIOS | 31 Oct'16 Actual | 31 Oct'17 Restated | 31 Oct'18 Actual | 31 Oct'19 Forecast | 31 Oct'20 Projection |
|----------------------------------------------|---------------------|-----------------------|---------------------|-----------------------|-------------------------|
| Net assets per share (€) | 141 | 148 | 183 | 190 | 197 |
| (Net asset value/number of shares) | | | | | |
| Liquidity ratio (times) | 0.81 | 0.77 | 1.05 | 2.21 | 6.33 |
| (Current assets/current liabilities) | | | | | |
| Gearing ratio | 28% | 26% | 19% | 19% | 23% |
| (Net debt/net debt and shareholders' equity) | | | | | |

Source: Charts | A Division of MeDirect Bank plc

During FY2020, the Group will be raising €25 million from 2 bond issues, in terms of the Prospectus dated 22 November 2019, the proceeds thereof shall be utilised to acquire the properties referred to in sections 9.1 and 9.2 of this report (the "Marsa Project" and the "Valletta Project"). In addition, an amount of €4.5 million shall be used to re-finance bank loan facilities and a further €4 million shall be utilised for general corporate funding purposes.

Subject to approval from the relevant authorities to undertake the development of the Verdala site, the Company is intent on issuing €50 million in bonds, the majority of the aggregate proceeds of which are earmarked for the purposes of financing the development of the Verdala site. Simultaneously with the issuance of the said €50 million bonds, the existing shareholders are minded to launch an offer to the public of 25% of their shareholding in the Company. As at the date hereof, the Company's shareholders intend to reinvest part of the proceeds from the share offer in the Company by way of subscription for the majority of the €50 million bonds. The remaining balance of bonds will be offered to the general public.

CASH FLOW STATEMENT

Net cash flows from operating activities principally relate to the operations of the AX Group, which are analysed in further detail in section 6.0 of this report under the heading "Group Operational Development". In FY2019, net cash from operating activities is expected to decrease from €15.2 million in FY2018 to €8.8 million, primarily due to an expected decline in revenue (explained in further detail elsewhere in this report), the reversal of interest expensed in FY2018 in relation to previous years and not repeated in FY2019 and adverse movement in working capital changes. In FY2020, operating cash inflows are projected to increase y-o-y by €5.4 million to €14.3 million, mainly from the disposal of various properties.

Net cash from investing activities principally relate to the acquisition and disposal of properties and annual capital expenditure on the Group properties. In this regard, between FY2016 and FY2018, the AX Group utilised a net amount of €33.8 million. During FY2019 and FY2020, the Group is projecting to utilise in aggregate €34.4 million (being net of proceeds from disposals), mainly to complete outstanding projects, to acquire the Marsa and Valletta properties (described in section 6 above) and for the purposes of ongoing capital expenditure.

Financing activities principally comprise movement on bank and other borrowings, issuance of debt securities and payment of dividends. In FY2018, the Group utilised €7.7 million of loan facilities and paid dividends to shareholders of €2.5 million (total of €10.2 million). In FY2019, net cash outflows from financing activities are expected to amount to €3.0 million, mainly comprising dividend payments. In the subsequent year (FY2020), the Group is projecting to raise *circa* €75 million from bond issues and during same year plans to repay €8.8 million of bank loans and distribute €3.8 million by way of dividends to shareholders.

DEBT SECURITIES ISSUED BY GROUP COMPANIES

AX Investments p.l.c. is a member of the AX Group and has the following outstanding debt securities:

- €40 million AX Investments p.l.c. 6% Unsecured € Bonds 2024 (ISIN MT0000081233)

PART 3 – COMPARABLES

The table below compares the Company and its bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. 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.

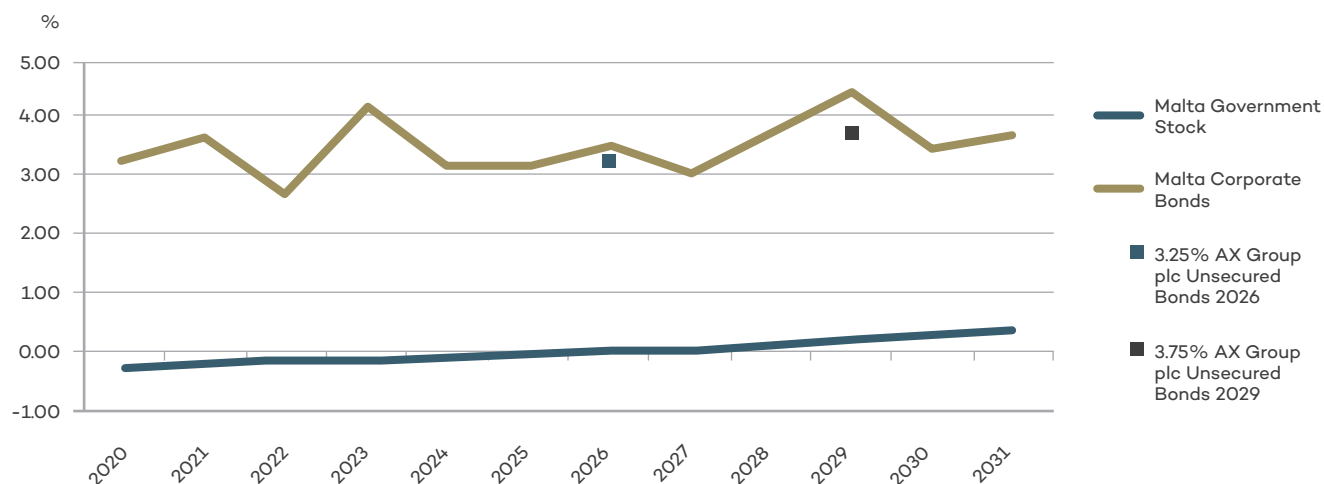
| COMPARATIVE ANALYSIS | Nominal Value (€) | Yield to Maturity (%) | Interest Cover (times) | Total Assets (€'000) | Net Asset Value (€'000) | Gearing Ratio (%) |
|--------------------------------------------------------|-------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------|-------------------------|
| 5.50% Pendergardens Dev. plc Secured € 2020 Series I | 14,711,300 | 3.26 | 1.23 | 80,052 | 25,712 | 48.95 |
| 6.00% Pendergardens Dev. plc Secured € 2022 Series II | 26,921,200 | 2.34 | 1.23 | 80,052 | 25,712 | 48.95 |
| 3.65% GAP Group plc Secured 2022 | 40,000,000 | 2.72 | 4.45 | 55,237 | 9,869 | 71.82 |
| 5.30% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 4.22 | 0.76 | 27,159 | 6,916 | 62.72 |
| 6.00% AX Investments Plc Unsecured € 2024 | 40,000,000 | 2.52 | 6.97 | 325,243 | 214,590 | 18.66 |
| 5.30% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 3.24 | 5.33 | 83,223 | 44,177 | 43.99 |
| 5.00% Hal Mann Vella Group plc Secured Bonds € 2024 | 30,000,000 | 3.64 | 2.29 | 112,006 | 43,514 | 51.65 |
| 4.25% Best Deal Properties Holding plc Secured 2024 | 16,000,000 | 3.40 | 4.02 | 25,986 | 3,432 | 82.64 |
| 5.10% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.84 | 1.41 | 120,794 | 38,318 | 52.41 |
| 4.50% Hili Properties plc Unsecured € 2025 | 37,000,000 | 3.84 | 1.55 | 154,742 | 52,242 | 61.72 |
| 5.10% 6PM Holdings plc Unsecured € 2025 | 13,000,000 | 4.50 | 2.09 | 5,499 | -19,741 | - |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 3.63 | 2.74 | 1,784,681 | 908,883 | 40.11 |
| 4.00% International Hotel Invest. plc Secured € 2026 | 55,000,000 | 3.58 | 3.27 | 1,617,853 | 877,620 | 36.63 |
| 4.00% International Hotel Invest. plc Unsecured € 2026 | 40,000,000 | 3.60 | 3.27 | 1,617,853 | 877,620 | 36.63 |
| 4.00% MIDI plc Secured € 2026 | 50,000,000 | 3.50 | 9.80 | 220,613 | 97,440 | 31.83 |
| 3.75% Premier Capital plc € Unsecured Bonds 2026 | 65,000,000 | 3.14 | 12.63 | 179,451 | 48,701 | 54.42 |
| 4.35% Hudson Malta plc Unsecured 2026 | 12,000,000 | 3.60 | 13.74 | 28,166 | 6,135 | 60.96 |
| 4.35% SD Finance plc € Unsecured Bonds 2027 | 65,000,000 | 3.44 | 8.48 | 316,563 | 132,582 | 31.98 |
| 4.00% Eden Finance plc Unsecured 2027 | 40,000,000 | 3.10 | 5.68 | 185,717 | 103,511 | 31.82 |
| 4.00% Stivala Group Finance plc Secured 2027 | 45,000,000 | 3.44 | 3.73 | 202,425 | 115,827 | 32.23 |
| 3.85% Hili Finance Company plc Unsecured 2028 | 40,000,000 | 3.71 | 3.44 | 455,113 | 86,390 | 73.98 |
| 3.80% Hili Finance Company plc Unsecured 2029 | 80,000,000 | 3.77 | 3.44 | 455,113 | 86,390 | 73.98 |
| 3.25% AX Group Plc Unsecured € 2026* | 25,000,000 | 3.25 | 6.96 | 323,534 | 212,750 | 18.79 |
| 3.75% AX Group Plc Unsecured € 2029* | 25,000,000 | 3.75 | 6.96 | 323,534 | 212,750 | 18.79 |

* The Bond Issue is for an aggregate amount of €25M in any one or a combination of the stated bonds.

19 September '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc

Bond Yield to Maturity



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc

19 September 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2026 bonds have been priced at a yield of 3.25%, which is *circa* 25 basis points below other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 325 basis points.

The 2029 bonds have been priced at a yield of 3.75%, which is *circa* 68 basis points lower when compared to other corporate bonds maturing in 2029. The premium over FY2029 Malta Government Stock is 352 basis points.

PART 4 – EXPLANATORY DEFINITIONS

INCOME STATEMENT

| | |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue | Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment; construction works, building materials and management services; care and retirement home operations; sale of property and real estate; and rental income. |
| Direct costs | Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses. |
| Gross profit | Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs. |
| Operating costs | Operating costs include all operating expenses other than direct costs. |
| EBITDA | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. |
| Share of results of associated undertakings | The AX Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associated undertakings'. |
| 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. |
| Occupancy level | Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available. |

| | |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Average room rate | Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are booking hotel rooms each night. |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

KEY PERFORMANCE INDICATORS

| | |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue per available room (RevPAR) | RevPAR is calculated by dividing a hotel's total revenue by the total number of available rooms in the period being measured. A hotel uses this indicator as a performance measure with other hotels in the same category or market. |
| Revenue generating index | A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc.) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1. |

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. |

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. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include investment properties; property, plant & equipment; and investments accounted for using the equity method. |
| 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, inventory (food, beverages, consumables, construction materials, etc.), 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.
