SECURITIES NOTE

Dated 22 March 2022

This Securities Note is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the Prospectus Regulation. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an issue of up to €50,000,000 4.30% Secured Bonds 2032
of a nominal value of €100 per Bond issued and redeemable at par ISIN: MT0002191220 (the "Bonds")
by

MERCURY FINANCE

MERCURY PROJECTS FINANCE P.L.C.

a public limited liability company duly incorporated under the Laws of Malta,
with Company registration number C 89117

with the joint and several Guarantee* of Mercury Towers Ltd, a private limited company registered in Malta with company registration number C 77402

**Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note and Sections 6.2 of the Registration Document for a description of the Guarantee and the Collateral in general.*

Sponsor & Co-Manager	Registrar & Co-Manager	Security Trustee	Legal Counsel
Calamatta Cuschieri YOUR PARTNER IN FINANCIAL SERVICES	BOV Bank of Valletta	CSB trustees& fiduciaries ltd	salibastafrace LEGAL

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

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

APPLICATION HAS BEEN MADE TO THE MALTA STOCK EXCHANGE FOR THE SECURITIES TO BE ADMITTED TO THE OFFICIAL LIST.

A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE SECURITIES UNLESS: (I) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT; (II) THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND (III) SUCH PROSPECTIVE INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF 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. A PROSPECTIVE INVESTOR SHOULD MAKE HIS OR HER OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES SUBJECT OF THIS SECURITIES NOTE.

Approved by the Directors

Joseph Portelli

in his capacity as Director of the Company and on behalf of each of Stephen Muscat, Mario Vella and Peter Portelli.

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY MERCURY PROJECTS FINANCE P.L.C. (THE "**ISSUER**") OF UP TO €50,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.30% *PER ANNUM*, PAYABLE ON 25 APRIL 2022 OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "**BONDS**"). THE ISSUER SHALL REDEEM THE BONDS AND PAY THE FULL NOMINAL VALUE THEREOF ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

THIS SECURITIES NOTE 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 REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

THIS SECURITIES NOTE SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER DATED 22 MARCH 2022.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS, TO PUBLISH OR ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE ISSUER, THE GUARANTOR AND/OR THE SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO THEREIN, AND IF PUBLISHED, ISSUED, GIVEN OR MADE, SUCH ADVERTISEMENT, INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

ALL THE ADVISORS TO THE ISSUER NAMED UNDER THE HEADING "ADVISORS" IN SECTION 3.4 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS 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 MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS SECURITIES NOTE, 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 THIS SECURITIES NOTE.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER 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.

THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY BONDS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS 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. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

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 TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS SECURITIES NOTE ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER OR THE GUARANTOR SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS SECURITIES NOTE IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO UPDATE OR SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

UNLESS OTHERWISE STATED, THE CONTENTS OF THE ISSUER’S OR GUARANTOR’S WEBSITES (IF ANY) OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S OR GUARANTOR’S WEBSITES 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.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE, 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.

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1 _ DEFINITIONS

Capitalised words and expressions used in this Securities Note and which are defined in the Registration Document forming part of the Prospectus shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning herein as the meaning given to such words and expressions in the Registration Document. Furthermore, in this Securities Note the following words and expressions shall bear the following meanings except where otherwise expressly stated or where the context otherwise requires:

Applicant/s	A person or persons (in the case of joint applicants) who subscribe(s) for the Bonds;
Application	The application to subscribe for Bonds made by an Applicant/s through any of the Authorised Financial Intermediaries pursuant to Placement Agreements;
Authorised Financial Intermediaries	The financial intermediary/ies whose details appear in Annex I to this document;
Bond Issue Price	The nominal value of each Bond (€100 per Bond);
CSD or **Central Securities Depositary**	The Central Securities Depository of and operated by the Malta Stock Exchange set up and authorized in terms of the Financial Markets Act, 1990 (Chapter 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
Deed of Hypothec	A notarial deed to be entered into by and between the Issuer, the Guarantor, Mercury Hotel Ltd. and the Security Trustee whereby *inter alia* Mercury Hotel Ltd. constitutes in favour of the Security Trustee that part of the Collateral which according to law requires the execution of a notarial deed;
Interest Payment Date	25 April of each year between and including each of the years 2023 and 2032, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	The date of issue of the Bonds, expected on 10 May 2022;
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast);
Placement Agreements	The conditional placement agreements entered into or to be entered into, as the case may be, between the Issuer and the Authorised Financial Intermediaries, as further described in Section 8.4 of this Securities Note;
Redemption Value	The nominal value of such Bond (€100 per Bond); and
Terms and Conditions	The terms and conditions of issue of the Bonds, set out in Sections 5, 6 and 8 of this Securities Note.

All references in the Prospectus to "Malta" are to the "Republic of Malta".

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 also the feminine gender and *vice-versa*;

(c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;

(d) any references to a person includes natural persons, firms, partnerships, companies, corporations, associations, organizations, governments, states, foundations or trusts;

(e) any phrase introduced by the term "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding the term; and

(f) any references to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Securities Note.

2 | RISK FACTORS

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

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING BUT NOT LIMITED TO 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, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER OR THE BONDS.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE 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.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE VALUE, YIELD, REPAYMENT ABILITY OF THE ISSUER AND OTHER CHARACTERISTICS OF THE BONDS. THE RISKS DESCRIBED BELOW ARE THOSE THAT THE DIRECTORS BELIEVE TO BE MATERIAL AS AT THE DATE HEREOF, BUT THESE RISKS MAY NOT BE THE ONLY ONES AFFECTING THE BONDS. ADDITIONAL RISKS, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE BONDS AND/OR THE BONDHOLDERS' RIGHTS THEREUNDER.

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

Forward-looking Statements

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 Guarantor'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 Guarantor's actual results of operations, financial condition and performance, and trading prospects 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 performance, and trading results, of the Issuer and, or the Guarantor 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 and an investment in the Bonds. 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

/ *Suitability of the Bonds*

An investment in the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor 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

(d) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect 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 Group's business. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of the Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

/ *Trading and liquidity risks*

There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to re-sell his/her Bonds at or above the Bond Issue Price or at all. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors as well as market conditions over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds. These factors include the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally. No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer or a Group Company will have on the market price of the Bonds prevailing from time to time.

Further to the above, the outbreak of the COVID-19 pandemic in Q1 2020, which was neither foreseen by nor within the control of the market, has resulted in a highly volatile economy, with the exact magnitude of the downturn remaining uncertain globally. The exact nature of the risks for and negative impact on national economies and on individual businesses, including the Group's business, is difficult to predict and to guard against and plan for, particularly in view of the uncertainty as to the duration and depth of the impact of the COVID-19 pandemic, and the difficulties in predicting whether recoveries will be sustained and at what rate. This volatility may also increase as a result of wars or conflicts between countries, including the current Russia – Ukraine conflict. There can be no assurance that continued or increased volatility and disruption in the capital markets will not impair the saleability of the Bonds.

/ *Interest rate risk*

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Fixed income debt securities are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. The price of bonds tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise (save for other factors which may affect price). Moreover, the price changes also depend on the term or residual time to maturity of the Bonds. In general, bonds with shorter terms have less price risks than bonds with longer terms.

/ *Currency risk*

Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.

/ *Continuing compliance obligations*

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain ongoing requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Malta Financial Services Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Malta Financial Services Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspension or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds.

/ *Changes in laws and regulations*

The Terms and Conditions of the Bond Issue are based on the requirements of the Act and other laws, the Prospectus Regulation and the Capital Markets Rules in effect as at the date of the 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 Terms and Conditions*

The Issuer may call a meeting of Bondholders in accordance with the provisions of this Securities Note in the event that it wishes to amend any of the Terms and Conditions of this Bond Issue. 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.

/ *Additional indebtedness and security*

Both the Issuer and the Guarantor may incur further borrowings or indebtedness, including through the issue of other debt securities, and may create or permit to subsist security interests upon the whole or any part of their respective present or future undertakings, assets or revenues (including uncalled capital), save only that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

/ *Ratings*

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.2.2 Risks relating to the Guarantor and the Collateral

2.2 Risks relating to the Guarantor and the Collateral

/ *Risks relating to the business of the Guarantor*

The risk factors contained in Section 2.2 of the Registration Document (entitled "Risks relating to the Guarantor") apply to the business of the Guarantor. If any of the risks mentioned in Section 2.2 of the Registration Document were to materialise, they would have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Guarantee.

/ *Risks relating to the Guarantee*

The Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under the said Bonds by the Guarantor and the Collateral.

In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer.

The strength of the undertakings on the part of the Guarantor under the Guarantee and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor, which will be affected by the level of indebtedness and liabilities incurred by such Guarantor, including indebtedness under the Existing Bonds and the joint and several guarantee granted by the said Guarantor to secure the obligations of the Issuer under the said Existing Bonds, as well as by the BOV Loans and the security interests securing the same.

/ *Risks relating to the Collateral and the value of the Collateral*

The Bonds shall at all times rank *pari passu* without any priority or preference among themselves but, in respect of the Guarantor and Mercury Hotel Ltd., and save for such exceptions as may be provided by applicable law, they shall rank with priority or preference over all unsecured indebtedness, if any, by virtue and to the extent of the first ranking special hypothec over the Security Property for Bonds which Mercury Hotel Ltd. will constitute in favour of the Security Trustee for the benefit of the Bondholders.

As noted in Section 6.2 of the Registration Document, in its existing state, the Security Property for Bonds has been valued for a total amount which is less than, and which is not sufficient to cover, the full principal amount of the Bonds (if fully subscribed) and interest thereon. In view of the above, it is the intention that the proceeds of the Bond Issue, excluding such portion thereof intended to be used for general corporate funding purposes, whilst it will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan 2022 from inception, will not be transferred to such Guarantor but will be retained in cash by the Security Trustee under trust, who will be irrevocably authorised by the Guarantor (by way of security for the benefit of the Security Trustee and the Bondholders) to retain the same in cash, and to release and pay the same only to the contractor against invoices for works and certificates of completion relevant to works on the Hotel, which Hotel constitute the Security Property for Bonds (saving always such portion of the proceeds of the Bond Issue which is intended to be used for general corporate funding purposes, which will be transferred by the Registrar to the Guarantor upon the instruction of the Issuer made at any time after constitution of the Collateral and the listing of the Bonds on the Official List of the Malta Stock Exchange, save for such amount needed to cover the expenses of the Bond Issue which will be transferred by the Registrar to the Issuer). As noted in the mentioned Section 6.2 of the Registration Document, the estimated value of such Security Property for Bonds after completion of works will increase substantially, and should be sufficient to cover payment obligations under the Bonds. There is however no guarantee that factors will not arise which will negatively affect such completion and/or the actual value of the completed works.

Moreover and without prejudice to what is stated in the immediately preceding paragraph, whilst this special hypothec in respect of the Bonds grants the Security Trustee a right of preference and priority for repayment of the Bonds over the creditors of Mercury Hotel Ltd. in respect of the Security Property for Bonds, there can be no guarantee that the value of the said Security Property for Bonds over the term of the Bonds will be sufficient to cover the full amount of interest and principal outstanding under the said Bonds. This may be the result of various factors, including general economic factors that could have an adverse impact on the value of the Security Property for Bonds. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Furthermore, there is no guarantee that the value of Security Property for Bonds (both actual in the existing state and estimated value after completion) determined in the independent valuation is necessary correct or would actually be achieved on the market. The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation of properties, including of Security Property for Bonds, referred to in the Prospectus reflects actual values that would be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values at the time of enforcement of the hypothecs on the Security Property for Bonds.

/ *Risks relating to ranking of special hypothecs forming part of the Collateral*

The first ranking special hypothecs to be constituted by Mercury Hotel Ltd. over the Security Property for Bonds in favour of the Security Trustee shall rank after the claims of privileged creditors should a note of inscription of a special privilege be registered with the Public Registry securing the privileged creditor's claim. Privileged creditors include, but are not limited to, architects, contractors, masons and other workmen, over an immovable constructed, reconstructed or repaired for the debts due to them in respect of the expenses and the price of their work. Mercury Contracting Projects Limited, as the main contractor responsible for the development of the Project has agreed with Mercury Hotel Ltd. to waive its right to the registration of a special privilege with the Public Registry in Malta and has further undertaken to use best efforts to ensure that any of its sub-contractors will waive their right to a special privilege. However, Mercury Contracting Projects Limited may not necessarily manage to obtain such waiver from the sub-contractors and, furthermore, Mercury Hotel Ltd. may contract debts with other privileged creditors. In such case, privileged creditors will rank with preference to the Security Trustee in whose favour the special hypothecs under the Collateral shall be constituted.

3 | PERSONS RESPONSIBLE AND CONSENT FOR USE

3.1 Persons responsible

This document includes information given in compliance with the Capital Markets Rules and the Prospectus Regulation for the purpose of providing prospective investors with information with regard to the Bonds. All of the Directors of the Issuer, whose names appear under the heading "Directors of the Issuer" in Section 3 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.

3.2 Consent for use of the Prospectus

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

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of 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 Bonds, provided this is limited only:

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

None of the Issuer, the Sponsor, the Registrar or any of their respective advisors take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor any of the advisors of the Issuer 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 and neither the Issuer nor any of the Issuer's advisors has any responsibility or liability for the actions of any person making such offers.

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

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.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall 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 Bonds to an investor by an Authorised Financial Intermediary shall 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 applicable 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 any of its advisors 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 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 Authorised Financial Intermediaries unknown at the time of approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer's website: **www.mercuryfinance.com.mt**

4 | ESSENTIAL INFORMATION

4.1 Interest of natural and legal persons involved in the Bond Issue

Without prejudice to the potential conflicts of interest of Directors disclosed in Section 9.4 of the Registration Document, and save for the subscription for Bonds by the Authorised Financial Intermediaries (which include the Sponsor and the Registrar), and any fees payable in connection with the Bond Issue to the Sponsor and the Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.2 Reasons for the offer and use of proceeds

The proceeds from the Bond Issue, will be used by the Issuer to provide a loan facility to the Guarantor, to be used as provided below (the "Issuer-Guarantor Loan 2022"). The Issuer-Guarantor Loan 2022 will bear interest at 4.5% *per annum* payable on 15 April of each year, and the principal amount thereof shall be repayable by not later than 15 April 2032.

In turn, the Issuer-Guarantor Loan will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

i. Construction and finishing of the Hotel owned by Mercury Hotel Ltd.: the amount of *circa* €35,000,000 will be made available by the Guarantor to Mercury Hotel Ltd. and used to finance fees and costs due and to become due by Mercury Hotel Ltd. to Mercury Contracting Projects Limited in respect of the construction, development and finishing works on the Hotel and the various elements thereof (details of which are set out in Section 5.2 of the Registration Document) in terms of the contract of works between the two companies; and

ii. General corporate funding: the amount of *circa* €15,000,000 together with any residual amounts not utilised for the purposes identified in paragraph (i) above, shall be utilised for general corporate funding purposes of the Group.

As set out in Section 6.2 of the Registration Document, the Issuer-Guarantor Loan 2022 shall be drawn down as follows:

(a) the amount of such loan facility which is intended to be used to finance the construction and finishing of the Hotel as set out in paragraph (i) above, which will be held by the Security Trustee, will be drawn down in one or more subsequent drawdowns following a request by the Guarantor to the Issuer, in order to pay invoices for construction and finishing works on the Hotel owned by Mercury Hotel Ltd., as such invoices are received from Mercury Contracting Projects Limited in terms of the contract of works between Mercury Hotel Ltd. and the said Mercury Contracting Projects Limited and against presentation of such invoices and architect's certificate of completion in respect of the relevant works included in the invoice, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the notarial deed creating the Issuer-Guarantor Loan 2022, for the full or any part of the amounts for works on the Hotel already invoiced by and paid to and/or invoiced by but not yet paid to the said Mercury Contracting Projects Limited at any time up to the execution of the said notarial deed and in respect of which the Guarantor produces an architect's certificate of completion. The said drawdowns will not be paid by the Security Trustee to the Guarantor, but will be paid by the Security Trustee directly to Mercury Contracting Projects Limited in satisfaction of the relevant invoices. The drawdown requests and payments so made to satisfy invoices for works on the Hotel will for all intents and purposes constitute and be deemed to constitute, as between the Issuer and the Guarantor, loans made by the Issuer to the Guarantor under the Issuer-Guarantor Loan 2022 (and will be deemed to constitute such loans from inception, even before being so drawn down and whilst they are still held by the Security Trustee), and the payment of the relevant invoices to Mercury Contracting Projects Limited will be considered as payments made by the Guarantor in the name and for the discharge of the relevant Group company which incurred the costs and expenses under the relevant invoice; and

(b) the amount of such loan facility which are intended to be used for general corporate funding purposes as set out in paragraph (ii) above, which will be held by the Registrar, excluding those required to fund the expenses of the Bond Issue which are expected to amount to approximately €800,000, shall be drawn down in full in one drawdown following a request by the Guarantor to the Issuer made after the listing of the Bonds on the Official List of the Malta Stock Exchange, whereupon the Issuer shall promptly instruct the Registrar to transfer the relevant amount to the Guarantor: provided that such part of the loan facility which is required by the Guarantor to fund the expenses of the Bond Issue shall be forwarded by the Registrar to or to the order of the Issuer upon request.

It is expected that within 15 Business Days from the closing of the Offer period, the Issuer, the Guarantor, Mercury Hotel Ltd., and the Security Trustee shall appear on a notarial deed (the "Deed of Hypothec"), pursuant to which Mercury Hotel Ltd. will constitute and grant to the Security Trustee, and the Security Trustee will obtain, the special hypothec over the Security Property for Bonds.

By virtue of such Deed of Hypothec, the Issuer will agree to make the Issuer-Guarantor Loan 2022 to the Guarantor, through which it will make available the proceeds from the Bond Issue by way of loan. As already mentioned above and under Section 6.2 of the Registration Document, the proceeds of the Bond Issue excluding such portion thereof intended to be used for general corporate funding purposes, although they will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan 2022 from inception, they will not be transferred to such Guarantor but will be retained in cash by the Security Trustee under trust, who will be irrevocably authorised by the Guarantor (by way of security for the benefit of the Security Trustee and the Bondholders) to retain the same in cash, and to release and pay the same only to the contractor against invoices for works and certificates of completion relevant to works on the Hotel.

All proceeds from the Bond Issue shall be received by the Registrar which shall apply and forward the same as provided herein.

The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed within 15 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, the Registrar shall return the Bond Issue proceeds to the investors. Indeed, the Bonds shall not be admitted to the Official List of the Malta Stock Exchange unless all security has been duly perfected, in accordance with the provisions of the Security Trust Deed.

If the aforesaid Conditions Precedent are satisfied, the Registrar shall:

- forward the amount of €35,000,000 (which is intended to be used to finance the construction and finishing of the Hotel) to the Security Trustee, which shall hold the same in accordance with the provisions of the Security Trust Deed;

- forward the remaining proceeds of the Bond Issue intended to be used for general corporate funding purposes, less the amount equivalent to the expenses of such Bond Issue (as indicated by the Issuer), to the Guarantor, upon instruction of the Issuer; and

- forward the remaining amount equivalent to the expenses of the Bond Issue to or to the order of the Issuer, upon request.

4.3 Funding of Hotel development from other sources

Assuming that the Bond Issue is fully or at least 70% subscribed, it is anticipated that the proceeds of such Bond Issue will be sufficient to fund the construction and finishing of the Hotel, which constitutes the main proposed use of proceeds of the Bond Issue, and that no funding from other sources will be necessary for such purpose.

4.4 Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, manager and registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €800,000. There is no particular order of priority with respect to such expenses.

The expenses pertaining to the Bond Issue shall be borne by the Guarantor and shall form part of the Issuer-Guarantor Loan 2022, provided that these shall, following the satisfaction of the Conditions Precedent, be released and paid by the Registrar to or to the order of the Issuer upon request.

4.5 Security

The Bonds are secured and Bondholders shall have the benefit of the following security:

(a) a first ranking special hypothec over the Security Property for Bonds; and
(b) the Guarantee in respect of all Bonds and holders thereof.

The security shall be constituted in favour of the Security Trustee for the benefit of the relevant Bondholders (as applicable) from time to time registered in the CSD.

The Issuer, the Guarantor and Mercury Hotel Ltd. have entered into a Trust Deed with the Security Trustee for the benefit of the Bondholders and having as trust property security which consists of the covenants of the Issuer and the Guarantor to pay the principal amount under the Bonds on the respective Redemption Date and interest thereon on the respective Interest Payment Dates, the hypothecary rights under the

Deed of Hypothec, the undertakings of the Guarantor under the Guarantee and all the rights and benefits under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds. No Bonds shall be issued and allotted until the Collateral has been duly constituted in accordance with the provisions of the said Trust Deed and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Bonds which remain exclusively the obligations of the Issuer (or, in the case of default by the Issuer, of the Guarantor).

The terms and conditions of the Trust Deed, which is available for inspection as set out in Section 17 of the Registration Document, shall be binding on each registered Bondholder as if it had been a party thereto and as if the Trust Deed contained covenants on the part of each registered Bondholder to observe and be bound by all the provisions thereof applicable thereto, and the Security Trustee is authorised and required to do the things required of it by the Trust Deed.

5 | OFFER STATISTICS

Issue:	€50,000,000 4.30% Secured Bonds 2032.
Amount:	€50,000,000.
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.
Denomination (currency):	Euro (€).
ISIN:	MT0002191220.
Bond Issue Price:	At par (€100 per Bond).
Minimum amount per subscription:	Minimum of €5,000 and integral multiples of €100 thereafter.
Offer Period:	08:00 hours on 4 April 2022 and 12:00 hours on 14 April 2022, both days included.
Plan of Distribution:	The Bonds are open for subscription by all categories of investors.
Redemption Date:	25 April 2032.
Redemption Value:	At par (€100 per Bond).
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee and secured by the hypothec on the Security Property for Bonds to be constituted by Mercury Hotel Ltd. In respect of Mercury Hotel Ltd., save for such exceptions as may be provided by applicable law, the Bonds shall rank with priority or preference to all present and future unsecured

	obligations of the said Mercury Hotel Ltd., by virtue and to the extent of the first ranking special hypothec over the Security Property for Bonds which Mercury Hotel Ltd. will constitute in favour of the Security Trustee for the benefit of the Bondholders.
Guarantee:	The joint and several guarantee dated 22 March 2022 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue.
Status of the Guarantee	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank *pari passu* with all its other unsecured and insubordinate obligations.
Listing:	The Malta Financial Services Authority has approved the Bonds for admissibility to listing and subsequent trading 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.
Placement Agreements:	The Issuer has entered or shall enter (as the case may be) into conditional placement agreement/s with the Authorised Financial Intermediaries listed in Annex I of this Securities Note hereto whereby an aggregate amount of €50,000,000 in nominal value of the Bonds shall be made available for subscription to such Authorised Financial Intermediaries, for their own account or on behalf of their clients.
Interest:	4.30% *per annum*, on the Nominal Value of each Bond.
Interest Payment Date(s):	Annually on 25 April as from 25 April 2023 (the first Interest Payment Date).
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 accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

6. INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

Each Bond shall be issued on the terms and conditions set out in this Securities Note and, by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the Terms and Conditions of the Bonds herein described and to accept and be bound by the said Terms and Conditions.

6.1 General

Each Bond forms part of a duly authorised issue of 4.30% Secured Bonds 2032 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €50,000,000 (except as otherwise provided under Section 6.12 "Further Issues").

The Issue Date of the Bonds is expected to be 10 May 2022. The Bond Issue is guaranteed by the Guarantor and secured with the Collateral. The Bonds are created under Maltese law.

(a) The currency of the Bonds is Euro (€).
(b) The Bonds are expected to be listed on the Official List on 10 May 2022 and dealing can be expected to commence thereafter.
(c) Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN: MT0002191220.
(d) Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
(e) The issue of the Bonds is made in accordance with the requirements of the Capital Markets Rules, the Act, and the Prospectus Regulation.
(f) The minimum subscription amount of Bonds that can be subscribed for by an Applicant is €5,000 and in multiples of €100 thereafter.
(g) The Bond Issue is not underwritten.
(h) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in Section 6.3 hereunder.
(i) All Applications shall be subject to the terms and conditions of the Bond Issue as set out in Section 8 hereunder, the terms of which shall form an integral part hereof.

6.2 Registration, form, denomination and title

Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in 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.

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

When subscribing for Bonds, Bondholders who do not have an online e-portfolio account shall be registered by the CSD for the online e-portfolio facility and shall receive by mail at their registered address a handle code to activate the new e-portfolio login. 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 is found on https://eportfolio.borzamalta.com.mt/Help.

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100, provided that on subscription the Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons (including the Issuer) and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "Transferability of the Bonds" in Section 6.11 of this Securities Note.

6.3 Ranking of the Bonds and the Collateral

/ *Status of the Bonds*

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves.

/ *Guarantee*

The Bonds shall be guaranteed in respect of both the interest due and the principal amount by the Guarantor on a joint and several basis in terms of the Guarantee. Accordingly, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer.

The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank *pari passu* with all its other unsecured and unsubordinated obligations.

A copy of the Guarantee is included in Annex II to this Securities Note.

/ *First ranking special hypothec over Security Property for Bonds*

In respect of Mercury Hotel Ltd., save for such exceptions as may be provided by applicable law, the Bonds shall rank with priority or preference to all present and future unsecured obligations of the said Mercury Hotel Ltd., by virtue and to the extent of the first ranking special hypothec over the Security Property for Bonds which Mercury Hotel Ltd. will constitute in favour of the Security Trustee for the benefit of the Bondholders.

Pursuant to the Trust Deed, Mercury Hotel Ltd. has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries, a special hypothec over the Security Property for Bonds owned by it.

The special hypothec in respect of the Security Property for Bonds will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders as beneficiaries, for the repayment of the principal and interest under the Bonds by a preferred claim over the said Security Property for Bonds.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee will have the benefit of a special hypothec over the Security Property for Bonds for the full amount of €50,000,000 (being the total nominal value of the Bonds), for the benefit of Bondholders.

Bondholders shall be paid out of the said Security Property for Bonds in priority to other creditors, except for privileged creditors. During the course of development of the Project, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Security Property for Bonds, thereby obtaining a priority in ranking over the Security Trustee. In this respect, Mercury Hotel Ltd. has entered into an agreement with Mercury Contracting Projects Limited, being the principal contractor engaged to construct and develop the Project, where the said contractor has undertaken to waive its right to inscribe a special privilege in its favour over the Security Property for Bonds, and has further undertaken to use best efforts to ensure that any of its sub-contractors will waive their right to a special privilege. Whist this is intended to minimise the possibility that any real rights are created over the Security Property for Bonds that would have the effect of diminishing the value of the Collateral registered in favour of the Security Trustee, there can be no guarantee that Mercury Contracting Projects Limited will manage to obtain such waiver from the sub-contractors or that a sub-contractor conducting works on the said Security Property for Bonds will not constitute a special privilege according to law. Furthermore, Mercury Hotel Ltd. may contract debts with other privileged creditors, who may be entitled to and actually register a special privilege over the Security Property for Bonds which ranks in priority to the Collateral.

6.4 Rights attaching to the Bonds

This Securities Note in its entirety contains the Terms and Conditions of issue of the Bonds, which constitute the terms and conditions of the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

(a) the repayment of capital;
(b) the payment of interest;
(c) the benefit of the Collateral through the Security Trustee;
(d) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
(e) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

6.5 Interest

The Bonds shall bear interest from and including 25 April 2022 at the rate of 4.3% *per annum* on the nominal value thereof, payable annually in arrears on each Interest Payment Date.

The first interest payment will be effected on 25 April 2023 (covering the period 25 April 2022 to 24 April 2023), and then annually thereafter on 25 April of each calendar year, with the last interest payment being effected on the Redemption Date.

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.

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.

6.6 Yield

The gross yield calculated on the basis of the interest on the Bonds, the Bond Issue Price and the Redemption Value of the Bonds is 4.30% per annum.

6.7 Redemption and purchase

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

Subject to the provisions of this Section, 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.

All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

6.8 Payments

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 designates 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 (7) days of the Redemption Date. The Issuer shall not be responsible for any 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.

In the case of Bonds held subject to usufruct, payment of the principal amount 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.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (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 (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. 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 or may become 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 or of any other applicable jurisdiction having power to tax.

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

6.9 Limits of the validity of claims

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.

6.10 Events of Default

Pursuant to the Trust Deed, the Security Trustee may in its absolute discretion, and shall upon the request in writing of not less than 75% in value of the registered Bondholders, by notice in writing to the Issuer, the Guarantor and Mercury Hotel Ltd. declare the Bonds to have become immediately due and repayable at their principal amount together with accrued interest, upon the happening of any of the following events ("Events of Default"):

(a) the Issuer fails to pay any interest under the Bonds when due and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

(b) the Issuer fails to pay the Redemption Value of a Bond when due and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;

(c) the Issuer fails 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 sixty (60) days after written notice thereof shall have been given to the Issuer by the Security Trustee;

(d) there shall have been entered against the Issuer or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of €5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed;

(e) the Issuer or the Guarantor is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent, within the meaning of Article 214(5) of the Act;

(f) an order is made or an effective resolution passed for the dissolution, termination of existence, liquidation or winding-up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division;

(g) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor;

(h) the Issuer ceases or threatens to cease to carry on its business or a substantial part thereof;

(i) the Issuer, the Guarantor or Mercury Hotel Ltd. commits a breach of any covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for sixty (60) days after having been notified by the Security Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Bonds);

(j) it becomes unlawful at any time for the Issuer or the Guarantor or Mercury Hotel Ltd. to perform all or any of its obligations hereunder (where applicable) or under the Trust Deed;

(k) the Collateral or any part thereof becomes unenforceable against the Issuer, the Guarantor and/or Mercury Hotel Ltd. (as applicable);

(l) the Issuer or the Guarantor or Mercury Hotel Ltd. (as applicable) repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed;

(m) all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government,

provided that in the case of paragraphs (c), (d) and (g) to (m) the Security Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

Upon any such declaration being made as aforesaid the said principal monies and interest accrued under the Bonds shall be deemed to have become immediately payable at the time of the Event of Default which shall have happened as aforesaid.

Provided that in the event of any breach by the Issuer or the Guarantor or Mercury Hotel Ltd. of any of the covenants, obligations or provisions contained herein or in the Trust Deed (as applicable) due to any fortuitous event of a calamitous nature beyond the control of the Issuer or the Guarantor or Mercury Hotel Ltd. (as the case may be), then the Security Trustee may, but shall be under no obligation so to do, give the Issuer, the Guarantor or Mercury Hotel Ltd. (as the case may be) such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times, to the extent deemed to be in the best interests of Bondholders, act on and in accordance with any directions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any Event of Default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such Event of Default or condition, event or other circumstance has happened and that the Issuer, the Guarantor and Mercury Hotel Ltd. are each observing and performing all the obligations, conditions and provisions on their respective parts contained in the Bonds and the Trust Deed (as applicable).

6.11 Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (i.e. in multiples of €100) in accordance with the rules and regulations of the MSE applicable from time to time. The minimum subscription amount of €5,000 shall only apply during the Offer Period. 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.

Any person becoming entitled to a Bond in consequence of the death or bankruptcy or winding up 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.

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

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the 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.

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 or the due date for redemption.

6.12 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 of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

6.13 Resolutions and meetings of Bondholders

The Bondholders' meeting represents the supreme authority of the Bondholders in all matters relating to the Bonds and has the power to make all decisions altering the terms and conditions of the Bonds.

Where the approval of the Bondholders is required for a particular matter, such resolution shall be passed at a Bondholders' meeting. Resolutions passed at Bondholders' meetings shall be binding upon all Bondholders and prevail for all the Bonds.

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 and to effect any change to the applicable Terms and Conditions of the Bonds. The meeting may be called by the Issuer at its own initiative, but shall also be called by the Issuer upon a request made at any time by one or more Bondholders holding at least fifty per cent (50%) of the outstanding value of the Bonds.

The Security Trust Deed also provides for the power of the Security Trustee, at the cost of the Issuer and at its own initiative to call meetings of Bondholders prior to exercising any power or discretion under such Deed or to write to all Bondholders requesting their directions. Furthermore, the Security Trust Deed provides for an obligation of the Security Trustee to call a meeting of Bondholders upon a request made at any time by one or more Bondholders holding at least fifty per cent (50%) of the outstanding value of the Bonds. The Security Trust Deed provides that the Security Trustee shall not be bound to act on behalf of the Bondholders under such Deed unless it receives duly authorised directions as stipulated in the said Deed, and in such case only to the extent deemed to be in the best interests of Bondholders.

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 thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (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 to the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the 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 6.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

A meeting of 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 thirty (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 (2) 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 (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present, in person or by proxy, shall constitute a *quorum*; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

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

Once a *quorum* is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions which are required to be taken 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.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer.

Unless otherwise expressly stated and required in respect of a specific issue/s herein and/or in the Security Trust Deed, the proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% 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.

The Issuer may provide for virtual or remote meetings of Bondholders, including meetings by telephone or by other audio or audio and visual telecommunication means, provided that any such meetings allow Bondholders to ask questions and to exercise their right to vote at such meetings.

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.

6.14 Bonds held jointly

In respect of a Bond held jointly by several persons (including husband and wife), the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The first person, as designated in the respective MSE account number quoted by the Applicant, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all the joint holders of the relevant Bond/s. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

6.15 Bonds held subject to usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. Without prejudice to what is provided in Section 6.8 of this Securities Note regarding payment of principal, the usufructuary shall, for all intents and purposes, be deemed vis-a-vis the Issuer to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

6.16 Authorisations and approvals

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 11 March 2022. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 11 March 2022.

The Malta Financial Services Authority approved the Bonds as eligible to listing on the Official List of the MSE pursuant to the Capital Markets Rules by virtue of a letter dated 22 March 2022.

6.17 Representations and warranties

The Issuer represents and warrants to the Bondholders and to the Security Trustee for the benefit of the Bondholders, who shall be entitled to rely on such representations and warranties, that:

(a) it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and

(b) it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Bond Issue.

6.18 Notices

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

6.19 Governing law and jurisdiction

The Bonds, all the rights and obligations of the Issuer and the Bondholder, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law.

Any dispute, legal action, suit or proceedings against the Issuer and/or the Guarantor and/or Mercury Hotel Ltd. arising out of or in connection with the Bonds and/or the Prospectus and/or any non-contractual matters arising out of or in connection therewith shall be brought exclusively before the Maltese courts. The Issuer and each Bondholder irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any dispute, action, suit or proceedings as aforesaid.

7 | TAXATION

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 transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The tax legislation of the investor's country of nationality, residence or domicile and of the Issuer's country of incorporation (Malta) may have an impact on the income received from the Bonds.

The following is a summary of the anticipated tax treatment applicable to Bondholders 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.

7.1 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 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 Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (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 is required to submit to the Maltese Commissioner for Revenue the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Issuer shall also render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax 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)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

7.2 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.

Relevant legislation includes, but is not limited to:

i. the Agreement between the Government of the United States of America and the Government of the Republic of Malta to Improve International Tax Compliance and to Implement FATCA – incorporated into Maltese law through Legal Notice 78 of 2014 ("FATCA Legislation"); and

ii. the implementation of Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended) which provides for the implementation of the regime known as the Common Reporting Standard ("CRS") – incorporated into Maltese law through Legal Notice 384 of 2015 entitled the Cooperation with Other Jurisdiction on Tax Matters (Amendment) Regulations, 2015.

Under FATCA Legislation, Financial Institutions ("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 FATCA Legislation, and certain non-U.S. entities which are controlled by U.S. Controlling Persons, as defined under FATCA Legislation, to the Commissioner for Revenue. The latter is in turn required to exchange such information to the US Internal Revenue Service. 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.

Pursuant to obligations under FATCA Legislation, 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 Commissioner for Revenue.

The CRS requires Malta based financial institutions ("FIs") (defined as such for the purposes of CRS) to identify and report to the Commissioner for Revenue financial accounts held by Reportable Persons, as defined under the CRS Legislation, and certain entities with one or more Controlling Persons which are classified as Reportable Persons in terms of the CRS. 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 may be reported by FIs to the Commissioner for Revenue in respect of each reportable account maintained by the FIs, (a) the name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth; (b) the account number (or functional equivalent in the absence of an account number); (c) 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; (d) 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 Commissioner for Revenue 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.

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, an FI may take such action as it thinks fit, including without limitation, the closure of the financial account.

7.3 Maltese tax on capital gains on transfer of the Bonds

On the assumption that the Bonds would 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 income tax on capital gains is chargeable in respect of transfer of the Bonds.

7.4 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 or transmission causa mortis of marketable securities. A marketable security is defined in the said legislation as "a holding of share capital in any company and any document representing the same". Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

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

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 BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS UNDER MALTESE LAW. 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 _ TERMS AND CONDITIONS OF THE BOND ISSUE

8.1 Expected timetable

1	Offer Period:	**4 April 2022 to 14 April 2022**
2	Placement Date:	**14 April 2022**
3	Commencement of interest:	**25 April 2022**
4	Announcement of basis of acceptance:	**25 April 2022**
5	Dispatch of allotment letters:	**2 May 2022**
6	Latest date of constitution of special hypothecs on Security Property for Bonds:	**9 May 2022**
7	Latest date of admission of Bonds to listing:	**10 May 2022**
8	Latest date of commencement of trading in the Bonds:	**11 May 2022**

The dates specified in steps 6 onwards are latest dates for the occurrence of the events mentioned therein, which events may in actual fact take place earlier than such latest dates.

8.2 Terms and conditions of Application

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Applicant.

(a) The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed, within 15 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account.

(b) By submitting an Application, the Applicant is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the Application is made, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer, the Registrar and the Authorised Financial Intermediary reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary (which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against 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).

(c) The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder through an Authorised Financial Intermediary shall be subject to all the Terms and Conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. By signing and submitting the Application, the Applicant (and in the case of joint applications, each individual joint Applicant) will be entering into a legally binding contract with the Issuer (which shall become binding on the Issuer if and when such Application is accepted by the Issuer, until which time the Application shall be irrevocable by the Applicant, except where otherwise expressly provided by law):

   (i) whereby the Applicant acknowledges, declares and agrees (and will automatically be deemed to be acknowledging, declaring and agreeing) that he/she/it has made the Application solely on the basis of, and that he/she/it shall at all times be bound by and comply with, and shall be subscribing, acquiring and/or holding the relevant Bonds on the basis of, such Terms and Conditions;

   (ii) whereby he/she/it makes and gives (and will automatically be deemed to be making and giving) to the Issuer the declarations, confirmations, representations, warranties and undertakings contained in paragraph (p) below in this Section 8.2 and all other applicable declarations, confirmations, representations, warranties and undertakings contained in the Prospectus and/or in the Application;

   (iii) which contract, and any non-contractual matter arising out of or in connection with it, shall be governed and construed in all respects in accordance with the laws of Malta, and any disputes arising out of in connection with such contract or any non-contractual matter arising out or in connection therewith shall be subject to the exclusive jurisdiction of the courts of Malta, as provided in Section 6.19 ("Governing law and jurisdiction") of this Securities Note.

(d) If an Application is submitted on behalf of another person, whether legal or natural, the person submitting such Application shall be deemed to have duly bound such other person, whether legal or natural, on whose behalf the Application has been submitted. The person submitting such Application shall be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these terms and conditions, in the Prospectus and/or in the Application on their behalf. Such representative may be requested to submit the relative power of attorney, or resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to submit an Application. In the case of corporate Applicants or Applicants having separate legal personality, Applications have to include a valid legal entity identifier (LEI) which must be unexpired; and Applications without such information or without a valid LEI will not be accepted. Furthermore, in cases where the 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 made available.

(e) In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several as further detailed in Section 6.14 ("Bonds held jointly") of this Securities Note.

(f) In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register as further detailed in Section 6.8 ("Payments") and Section 6.15 ("Bonds held subject to usufruct") of this Securities Note. 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 receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner or as otherwise indicated in the joint instructions of all bare owners and usufructuaries).

(g) Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s until such time as the minor attains legal age, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained legal age.

(h) 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 its possessions, or any area subject to its jurisdiction (the "United States") 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.

(i) No person receiving a copy of the Prospectus in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use the Prospectus or make an Application, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or the Prospectus could lawfully be use and the Application could lawfully be made without contravention of any registration or other legal requirements.

(j) 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 advisor (including tax and legal advisor) 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, depositaries 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 an applicable laws or regulations of foreign jurisdictions.

(k) Subject to all other terms and conditions set out in the Prospectus, the Issuer, the Registrar and the relevant Authorised Financial Intermediary reserve the right to reject, in whole or in part, or to scale down, any Application, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer, the Registrar or Authorised Financial Intermediary is not accompanied by the required documents.

(l) The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €5,000. Submission of Application must be accompanied by the full price of the Bonds applied for, in Euro. Payment may be made either by cheque, by bank transfer or any other method of payment as may be accepted by the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Issuer acting through the Registrar reserves the right to invalidate the relative Application.

(m) For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 372 of 2017, as subsequently amended), all 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 "Members' Code of Conduct" appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of applicable data protection legislation, in particular 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, (as applicable), for the purposes, and within the terms, of the MSE's Data Protection Policy as published from time to time.

(n) It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in 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**"), as well as applicable MFSA Rules for investment services providers.

(o) By not later than 25 April 2022, the Issuer shall announce the result of the Bond Issue and shall determine the basis of acceptance of applications and allocation policy to be adopted.

(p) By completing, signing and delivering and/or otherwise by making an Application, the Applicant:

i. irrevocably offers to purchase the number of Bonds specified in his/her/its Application, or any smaller number for which the Application is accepted, at the Bond Issue Price subject to the Prospectus, the Terms and Conditions and the Memorandum and Articles of Association;

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 Guarantor and the issue of the Bonds contained therein;

iii. authorises the Issuer, the Authorised Financial Intermediary and/or the Registrar and the MSE, as applicable, to process the personal data that the Applicant provides, for all purposes necessary and subsequent to the Bond Issue applied for, 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 may be amended from time to time. 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 Bond Issue. Any such request must be made in writing and sent (as applicable) to the Issuer and the relevant Authorised Financial Intermediary and to the MSE. The request must further be signed by the Applicant to whom the personal data relates;

iv. warrants that the information submitted by the Applicant in or together with the Application is true and correct in all respects and in the case where an MSE account number is indicated in the Application, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including the Applicant's name and surname and address) appearing on the Application and those held by the MSE in relation to the MSE account number indicated on the Application, the details held by the MSE shall be deemed to be the correct details of the Applicant;

v. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer, the Guarantor or the issue of the Bonds 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;

vi. authorises the CSD, the Registrar and the Issuer to include his/her/its name or in the case of joint Applications, the first named Applicant, in the register of Bondholders in respect of the Bonds allocated to the Applicant;

vii. warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: (a) 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 (b) the Issuer 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, if any);

viii. 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;

ix. agrees to provide the Registrar and/or the Issuer and/or the Authorised Financial Intermediary, as the case may be, with any information which it/they may request in connection with the Application;

x. 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 relevant 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 issue of the Bond or his/her Application;

xi. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;

xii. 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;

xiii. warrants that, where an Applicant makes an Application 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 accordingly will be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these Terms and Conditions, in the Prospectus and/or in the Application, and undertakes to submit the Applicant's power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Issuer or the Registrar;

xiv. warrants that where the Application is being lodged in the name and for the benefit of a minor, the Application is made by the parent/s or legal guardian/s of the minor;

xv. 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;

xvi. agrees that any returned monies will be returned without interest at the Applicant's risk and will be returned by direct credit into the bank account as specified in the Application, and the relevant Authorised Financial Intermediary and the Issuer shall not be responsible for any charges, loss or delay arising in connection therewith;

xvii. 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 of these Bonds;

xviii. agrees that the advisors to the Bond Issue (listed in Section 3.4 of the Registration Document), in their capacity as such, will owe the Applicant no duties or responsibilities concerning the Bonds or the suitability of the Applicant;

xix. agrees that the Application, the acceptance of the Application and the contract resulting therefrom, all the rights and obligations of the Applicant and the Issuer, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law and, and that he/she/it submits to the jurisdiction of the Maltese Courts which shall have, and the Applicant agrees that such Courts will have, exclusive jurisdiction to hear and determine any dispute, action, suit or proceeding arising out of or in connection with any such Application, acceptance of Application and contract resulting therefrom, rights and obligations and non-contractual matters as aforesaid;

xx. agrees that the terms and conditions of the Trust Deed, which is available for inspection as set out in Section 17 of the Registration Document, shall be binding on it once it becomes a registered Bondholder as if it had been a party thereto and as if the Trust Deed contained covenants on its part as a registered Bondholder to observe and be bound by all the provisions thereof applicable thereto, and agrees that the Security Trustee is authorised and required to do the things required of it by the Trust Deed.

8.3 Plan of distribution and allotment

The Issuer has entered or shall enter, as the case may be, into Placement Agreements with each of the Authorised Financial Intermediaries listed in Annex I of this Securities Note for the subscription of the total amount of €50,000,000 in nominal value of Bonds being issued, to be subscribed to by each such Authorised Financial Intermediary either in its own name or in the name of its underlying clients;

All Applications are subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

Dealings in the Bonds shall not commence prior to: (i) the Collateral being constituted in favour of the Security Trustee; and (ii) the Bonds being admitted to the Official List.

Dealing may not commence prior to notification of the amount allotted being issued to Applicants.

8.4 Placement agreements

The Issuer has entered or shall enter, as the case may be into a Placement Agreement with each of the Authorised Financial Intermediaries listed in Annex I of this Securities Note, for the placement of the total amount of €50,000,000 in nominal value of Bonds.

In terms of each such Placement Agreement, the Issuer is conditionally bound to issue, and the relevant Authorised Financial Intermediary is conditionally bound to subscribe to, the number of Bonds indicated therein, subject to the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed and the Bonds being admitted to listing on the Official List of the Malta Stock Exchange, and subject to other conditions set out in the Placement Agreements. The subscription obligations of the Authorised Financial Intermediaries under the Placement Agreements will become unconditional on the Authorised Financial Intermediaries upon such conditions being fulfilled, and the Issuer's obligations thereunder shall be subject to the Issuer having received all subscription proceeds in cleared funds.

In terms of each of the said Placement Agreements, the relevant Authorised Financial Intermediary may subscribe for Bonds for its own account (where applicable) or for the account of underlying customers, including retail customers, and shall in addition be entitled to either: (i) distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or (ii) complete a data file representing the amount being allocated in terms of the respective Placement Agreement as provided by the Registrar by latest 14 April 2022 being the Placement Date.

Authorised Financial Intermediaries which enter into Placement Agreements with the Issuer will be required to effect payment to the Issuer for the Bonds subscribed to by not later than the Placement Date.

8.5 Pricing

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription.

8.6 Allocation policy

The Issuer shall allocate the Bonds to Authorised Financial Intermediaries indicated in Annex I of this Securities Note pursuant to the Placement Agreements entered into by them with the Issuer for the total amount of €50 million in nominal value of Bonds being issued, details of which can be found in Section 8.4 above

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 25 April 2022.

The allocations aforesaid shall at all times be subject to the minimum investment amount for the subscription of Bonds, set at €5,000 per Applicant or underlying Applicant (as applicable) and in multiples of €100 thereafter.

8.7 Admission to trading

The Malta Financial Services Authority has authorised the Bonds as admissible to listing pursuant to the Capital Markets Rules by virtue of a letter dated 22 March 2022.

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 10 May 2022 and trading is expected to commence on 11 May 2022.

8.8 Additional Information

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

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Calamatta Cuschieri Investment Services Limited of Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Calamatta Cuschieri Investment Services Limited does not have any material interest in the Issuer or Guarantor. 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.

No credit ratings have been assigned to the Bonds at the request or cooperation of the Issuer in the rating process.

ANNEX I _ AUTHORISED FINANCIAL INTERMEDIARIES

Bank of Valletta p.l.c.
Premium Banking Centre
475, Triq il-Kbira San Guzepp
St Venera SVR 1011
Tel: 22751732

Calamatta Cuschieri Investment Services Limited
Ewropa Business Centre
Triq Dun Karm
Birkirkara BKR 9034
Tel: 25688688

FINCO Treasury Management Ltd
The Bastions, Office No 2
Emvin Cremona Street
Floriana FRN 1281
Tel: 21220002

MeDirect Bank (Malta) p.l.c.
The Centre
Tigne` Point
Sliema TPO 0001
Tel: 25574400

Michael Grech Financial Investment Services Limited
The Brokerage
St Marta Street
Victoria (Gozo) VCT 2550
Tel: 22587000

MZ Investment Services Ltd
61
St. Rita Street
Rabat RBT 1523
Tel: 21453739

ANNEX II _ GUARANTEE

THIS GUARANTEE and **INDEMNITY AGREEMENT** is dated 22 March 2022 and made between:

i. Mercury Towers Ltd, a company incorporated under the laws of Malta with registration number C 77402 and whose registered office is at J. Portelli Projects, 1400, Block 14, Portomaso, St. Julians, Malta, (the "Guarantor") represented by .... as duly authorized;

ii. CSB Trustees and Fiduciaries Limited, a company incorporated under the laws of Malta with registration number C 40390 and whose registered office is at Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR4013, Malta (the "Security Trustee") represented by .... as duly authorized.

WHEREAS:

a. Mercury Projects Finance p.l.c. (the **"Issuer"**) shall issue up to €50,000,000 Secured Bonds at an annual interest rate of 4.3% to be redeemed and finally repaid on 25 April 2032 (the **"Secured Bonds"**) by virtue of, and subject to the terms and conditions of, a prospectus dated 22 March 2022 issued by the Issuer in connection with the issue of such Secured Bonds (such prospectus, as the same may be amended, varied or supplemented from time to time, hereinafter referred to as the **"Prospectus"**);

b. the majority of the Issuer's shares are owned by the Guarantor;

c. the Prospectus provides that, and it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity Agreement (hereinafter referred to as "Guarantee") whereby it jointly and severally guarantees the punctual performance of the Issuer's payment obligations under the Bond Issue in favour of the Security Trustee for the benefit of the Bondholders; and

d. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, IT IS BEING HEREBY AGREED AND COVENANTED AS FOLLOWS:

1 INTERPRETATION

In this Guarantee, unless the context otherwise requires:

"Indebtedness" means all moneys, obligations and liabilities now or at any time hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;

"writing" or **"in writing"** shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

Capitalised terms used herein which are defined in the Prospectus shall, unless otherwise defined herein or unless the context otherwise requires, have the same meanings herein as in the Prospectus.

The Guarantor hereby acknowledges and declares that it has received a copy of the Prospectus as approved and issued by the Issuer.

2 GUARANTEE

2.1 COVENANT TO PAY

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2 LIABILITY AMOUNT

This is a continuing Guarantee for the whole amount of Indebtedness due or owing by the Issuer under the Secured Bonds but, notwithstanding anything contained in this Agreement, the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of €50,000,000 or any lesser aggregate nominal value of Secured Bonds subscribed for and issued pursuant to the Bond Issue, apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor and/or other provider/s of Collateral which shall be additional to the maximum sum herein referred to.

2.3 INDEMNITY

As a separate and independent stipulation, the Guarantor agrees, as a principal obligation, to indemnify the Security Trustee on demand for all costs, charges and expenses incurred by it relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor and/or other provider/s of Collateral as well as for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee.

3 CONTINUING AND UNCONDITIONAL LIABILITY

3.1

The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid or until such time as the maximum amounts referred to in clause 2.2 above are paid by the Guarantor hereunder, and will not be prejudiced or affected by, nor shall it in any way be discharged or reduced by reason of:

(a) the bankruptcy, insolvency or winding up of the Issuer; or

(b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or

(c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor; or

(d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or

(e) the release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Issuer or any other person liable; or

(f) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

3.2

This Guarantee provides the Security Trustee with the right of immediate recourse against the Guarantor, and the Security Trustee shall not be obliged before taking steps to enforce any of its rights and remedies under this Guarantee:

(a) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of the Issuer or any other person; or

(b) to make, demand, enforce or seek to enforce any claim, right or remedy against the Issuer or any other person.

4 WAIVER OF GUARANTOR'S RIGHTS AND GUARANTOR'S WARRANTIES

4.1

Without prejudice to clause 2.2 above, this Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor or any other person shall have made any irrevocable payment of the Indebtedness.

4.2

Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee:

(a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer;

(b) demand or accept repayment, in whole or in part, of any Indebtedness now or hereafter due to the Guarantor from the Issuer or for repayment of same or demand any collateral in respect of same or dispose of same;

(c) take any step to enforce any right against the Issuer arising pursuant to the Guarantee or any payment made by the Guarantor thereunder;

(d) claim any set-off or counter-claim against the Issuer nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or benefit or share any payment from or in composition with the Issuer.

4.3

Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that:

(a) if an Event of Default under the Prospectus occurs, any sums which may thereafter be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing;

(b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer shall be suspended.

5 ADDITIONAL GUARANTEE.

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's Indebtedness. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

6 BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT.

6.1

This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

6.2

The Guarantor shall not be entitled to assign or transfer (by novation or otherwise) any of its rights or obligations under this Guarantee.

7 REPRESENTATIONS AND WARRANTIES

7.1 The Guarantor represents and warrants:-

(a) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;

(b) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its constitutional document and the laws of its incorporation;

(c) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;

(d) that this Guarantee does not and will not constitute default with respect to or violate any law, rule, regulation, judgment, decree or permit to which the Guarantor is or may be subject; or the Guarantor's constitutional document; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;

(e) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature;

(f) that the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;

(g) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;

(h) that all the information, verbal or otherwise, tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;

(i) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

7.2

As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

8 | DEMANDS AND PAYMENTS

8.1

Without prejudice to clause 2.2 above, all the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh (7th) day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile number or email address as are stated below as the same may be changed by notice in writing by one party to the other.

8.2

All sums payable by the Guarantor under this Guarantee shall be paid in full to the Security Trustee in the currency in which the Indebtedness is payable:

(a) without any set-off, condition or counterclaim whatsoever; and

(b) free and clear of any deductions or withholdings whatsoever except as may be required by law or regulation which is binding on the Guarantor.

8.3

If any deduction or withholding is required by any law or regulation to be made by the Guarantor, the amount of the payment due from the Guarantor shall be increased to an amount which (after making any deduction or withholding) leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

8.4

The Guarantor shall promptly deliver or procure delivery to the Security Trustee of all receipts issued to it evidencing each deduction or withholding which it has made.

9 | NOTICES

Every notice, request, demand, letter or other communication hereunder shall be in writing, in the English language, and shall be delivered by hand or by pre-paid post, fax or email at the address, fax number or email address of the addressee set out below or as otherwise notified to the sender. Any such notice sent by prepaid post shall be deemed to have been received five (5) days after dispatch and evidence that the notice was properly addressed stamped and put into the post shall be conclusive evidence of posting. Any such notice sent by email or fax, or delivered by hand shall be deemed to have been received on the date on which it is sent or delivered, and failure to receive any confirmation shall not invalidate such notice.

If to the Guarantor:

Address: **J. Portelli Projects,**
1400, Block 14, Portomaso, St. Julians, Malta
Fax number:
E-mail address:
To the attention:

If to the Security Trustee:

Address: **Level 3, Tower Business Centre**,
Tower Street, Swatar, Birkirkara BKR4013, Malta
Fax number:
E-mail address:
To the attention:

13 APPLICABLE LAW AND JURISDICTION

This Guarantee and any non-contractual matters in relation thereto shall be governed by and construed in accordance with the laws of Malta.

The parties agree that the Courts of Malta have exclusive jurisdiction to settle any disputes in connection herewith and in connection with any non-contractual matters in relation hereto, and accordingly submit to the jurisdiction of such Courts.

The parties waive any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agree that a judgement or order of such a Court shall be conclusive and binding on them and may be enforced against them in the Courts of any other jurisdiction.

....

duly authorised, on behalf of Mercury Towers Ltd (Guarantor)

....

duly authorised, on behalf of CSB Trustees and Fiduciaries Limited (Security Trustee)

Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

The Directors
Mercury Projects Finance p.l.c.
1400, Block 14, Portomaso,
St. Julian's, Malta

Re: Financial Analysis Summary – 2022

22 March 2022

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Mercury Projects Finance p.l.c. (the "**Issuer"**) and Mercury Towers Ltd (the "**Guarantor**"), where the latter is the parent company of the "**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 December 2018, 2019 and 2020 has been extracted from the audited financial statements of the Issuer and Guarantor for the three years in question.

(b) The forecast data for the current financial year 2021 has been provided by management.

(c) Our commentary on the Issuer and Guarantor's results and 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) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of comparatives has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer'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 Issuer and should not be interpreted as a recommendation to invest in any of the Issuer'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 Issuer's securities.

Yours sincerely,

Nick Calamatta
Director

FINANCIAL ANALYSIS SUMMARY

MERCURY FINANCE

Mercury Projects Finance p.l.c.

22 March 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

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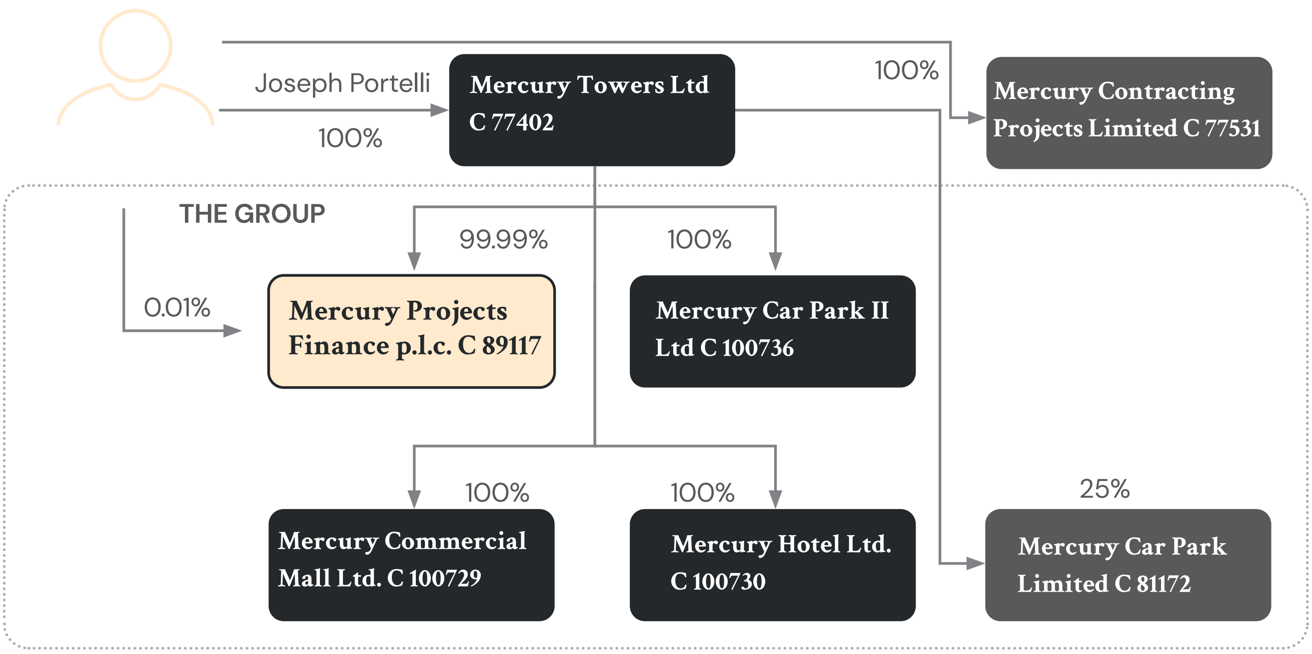
Introduction

Mercury Projects Finance p.l.c. has applied for a bond issue in respect of €50m 4.30% bonds maturing on 25 April 2022, of a nominal value of €100 per bond issued at par by the Issuer. This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies.

PART 1 _ INFORMATION ABOUT THE GROUP

1.1 The Group's Key Activities and Structure

The Group structure is as follows:



The **"Group"** of companies or the **"Mercury Group"** consists of the following companies: Mercury Projects Finance p.l.c. (the **"Issuer**"), Mercury Towers Ltd acting as the **"Guarantor"** of the Issuer, Mercury Car Park Limited, Mercury Car Park II Ltd., Mercury Hotel Ltd., and Mercury Commercial Mall Ltd.

The key activities of the Group comprise of the development of a mixed-use project (the **"Project"**) that amongst others, involves the development of a 34-floor tower (including serviced apartments), a five-star luxury hotel spanning over the podium area, retail and commercial spaces spanning across the entire project, a commercial mall, a rooftop bar, as well as an underlying car park. The development is being completed in two phases (Phase I and Phase II). Following the development, the Group will operate, among others, the aforementioned hotel, the car park, the commercial mall, and the Mercury Experience - an entertainment-themed simulator ride.

The Issuer, Mercury Projects Finance p.l.c. (**"MPF"**), with company registration number C 89117, is a limited liability company registered in Malta on 16 January 2019. The Issuer is, except for one share that is directly held by Mr Joseph Portelli, a wholly-owned subsidiary of the Guarantor, which is the parent company of the Group. The Issuer, which was set up and established to act as a finance vehicle, has as at the date hereof an authorised share capital of €500,000 divided into 500,000 ordinary shares of €1 each and has an issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor, Mercury Towers Ltd (**"MTL"**), is a private limited liability company incorporated and registered in Malta on 28 September 2016, with company registration number C 77402. The Guarantor, which is the parent company of the Group, owns land in the heart of St. Julian's for the purpose of completing the Project in question. The Guarantor, has as at the date hereof an authorised share capital of €20,500,000 divided into 20,500,000 ordinary shares of €1 each and has an issued share capital of €10,500,000 divided into 10,500,000 ordinary shares of €1 each, all fully paid up. The sole shareholder of the Guarantor is Mr Joseph Portelli.

Mercury Car Park Limited, in which the Group holds a 25% equity interest, owns the car park underneath Phase I of the Project. The company shall also operate the car park going forward. Mercury Car Park II Ltd will own the remaining car spaces developed in Phase II of the Project.

Mercury Hotel Ltd., a subsidiary of MTL will own and operate the hotel, which is further explained in detailed in section 1.4 of this Analysis.

Mercury Commercial Mall Ltd., a subsidiary of MTL, will operate and own the commercial mall. It is assumed that the retail outlets will be rented to third parties in shell form internally. However, the common areas of these outlets and the exterior (where applicable) will be fully finished.

Finally, Mercury Contracting Projects Limited ("**MCPL**"), albeit not part of the Group, is fully owned by Mr Joseph Portelli and is trusted with carrying out the development and the finishing of the Project.

1.2 _ Directors and Key Employees

Board of Directors - Issuer

As of the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	**Office Designation**
Mr Joseph Portelli	Chairman and Executive Director
Mr Stephen Muscat	Independent Non-executive Director
Mr Mario Vella	Independent Non-executive Director
Mr Peter Portelli	Independent Non-executive Director

The business address of all of the directors is the registered office of the Issuer. Dr Joseph Saliba is the company secretary of the Issuer.

Board of Directors – Guarantor

As of the date of this Analysis, the board of directors of the Guarantor is constituted by the following person:

Name	Office Designation
Mr Joseph Portelli	Executive Director

The business address of the director is the registered office of the Issuer. Dr Ian Stafrace is the company secretary of the Guarantor.

The sole executive director is responsible for the executive management of the Issuer and the Group, and together with other senior members of the executive team is responsible for the Issuer's and the other Group companies' day-to-day management. The executive director is responsible for the general executive management and sales and business development as well as for eventual hotel operations. Other members of the Group's management team are; Mr Silvan Mizzi, who acts as the Guarantor's Chief Financial Officer, and Ms Lorraine Ellul Bonavia, who is responsible for the general legal and administrative affairs of the Guarantor and the Group.

As of the date of this Analysis, the Issuer does not have any employees of its own, whereas the Guarantor has two full-time employees.

1.3 _ Major Assets owned by the Group

The Issuer does not have any substantial assets other than the loans receivable from the Guarantor since it is essentially a special purpose vehicle set up to act as the financing company for the Project. The major assets of the Group are the underlying land and building on which the Project is being constructed.

The Guarantor owns land in the heart of St. Julian's measuring *circa* 9,648m^2, which it acquired on a freehold title over two phases. In Phase I, 7,701.8m^2 was acquired in two stages, in December 2016 and June 2017, for a total price of *circa* €24.3m. In Phase II, a plot of 1,964m^2 was acquired in August 2021. Although the land was acquired in two phases and the Mercury Project is often referred to as being developed in two phases, they are intrinsically intertwined such that the Project is being developed and will be eventually operated by the Group holistically as a single consolidated project.

The land, the constructed portion of the Project, and the airspace have been classified as "property, plant, and equipment", "investment property" and "inventory" in the financial statements of the Group.

- Property, plant, and equipment: €13.1m, as at September 2021 (2020: €11.7m) consisting of airspaces which will be retained by the Group to be used in the supply of services (operated as a hotel). The property is still under construction.

- Investment property: €41.7m, as at September 2021 (2020: €40.9m) which comprises the retained property which will be leased out to third parties. As of 30 September 2021, this consisted of serviced apartments on Level 30 and Level 31 of Mercury Tower, the Twist, Mercury House, the Pavilion, parts of Commercial Mall, and the rooftop bar.

- Inventory: €25.0m as at September 2021 (2020: €8.9m) the Group's inventory consists of the various serviced apartments available for sale.

As of December 2021, the Project was still under construction and hence was not yet available for use.

1.4 _ Operational Developments

The Group was set up in view and for the purpose of, and will principally operate by reference to, the Project. The Group has a limited operating history and is of recent origin, with the longest existing member of the Group being the Guarantor, set up in 2016. Nevertheless, the ultimate beneficial owner of the Group, Mr Joseph Portelli has a long trading history in the acquisition, development, management, and operation of real estate developments including hotels, residential, office, retail property, and entertainment projects.

As discussed above, the Issuer is proposing a total bond issue of €50m with a term of ten years. The proposed bond issue shall be secured. The proceeds from the said bond issue, are intended to be used by the Issuer and advanced to MTL via a loan agreement for the following purposes, in the amounts and order of priority set out below:

- the amount of €35m to fund the construction, development, and finishing of the Hotel (as discussed further below in this section); and

- the amount of €15m for general corporate funding purposes.

The most recent developments of the Group are described hereunder:

Mercury Project

As mentioned above, the development and finishing of the Project are carried out by MCPL, a related party that is wholly owned by Mr Joseph Portelli. This is governed through a contract of works agreement entered into between MCPL and MTL in 2016. As mentioned above, the Project will be developed in two Phases (Phase I and Phase II).

Works for Phase I are still underway. To date, the Mercury Tower, the Pavilion, and the Phase I car park have been built in shell form. Mercury House has also been partially restored and is currently housing the Group's head office. The finishing of Mercury Tower and the commercial elements are expected to be handed over by Q1 2023.

Construction works on Phase II car park, commercial mall, and lower grounds of the hotel are currently in progress, with the commercial elements ready to be handed over by October 2022, and the hotel fully operational from January 2024. The development is expected to be inaugurated in March 2023.

Mercury Tower

The Tower is part of Phase I of the project. It will be a 34-storey building above ground level, and 6-storeys underground, four of which are designated as parking spaces. The gross floor area of the units within the tower (excluding parking spaces) is 20,591m^2 (previously 19,754m^2). The tower will consist of 291 branded serviced apartments the majority of which are intended to be sold to third parties (279 apartments), with the remaining 12 apartments intended to be retained by the Guarantor. As at 31 December 2021, from Phase I of the project, 243 apartments were sold and the deed of transfer signed and 18 were on a Promise of Sale Agreement. Out of the remaining apartments, as previously mentioned, 12 serviced apartments will remain unsold. All the unsold apartments are classified as inventory.

As of the date of this Analysis, the Tower is complete in shell form and the installation of the glass fiber reinforced concrete façade, glass balustrades, and aluminum apertures are now in their advanced stages. Finishing works are expected to be complete by Q4 2022.

Apart from the serviced apartments, the Mercury Tower also includes:

- **A commercial area at level 11** (the Twist), which incorporates an outdoor pool, is a unique and versatile event space and will be rented out to third parties as an exclusive location to host a variety of events, ranging from weddings to conferences;

- **A rooftop bar at level 33** (entrance on level 32); a viewing gallery which will be accessible to guests and patrons alike;

- **Three levels of commercial space** (level B01 to level 1) will form part of the Commercial Mall and are connected to other commercial parts of the development;

- **All-day dining restaurant** situated on level 2 that will be operated by a third party; and

- Levels 10, 12, and (part of) level 32 of the Mercury Tower shall include **plant rooms and storage facilities.**

Peripheral Block

The Peripheral Block will form part of Phase II of the project. It will be a 9-storey block and it will house 170 luxury suites across 6/7 levels of the building, all of which are intended to be sold to third parties.

The peripheral residential block will include a total of 170 serviced apartments across seven levels (levels 2 to 8). The serviced apartments are planned to have an average net internal area of *circa* 60m^2. As of the date of this Analysis, 15 apartments have been sold and 96 were on Promise of Sale, while 59 remain available for sale.

Works on the peripheral residential block have commenced and are planned to be completed and finished by December 2022.

Three levels of commercial space (levels B01 to level 1) of the peripheral residential block will form part of the Commercial Mall. The peripheral block also houses an outdoor pool for hotel residents, a herb garden, and a running track located on the roof of the block.

Hotel

Another major element of Phase II of the Project will be a 19-storey 5-star branded hotel, consisting of 130 rooms. Its accommodation capacity will extend by virtue of the serviced apartments whose owners sign up for a hotel accommodation pooling arrangement.

The Hotel will be owned and operated by Mercury Hotel Ltd. through a hotel management agreement with the internationally renowned hotel chain Meliá, in particular with Meliá Hotels International S.A. (as manager) and Prodigios Interactivos S.A. (as provider), in respect of the Hotel and its facilities, for the management and operation of the Hotel under the brand name of 'ME'. The operations are expected to commence by the beginning of 2024.

Commercial Outlets

The Project will also comprise a mix of retail and catering outlets, spanning on levels B01, ground floor, and level 1 of the tower, podium, and peripheral building. It is currently planned that the commercial outlets will consist of a number of shops with a total floor area exceeding 12,242m^2. The commercial shopping mall will mainly be located over three floors across Mercury House, Mercury Tower, the Hotel Podium, and the Peripheral Block (underlying Mercury Suites). The entertainment areas will also form part of the commercial mall. The commercial outlets are being developed as both parts of Phases I and II.

Ancillary components

The Mercury House, a restored 19th century building, will partly host the head office of the Group, part of the commercial mall, and an element of food and beverage activity. **The Pavilion** is located on the North corner of the site, adjacent to Mercury House. It will form part of the Commercial Mall offering, which at this stage is planned to accommodate a uniquely designed food and beverage space. **The Mercury Experience** is an entertainment-themed simulator ride, consisting of rigged seats and virtual reality or visual projections to create the illusion of flight. Additionally, the Project will house an indoor **go-kart track** as well as an **ice-skating rink**. The construction of the above forms part of both Phases I and II of the Project.

Car park

The Mercury Project also comprises a sub-structure car park, underneath all the sites spanning from levels B06 to B03 on the Mercury Site and levels B07 to B03 on the Exchange Site. The car park includes a total of 683 car spaces and 45 lock-up garages.

Mercury Car Park Limited, in which the Group holds a 25% equity interest, owns the car park underneath Phase I. The company shall also operate the car park going forward. On 30 November 2021, Mr Joseph Portelli (on behalf of MTL) entered into a Promise of Sale Agreement with Bersella Holdings Limited to acquire a further 68% shareholding (4,080 Class A shares) in Mercury Car Park Limited for €9m. Therefore, provided this acquisition goes through, MTL will hold a 93% shareholding in Mercury Car Park Limited. The acquisition of shares is expected to be completed by not later than 30 June 2022.

None of the 683 car spaces are intended to be sold, as it is planned that such spaces will be used as a public car park to complement the commercial offering.

1.5 _ COVID-19 impact on the Group's operational and financial performance

The Group has been closely monitoring the developments ensuing from the outbreak of the

COVID-19 pandemic and the impact on both the local and global economy, with specific reference to the real estate industry. Even at this time, when the outbreak subsides but peaks again when new variants emanate, the current situation precludes any prediction of its ultimate impact, which may have a continued negative impact on economic and market conditions, triggering a period of global and local economic slowdown.

The pandemic has adversely impacted global and local commercial activities in several industries. However, to date, the Group has continued to operate without significant disruptions, even during the more challenging months of the pandemic. Construction has been limitedly impacted and at this point in time, given that the Government relaxed the strict COVID-19 related restrictions experienced during the first half of the year, management is confident that the Group can continue to manage the situation without any significant impact.

The Group will continue to monitor the developments in relation to the COVID-19 pandemic and is coordinating its operation response based on its business continuity plan and on guidance from health organisations, Government, and general pandemic response best practices. Management is confident that, notwithstanding the current circumstances, the Group will be able to operate through the prevalent market conditions and does not believe that there is any significant financial impact on the Company that would otherwise require any further disclosures.

Notwithstanding the above, it is worth noting that currently certain works are being negatively impacted by restrictions on the availability of imported skilled workforce for specialised work. This may possibly result in the Group experiencing a delay in terms of the Project's completion date.

1.6 _ Impact of increased monitoring imposed by the Financial Action Task Force

At a FATF plenary session held in June 2021, it was decided that Malta should be put under increased monitoring. The financial projections in this document do not take into consideration any effect that this might have on operations. It is not immediately clear what effect if any, this development will have on the operations and prospects of the Company. The Company will monitor and assess developments to be in the best position to take any action necessary.

1.7 _ Listed Debt Securities of the Issuer

Mercury Projects Finance p.l.c. currently has the following outstanding debt securities:

	ISIN	€m
3.75% MCY Secured Bonds 2027 (Series I)	MT0002191204	11.5
4.25% MCY Secured Bonds 2031 (Series II)	MT0002191212	11.0

ANNEX III _ FINANCIAL ANALYSIS SUMMARY

PART 2 _ HISTORICAL PERFORMANCE AND FORECASTS

The Issuer ia a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to Group companies.

For the purpose of this Analysis, the focus is on a review of the performance of the Guarantor, which constitutes the entire group of companies.

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Issuer for the financial years ended 31 December 2019 and 2020. As at the time of the Analysis, only the management accounts until September 2021 were available, therefore we used the projected figures for the 2021 - 2024 period.

The Guarantor's consolidated historical financial information for the years ended 31 December 2019 and 2020, as well as the projected figures for 2021 - 2024 in a similar fashion to the Issuer are set out in section 2.4 to 2.6 of this Analysis.

2.1 _ Issuer's Income Statement

Income Statement	2019A	2020A €000	2021F €000	2022P €000	2023P €000	2024P €000
Finance income	825	1,121	1,121	2,902	3,496	3,496
Finance costs	(690)	(899)	(898)	(2,493)	(3,024)	(3,024)
Net finance income	**135**	**222**	**223**	**409**	**472**	**472**
Administrative expenses	(57)	(80)	(79)	(100)	(102)	(104)
Profit before tax	**78**	**142**	**144**	**309**	**370**	**368**
Taxation	(44)	(74)	(73)	(143)	(165)	(165)
Profit after tax	**34**	**68**	**71**	**166**	**205**	**203**

The Issuer generates income from the differential in interest rates between the coupon on the bonds it needs to pay to its bondholders and the interest income collected from MTL as a payment for the funds advanced from the Issuer. The interest rate differential is 1% in the case of both bonds in issue as shown in section 1.7 of this Analysis. The finance income is the interest income generated by the Issuer while finance costs are the coupon payments. There has been no change in the above process last year, therefore, the FY21 income statement figures of the Issuer are largely in line to that of FY20.

The Issuer intends to follow the same process with the proposed bond, however, the expected spread will be lower than the 1% spread utilised in the previous bonds. As a result of this, the Issuer is expected to record relatively unchanged year-on-year profits in future periods. As the proposed bond will be issued during 2022, the Issuer will not collect interest for the full FY22, but will do so for FY23 and FY24.

2.2 _ Issuer's Statement of Financial Position

Statement of Financial Position	2019A €000	2020A €000	2021F €000	2022P €000	2023P €000	2024P €000
Assets						
Non-current assets						
Loans and receivables	22,444	22,444	22,444	72,444	72,444	72,444
Current assets						
Other receivables	828	1,047	1,211	2,622	2,622	2,622
Cash and cash equivalents	257	142	33	409	636	838
	1,085	**1,189**	**1,244**	**3,031**	**3,258**	**3,460**
Total assets	**23,529**	**23,633**	**23,688**	**75,475**	**75,702**	**75,904**
Equity and liabilities						
Share capital	250	250	250	250	250	250
Retained earnings	34	101	170	314	519	722
Total equity	**284**	**351**	**420**	**564**	**769**	**972**
Non-current liabilities						
Interest bearing borrowings	22,500	22,500	22,500	72,500	72,500	72,500
Current liabilities						
Other payables	701	708	703	2,268	2,268	2,268
Current tax liability	44	74	65	143	165	165
	745	**782**	**768**	**2,411**	**2,433**	**2,433**
Total liabilities	**23,245**	**23,282**	**23,268**	**74,911**	**74,933**	**74,933**
Total equity & liabilities	**23,529**	**23,633**	**23,688**	**75,475**	**75,702**	**75,904**

The Issuer's major assets mostly comprise of the loans advanced to the Guarantor, where in FY20 this represented *circa* 95% of total assets. The remaining 5% mainly represents accrued interest due on the aforementioned loans, in addition to cash and cash equivalents. Total equity in FY20 stood at €351k, and was at €398k in September of 2021. It consisted of the Issuer's share capital of €250k, coupled with the profit generated from the interest rate differential of the coupon payable to the bondholders and the interest income received from MTL for the advancement of the bond proceeds. Total liabilities amounted to *circa* €23.2m with the majority of this being the previous bonds (as listed in section 1.7 of this Analysis) totalling €22.5m, followed by the interest due on these bonds (classified under other payables).

The total assets are projected to increase substantially in FY22 as the proposed €50m bond will inflate the Issuer's balance sheet. It is, however, projected to remain fairly stable for the rest of the projected period as no bonds are expected to be issued or to mature during FY23 and FY24

2.3 _ Issuer's Statement of Cash Flows

Statement of Cash Flows	**2019A €000**	**2020A €000**	**2021F €000**	**2022P €000**	**2023P €000**	**2024P €000**
Cash flows from operating activities						
Profit before tax	78	142	144	310	370	368
Movement in finance income	(825)	(75)	–	–	–	–
Movement in finance expense	693	–	–	–	–	–
Movement in other receivables	(3)	–	–	(1,636)	–	–
Movement in other payables	7	8	(6)	1,823	–	–
Taxes paid	–	(44)	(83)	(120)	(143)	(165)
Net cash generated from/(used in) operating activities	**(50)**	**31**	**55**	**376**	**227**	**203**
Cash flows from investing activities						
Loans advanced to related parties	(22,444)	–	–	(50,000)	–	–
Net cash generated from/(used in) investing activities	**(22,444)**	**–**	**–**	**(50,000)**	**–**	**–**
Cash flows from financing activities						
Issue of share capital	250	–	–	–	–	–
Proceeds from bond issue	22,500	–	–	50,000	–	–
Movement on Parent Company Account	1	(146)	(164)	–	–	–
Net cash generated from/(used in) financing activities	**22,751**	**(146)**	**(164)**	**50,000**	**–**	**–**
Net movements in cash and cash equivalents	**257**	**(115)**	**(109)**	**376**	**227**	**203**
Opening cash and cash equivalents	–	257	142	33	409	635
Closing cash and cash equivalents	**257**	**142**	**33**	**409**	**635**	**838**

Given its treasury management function, the Issuer's main cash movements, other than that of raising and repaying debt instruments, is to advance loans to the Guarantor against an annual interest charge ranging between 4.5% and 5.25% *per annum*.

The interest rate on these loan advancements was set at a rate higher than the bond interest, so that the spread allows the Issuer to pay for any administrative expenses it incurs to administer its debt instruments on behalf of the Parent.

As such, no major cash movements are expected to be reported in FY21.

2.4 _ Group's Income Statement

Income Statement	2019A €000	2020A €000	2021F €000	2022P €000	2023P €000	2024P €000
Revenue	9,047	19,836	7,542	44,843	20,478	38,140
Cost of sales	(7,428)	(12,863)	(6,268)	(35,286)	(9,084)	(14,730)
Gross profit	**1,619**	**6,973**	**1,274**	**9,557**	**11,394**	**23,410**
Other income	5	185	–	–	–	–
Total operating costs	(1,101)	(1,073)	(792)	(1,763)	(3,680)	(7,613)
Impairment loss on financial assets	(127)	(16)	–			
EBITDA	**396**	**6,069**	**481**	**7,792**	**7,715**	**15,797**
Depreciation	–	–	–	(60)	(635)	(4,756)
EBIT	**396**	**6,069**	**481**	**7,732**	**7,080**	**11,041**
Net finance costs	(1,096)	(899)	(832)	(3,279)	(3,608)	(4,864)
Revaluation of investment property	–	24,561	–	–	–	–
Profit/(loss) before taxes	**(700)**	**29,731**	**(351)**	**4,453**	**3,472**	**6,177**
Taxation	(741)	(4,825)	(510)	(1,338)	(1,804)	(1,776)
Profit/(loss) for the period/ year	**(1,441)**	**24,906**	**(861)**	**3,115**	**1,668**	**4,401**

Ratio Analysis	2019A	2020A	2021F	2022P	2023P	2024P
Profitability						
Growth in Total Revenue (YoY Revenue Growth)	125.6%	119.3%	-62.0%	494.6%	-54.3%	86.2%
Gross Profit Margin (Gross Profit / Revenue)	17.9%	35.2%	16.9%	21.3%	55.6%	61.4%
EBITDA Margin (EBITDA / Revenue)	4.4%	30.6%	6.4%	17.4%	37.7%	41.4%
Operating (EBIT) Margin (EBIT / Revenue)	4.4%	30.6%	6.4%	17.2%	34.6%	28.9%
Net Margin (Profit for the year / Revenue)	-15.9%	125.6%	-11.4%	6.9%	8.1%	11.5%
Return on Common Equity (Net Income / Average Equity)	237.0%	102.5%	-3.2%	8.1%	3.4%	8.5%
Return on Assets (Net Income / Average Assets)	-2.3%	45.8%	-0.9%	2.1%	1.0%	2.6%

The Group commenced to recognise revenue in FY17, which pertain to the sale of the airspace of the serviced apartments and the car park. By the date of this Analysis, the Group sold a total of 258 serviced units. Until September 2021, excluding the sale of airspace on the car park in 2017, total sales of €35.4m have been recognized. In the first nine months of 2021, Mercury Group generated €2.5m in revenues, with this being projected to reach €7.5 m in 2021, illustrating an elevated variance in comparison to previous forecasts.

As per discussion with Mercury management, the reason for this variance primarily relates to the fact that Phase II of the Project experienced some months of delay during 2021. This, in turn, delayed the signing of the deeds of the Phase II apartments. Deeds that should have been signed between September 2021 and December 2021 have been signed between November 2021 and February 2022. Thus, a substantial amount of the revenue forecasted to be recognised in FY21 will be recognised in FY22. As per discussions held with management, none of the Promises of Sale (POSs) fell through, simaltenously reiterating that this is merely a timing difference. The decrease in revenue has a ripple effect, impacting the rest of the income statement.

In terms of revenue projections, MTL assume that revenue and EBITDA generated in FY21 and FY22 solely pertain to the sale of serviced apartments. As the Project is expected to be inaugurated in March 2023, FY23 revenue will comprise the sale of serviced apartments, rental of level 31 units, and operation of all components except for the hotel. Although the hotel is expected to be complete in FY23, for prudence, operations are expected to commence a year later, to ensure that it would not be impacted by the lingering effects of the pandemic. All serviced apartments are expected to be sold by FY24, as this revenue stream is expected to substantially contribute to the FY24 revenue but cease after that. The Group, however, will retain and continue to lease 12 apartments that will continue to contribute lease revenue to the Group's top line.

In FY21, the Group sold 12 Phase I and 15 Phase II apartments, expecting to report revenue of €7.5m. In FY22, the Group estimates the sale of the remaining units in relation to Phase I and the majority of the remaining units from Phase II of the Project. On aggregate, due to the delay of Phase II, total revenue is expected to amount to €44.8m during FY22, incorporating a portion of the Phase II revenue that was previously expected to be recognised in FY21.

The cost of sales of MTL is directly related to the cost of the development of the units, with this expected to amount to €6.3m in FY21, yielding a gross profit of €1.3m in the same year. In the previous Analysis of the Issuer dated 30 June

2021, cost of sales and gross profit for FY21 were projected to amount to €19.2m and €7.8m respectively. As previously explained, this is merely a question of timing and the previously-projected sales in 2021 will be recorded in 2022. In the case of the serviced apartments sold on airspace, the cost of sales includes the cost of land to acquire the site allocated on a pro rata basis of the apartments' gross floor area. For serviced apartments sold in shell form, the cost of sales includes the cost of land, the excavation, and the construction costs, similarly on a *pro rata* basis.

Administrative expenses, which primarily consist of wages and salaries, professional fees, bank charges, insurance, audit fees, and other fees which cannot be capitalised as part of the Project, stood at *circa* €1.1m in FY20. Until 30 September 2021, the Group incurred €0.5m operating costs that are expected to amount to €0.8m in FY21. These were previously projected to be €2.5m. Impairment loss on financial assets stood at €16k in FY20, while in FY21 no such loss is expected to be incurred.

As a result of the above, the Group expects to generate an EBITDA of €0.5m in FY21, translating into an EBITDA margin of 6.4% that is expected to gradually increase moving forward.

The Project is currently still in construction phase and, accordingly, no depreciation charges have been recognised to date. Depreciation will start to be accounted for once the Project is fully completed.

Financing costs amounted to €0.9m in FY20, with these being projected to amount to €0.8m in FY21. These figures predominantly reflect the interest paid on the Issuer's bonds, more specifically the two issued tranches of €11.5m and €11m, incurring a coupon of 3.75% and 4.25%, respectively. Management noted that other interest currently being incurred by the Group is at present being capitalised, given that the Project is still under construction.

The fair value of investment property amounted to €24.6m during FY20 with this being attributable to upward revaluation movements concerning the investment property forming part of the Project.

The Group's income tax expense amounted to €4.8m, a substantial portion of which relates to deferred tax on the revaluation of investment property. The Group expects taxation to amount to €0.5m during FY21 and €1.3m in FY22.

In FY2020, the Group generated a profit of €24.9m and is projected to report a loss of €0.9m in the full year FY2021. In FY22 the Group is projected to report a gain of €3.1m. Consequently, the net margin is expected to be negative 11.4% for FY21 and a positive 6.9% in FY22 (FY20: 125.6%).

Specifically, in view of the aforementioned developments, the net margin of the Guarantor is projected to gradually increase further across the projected period as clearly noted in the ratio analysis table presented above (Net Margin FY24: 11.5%).

Moreover, in view of the expected positive improvement in the Guarantor's financial performance, both Return on Common Equity and Return on Assets are projected to amount higher across the projected period with these expected to improve to 8.5% and 2.6% respectively during FY24.

2.5 _ Group's Statement of Financial Position

Statement of Financial Position	2019A €000	2020A €000	2021F €000	2022P €000	2023P €000	2024P €000
Assets						
Non-current assets						
Intangible asset	–	–	– 5,058	5,058	5,058	
Property, plant and equipment	22,294	11,661	24,747	77,350	77,119	72,654
Investment property	401	40,886	34,544	72,040	74,355	74,533
Investment in associate	1	2	2 664	1,417	2,684	
Other receivables	689	–	–	–	–	–
Restricted Cash	21	21	21	21	21	21
Deferred tax asset	143	–	–	–	–	–
	23,549	**52,570**	**59,314**	**155,133**	**157,970**	**154,950**
Current assets						
Inventories	18,023	8,919	31,599	12,993	6,407	100
Trade and other receivables	20,380	7,337	18,346	1,440	1,691	2,490
Cash and cash equivalents	267	578	5,409	12,004	1,908	11,174
	38,670	**16,834**	**55,354**	**26,437**	**10,006**	**13,764**
Total assets	**62,219**	**69,404**	**114,668**	**181,570**	**167,976**	**168,714**
Equity and liabilities						
Share capital	500	500	10,500	20,000	20,000	20,000
Investment property reserve	–	22,596	18,182	22,922	22,922	22,922
Retained earnings	(1,108)	1,201	340	3,850	5,518	9,919
Total equity	**(608)**	**24,297**	**29,022**	**46,772**	**48,440**	**52,841**
Non-current liabilities						
Borrowings	–	–	40,250	40,328	36,014	33,331
Bonds payable	22,500	22,500	22,500	72,500	72,500	72,500
Deferred tax liability	–	3,203	2,819	4,057	4,057	4,057
	22,500	**25,703**	**65,569**	**116,885**	**112,571**	**109,888**
Current liabilities						
Borrowings	10,566	10,406	1,863	6,955	4,314	2,683
Trade and other payables	29,761	8,924	18,093	10,837	2,530	3,182
Taxation payable	–	74	120	120	120	120
	40,327	**19,404**	**20,076**	**17,912**	**6,964**	**5,985**
Total liabilities	**62,827**	**45,107**	**85,645**	**134,797**	**119,535**	**115,873**
Total equity & liabilities	**62,219**	**69,404**	**114,668**	**181,570**	**167,976**	**168,714**

ANNEX III _ FINANCIAL ANALYSIS SUMMARY

Ratio Analysis	2019A	2020A	2021F	2022P	2023P	2024P
Financial Strength						
Gearing 1 (Net Debt / Net Debt and Total Equity)	101.9%	57.1%	67.1%	69.7%	69.6%	64.8%
Gearing 2 (Total Liabilities / Total Assets)	101.0%	65.0%	74.7%	74.2%	71.2%	68.7%
Gearing 3 (Net Debt / Total Equity)	-5394.6%	133.1%	204.0%	230.4%	229.0%	184.2%
Net Debt / EBITDA	82.8x	5.3x	123.1x	13.8x	14.4x	6.2x
Current Ratio (Current Assets / Current Liabilities)	1.0x	0.9x	2.8x	1.5x	1.4x	2.3x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.5x	0.4x	1.2x	0.8x	0.5x	2.3x
Interest Coverage (EBITDA / Cash interest paid)	0.4x	6.8x	0.6x	2.4x	2.1x	3.2x

The Group's assets are principally comprised of property, plant and equipment, investment property, inventories and trade, and other receivables. As of 30 September 2021, the Group's total assets stood at €98.3m (FY20: €69.4m), and they are expected to reach €114.7m by year-end 2021.

The Group's asset base is expected to reach € 181.6m by 31 December 2022, following the increase in property, plant, and equipment, as well as an investment property, driven by the construction and development costs required to complete the Project. Thereafter, the Group's asset base is expected to decrease to €168.7m by FY24, mainly due to the sale of the remaining apartments in stock.

As of September 2021, the Group had €13.1m of property, plant, and equipment and these mainly consisted of the hotel podium and back of house. As of the 2021 financial year-end, this is projected to amount to €24.7m. The expected increase between September and December 2021 will be attributable to the transfer of rooftop bar from investment property to property, plant and equipment as well as the expected substantial capital expenditure of €6.4m.

In terms of forward-looking expectations, property, plant and equipment is expected to increase to €72.7m by FY24 and stabilise around that level going forward as all the property retained by the Group is expected to be completed, including mainly the following: the ME hotel, Mercury Experience, the rooftop bar, and the car park. Property, plant and equipment is projected to depreciate in line with the assets' useful life.

Investment property shall include the serviced apartments on Level 31, commercial mall, the twist, all-day dining/office space, and the Mercury House that the Group is expecting to retain and operate. The carrying value was €41.7m as of September 2021 and is expected to be reported with the value of €34.5m at the financial year-end. This substantial difference is due to the transfer of the rooftop bar from investment property to property, plant and equipment as well as due to the fact that level 30 is assumed to be sold in the projections rather than retained by the Group. As a result, the projections reflect this shift from investment property to inventory.

Investment property shall be tested for impairment and revalued once every three years. Although management expects to revalue the investment property upon completion of the Project, the projections do not assume any uplifts to the investment property.

Inventories amounted to €25.0m as of September 2021, with this expected to increase to €31.6m by 2021 year-end. The increase can be attributed to the transfer of the Level 30 apartments from investment property to inventory as these are earmarked to be sold rather than retained as well as due to the completion of apartments in that period. Inventories were previously projected to be €18.7m at FY21 however as the sale of Phase II apartments was delayed, Mercury Group is expected to report a substantially higher inventory figure in FY21. Inventories are expected to decrease substantially to €100k by FY24 as the Group completes the sale of all apartments developed for that purpose.

Trade and other receivables amounted to €11.1m as of 30 September 2021 that is expected to increase to €18.3m by end FY21. The majority of the year-end balance (€16.5m) is expected to represent the advances by the Group to MCPL for contracting works which MCPL will be delivered to the Guarantor in the foreseeable future. These are expected to decrease substantially during FY22 as the €16.5 million advance payments made to MCPL, will be unwound and MCPL shall invoice future construction and development of the Mercury Project.

As of September 2021, the total equity amounted to €32.1m and it is expected to be reduced slightly, to €29m by year end. The reduction is the result of the reversal of the revaluation and the deferred tax liability pertaining to the Level 30 apartments that are not recorded on the books as retained apartments but as apartments for sale. Afterwards, as the Project continues to retain generated revenue, the total equity is projected to increase further. The commercial mall is also expected to be revaluated upwards in FY22 which will lift the equity balance as well.

As of September 2021, the Group's liabilities amounted to €66.1m and these are projected to be €85.6m by FY21 end. The liabilities of the Group mainly consist of financial debt and trade and other payables. Financial debt is made up of the Issuer's €22.5m bonds currently on the market, and bank borrowings amounting to €29.2m including bank loans and a temporary overdraft. Trade and other payables amounted to €11.1m as at 30 September 2021, further growing to €18.1m by year-end. The majority of the payables balances, €9.1m in September 2021, reflects deposits received by potential buyers of the units, as per the POSs which are transferred to revenue upon signature of the deed of sale.

Total liabilities are expected to increase to €134.8m during FY22 mainly due to an increase in bank loans in order to acquire the 68% shareholding in Mercury Car Park Limited. After the initial increase, total liabilities are expected to decrease as the Group repays its existing bank loans and bonds. By FY24, the amount of total liabilities is expected to decrease to €115.9m and continue decreasing thereafter.

In view of the Guarantor's existing bank loans, the bonds currently in issue, in addition to this proposed bond, the Guarantor's overall gearing is expected to amount higher over the projected period as clearly depected through the Gearing 1 and Gearing 2 ratios respectively. Nevertheless, the Guarantor's interest coverage ratio is expected to improve to 3.2x in FY24, with this being predominantly in line to the expected improvement in the overall financial performance as clearly discussed in section 2.5 above.

2.6 _ Group's Statement of Cash Flows

Statement of Cash Flows	2019A €000	2020A €000	2021F €000	2022P €000	2023P €000	2024P €000
Cash flows from operating activities						
Operating profit/(loss) before working capital movements	(218)	6,085	481	7,793	7,714	15,797
Movement in inventory	2,817	9,104	(20,318)	15,906	5,754	6,226
Movement in trade and other receivables	(19,517)	13,716	(11,009)	16,906	(251)	(799)
Movement in trade and other payables	(1,821)	(20,793)	9,068	(7,256)	(7,554)	652
Contract liability	136	–	101	–	–	–
Tax paid	(741)	(1,450)	(464)	(2,001)	(2,557)	(3,043)
Net cash generated from/ (used in) operating activities	**(19,344)**	**6,662**	**(22,141)**	**31,288**	**3,106**	**18,833**
Cash flows from investing activities						
Acquisition of property	(6,101)	(5,293)	(13,236)	(67,515)	(867)	–
Acquisition of car park (68% shareholding)	–	–	–	(9,000)	–	–
Replacement expenditure	–	–	–	–	(185)	(389)
Net cash generated from/ (used in) investing activities	**(6,101)**	**(5,293)**	**(13,236)**	**(76,515)**	**(1,052)**	**(389)**
Cash flows from financing activities						
Proceeds from issue of shareholder's loan	–	–	10,000	–	–	–
Repayment of bank borrowings	–	(159)	(8,542)	(9,830)	(6,955)	(4,314)
Movements in borrowings	4,340	–	40,250	15,000	–	–
Movements from loans from related companies	(1,350)	–	–	–	–	–
Interest paid	–	(899)	(1,499)	(3,348)	(5,195)	(4,864)
Net proceeds of bond	22,500	–	–	50,000	–	–
Net cash generated from/ (used in) financing activities	**25,490**	**(1,058)**	**40,209**	**51,822**	**(12,150)**	**(9,178)**
Net movements in cash and cash equivalents	**45**	**311**	**4,832**	**6,595**	**(10,096)**	**9,266**
Opening cash and cash equivalents	222	267	578	5,410	12,005	1,909
Closing cash and cash equivalents	**267**	**578**	**5,410**	**12,005**	**1,909**	**11,175**

ANNEX III _ FINANCIAL ANALYSIS SUMMARY

Ratio Analysis	2019A	2020A	2021F	2022P	2023P	2024P
Cash Flow						
Free Cash Flow (Net cash from operations+ interest - Capex)	€(25,445)	€2,268	€(33,878)	€(32,879)	€7,434	€23,697

As of 30 September 2021, the Group generated cash outflow from operating activities of €25.2m that are expected to be reported at *circa* €22.1m at year end. The majority of this cash outflow was used for the acquisition of the Exchange Site and cash advancements to MCPL for financing the construction costs. Driven by the sale of serviced apartments and operations of all components of the Mercury Project, following the inauguration in March 2023, the Group is expected to generate year-on-year net cash inflows from operations, from FY2022 onwards. Management's projected cash flow statement shows a substantial increase in cash generation from operations over the projected period.

The management accounts have recorded a cash outflow from investing activities of €3.1m in the first nine months of 2021 and the investing outflow is expected to be reported at €13.2m for the full year. The difference is projected to stem from the development of the Project in relation to the peripheral block and hotel, the mechanical and electrical works, and finishings. In FY22 the investing cash outflow in relation to the project development is also expected to be substantial, at €67.5m, however, will be immaterial in FY23 as most of the construction work is expected to be finalised by then.

Financing activities amounted to €27.9m in the first nine months of 2021 that are expected to be reported at around €40.2m at year-end. The increase between October and December 2021 is expected to originate from the increase in bank borrowings. The bond in question will generate a €50m financing cash inflow, and the Group will obtain a further €10m bank financing to acquire 68% shareholding in Mercury Car Park Limited, therefore the financing cash flow is expected to be hugely positive in FY22 as well. As no other major financing sources are projected to be used, the financing cash flow is expected to be negative afterward.

PART 3 _ KEY MARKET AND COMPETITOR DATA

3.1 _ General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices, and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

Malta Economic Update[1]

The Bank's Business Conditions Index shows that in January annual growth in business activity remained well above its historical average, though it is gradually normalising, as many economic variables are reaching their pre-pandemic levels.

European Commission data show that economic sentiment in Malta rose in January when compared with December. It stood well above its level a year earlier and was marginally higher than its long-term average. The recent increase was driven by improved sentiment across all sectors but fell in the retail sector and to a lower extent among consumers.

In January, the European Commission's Economic Uncertainty Indicator (EUI) eased when compared with December. The recent decrease in uncertainty was largely driven by developments in industry, and to a lesser degree, in the construction and retail sectors. On balance, consumers continued to report that they were able to predict their household's financial situation with relative ease but less so relative to December. Meanwhile, uncertainty increased in the services sector.

In December, industrial production contracted on an annual basis for the fifth consecutive month and fell at a faster pace when compared with November. The volume of retail trade conversely rose, though at a slower pace when compared to a month earlier. The unemployment rate was unchanged from that recorded in November and well below last year's rate.

Commercial permits increased slightly in December relative to their year-ago levels, while residential permits fell. In January, the number of final deeds of sale rose on an annual basis but the number of promise-of-sale agreements declined.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.6% in December, up from 2.4% in the previous month. Similarly, inflation based on the Retail Price Index (RPI) rose to 2.6% in December from 2.4% a month earlier.

Maltese residents' deposits expanded at an annual rate of 10.4% in December, following an increase of 9.7% in the previous month, while annual growth in credit to Maltese residents stood at 8.3%, slightly below the rate of 8.4% recorded a month earlier.

Economic projections [2]

Since the Central Bank of Malta finalised its December 2021 projections, the pandemic situation continued to evolve with the emergence of the highly contagious Omicron variant, which caused a sharp spike in active cases of COVID-19. Consequently, containment measures were reinstated in several countries. However, progress with vaccination ensured that hospital admissions and patients in intensive care remained low. However, absences caused by the rapid spread of Omicron, amplified already elevated global supply disruptions and international price pressures.

Although stringency measures increased in Malta too, this was to a much lower extent than in other countries. Nevertheless, the worsening of the pandemic situation is expected to have adversely affected Malta's travel industry during the final weeks of 2021 and the start of 2022.

1 Central Bank of Malta – Economic Update 2/2022
2 Central Bank of Malta - Economic Projections 2021 - 2024 (2022:1)

At the same time, vaccination campaigns have intensified. By the end of January, around two thirds of Malta's population had received a third dose. Moreover, following a sharp rise in December, active cases have declined somewhat since the start of 2022. Therefore, some containment measures were relaxed in mid-January and eased further in February.

Meanwhile, the latest national accounts vintage has surprised on the upside once again. In particular, investment and private consumption growth were stronger than envisaged. Hence, despite some deteriotation in the pandemic situation, domestic economic activity levels over the projection horizon are assessed to be higher than those projected in December 2021. On the other hand, price pressures have intensified and hence, inflation is projected to pick-up more strongly than envisaged in the December 2021 round of projections.

Hospitality Sector

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 15.8% of Malta's GDP and 52,800 jobs or 21.1% of total employment[3].

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021. The pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates, and traveler confidence[4].

On a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019, however, recovery has been the strongest among the regions along with America in 2021, mainly thanks to the easing of restrictions during warmer months as the pandemic subsided. At the end of 2021, travel restrictions have been tightened again due to the appearance of the COVID-19 Omicron variant. Lockdowns were re-introduced, albeit not as strict as in the earlier stages of the pandemic. International travel in Europe however still suffered at the end of last year.

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

The unprecedented impact of the pandemic on the local tourism industry is demonstrated by the data below. Where during 2020 local inbound tourists fell from 2,753k to 659k 2020, a 76.1% drop YoY. Similarly, the industry experienced a decrease in tourist guest nights from 19,339k in 2019 to only 5,227 in 2020, which is a 73% drop YoY. In a similar fashion, total tourist expenditure plummeted by 79.5% in 2020 when compared with 2019.

In 2021, tourism rebounded in Malta, in line with the improvement of the tourism situation in Europe however the figures still largely lag behind 2019 figures. Statistics are only available until November of last year however we can still see that the number of inbound tourists already increased by 35.5% vs. 2020. Similarly, tourist guest nights increased by 45.7% until November when compared to full-year 2020. Total expenditure increased by 79.3% on the same basis.

3 WTTC 2020 Economic Impact report for Malta
4 https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels

The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category	2018	2019	2020	2021 Jan-Nov	2020 vs. 2021
Inbound tourists*	2,599	2,753	659	892	35.5%
Tourist guest nights*	18,570	19,339	5,227	7,614	45.7%
Avg. length /stay	7.1	7.0	7.9	6.9	-12.7%
Tourist expenditure**	2,102	2,221	455	816	79.3%
Tourist exp. per capita (€)	809	807	691	914	32.3%

*in thousands
**in € millions

As of early 2022, the pandemic is in its third year and is still ongoing. However, the World Health Organization is optimistic that the acute phase of the pandemic will come to an end this year, turning into an endemic disease with smaller outbreaks regularly returning but not in a hugely disruptive way. Countries worldwide expect a stronger tourist season this year when compared to 2021 but arrivals will still remain 30% below pre-pandemic levels and is expected to possibly be fully reached by 2023. Travelling will probably remain a very different experience in 2022. COVID-19 testing and some form of quarantine will be necessary and mask-wearing is forecasted to continue to be commonplace during this year[5]. In view of this, a HVS[6] report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

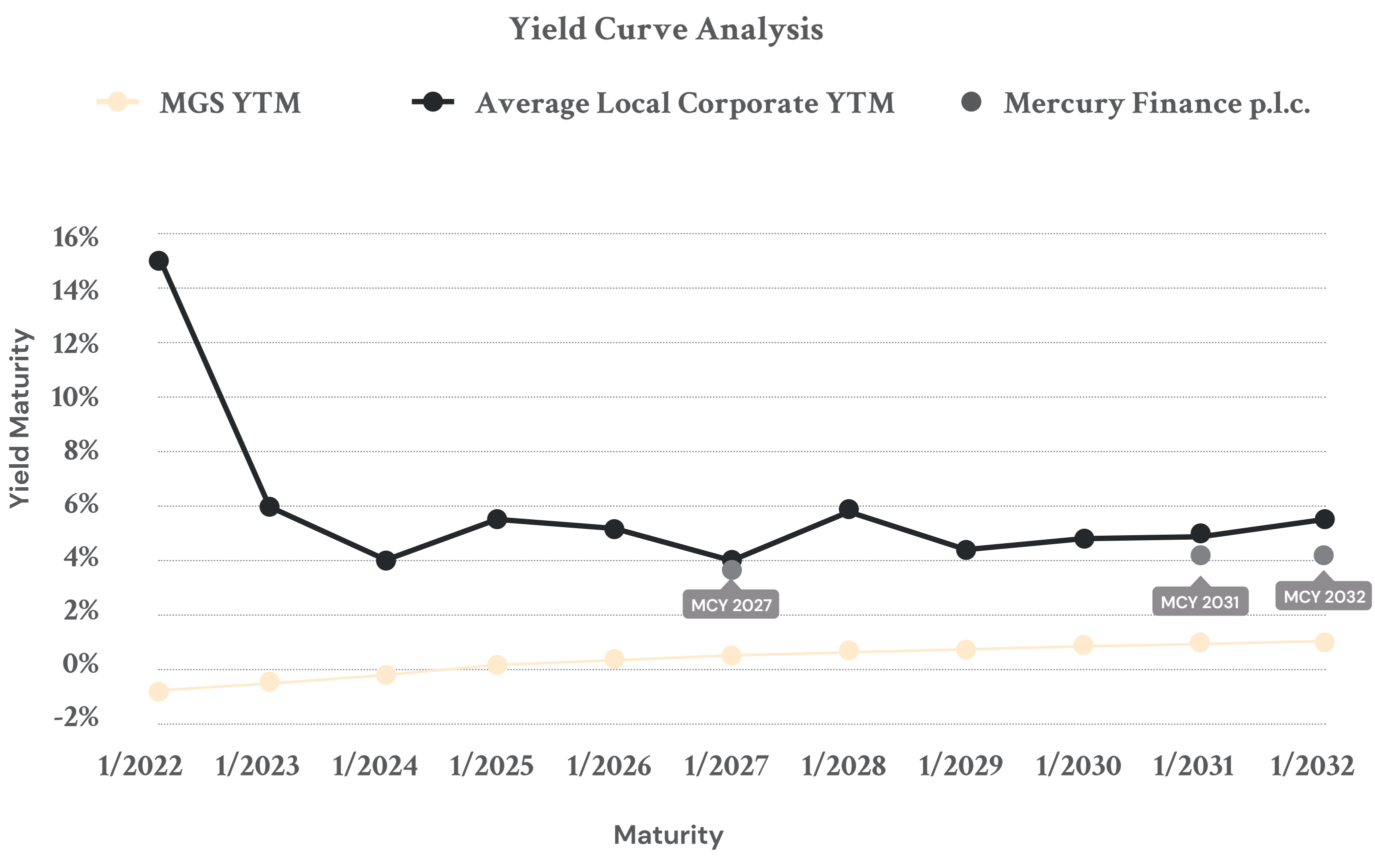
5 Economist Intelligence Unit – Tourism in 2022 report

6 HVS: The Impact of COVID-19 on the European Hotel Sector

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
5.8% International Hotel Investments p.l.c 2023	10,000	4.86%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
6% AX Investments Plc € 2024	40,000	5.47%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
4.4% Von der Heyden Group Finance p.l.c. Unsecured € 2024	25,000	4.14%	1.1x	135.0	41.0	69.6%	58.0%	27.2x	2.1x	-4.1%	-7.4%	-9.2%
6% International Hotel Investments p.l.c. € 2024	35,000	5.02%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
5% Tumas Investments p.l.c. Unsecured € 2024	25,000	4.11%	7.2x	229.6	137.5	40.1%	17.6%	1.6x	4.5x	8.3%	32.6%	-42.5%
5.75% International Hotel Investments p.l.c. Unsecured € 2025	45,000	5.40%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
4.5% Hili Properties p.l.c. Unsecured € 2025	37,000	3.74%	1.6x	149.6	62.7	58.1%	54.9%	14.6x	0.5x	6.8%	52.9%	-11.5%
4% MIDI plc Secured € 2026	50,000	3.21%	(.5)x	227.6	101.8	55.3%	37.8%	(64.5)x	2.9x	-2.1%	-75.1%	-89.8%
4% International Hotel Investments p.l.c. Secured € 2026	55,000	3.67%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
3.25% AX Group p.l.c. Unsec Bds 2026 Series I	15,000	3.25%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
3.75% Mercury Projects Finance p.l.c. Secured € 2027	11,500	3.53%	6.75x	69.4	24.3	65.0%	57.1%	5.3x	0.9x	210.3%	125.6%	119.2%
4.35% SD Finance p.l.c. Unsecured € 2027	65,000	4.15%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%
4% Eden Finance plc. Unsecured € 2027	40,000	3.78%	(.5)x	190.5	108.5	43.1%	31.8%	(51.4)x	0.9x	-4.3%	-39.2%	-73.1%
3.75% Tumas Investments p.l.c Unsecured € 2027	25,000	3.34%	7.2x	229.6	137.5	40.1%	17.6%	1.6x	4.5x	8.3%	32.6%	-42.5%
4% Stivala Group Finance p.l.c. Secured € 2027	45,000	3.60%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%
3.85% Hili Finance Company p.l.c. Unsecured € 2028	40,000	3.63%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	20.5%	4.6%	0.0%
3.65% Stivala Group Finance p.l.c. Secured € 2029	15,000	3.34%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%
3.8% Hili Finance Company p.l.c. Unsecured € 2029	80,000	3.80%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	20.5%	4.6%	0.0%
3.75% AX Group p.l.c. Unsec Bds 2029 Series II	10,000	3.73%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
4.25% Mercury Projects Finance p.l.c. Secured € 2031	11,000	4.25%	6.75x	69.4	24.3	65.0%	57.1%	5.3x	0.9x	210.3%	125.6%	119.2%
4.30% Mercury Projects Finance p..lc. Secured € 2032	50,000	4.30%	6.75x	69.4	24.3	65.0%	57.1%	5.3x	0.9x	210.3%	125.6%	119.2%
Average*		**4.01%**										

Source: Latest available audited financial statements

*Average figures do not capture the financial analysis of the Issuer



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As at 7 March 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 5-6 (2027-2028) years was 289 basis points. The 3.75% MCY PLC Secured Bonds 2027 are currently trading at a YTM of 353 basis points, meaning a spread of 315 basis points over the equivalent MGS. This means that this bond is trading at a discount of 11 basis points in comparison to the market.

As at 7 March 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 9-10 years was 253 basis points. The 4.25% MCY PLC Secured Bonds 2031 is currently trading at a YTM of 420 basis points, meaning a spread of 324 basis points over the equivalent MGS. This means that this bond is trading at a premium of 50 basis points in comparison to the market.

Meanwhile, the new proposed 4.3% Mercury bond is expected to be issued at a spread of 297 basis points over the equivalent MGSs. Moreover as at 7 March 2022 would be trading at a discount of 32 basis points in comparison to the market of comparable corporate bonds.

PART 4 _ GLOSSARY AND DEFINITIONS

INCOME STATEMENT

Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.

PROFITABILITY RATIOS

Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance). Specifically, this metric indicates how profitable a company is in relation to its total average assets.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/ Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.

Capex	Represents the capital expenditure incurred by the Group/ Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

BALANCE SHEET

Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

FINANCIAL STRENGTH RATIOS

Current Ratio	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debtused to finance total assets.

ANNEX III _ FINANCIAL ANALYSIS SUMMARY

Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/ Company to refinance its debt by looking at the EBITDA.

OTHER DEFINITIONS

Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.