

# SECURITIES NOTE

Dated 28 November 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:  
**€30,000,000 5% Secured Bonds 2028-2033**  
of a nominal value of €100 per Bond issued at par and redeemable at the Redemption Value  
ISIN: MT0002701200  
(the "Bonds") by



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## CF ESTATES FINANCE P.L.C.

a public limited liability company duly incorporated under the Laws of Malta with company registration number C 102839  
with the joint and several Guarantee\* of CF Estates Ltd.  
a private limited company registered in Malta with company registration number C 102632

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

Sponsor & Co-Manager



Registrar and Co-Manager



Security Trustee



Legal Counsel



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.

THESE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. 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 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 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

A blue ink signature of Francis Agius, written in a cursive style.

Francis Agius

in his capacity as director of the Issuer and for and on behalf of Stephen Muscat, Joseph Portelli, Peter Portelli and Mario Vella

## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY CF ESTATES FINANCE P.L.C. (THE "ISSUER") OF UP TO €30,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5% PER ANNUM, PAYABLE ON 6 JANUARY OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "BONDS"). THE ISSUER SHALL REDEEM THE BONDS AND PAY THE REDEMPTION VALUE THEREOF ON THE FULL-TERM REDEMPTION DATE OR A DESIGNATED EARLY 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 28 NOVEMBER 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.

AUTHORISED FINANCIAL INTERMEDIARIES MUST UNDERTAKE AN APPROPRIATENESS TEST WHERE THE BONDS ARE SOLD ON A NON-ADVISORY BASIS AND, WHEN PROVIDING ADVICE IN RESPECT OF A PURCHASE OF THE BONDS OR PURSUANT TO THE PROVISION OF PORTFOLIO MANAGEMENT SERVICES, A SUITABILITY TEST, ON PROSPECTIVE BONDHOLDERS IN ORDER TO BE SATISFIED THAT THE BONDS ARE A SUITABLE INVESTMENT FOR THE RESPECTIVE CLIENT, PRIOR TO EXECUTING A PURCHASE OF THE BONDS. THE ISSUER DISCLAIMS ANY AND ALL RESPONSIBILITY FOR ANY DEALINGS MADE, REPRESENTATIONS GIVEN OR PROCESSES ADOPTED BY AUTHORISED FINANCIAL INTERMEDIARIES IN THEIR EFFORT TO SELL OR PLACE BONDS OR TO RE-SELL BONDS SUBSCRIBED BY THEM.

**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 THE 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 THE PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THE 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 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 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:

<b>Applicant/s</b>	A person or persons, in the case of joint applicants, who subscribe(s) for the Bonds;
<b>Application</b>	The application to subscribe for Bonds made by an Applicant/s through any of the Authorised Financial Intermediaries pursuant to Placement Agreements;
<b>Appropriateness Test</b>	Shall have the meaning set out in Section 8.2 of this Securities Note;
<b>Authorised Financial Intermediaries</b>	The financial intermediary/ies whose details appear in Annex I to this document;
<b>Bond Issue Price</b>	The nominal value of each Bond, namely €100 per Bond;
<b>CSD or Central Securities Depository</b>	The Central Securities Depository of and operated by the Malta Stock Exchange set up and authorized in terms of the Financial Markets Act, 1990 (Cap. 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
<b>Interest Payment Date</b>	6 January of each year between and including each of the years 2024 and 2033 or, in the event of Early Redemption at the option of the Issuer, 6 January of each year between and including each of the years 2024 and the relevant Designated Early Redemption Date itself, 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;
<b>Issue Date</b>	Expected on 13 January 2023;
<b>MIFID II</b>	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);
<b>Placement Agreements</b>	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;
<b>Suitability Test</b>	Shall have the meaning set out in Section 8.2 of this Securities Note; and
<b>Terms and Conditions</b>	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

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THE VALUE OF INVESTMENTS FALL AS WELL AS RISE 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 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 as a complex financial instrument**

Debt instruments which may be redeemed by an issuer prior to their maturity date are considered as having an embedded call option, and the price of the bonds will take this factor into account. The Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of this early redemption component, the Bonds are deemed as complex financial instruments for the purposes of MIFID II. Accordingly, the Bonds are only suitable for investors who have the knowledge and experience to understand the risks related to the Bonds. Investors are urged to consult an investment advisor before investing in the Bonds.

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) is able to assess whether the Bonds meet its investment objectives;
- c) 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;
- d) understands thoroughly the terms of the Bonds; and
- e) 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.

### **Early redemption of the Bonds**

Any or all of the Bonds may be redeemed by the Issuer on a Designated Early Redemption Date on at least thirty (30) days' prior written notice to the relevant Bondholders. Once the Bonds are redeemed the relevant Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If Bonds are redeemed prior to the Full Term Redemption Date (6 January 2033) a Bondholder would not receive the same return on investment that it would have expected and received if they were held till full maturity, although if the Bonds are redeemed at any time between, and including, 6 January 2028 and 6 January 2030, a premium is payable on redemption thereof as set out in Section 6.7 of this Securities Note. In addition, Bondholders may not be able to re-invest the proceeds from an early redemption at yields that would have been received had they not been redeemed. This optional redemption feature may also have a negative impact on the market value of the Bonds.

### **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 sell his or her Bonds on the secondary market at or above the Bond Issue Price or at all. A trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including supply and demand factors in respect of the Bonds at any given time. These factors are in turn dependent upon the individual decisions of investors as well as market conditions over which the Issuer has no control. Many other factors outside the control of the Issuer may affect the trading market and value of the Bonds, including the time remaining to the maturity 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 company within the Group will have on the market price of the Bonds prevailing from time to time.

Furthermore, the outbreak of the COVID-19 pandemic in 2020, has resulted in a highly volatile economy. Other pandemics or infectious diseases which may arise in future may have similar consequences on the market. The exact nature of the risks of such pandemics and infectious diseases for, and their negative impact on, national economies and on individual businesses, including the Group's business, is difficult to forecast and to guard against and plan for, particularly in view of the uncertainty as to their respective



duration and reach. This volatility may also increase as a result of wars or conflicts between countries, including the current Russia – Ukraine armed 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.

#### Risks relating to inflation

Inflation is currently on the rise. Inflation is the rising level of prices for goods and services. It can have two negative impacts on those who invest in bonds. Inflation typically leads to a rise in short-term interest rates, and intermediate and longer-term rates also tend to go up as a consequence. This rise in interest rates will lead to a fall in the prices of bonds. Furthermore, inflation can wipe away the yields generated by a bond, in view of the loss of purchasing power brought about by inflation.

#### Continuing compliance obligations

Once the Bonds are listed, the Issuer is required to comply 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 the 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 Group and the Collateral**

#### Risks relating to the business of the Guarantor and the Group

The risk factors contained in Section 2.2 of the Registration Document, entitled "Risks relating to the Guarantor and the Group", apply to the business of the Guarantor and the Group. If any of the risks mentioned in Section 2.2 of the Registration Document were to materialise, they may have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Issuer-Guarantor Loan due to the Issuer and 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 and the Redemption Value due under the said Bonds by the Guarantor and the Special Hypothec.

The Bonds are being guaranteed by the Guarantor on a joint and several basis, and 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 Redemption Value of the 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, as well as by the amount of payments received by the Guarantor from other Group companies, in the form of payments under shareholders' loans or other advances made to them or in the form of dividends or otherwise.

### Risks relating to the Collateral constituted by the Special Hypothec over the Security Property and the value thereof

The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer but, in respect of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre 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 which the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will constitute over the Security Property respectively owned by them 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 has been valued for a total amount which is less than, and which is not sufficient to cover, the full Redemption Value of the Bonds and interest thereon. Accordingly, it is the intention that the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, although they will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan 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 relevant contractors against invoices for works on the said hotels comprised within the Security Property. As noted in the mentioned Section 6.2 of the Registration Document, the estimated value of such Security Property after completion of works will increase, 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 Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. in respect of the Security Property respectively owned by them, there can be no guarantee that the value of the said Security Property over the term of the Bonds will be and/or remain sufficient to cover the full amount of interest and Redemption Value 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. 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 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 that of the Security Property, as 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.

### Risks relating to ranking of special hypothecs forming part of the Collateral

The first ranking special hypothecs to be constituted by Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. over the Security Property respectively owned by them 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. In the Deed of Hypothec

by virtue of which *inter alia* Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will constitute the Special Hypothec, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will undertake to use their best endeavours to ensure that any of the contractors to be engaged by them in the completion of the Security Property respectively owned by them will waive their right to a special privilege. However, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. may not necessarily manage to obtain such waiver from the contractors and, furthermore, they may contract debts with other privileged creditors. Moreover, there may be contractors already engaged for works on such properties or any of them which already enjoy such special privilege over the respective property/ies according to law, although not yet registered in the Public Registry. In any such cases, privileged creditors will rank with preference to the Security Trustee in whose favour the Special Hypothec under the Collateral shall be constituted. As stated above, however, the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, will be retained in cash by the Security Trustee under trust, and will be paid to the relevant contractors against presentation of invoices, to ensure that such contractors are duly paid for their works, and thus avoid the need of registering and/or enforcing their privileged rights.

### **3. PERSONS RESPONSIBLE AND CONSENT FOR USE**

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#### **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 3.1 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

#### **3.2 *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 the 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 & Co-Manager, the Registrar & Co-Manager 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 the 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 the 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 the 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.cf.com.mt](http://www.cf.com.mt).

## 4. ESSENTIAL INFORMATION

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### 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 9.5 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**"). The Issuer-Guarantor Loan will bear interest at 6% *per annum* payable on 2 January of each year, and the outstanding loan amount thereof shall be repayable by not later than 2 January 2033: provided that where the Issuer exercises its discretion to redeem the Bonds earlier than the Full Term Redemption Date, on a Designated Early Redemption Date at any time from and including 6 January 2028 at the Redemption Value, by giving at least thirty (30) days' notice to the Bondholders as provided in Section 6.7 of this Securities Note, then the Issuer-Guarantor Loan shall become repayable in full upon request in writing made by the Issuer to the Guarantor at the relevant time by giving not less than twenty (20) days' notice to the said Guarantor.

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. **Conversion of Existing Secured Notes into Bonds:** an amount of up to €3,605,000 will be used to finance the conversion of Existing Secured Notes into Bonds as provided in Section 8.2 of this Securities Note, whereby Existing Noteholders who exercise their right to have any of their Existing Secured Notes converted into Bonds pursuant to the Existing Secured Notes Conversion shall have such Existing Secured Notes redeemed as of the Issue Date in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of the relevant Existing Secured Notes being converted, based on a redemption value of €103 per Existing Secured Note;
- ii. **Re-financing of Relevant Bank Loans:** an amount of *approximately* €11,300,000 will be used to re-finance the outstanding Relevant Bank Loans due by Ratcon Ltd. to BNF Bank plc and by Mistral Hotel Ltd. and Haven Centre Ltd. respectively to MeDirect Bank (Malta) plc, which bank loans were originally principally utilised to finance part of the development costs, including site acquisition costs, relating to the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel, and to the CF Business Centre, and which Relevant Bank Loans are secured *inter alia* by the Bank Security Interests over the Security Property or parts thereof;
- iii. **Re-financing of outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022:** an amount equivalent to the difference between €3,605,000 and the amount used to finance the conversion of Existing Secured Notes into Bonds as referred to in paragraph (i) above (where not all Existing Noteholders choose to have all their Existing Secured Notes converted into Bonds), shall be used to re-finance the outstanding indebtedness remaining after such conversion under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor. The amount so used to re-finance such outstanding indebtedness under the said loan agreement will be held by the Issuer and used by the Issuer to finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;

- iv. **Development costs of the Hotels:** an amount of approximately €2,800,000 will be used to finance the remaining development (completion and finishing) costs of the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel;
- v. **Development costs of certain residential projects:** an amount of *approximately* €4,200,000 will be used to finance part of the development costs, including part of acquisition costs paid or payable in respect of the respective sites, of the following residential projects described in Section 5.2 of the Registration Document, namely: (a) the Mayfair residences in Attard, (b) the Macael Apartments in Paola, (c) the Sunrise Corner in Swatar, and (d) the Vermont Court in Pieta'; and
- vi. **General corporate funding:** the amount of *approximately* €8,095,000 together with any residual amounts not utilised for the purposes identified in paragraphs (i) to (v) 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 shall be drawn down as follows:

- a) the amount to be used to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc will be deemed immediately drawn down upon execution of the said Deed of Hypothec creating the Issuer-Guarantor Loan;
- b) an amount equivalent to the conversion amount of the Existing Secured Notes subject to an Existing Secured Notes Conversion, namely the redemption value of €103 per converted Existing Secured Note less any Conversion Amount Adjustment Cash Payment, shall automatically, by virtue of the issue of the relevant Bonds (at their nominal value) pursuant to such conversion, be deemed and treated as part of the proceeds of the Bonds and be deemed and treated to form part of the Issuer-Guarantor Loan and to have been drawn down upon such issue of the relevant Bonds, and a corresponding amount shall automatically be deemed and be treated to be repaid under the indebtedness outstanding under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor;
- c) an amount equivalent to the difference between €3,605,000 and the amount referred to in paragraph (b) above shall be advanced by the Security Trustee to the Issuer upon request, and shall be held by the Issuer as security for the eventual repayment by the Guarantor of any remaining outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor, so as to enable the Issuer to eventually finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;
- d) the amount of such loan facility which is intended to be used to finance the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) 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, in order to pay invoices for completion and finishing works on the said hotels owned by the respective Group companies, as such invoices are received from the relevant contractors of such works and against presentation of such invoices, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the Deed of Hypothec creating the Issuer-Guarantor Loan, for the full or any part of the amounts for works on the hotels within the Security Property already invoiced by but not yet paid to the relevant contractors at any time up to the execution of the said Deed of Hypothec. The said drawdowns will not be paid by the Security Trustee to the Guarantor, but will be paid by the Security Trustee directly to the respective contractors in satisfaction of the relevant invoices. The drawdown requests and payments so made to satisfy invoices for works on the hotels comprised within the Security Property as aforesaid 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, and the payment of the relevant invoices to the contractors 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;
- e) the balance, less those funds required to fund the expenses of the Bond Issue, will be advanced in one or more subsequent drawdowns following a request by the Guarantor to the Issuer, whereupon the Security Trustee shall be requested and directed to release the respective amount/s to or to the order of the Guarantor;
- f) such part of the loan facility which is required by the Guarantor to fund the expenses of the Bond Issue, which the Guarantor has agreed to bear itself, which are expected to amount to approximately €600,000, shall be forwarded by the Registrar to or to the order of the Issuer upon request.

For the avoidance of doubt, the Issuer shall be entitled and obliged, and will be irrevocably authorized and directed by the Guarantor under the Deed of Hypothec, to apply the amount of the Issuer-Guarantor Loan held as security by the Issuer as referred to in paragraph (c) above in satisfaction and settlement of the outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 remaining after the conversion of Existing Secured Notes into Bonds under an Existing Secured Notes Conversion,

upon such remaining outstanding indebtedness becoming due in terms of such loan agreement dated 31 August 2022, whereupon the said outstanding indebtedness so settled shall cease to exist and the Guarantor shall be discharged from its obligations under the loan agreement dated 31 August 2022 in respect of such settled outstanding indebtedness.

It is expected that within 12 Business Days from the closing of the Offer Period, the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd., Haven Centre Ltd., the Security Trustee, BNF Bank plc and MeDirect Bank (Malta) plc shall appear on the Deed of Hypothec to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc and consequently obtain the cancellation of the Bank Security Interests over the Security Property or parts thereof securing the said Relevant Bank Loans. Pursuant to such Deed of Hypothec, the Security Trustee will concurrently obtain from Ratcon Ltd., Mistral Hotel Ltd. and the Haven Centre Ltd. the Special Hypothec over the Security Property respectively owned by them, and the Issuer will agree to make the Issuer-Guarantor Loan to the Guarantor, namely to make available a loan facility in the total amount equal to the proceeds from the Bond Issue.

The sale or other realization proceeds of any real estate projects of the Group, including projects which are to any extent financed by the proceeds of the Bond Issue, may upon the future completion and realization of such projects, be employed by the Group for the acquisition of sites and for the development of new projects as deemed commercially appropriate and feasible by the Group. The Guarantor will however undertake towards the Issuer in the Deed of Hypothec, as a condition of the Issuer-Guarantor Loan, that the Guarantor will ensure, in its capacity as parent company of the Group, that no such new real estate development projects will be entered into at any time whilst the Issuer-Guarantor Loan is outstanding if in the reasonable opinion of the Guarantor the execution thereof and the projected revenue flow therefrom and the timing thereof are likely to jeopardise the timely payments under the Bonds. Furthermore, the Issuer-Guarantor Loan will also be made on the condition, as contained in the Deed of Hypothec, that the Guarantor must ensure that any new real estate development projects to be so undertaken by the Group and by any single Group company from time to time whilst the Issuer-Guarantor Loan is outstanding shall satisfy certain parameters and conditions agreed to between the parties mainly intended to ensure the necessary liquidity within the Group to be able to satisfy its payment obligations arising from time to time, including payment obligations under the Bonds, and the Guarantor shall be required to seek and obtain the prior approval of the Issuer in respect of, and before the Group unconditionally commits to, any proposed new project which is expected not to meet the said parameters and conditions.

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 12 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 Bond Issue proceeds shall be returned to the investors, as provided below. 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.

Accordingly, following the Bond Issue, all proceeds of the Bond Issue, less the funds required to fund the expenses of the Bond Issue which are expected to amount to approximately €600,000, and less such portion of the proceeds of the Bond Issue representing the conversion amount of converted Existing Secured Notes, shall be forwarded by the Registrar to and shall be held by the Security Trustee who shall, save for the payment of the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc on the Deed of Hypothec, retain all remaining Bond Issue proceeds until (i) it receives appropriate assurance that publication and registration of the Deed of Hypothec and the Special Hypothec constituted thereunder will be effected and (ii) confirmation that the Bonds will be admitted to the Official List of the Malta Stock Exchange by no later than 13 January 2023 is communicated to the Security Trustee.

Once the aforesaid conditions are satisfied, the Security Trustee shall release the Bond Issue proceeds in its possession remaining after payment of the Relevant Bank Loans on the Deed of Hypothec as aforesaid, as follows:

- the portion of proceeds representing the amount set out in paragraph (c) above (namely an amount equivalent to the difference between €3,605,000 and the amount referred to in paragraph (b) above) shall be advanced by the Security Trustee to the Issuer upon request;
- the portion of proceeds which is intended to be used to finance the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) above, will be retained by the Security Trustee, and will be paid by the Security Trustee, upon drawdown request/s by the Guarantor, to the relevant contractors in settlement of and against presentation of invoices for completion and finishing works on the hotels within the Security Property owned by the respective Group companies, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the Deed of Hypothec creating the Issuer-Guarantor Loan, for the full or any part of the amounts for works on the hotels comprised within the Security Property already invoiced by but not yet paid to the relevant contractors at any time up to the execution of the said Deed of Hypothec, all as provided in paragraph (d) above;
- the balance will be advanced by the Security Trustee to or to the order of the Guarantor as instructed by the Issuer, following a request by the Guarantor to the Issuer.

The funds required to fund the expenses of the Bond Issue, which the Guarantor has agreed to bear itself and will form part of the Issuer-Guarantor Loan, which are expected to amount to approximately €600,000, shall remain with the Registrar and will not be forwarded to the Security Trustee, but shall instead be forwarded by the Registrar to or to the order of the Issuer upon request at any time following the satisfaction of the conditions referred to above.

#### **4.3 Funding of developments from other sources**

Assuming that the Bond Issue is fully subscribed, it is anticipated that:

- a) the net proceeds of such Bond Issue will be sufficient to fund the completion and finishing of the hotels within the Group and will also be sufficient to settle other financing outstanding in respect of the CF Business Centre;
- b) the full development and completion of the residential development projects mentioned in paragraph (v) of Section 4.2 above are anticipated not to be fully covered by the net proceeds of the Bond Issue and it is anticipated that a total amount of approximately €12,538,000 will need to come from other sources. Such sources are anticipated to be mainly the existing bank loans taken out to finance the same.

#### **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 €600,000. 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, 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; 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 by the CSD.

The Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre 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 applicable Redemption Value of the Bonds on the Redemption Date and interest thereon on the 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.

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. The Security Trustee is also authorised to deal or allow the Group to deal with the Security Property and to allow or give effect to a reduction, cancellation and creation or otherwise redefinition of the special hypothec/s burdening any elements of the Security Property or a substitution of any part of the Security Property with another immovable property owned by the Group, always with due regard to the interests of all the Bondholders and with due protection to their interests, as further explained in Section 6.3 of this Securities Note.

## 5. OFFER STATISTICS

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<b>Issue:</b>	€30,000,000 5% Secured Bonds 2028-2033.
<b>Amount:</b>	€30,000,000.
<b>Form:</b>	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.
<b>Denomination (currency):</b>	Euro (€).
<b>ISIN:</b>	MT0002701200.
<b>Bond Issue Price:</b>	At par, namely €100 per Bond.
<b>Minimum amount per subscription:</b>	Minimum of €5,000 and integral multiples of €100 thereafter.
<b>Offer Period:</b>	The period commencing at 08:00 hours on 30 November 2022 and ending at 12:00 hours on 28 December 2022, both days included.
<b>Plan of Distribution:</b>	The Bonds are open for subscription by all categories of investors, subject always to the allocation preference which shall be given to Existing Noteholders in subscribing for Bonds pursuant to an Existing Secured Notes Conversion as set out in Sections 8.2, 8.3 and 8.6 below.



<p><b>Allocation Policy:</b></p>	<p>i. The Existing Noteholders may elect to convert all or any of the Existing Secured Notes held by them respectively into Bonds pursuant to an Existing Secured Notes Conversion, at their discretion, subject to the minimum subscription amount of Bonds per investor of €5,000.</p> <p>Such election shall be made by written Application by the relevant Existing Noteholder through an Authorised Financial Intermediary, within the Offer Period for the Existing Secured Notes Conversion.</p> <p>Where such election is made, the conversion shall take place on the Issue Date by the redemption of the relevant Existing Secured Notes held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of Existing Secured Notes, on the basis of €103 per Existing Secured Note, held by the relevant Existing Noteholder and being converted as aforesaid.</p> <p>Any Existing Noteholder whose holding of Existing Secured Bonds has a total redemption value, based on €103 per Existing Secured Note, of less than the minimum subscription amount of Bonds per investor of €5,000, shall be required to pay the difference in cash (“<b>Cash Top-Up</b>”).</p> <p>Furthermore, where the aggregate redemption value of Existing Secured Notes subject to an Existing Secured Notes Conversion, based on a redemption value of €103 per Existing Secured Note, is not an integral multiple of €100, the amount representing the difference between such aggregate redemption value and such part of such aggregate redemption value which constitutes the greatest possible integral multiple of €100, shall be paid in cash by the Issuer to the relevant Existing Noteholder by way of Conversion Amount Adjustment Cash Payment within ten (10) Business Days from the Issue Date, unless the said Existing Noteholder elects to top up the conversion amount to an integral multiple of €100 by a payment in cash made by such Existing Noteholder (also referred to as a “<b>Cash Top-Up</b>”).</p> <p>Bonds applied for by Existing Noteholders by way of, and which will be issued pursuant to, an Existing Secured Notes Conversion (including such part thereof to be issued in consideration of a Cash Top-Up as aforesaid) shall be allocated prior to any other allocation of Bonds. Such allocation shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.</p> <p>ii. Following the allocation in terms of (i) above, the Issuer will be allocating the remaining amount of Bonds to Authorised Financial Intermediaries indicated in Annex I of this Securities Note pursuant to the Placement Agreements entered into or to be entered into by them with the Issuer, whereby such Authorised Financial Intermediaries may subscribe for Bonds for their own account (where applicable) or for the account of underlying customers, including retail customers.</p>
<p><b>Redemption Date:</b></p>	<p>6 January 2033, being the Full Term Redemption Date, or a Designated Early Redemption Date, whichever is the earlier.</p>
<p><b>Designated Early Redemption Date</b></p>	<p>The Issuer shall be entitled, at its sole option, to redeem all or part of the Bonds and prepay the Redemption Value thereof on any date falling between 6 January 2028 and 6 January 2033, together with all interests accrued thereon up to such date, by giving not less than 30 days’ notice to the Bondholders.</p>

<b>Redemption Value:</b>	<p>If the Redemption Date occurs:</p> <ol style="list-style-type: none"> <li>i. at any time between, and including, 6 January 2028 and 5 January 2029, the amount of €102.50 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 2.5%;</li> <li>ii. at any time between, and including, 6 January 2029 and 5 January 2030, the amount of €101.25 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 1.25%; and</li> <li>iii. at any time after 6 January 2030, the amount of €100 per Bond, being the nominal value of such Bond.</li> </ol>
<b>Status of the Bonds:</b>	<p>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 <i>pari passu</i>, without any priority or preference among themselves, and shall rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer. The Bonds shall be guaranteed in respect of both the interest and the Redemption Value due under said</p> <p>Bonds by the Guarantor in terms of the Guarantee and secured by the Special Hypothec to be constituted by Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. on the Security Property respectively owned by them. In respect of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre 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 Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., by virtue and to the extent of the first ranking special hypothec over the respective Security Property which they will respectively constitute in favour of the Security Trustee for the benefit of the Bondholders.</p>
<b>Guarantee</b>	The joint and several guarantee dated 28 November 2022 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue.
<b>Status of the Guarantee</b>	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank <i>pari passu</i> with all its other unsecured and unsubordinated obligations.
<b>Listing:</b>	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.
<b>Placement Agreements:</b>	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 whereby an aggregate amount of €30,000,000 in nominal value of the Bonds (inclusive of those to be issued pursuant to an Existing Secured Notes Conversion) shall be made available for subscription to such Authorised Financial Intermediaries, for their own account or on behalf of their clients.
<b>Interest:</b>	5% per annum, on the nominal value of each Bond.
<b>Interest Payment Date(s):</b>	Annually on 6 January as from 6 January 2024, being the first Interest Payment Date, with the last Interest Payment Date being effected on the Redemption Date.
<b>Governing Law:</b>	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

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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 5% Secured Bonds 2028-2033 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €30,000,000, except as otherwise provided under Section 6.12 of this Securities Note "Further Issues".

The Issue Date of the Bonds is expected to be 13 January 2023. 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 or before 13 January 2023 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: MT0002701200.
- d) Unless previously purchased and cancelled, the Bonds shall be redeemable at the applicable Redemption Value on the Redemption Date, whether a Full Term Redemption Date or a Designated Early Redemption Date, whichever is the earlier.
- 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) In view of the early redemption component, the Bonds are complex financial instruments for the purposes of MIFID II. Accordingly, the Bonds may only be suitable for investors who have the knowledge and experience to understand the risk related to this type of financial instrument.
- i) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of the Redemption Value and interest and in accordance with the ranking specified in Section 6.3 hereunder.
- j) 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 and shall rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

#### **Guarantee**

The Bonds shall be guaranteed in respect of both the interest due and the Redemption Value 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 Redemption Value 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**

In respect of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre 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 Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., by virtue and to the extent of the first ranking special hypothec over the Security Property respectively owned by them which they will constitute in favour of the Security Trustee for the benefit of the Bondholders.

Pursuant to the Trust Deed, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., have agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries, a special hypothec over the Security Property respectively owned by them.

The special hypothec in respect of the Security Property, which will be constituted by virtue of the Deed of Hypothec, will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders as beneficiaries, for the repayment of the Redemption Value and interest under the Bonds by a preferred claim over the said Security Property.

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 the full Redemption Value of the Bonds issued, for the benefit of Bondholders.

In the event of the enforcement of the Collateral, Bondholders shall be paid out of the said Security Property in priority to other creditors, except for privileged creditors. During the course of development and/or completion of the Security Property or any of them, situations may arise whereby the architects, contractors or suppliers may become entitled by law to register a special privilege over the Security Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect, in the Deed of Hypothec, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will undertake to use their best endeavours to ensure that any of the contractors to be engaged by them in the completion of the Security Property respectively owned by them will waive their right to a special privilege. However, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. may not necessarily manage to obtain such waiver from the contractors and, furthermore, they may contract debts with other privileged creditors. Moreover, there may be contractors already engaged for works on such properties or any of them which already enjoy such special privilege over the respective

property/ies according to law, although not yet registered in the Public Registry. In any such cases, privileged creditors will rank with preference to the Security Trustee in whose favour the Special Hypothec under the Collateral shall be constituted. The proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, will however be retained in cash by the Security Trustee under trust, and will be paid to the relevant contractors against presentation of invoices, to ensure that such contractors are duly paid for their works, and thus avoid the need of registering and/or enforcing their privileged rights.

In terms of the Security Trust Deed, the parties thereto have agreed that (a) at any time before the Collateral shall have become enforceable and the Security Trustee shall have determined or become bound to enforce the same, the Security Trustee may at the cost and request of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. or any of them and with due regard to the interests of all the Bondholders do or concur with any of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. in doing certain transactions in respect of the Security Property or part thereof, including without limitation, the sale, letting, exchange, surrender, development, dealing with or exercise any rights in respect of all or any part of the Security Property upon such terms or for such consideration or in any such manner as the Security Trustee may think fit, always having due regard to the interests of the Bondholders; and (b) the Security Trustee retained the discretion and/or right, upon a request of the Issuer or any of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., to reduce, cancel and create or otherwise redefine the special hypothec/s burdening any elements of the Security Property or to substitute any part of the Security Property with another immovable property owned by the Group or some affiliated company, subject to a property valuation report by an independent architect to be appointed by the Issuer or by the Guarantor or by any of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. with the consent of the Security Trustee, confirming that the value of the elements of the Security Property as redefined, reconfigured or relocated (including through substitution of any part thereof with another immovable property as aforesaid) is at least equal to the Redemption Value of the outstanding Bonds in issue at the relevant time. Under the Security Trust Deed the Security Trustee also reserves the right to demand further immovable property owned by the Group as Security Property should at any given time the value of the Security Property, which shall be determined pursuant to an architect's independent valuation report, by an independent architect to be appointed by the Issuer or the Group with the consent of the Security Trustee, together with the value of any bond proceeds still held by the Security Trustee at the relevant time, be lower than the Redemption Value of outstanding Bonds in issue at the relevant time.

#### **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 6 January 2023 at the rate of 5% *per annum* on the nominal value thereof, payable annually in arrears on each Interest Payment Date.

The first interest payment will be effected on 6 January 2024, covering the period 6 January 2023 to 5 January 2024, and then annually thereafter on 6 January of each calendar year, with the last interest payment being effected on the Redemption Date, whether the Full Term Redemption Date or, as the case may be, in case of an Early Redemption, a Designated Early Redemption Date, covering the period from the day next succeeding the immediately preceding Interest Payment Date to the applicable 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 is calculated on the basis of the interest on the Bonds, the Bond Issue Price and the Redemption Value of the Bonds. The table below illustrates the gross yield at different Redemption Dates:

Year	Redemption Price	Yield
2028	102.50%	4.432%
2029	101.25%	4.756%
2030 and thereafter	100.00%	5.000%

## 6.7 Redemption and purchase

Unless previously purchased and cancelled the Bonds will be redeemed at the applicable Redemption Value together with interest accrued to the respective date fixed for redemption) on the Redemption Date, whether the Full Term Redemption Date or, as the case may be, in case of an Early Redemption, a Designated Early Redemption Date.

The Issuer shall be entitled, at its sole option, to redeem all or part of the Bonds and prepay the Redemption Value thereof on any date falling between 6 January 2028 and 6 January 2033, a Designated Early Redemption Date, together with all interests accrued thereon up to such date, by giving not less than 30 days' notice to the Bondholders.

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.

On or after 2028, the Issuer may on and any time redeem all of the Bonds as follows:

Year	Redemption Price
2028	102.50%
2029	101.25%
2030 and thereafter	100.00%

## 6.8 Payments

Payment of the Redemption Value 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. 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 Redemption Value 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. 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 Redemption Value 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 Redemption Value 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, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. declare the Bonds to have become immediately due and repayable at their applicable Redemption Value 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, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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 Redemption Value owing in respect of the Bonds;
- j) it becomes unlawful at any time for the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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, Ratcon Ltd., Mistral Hotel Ltd. and/or Haven Centre Ltd., as applicable;
- l) the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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 applicable Redemption Value 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, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre 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, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre 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, namely 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 the Redemption Value, 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 4 November 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 4 November 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 28 November 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 providing such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

### **6.19 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, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and/or Haven Centre 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**

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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%, or 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 ("Foreign Account Tax Compliant Act") – 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**

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### **8.1 Expected timetable**

1	Opening of Offer Period for Placements:	30 November 2022
2	Placement Date:	28 December 2022
3	Commencement of interest:	6 January 2023
4	Announcement of basis of acceptance:	6 January 2023
5	Dispatch of allotment letters:	9 January 2023
6	Latest date of constitution of special hypothecs on Security Property:	13 January 2023
7	Latest date of admission of Bonds to listing:	13 January 2023
8	Latest date of commencement of trading in the Bonds:	16 January 2023

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 12 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) The Bonds may be applied for by all categories of investors, but Existing Noteholders shall have a preference in the allocation of Bonds pursuant to an Existing Secured Notes Conversion.

The Existing Noteholders may elect to convert all or any of the Existing Secured Notes held by them respectively as of the Cut-Off Date into Bonds pursuant to an Existing Secured Notes Conversion, at their discretion, subject to the minimum subscription amount of Bonds per investor of €5,000.

Such election shall be made by written Application for Bonds to be issued pursuant to such conversion made by the relevant Existing Noteholder through an Authorised Financial Intermediary, within the Offer Period for the Existing Secured Notes Conversion as set out in Section 8.1 above.

Where such election is made, the conversion shall take place on the Issue Date by the redemption of the relevant Existing Secured Notes held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of Existing Secured Notes, on the basis of €103 per Existing Secured Note, held by the relevant Existing Noteholder and being converted as aforesaid.

Any Existing Noteholder whose holding of Existing Secured Bonds has a total redemption value, based on €103 per Existing Secured Note, of less than the minimum subscription amount of Bonds per investor of €5,000, shall be required to pay the difference in cash ("**Cash Top-Up**").

Furthermore, where the aggregate redemption value of Existing Secured Notes subject to an Existing Secured Notes Conversion, based on a redemption value of €103 per Existing Secured Note, is not an integral multiple of €100, the amount representing the difference between such aggregate redemption value and such part of such aggregate redemption value which constitutes the greatest possible integral multiple of €100, shall be paid in cash by the Issuer to the relevant Existing Noteholder by way of Conversion Amount Adjustment Cash Payment within ten (10) Business Days from the Issue Date, unless the said Existing Noteholder elects to top up the conversion amount to an integral multiple of €100 by a payment in cash made by such Existing Noteholder (also referred to as a "**Cash Top-Up**").

Bonds applied for by Existing Noteholders by way of, and which will be issued pursuant to, an Existing Secured Notes Conversion, including such part thereof to be issued in consideration of a Cash Top-Up as aforesaid, shall be allocated prior to any other allocation of Bonds. Such allocation shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.

Subject to any Conversion Amount Adjustment Cash Payment payable to the relevant Existing Noteholders, upon such issue of Bonds to and simultaneous redemption of Existing Secured Notes held by an Existing Noteholder pursuant to an Existing Secured Notes Conversion as aforesaid, the redeemed Existing Secured Notes shall be cancelled and the appropriate entry made in the Issuer's register of debentures, and the Issuer shall be fully discharged from its obligations towards the Existing Noteholders under the Offering Memorandum or otherwise in respect of the redeemed Existing Secured Notes which obligations will be extinguished, and the issue of such Bonds pursuant to such Existing Secured Notes Conversion shall give rise to obligations on the part of the Issuer under the Bonds in terms of the Prospectus. By submitting the relevant Application for the subscription of Bonds pursuant to and the actual election for the Existing Secured Notes Conversion, the relevant Existing Noteholder confirms the above, apart from other confirmations, declarations, warranties, covenants or undertakings provided, given or made or deemed to be provided, given or made by him/her within or together or pursuant to or by submitting an Application.

Any Existing Secured Notes which are not converted into Bonds as aforesaid shall be redeemed upon the redemption date or early redemption date of such Existing Secured Notes in terms of the Offering Memorandum.

An Application for Bonds other than through an Existing Secured Notes Conversion as aforesaid shall be made through an Authorised Financial Intermediary, within the Offer Period for other Applications as set out in Section 8.1 above. Such Applications may be accepted

at the discretion of the respective Authorised Financial Intermediary and will form part of placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary.

- c) 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.
- d) 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 (q) 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 or in connection with such contract or any non-contractual matter arising out of 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.
- e) 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.
- f) 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.
- g) 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 payment of the Redemption Value 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.
- h) Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption 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.

- i) 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.
- j) No person receiving a copy of the Prospectus or an Application 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 used and the Application could lawfully be made without contravention of any registration or other legal requirements.
- k) 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 advisors, including tax and legal advisors, 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 any applicable laws or regulations of foreign jurisdictions.
- l) 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.
- m) 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, except where and to the extent that the Application relates to the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion. 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.
- n) 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.
- o) 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.
- p) By not later than 6 January 2023, the Issuer shall, through an announcement to be uploaded on the Issuer's website, namely [www.cf.com.mt](http://www.cf.com.mt), announce the result of the Bond Issue and shall determine the basis of acceptance of applications and allocation policy to be adopted.
- q) 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, in terms of applicable law. 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.
- r) Applications are to be made with or through Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice or portfolio management in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term "**Appropriateness Test**" means the test conducted by any licensed financial intermediary, when providing an investment service, other than investment advice or portfolio management, in relation to the subscription for and the trading of Bonds, with the aim that such licensed financial intermediary determines, after collecting the necessary information, whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with the Conduct of Business Rulebook issued by the MFSA (the "CBR"). In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the subscription or transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall warn the Applicant or transferee that an investment in the Bonds is not appropriate for the Applicant or transferee.

For the purpose of this Securities Note, the term "**Suitability Test**" means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with the CBR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria: a) it

meets the investment objectives of the Applicant or prospective transferee in question; b) it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and c) it is such that the Applicant or prospective transferee has the necessary experience and knowledge in the investment field relevant to the specific type of product or service in order to understand the risks involved in the transaction or in the management of his/her portfolio.

### **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 €30 million 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.

The Bonds will be available for subscription by all categories of investors including the general public, subject always to the allocation preference which shall be given to Existing Noteholders in subscribing for Bonds pursuant to an Existing Secured Notes Conversion as set out in Sections 5, 8.2 and 8.6 of this Securities Note. The preferred allocation to Existing Noteholders, shall be limited up to the holding in the Existing Secured Bonds subject to Cash Top-Ups where applicable. Such allocation to Existing Noteholders pursuant to an Existing Secured Notes Conversion shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.

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.

In the event that an Authorised Financial Intermediary considers, on the basis of the results of the Appropriateness Test conducted, that the subscription of Bonds is not appropriate for the Applicant, it shall warn the Applicant that an investment in the Bonds is not appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

It is expected that Applicants will be notified of the amount of Bonds allocated to them respectively by means of an allotment letter to be sent within five (5) Business Days of the announcement of the result of the Bond Issue.

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

### **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 a maximum aggregate amount of €30 million in nominal value of Bonds.

In terms of each 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 terms and 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, except where and to the extent that the Applications being received through the relevant Authorised Financial Intermediary relate to the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion, in which case no cash payments will be received and forwarded by the relevant Authorised Financial Intermediary.

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 28 December 2022 at 12:00 hours, being the Placement Date. In any case, each underlying Application is subject to a minimum of €5,000 in Bonds and in multiples of €100 thereafter.

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, except such part thereof being subscribed in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion, 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, save where and to the extent that the Application is for the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion.

### **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 €30 million in nominal value of Bonds being issued, details of which can be found in Section 8.4 above.

Out of the amounts attributed respectively to the Authorised Financial Intermediaries pursuant to such Placement Agreements, preference of allocation shall be given to Existing Noteholders who apply, and to the extent that they are applying, for subscription of Bonds by way of, and in consideration for redemption of Existing Secured Notes pursuant to, an Existing Secured Notes Conversion, including such part thereof to be issued in consideration of a Cash Top-Up as provided in Sections 5 and 8.2. The preferred allocation to Existing Noteholders, shall be limited up to the holding in the Existing Secured Bonds subject to Cash Top-Ups where applicable.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 6 January 2023.

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 28 November 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 13 January 2023 and trading is expected to commence on 16 January 2023.

### **8.8 Additional Information**

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

The financial analysis summary has been included in the form and context in which it appears with the authorisation of 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 this 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 - LIST OF AUTHORISED FINANCIAL INTERMEDIARIES

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### **Bank of Valletta p.l.c.**

Premium Banking Centre  
475, Triq il-Kbira San Guzepp  
Sta Venera SVR 1011, Malta  
(C 2833)  
Tel: 22751732

### **Calamatta Cuschieri Investment Services Limited**

Ewropa Business Centre,  
Triq Dun Karm,  
Birkirkara BKR 9034, Malta  
(C 13729)  
Tel: 25688688

### **MeDirect Bank (Malta) p.l.c.**

The Centre,  
Tigne` Point  
Sliema TPO 0001  
(C 34125)  
Tel: 25574400

### **Michael Grech Financial Investment Services Limited**

The Brokerage,  
St Marta Street,  
Victoria VCT 2550, Gozo  
(C 28229)  
Tel: 22587000

## ANNEX II - GUARANTEE

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THIS GUARANTEE and INDEMNITY AGREEMENT is dated 28 November 2022 and made between:

- i. **CF Estates Ltd.**, a company incorporated under the laws of Malta with registration number C 102632 and whose registered office is at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta, (the "**Guarantor**") represented by \_\_\_\_\_ as duly authorized;
- ii. **CSB Trustees & 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. CF Estates Finance p.l.c. (the "**Issuer**") shall issue up to €30,000,000 Secured Bonds at an annual interest rate of 5% to be redeemed and finally repaid on 6 January 2033 or, at the discretion of the Issuer, earlier, at any time after 6 January 2028 (the "**Secured Bonds**") by virtue of, and subject to the terms and conditions of, a prospectus dated 28 November 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 the Redemption 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 amount 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 (7<sup>th</sup>) 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: CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta

E-mail address: info@cf.com.mt

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:

## **10. 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.

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duly authorised, on behalf of **CF Estates Ltd. (Guarantor)**

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



The Directors  
CF Estates Finance p.l.c.  
CF Business Centre,  
Level 1, Triq Gort, Paceville,  
San Giljan, STJ 9023,  
Malta

28 November 2022

**Re: Financial Analysis Summary – 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 CF Estates Finance p.l.c. (the “**Issuer**”) as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the year ended 31 December 2021 has been extracted from the Issuer’s pro-forma consolidated financial statements.
- (b) The forecast data for the financial years ending 2022 and 2023 has been provided by management.
- (c) Our commentary on the Issuer’s results and financial position is based on the explanations set out by the Issuer in the Prospectus and on the MFSA Listing Policies.
- (d) The ratios quoted 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 competitors 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 potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,



Patrick Mangion  
Head of Capital Markets

# FINANCIAL ANALYSIS SUMMARY 2022



DEVELOPMENT | HOTELS | OFFICES | RETAIL

**28 November 2022**

**Prepared by Calamatta Cuschieri  
Investment Services Ltd**

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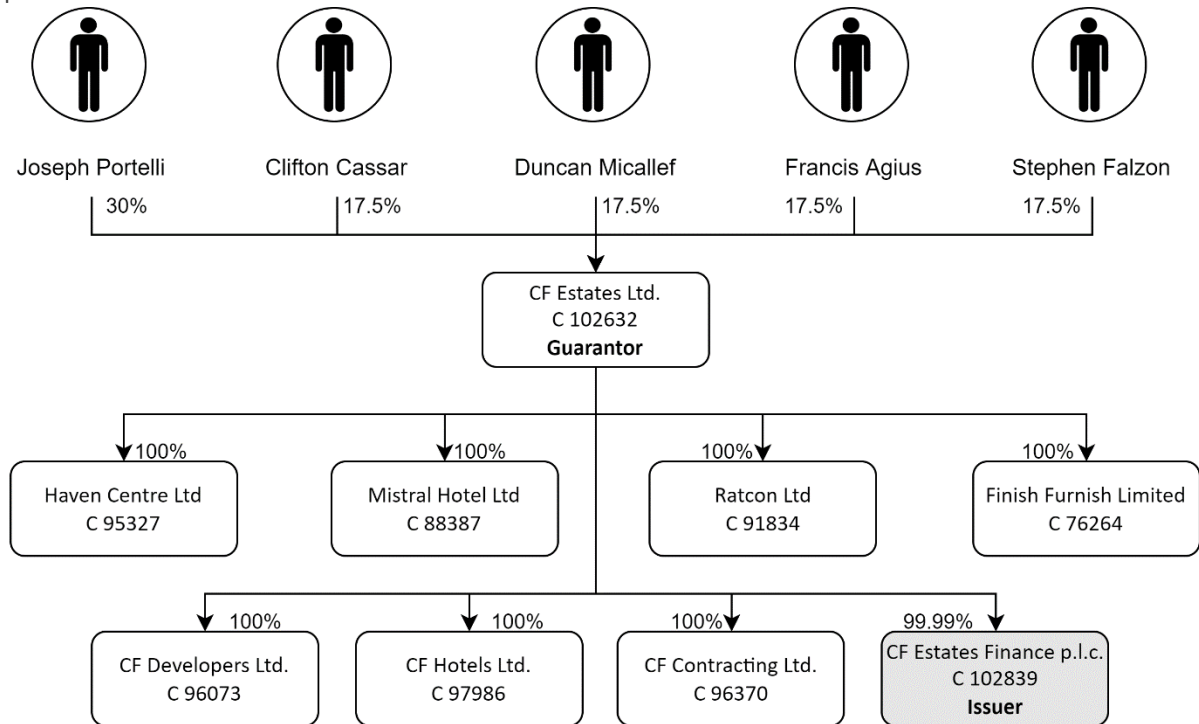
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## Part 1 - Information about the Group

CF Estates Finance p.l.c. is issuing €30m 5% Secured Bonds 2023 - 2033 pursuant to a prospectus dated 28 November 2022. This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies

### 1.1. Issuer's Key Activities and Structure

The Group structure is as follows:



CF Estates Finance p.l.c. (“the **Issuer**”) was incorporated on 26 July 2022 and has at the date of this Analysis an authorised share capital of €250,000 divided into 250,000 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 Issuer is, except for one ordinary B share that is held by Mr Joseph Portelli, a fully owned subsidiary company of CF Estates Ltd. (“the **Guarantor**”).

CF Estates Ltd. was incorporated on 30 June 2022 to act as both holding company and the parent of the CF Group (“the **Group**”). The Group is owned directly by Joseph Portelli, Francis Agius, Stephen Falzon, Duncan Micallef and Clifton Cassar (“the **Shareholders**”). The Group operates, through its subsidiaries, a range of businesses including hotels, a business centre, residential developments and a leading tile, bathroom and furniture outlet.

Prior to a group restructuring exercise, the Shareholders operated through different companies. Stephen Falzon, Duncan Micallef and Francis Agius developed residential projects through “**SDF Limited**” which was incorporated in 2013. These three along with Joseph Portelli also developed residential projects through “**7 Dwarfs Limited**” which was

incorporated in 2020. “**Finish Furnish Ltd**” which operates the Casafini showroom in Balzan was set up in 2016 by Stephen Falzon, Duncan Micallef and Francis Agius through “**FMG Global Holdings Ltd**” along with Joseph Portelli.

Joseph Portelli, Duncan Micallef and Clifton Cassar also developed residential projects through “**JDC Projects Limited**” and “**JDC Contracting Limited**” which were incorporated in 2018 and 2019 respectively. These three also acquired and developed three hotels and a business centre (“**CF Business Centre**”). The three hotels being “**Sciocco Hotel**” and “**Levante Hotel**” through Ratcon Limited and “**Mistral Hotel**” through Mistral Hotel Ltd. The CF Business centre on the other hand is owned through “**Haven Centre Ltd**”.

In 2020, the Shareholders began discussions on merging their aforementioned businesses to create synergies which would facilitate further growth in their future operations. The companies involved in the merger were Haven Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd and Finish Furniture Ltd. The shareholders agreed that any developments which were still in progress would be completed by the corresponding entities. Going forward however, all new developments

would be done through “**CF Developers Ltd**” and “**CF Contracting Ltd**” which were both set up in 2020 and directly owned by the Shareholders. The Shareholders proposed incorporating a new holding company which will be owned 30% by Joseph Portelli and 17.5% each by Francis Agius, Duncan Micallef, Stephen Falzon and Clifton Cassar.

Management explained that in most cases the acquisition of the land and construction of the development up to shell form is carried out by CF Developers whilst CF Constructing is appointed to finishing the common areas and apertures. CF Contracting may also be appointed to finish and furnish the apartments if requested by the client. Furthermore, “**CF Hotels Ltd**” was incorporated in 2021 and is directly owned by the Shareholders.

## 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 Francis Agius	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. The board of the Issuer is composed of five directors who are entrusted with its overall direction and management. The executive directors are entrusted with the decision-making and the day-to-day management of the Issuer, whereas the non-executive directors, all of whom are independent of the Issuer, monitor the executive activity of the Issuer and contribute to the development of its corporate strategy, by providing objective and impartial scrutiny.

### Board of Directors - Guarantor

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

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Francis Agius	Executive Director
Mr Clifton Cassar	Executive Director
Mr Stephen Falzon	Executive Director
Mr Duncan Micallef	Executive Director

The business address of all of the directors is the registered office of the Issuer.

Dr Nicole Ann Demicoli is the company secretary of the Guarantor.

The board of the Guarantor is composed of five directors who are entrusted with its overall direction and management of the day-to-day management.

## 1.3. Major Assets owned by the Group

### 1.3.1. Hotels

The hotels owned by the Group include the Scirocco Hotel, Levante Hotel and Mistral Hotel, which are situated in St. Julian's. The hotels are in the final stages of development and are expected to operate from April 2023 as three-star hotels. Since the hotels will be operated by the Group and managed by Meliã, they are classified as property, plant and equipment. Following completion, the hotels are expected to be revalued upwards to €17.5m, in line with the valuation received from Perit Edwin Mintoff.

### 1.3.2. CF Business Centre

The CF Business Centre has a value of €11.8m as at 31 December 2021. The business centre was completed during the first half of 2022. CF Developers' head offices are now situated in Level 1 of the business centre, with the intention of occupying Level 8 in the future. As at 31 December 2021, the property has been classified as part of property, plant and equipment but, going forward, will be part accounted for as property, plant and equipment and part as investment property given that the Group will be using two floors of the building as its head office. It is expected that during FY22, the business centre will be revalued upwards to €15.9m, in line with the valuation received from Perit Edwin Mintoff.

### 1.3.3. Casafini Showroom

Casafini, operated through Finish Furnish Ltd, is a tile, bathroom and furniture outlet that offers a wide range of products to related and third parties, through its showroom located in Balzan. As the showroom is leased from third parties, the building improvements, furniture and fixtures, office and IT equipment, and motor vehicles owned by Finish Furnish for the Casafini showroom are classified as property, plant and equipment, whilst the stock of retail goods in hand as at year end is accounted for as inventory.

#### 1.3.4. Residential Units

The inventory of the Group as at year-end also consists of work-in-progress in relation to the development of residential units, undertaken by CF Developers and CF Contracting. As at 31 December 2021, inventory relating to property development totalled €3.6m and principally included cost of land, permits, professional fees and construction costs in relation to Regent development (€1.7m), Gardenia development (€0.5m) and Azalea development (€0.5m). In addition, property purchase deposits and stamp duty of €1.1m on sites held on promise of sale as at 31 December 2021 are accounted for as part of trade and other receivables.

### 1.4. Operational Developments

#### 1.4.1. Hotels

As mentioned previously, all three hotels are currently under development. The Scirocco Hotel permit will allow for a store, laundry room, changing room, gym, piano area, pool deck area and hotel accommodation from level 1 to 10. The Levante Hotel will include a kitchen at basement level, a restaurant at ground floor level, reception on the first floor and hotel accommodation from level 1 to 10 with a pool deck area on the 10<sup>th</sup> floor. Lastly, the Mistral hotel development will consist of a store and restaurant at lower intermediate level, a lobby area at ground floor level, hotel accommodation from level 0 to 9 and a rooftop pool deck area with restaurant.

#### 1.4.2. CF Business Centre

Initially, the building should have been complete by February 2022 but management noted that due to delays encountered, the opening date was shifted and revenues shall commence from 1 January 2023. The business centre is in the final stages of finishing and in May 2022, CF Developers relocated its head office to this building. The idea is to turn this property into a luxurious and spacious work environment and will include a restaurant, games room, offices, a store and also a gym. As at the date of this Analysis 7 out of the 8 levels have been rented out to related or third parties with contracts in hand.

#### 1.4.3. Residential Units

As at the date of this Analysis, CF developers has permits to develop 11 projects. A description of some of the most material project follows.

#### 1.4.3.1. Mayfair

On 17 May 2022, CF Developers acquired the land known as “Ta Dardu” in Triq Lorenzo Manche Attard overlooking Villa Bologna gardens for a consideration of €5.3m. On 16 November 2021, a full development permit was approved to excavate 44 basement garages and construct 43 residential units from the ground floor upwards including penthouses. Works for this property are expected to be completed by FY23 and cost in the region of €10.1m.

#### 1.4.3.2. Park Lane

On 3 August 2022, CF Developers entered into a promise of sale agreement to acquire “Dolphin centre” in Triq Wied Hal Balzan corner with Triq il-Kbira with an approximate floor area of 3,997m<sup>2</sup>. The property was acquired for a consideration of €9.5m, of which €2.1m would be delivered through a barter of units from this project in shell form. The development will include 8 1-bed apartments, 24 2-bed apartments and 56 3-bed apartments. The permit also allows for offices, a bank and a restaurant. Works are expected to be completed by FY2024.

#### 1.4.3.3. Artemis and Hestia

These two developments are made up of a site of approximately 1,670m<sup>2</sup> under preliminary agreement for a consideration of €5.0m plus a barter of 4 garages, an apartment and a penthouse within the site. The second site consists of approximately 400m<sup>2</sup> under preliminary agreement for a consideration of €0.9m of which part will be paid in cash and part through an exchange in property from Excel Investments Limited. These two properties will be connected to each other and will in practice be developed and sold as one composite development and are expected to be completed by FY24.

#### 1.4.3.4. Macael

CF Developers entered into a promise of sale agreement with various vendors to acquire 5 houses in Poala for a consideration of €1.5m plus a barter for 6 units and 5 garages from the said development. On 15 December 2021, the planning authority granted CF developers a permit to demolish the existing property, construct 18 garages and 45 apartments including penthouses with a Jacuzzi/pool. The development is over a site of approximately 1,155m<sup>2</sup> and will include 2 1-bed apartments, 17 2-bed apartments and 26 3-bed apartments. All units are expected to be complete by FY23 and is expected to cost in the region of €4.4m.



#### 1.4.3.5. Vermont Court

CF Developers acquired several properties in Pieta for a total of €2.4m. A permit was granted by the planning authority for the excavation of basement garages a retail shop and maisonettes at ground floor plus 6 overlying floors of apartments. The development will include 42 2-bedroom units, 9 garages and one outlet over a site with a superficial area of around 435m<sup>2</sup>. Works are expected to be completed in FY24 and the total development cost is expected to be around €3.9m.

#### 1.4.3.6. Sunrise Corner

CF Developers acquired a house on Triq Olaf Gollcher corner with Triq it-Torri, Birkirkara from various vendors for €0.6m with a developable area of 105m<sup>2</sup>. The permit granted on this development allowed for the excavation of the plot and construction of a garage, office and 8 apartments including 2 duplexes and a pool. The apartments will be split 1 1-bed apartment and 7 2-bed apartments. Works are expected to be completed by end of FY22 and cost in the region of €0.8m.

#### 1.4.4. Use of proceeds

The net proceeds of the bond issue, which are expected to amount within the region of €29.4m, are earmarked by the Issuer for the following purposes:

- *Circa* €11.3m for the refinancing of Scirocco Hotel, Levante Hotel, Mistral Hotel and CF Business Centre;
- *Circa* €2.8m for the development and finishing of Scirocco Hotel, Levante Hotel and Mistral Hotel;
- *Circa* €4.2m to acquire, construct and/or develop the following sites: Macael; Mayfair; Sunrise Corner and Vermont Court;
- *Circa* €3.6m to finance the conversion of existing secured notes into bonds; and
- *Circa* €7.5m to be kept for general corporate funding purposes.

Bond issue costs are estimated at €600k and consist of broker, sponsor, legal, and financial advisory fees.

## Part 2 - Historical Performance and Forecasts

As set out on page 1.1, a restructuring exercise was completed by the shareholders during FY2022, whereby ultimately CF Estates Ltd. was set up as the holding company of the CF Group with a share capital of €6.6m. As the Issuer and the Guarantor have not conducted any business and have no trading record as at the date of this Analysis, this section includes Pro-forma consolidated statement of comprehensive income of the Group for the year ended 31 December 2021, being the aggregation of all subsidiaries for FY21, net of consolidation adjustments. This is based on the draft audited financial statements of the following: – Finish Furnish, Haven Centre, Ratcon, Mistral, CF Contracting, CF Developers and CF Hotels

The projected financial information for the year ending 31 December 2022 and 2023 has been provided by the Group's management. This financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

### 2.1. Group's Statement of Comprehensive Income

Group's Statement of Comprehensive Income for the year ended 31 December	2021A	2022F	2023P
	€'000s	€'000s	€'000s
Revenue	3,419	16,307	26,816
Cost of sales	(2,352)	(10,620)	(17,467)
<b>Gross profit</b>	<b>1,067</b>	<b>5,687</b>	<b>9,349</b>
Administrative expenditure	(2,171)	(2,071)	(3,259)
Fair value gains	-	2,076	-
Other income	158	-	-
<b>EBITDA</b>	<b>(946)</b>	<b>5,692</b>	<b>6,090</b>
Depreciation and amortisation	(281)	(96)	(231)
<b>EBIT</b>	<b>(1,227)</b>	<b>5,596</b>	<b>5,859</b>
Finance cost	(72)	(237)	(773)
<b>Profit / (loss) before income tax</b>	<b>(1,299)</b>	<b>5,359</b>	<b>5,086</b>
Current tax charge	(11)	(1,233)	(1,527)
<b>Profit / (loss) for the year</b>	<b>(1,310)</b>	<b>4,126</b>	<b>3,559</b>

Ratio Analysis	2021A	2022F	2023P
<b>Profitability</b>			
Growth in Revenue (YoY Revenue Growth)	N/A	377.0%	64.4%
Gross Profit Margin (Gross Profit/ Revenue)	31.2%	34.9%	34.9%
EBITDA Margin (EBITDA / Revenue)	-27.7%	34.9%	22.7%
Operating (EBIT) Margin (EBIT / Revenue)	-35.9%	34.3%	21.9%
Net Margin (Profit for the year / Revenue)	-38.3%	25.3%	13.3%
Return on Common Equity (Net Income / Average Equity <sup>1</sup> )	-20.8%	32.3%	17.0%
Return on Assets (Net Income / Average Assets <sup>2</sup> )	-4.5%	6.4%	3.4%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	-5.0%	8.1%	10.6%
EBITDA Growth	N/A	501.7%	7.0%

The Group currently has 2 main revenue streams which are sale of bathrooms, furniture and tiles from their Finish Furnish showroom and the sale of developed property from CF Developers and CF Contracting. As at 31 December 2021

CF Developers had concluded promise of sales agreements on most of the development projects currently under construction. These promise of sale agreements extend up till FY24, in line with the respective completion dates and

<sup>1</sup> Average equity for FY21 only includes FY21 total equity

<sup>2</sup> Average assets for FY21 only includes FY21 total assets

had a sales value of €31.3m. However, due to IFRS15, which states that revenue can only be recognised in the income statement once the contract of sale is signed. In FY21, the Group could only recognise revenue of €0.2m from the sale of an apartment and a garage within Azalea Apartments located in St. Julian's.

The remaining €3.2m worth of sales were generated through Finish Furnish and resulted in a total sales value of €3.4m in FY21. The Group expects to generate revenue of €16.3m in FY22 and €26.8m in FY23. The increase in revenue for FY23 includes an additional two revenue streams. These being the commencement of the hotel operations (all 3 hotels are expected to be inaugurated in April 2023) and the leasing of office and commercial space situated in the CF Business Centre (initially planned for FY22 but delays pushed revenue into FY23). The biggest portion of revenue is expected to come from CF Developers and CF Contracting, which will make up around 65% of sales in both projected years. The Group is therefore forecasting strong revenue growth in both FY22 and FY23 of 377.0% and 64.4% respectively.

Cost of sales ("COS") in FY21 primarily consist of direct costs relating to finished products sold by Finish Furnish. COS in FY21 also include €0.1m related to development costs with respect to the Azalea sale of apartment and garage including the cost of land (net of stamp duty and professional fees) to acquire the site, excavation and construction costs to develop the apartment. COS are expected to jump significantly in FY22 and FY23 to €10.6m and €17.5m respectively. COS in the projected years also include, apart from development costs related to property, direct costs related to operating the hotel, operational expenses associated with running and maintaining the building and direct costs to operate the Casafini showroom, namely purchases of store supplies such as tiles, bathrooms and furniture. Gross profit margins are expected to remain consistent in the forecasted years at around 34.9%.

Administrative expenses mainly consist of administrative wages and salaries but also include rent, marketing costs, professional fees, insurance, bank charges and water and electricity. Administrative costs amounted to €2.2m in FY21 and are projected to be €2.1m in FY22 and €3.3m in FY23.

The business centre is expected to be revalued upwards to €15.9m in FY2022 resulting in an uplift of €2.8m. Given that two floors of the business centre will be occupied by the Group, a pro-rata increase of €2.1m, being the six floors leased to third parties, is accounted for as a fair value gain movement in the income statement in line with IAS 40.

EBITDA for FY21 came in at (€0.9m) whilst in FY22 and FY23 this is expected to increase substantially to €5.7m and €6.1m respectively due mainly to the higher revenue. The high administrative costs in FY21 led to a negative EBITDA margin of 27.7%. The expected revaluation in FY22 will help the Group achieve an EBITDA margin of 35.0% in FY22 whilst EBITDA margin is projected to be around 22.7% in FY23. The depreciation charge in FY21 amounted to €0.3m and led to an operating loss of €1.2m. Depreciation and amortisation in FY22 and FY23 are expected to amount to €0.1m and €0.2m respectively, which will result in EBIT figures of €5.6m and €5.9m.

Finance costs consist of the interest on bank borrowings primarily in relation to Haven Centre and Finish Furnish and will also include the interest payments on the proposed bond. Furthermore, the Group is currently in discussions with the bank to assist on the acquisition and development of Park Lane. In FY21, finance costs totalled €0.1m leading to a loss before tax of €1.3m.

Finance costs for FY22 and FY23 are expected to be €0.2m and €0.7m respectively leading to a profit before tax of €5.4m in FY22 and €5.1m in FY23. Interest during development is capitalised as per IAS 23, whilst all other interest is projected to be expensed in the income statement as incurred. The tax charge for FY2021 was negligible and led to a loss for the year of €1.3m. Tax expenses are expected to be €1.2m in FY22 and €1.5m in FY23, which would mean profit for the year figures of €4.1m and €3.6m respectively.

The loss for the year in FY21 resulted in negative return on equity and negative return on assets of 20.8% and 4.5% respectively. The stronger results, which are expected in FY22 and FY23, however, will result in return on equity figures of 32.3% and 17.0% and return on assets of 6.4% and 3.4% in FY22 and FY23 respectively.

## 2.2. Group's Statement of Financial Position

Group's Statement of Financial Position as at 31 December	2021A	2022F	2023P
	€'000s	€'000s	€'000s
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18,500	22,174	22,102
Goodwill	1,071	2,338	2,338
Right-of-use asset	157	46	-
Deferred tax assets	341	685	649
Investment property	-	11,925	15,562
<b>Total non-current assets</b>	<b>20,069</b>	<b>37,168</b>	<b>40,651</b>
<b>Current assets</b>			
Inventory	5,243	44,792	47,976
Trade and other receivables	2,567	2,214	2,710
Cash and cash equivalents	1,529	15,271	18,400
Total current assets	9,339	62,277	69,086
<b>Total assets</b>	<b>29,408</b>	<b>99,445</b>	<b>109,737</b>
<b>Equity</b>			
Share capital	6,308	6,308	6,308
Revaluation reserve	-	7,554	7,534
Retained earnings	-	5,392	8,952
<b>Total equity</b>	<b>6,308</b>	<b>19,254</b>	<b>22,794</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	12,758	50,557	33,601
Deferred tax liability	-	818	818
Minimum lease payment	35	-	-
<b>Total non-current liabilities</b>	<b>12,793</b>	<b>51,375</b>	<b>34,419</b>
<b>Current liabilities</b>			
Borrowings	1,306	4,114	21,151
Minimum lease payment	104	64	-
Taxation payable	-	(5)	(11)
Trade and other payable	8,897	24,643	31,384
<b>Total current liabilities</b>	<b>10,307</b>	<b>28,816</b>	<b>52,524</b>
<b>Total liabilities</b>	<b>23,100</b>	<b>80,191</b>	<b>86,943</b>
<b>Total equity and liabilities</b>	<b>29,408</b>	<b>99,445</b>	<b>109,737</b>

Ratio Analysis	2021A	2022F	2023P
<b>Financial Strength</b>			
Gearing 1 (Net Debt / Net Debt and Total Equity)	66.8%	67.2%	61.5%
Gearing 2 (Total Liabilities / Total Assets)	78.6%	80.6%	79.2%
Gearing 3 (Net Debt / Total Equity)	200.9%	205.0%	159.5%
Net Debt / EBITDA	-1,339.8%	693.3%	596.9%
Current Ratio (Current Assets / Current Liabilities)	0.9x	2.2x	1.3x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.4x	0.6x	0.4x
Interest Coverage 1 (EBITDA / Cash interest paid)	N/A	7.9	6.4
Interest Coverage 1 (EBITDA / Finance Costs)	-13.1x	24.0x	7.9x

In FY21, property, plant and equipment (“PPE”) made up 92.2% of the Groups non-current assets coming in at €18.5m. The remaining €1.6m was made up of goodwill (€1m), right-of-use assets (€0.2m) and deferred tax assets (€0.3m). The deferred tax asset was recognized by Finish Furnish in relation to losses arising from prior periods. This meant that total non-current assets for FY21 amounted to €20.1m. In FY22, the Group’s PPE is expected to be revalued upwards and this is the main reason for the increase in PPE to €22.2m. PPE, goodwill, right-of-use assets and deferred tax assets are expected to remain stable in FY23.

In FY22, the Group expects to recognise investment property as part of its non-current assets and this will relate to the six floors of office space and commercial outlet situated within the CF Business centre, which is expected to be revalued to €11.9m in FY22. The realisation of investment property will increase the Group’s non-current assets to €37.2m in FY22 and will increase further to €40.7m in FY23. Inventories in FY21 stood at €5.2m and consisted mainly of inventory relating to property development which totalled €3.6m and principally included cost of land, permits, professional fees and construction costs in relation to Regent development (€1.7m), Gardenia development (€0.5m) and Azalea development (€0.5m).

Inventory in FY21 also included the stock of retail goods in hand as at year in relation to Finish Furnish (€1.6m). As at 31 December 2021, The Group’s inventory level is projected to increase in FY22 (€44.8m) and FY23 (€48m) due to construction on the development projects, which will be complete and sold by FY24.

Trade and other receivables relate mainly to receivables from the operations of the hotels and Finish Furnish. The trade receivable balances for the hotel operations and Finish Furnish were estimated based on trade receivable days of 60 days and 6 days respectively over the forecast period. Trade and other receivables were €2.6m in FY21 and are expected to be €2.2m in FY22 and €2.7m in FY23. Cash and cash equivalents in FY21 amounted to €1.5m. In FY22, cash is expected to increase significantly to €15.3m since the Group

expects to draw most of its bank facilities and also due to the Bond issue. In FY23, the Group’s cash position is expected to increase mainly due to positive movements in trade payables.

Current assets amounted to €9.3m in FY21 and are expected to increase to €62.3m in FY22 and €69.1m in FY23 due to increased inventory and a stronger cash position which is reflected in the stronger forecasted current ratios of 2.2x and 1.3x in FY22 and FY23 respectively. This means that total assets for FY21 came in at €29.4m whilst total assets for FY22 and FY23 are expected to amount to €99.5m and €109.7m respectively. When it comes to equity, the Group’s share capital stood at €6.3m during FY21 and is expected to remain at this level in FY22 and FY23. In FY22, the Group expects its revaluation reserve to increase to €7.6m due to the uplift of the hotels and business centre and will remain at this level in FY23.

Retained earnings are expected to increase to €5.4m in FY22 and will increase further to €9m in FY23 due to accumulated profits from the business operations. Total equity in FY21 was equal to the share capital amount of €6.3m. In FY22 and FY23, on the other hand, total equity is expected to amount to €19.3m and €22.8m. The projections exclude any payment of dividends to the shareholders of CF Estates.

The Group’s borrowings in FY21 mainly consisted of bank borrowings and a loan with a third party. The bank borrowings were made up of €1.9m for Ratcon, €1.2m for Mistral, €7.7m for Haven Centre, €0.3m overdraft and €0.1m loan for Finish Furniture, €1.9m for CF Developers and €1.0m third party loan which has been fully repaid as at the time of this Analysis. The bank loans on Ratcon, Mistral and Haven Centre will be refinanced through the proposed bond and therefore going forward, the Group’s bank loans will consist of the bank loan and overdraft of Finish Furnish and bank loans of CF Developers.

Borrowings in FY22 are expected to increase substantially due to the Bond issue. The Groups interest coverage ratios in FY22 and FY23 are projected to be healthy from both a

finance cost as well as actual interest paid point of view. Trade and other payables of €9m principally include customer deposits (€3.8m), trade and other payables (€3.6m) and shareholder balances to SDF Limited and the shareholders which are not part of the restructuring (€0.6m). Management noted that the deposits of €3.8m were generated by CF Developers who had entered into 146 promises of sale agreements for residential units valued at €31.3m and 96 promises of sale agreements for garages valued at €1.4m as at 31 December 2021. Gearing in FY21

came in at 66.8% and is forecasted to remain relatively stable at 67.2% and 61.5% in FY22 and FY23 respectively. In FY22 and FY23 trade and other payables are expected to increase substantially to €24.6m and €31.4m mainly due to increased customer deposits in line with higher revenue and increased amounts due to contractors with respect to the development for the residential units. In FY21 total liabilities amounted to €23.1m, whilst in FY22 and FY23 they are expected to amount to €80.2m and €86.9m respectively.

### 2.3. Group's Statement of Cash Flows

Group's Statement of Cash Flows for the year ended 31 December		2022F	2023P
		€'000s	€'000s
<b>Cash flows from operating activities</b>			
<b>EBITDA</b>		<b>5,692</b>	<b>6,090</b>
<b>Adjustments for:</b>			
Fair value gain		(2,076)	-
IFRS 16		29	(19)
<i>Movement in working capital</i>			
Movement in inventories		(39,550)	(3,184)
Movement in trade and other receivables		351	(496)
Movement in trade and other payables		15,746	6,741
<b>Cash flow from operations</b>		<b>(19,808)</b>	<b>9,132</b>
Taxation paid		(1,359)	(1,497)
<b>Net cash flows generated from / (used in) operating activities</b>		<b>(21,167)</b>	<b>7,635</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and Investment Property		(4,957)	(3,571)
<b>Net cash flows generated from / (used in) investing activities</b>		<b>(4,957)</b>	<b>(3,571)</b>
<b>Cash flows from financing activities</b>			
Movement in borrowings		40,588	21
Interest paid		(722)	(956)
<b>Net cash flows generated from / (used in) financing activities</b>		<b>39,866</b>	<b>(935)</b>
<b>Movement in cash and cash equivalents</b>		<b>13,742</b>	<b>3,129</b>
Cash and cash equivalents at start of year		1,529	15,271
<b>Cash and cash equivalents at end of year</b>		<b>15,271</b>	<b>18,400</b>

Ratio Analysis	2022F	2023P
<b>Cash Flow</b>		
Free Cash Flow (Net cash from operations + Interest - Capex)	€(26,124)	€4,064

The Group's cash flows from operation are driven by sale of residential units and operations of hotels, CF Business Centre and Casafini showroom. In FY22 and FY23, the Group expects to generate €5.7m and €6.1m respectively in EBITDA. In FY22, the Group expects to realise €2.1m in fair value gains, which is a non-cash item and therefore needs to be removed from EBITDA. Minimal non-cash adjustments are expected in FY23. In FY22, the Group expects a large negative movement in inventory related to the construction of residential units, which are recognised as movements in inventory until their completion and eventual transfer to cost of sales.

In FY22, the Group also expects to recognise positive movements in both trade receivables and trade payables of €0.4m and €15.7m respectively. In FY23 the Group is forecasting negative movements in both inventory and trade receivables of €3.2m and €0.5m respectively along with positive movements in trade payables of €6.7m. After accounting for tax payments of €1.4m in FY22 and €1.5m in FY23 the Group expects net cash used in operating activities of €21.2m in FY22 and net cash from operating activities of €7.6m in FY23.

The only cash flows used in investment activities relate to the construction and finishing works of Scirocco Hotel, Levante Hotel, Mistral Hotel and CF Business Centre and the Group forecasts these to be €5.0m in FY22. As for FY23, cash flows used in investing activities are expected to amount to €3.6m.

When it comes to financing activities the Group expects the largest movements to come from borrowings. In FY22, the Group forecasts borrowings to increase the Groups cash position by €40.6m mainly due to the bond issue, whilst in FY23 the Group expects borrowings to have a minimal

impact on cash. Interest payments in FY22 are expected to amount to around €0.7m whilst in FY23 they are expected to be around €1m. Net cash movements are expected to be positive in both FY22 and FY23 and result in cash and cash equivalents of €15.3m in FY22 and €18.4m in FY23. As finance costs have been classified with financing activities rather than operating activities, the aggregation of cash flows generated from operations and cash flows used in investing activities represents the free cash flows to the firm. Furthermore, as no dividends have been assumed in the projections, the net cash movements represent the free cash flows to equity.



## Part 3 - Key Market and Competitor Data

### 3.1. General Market Conditions

At the time of publication of this Analysis, management considers that generally, it shall be subject to the normal business risks associated with the industries in which the companies are involved and operate and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the companies and their respective businesses, at least with respect to the financial year 2021. However, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

### 3.2. Economic Update<sup>3</sup>

The Bank's Business Conditions Index (BCI) indicates that annual growth in business activity has returned to its long-term average estimated since January 2000. The European Commission survey shows that in September, economic sentiment in Malta edged down from a month earlier, falling further below its long-term average, which is estimated since November 2002. When compared with August, sentiment deteriorated strongly in the services sector, and to a lesser extent, in the construction sector.

By contrast, it improved in the retail sector, in industry and to a lesser degree among consumers. Additional survey information shows that price expectations increased significantly in industry, but fell in all the other sectors compared to August. In September, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with August. Uncertainty fell most in the services sector, with a smaller decrease recorded among consumers. In August, industrial production increased at a faster pace in annual terms, following a smaller increase in the previous month.

The volume of retail trade rose at a slower rate in year-on-year terms compared with July. The unemployment rate stood at 2.9% in August, unchanged from a month earlier, and the lowest rate on record. Commercial permits increased in August relative to their year-ago level, as did residential permits. In September, both the number of promise-of-sale agreements and final deeds of sale declined on a year-on-year basis. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 7.4% in September, up from 7.0% in the previous month.

Inflation based on the Retail Price Index (RPI) also rose, reaching 7.5% in September from 7.0% a month earlier. Maltese residents' deposits expanded at an annual rate of 7.2% in August, following an increase of 7.8% in the previous month, while annual growth in credit to Maltese residents stood at 8.2%, above the rate of 7.2% recorded a month earlier. In August 2022, the surplus on the Consolidated Fund widened slightly when compared with a year earlier reflecting a decline in government expenditure.

### 3.3. Economic Outlook<sup>4</sup>

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.2% in 2022, 4.5% in 2023 and 3.7% in 2024. Compared to the previous projections, the Bank's latest forecast represents downward revisions of 0.2% in 2022, 0.4% in 2023, and of 0.1% in 2024. The downward revisions reflect the strong pick-up in inflationary pressures as well as a further deterioration in the international economic environment due to the recent cuts in gas supplies to European countries.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptionally high levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of 2021, as growth in activity normalises following the strong rebound last year. In the following years, domestic demand is expected to lead the expansion in economic activity, especially from private consumption. The contribution of net exports is projected to ease over the projection horizon, reflecting the gradual normalisation of tourism exports and decelerating growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 3.5% from 2.8% in 2021. It is set to moderate to just above 2% by 2024. The unemployment rate is projected to decline to 3.1% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to pick-up sharply in 2022 and remain high in 2023. Indeed, it is envisaged to accelerate to

<sup>3</sup> Central Bank of Malta – Economic update – 10/2022

<sup>4</sup> Central Bank of Malta – August 2022 projections

5.9% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. Hence, HICP inflation is expected to moderate to 3.8% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024 to 2.1%.

The general government deficit is projected to recede to 5.6% of GDP in 2022, from 7.9% in 2021. It is expected to narrow further to 4.0% in 2023, and to 3.2% in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which offset outlays on price mitigation measures. The latter are set to remain in place but assumed to diminish over the projection horizon. The general government debt-to-GDP ratio is projected to stand at 58.8% of GDP in 2024.

On balance, risks to economic activity are tilted to the downside, especially for 2023 though uncertainty even during 2022 remains high. The main downside risks relate to the evolution of energy supply from Russia to Europe. This could lead to severe shortages of energy supplies going into the winter, which could in turn adversely affect production abroad and amplify supply bottlenecks. Foreign demand could also be weaker than expected if monetary policy in advanced economies continues to tighten more forcibly than assumed in this projection round. These downside risks are mitigated somewhat by domestic fiscal policy which is cushioning partly the impact of imported inflation. In addition, the savings ratio could fall faster than is being assumed in this projection, while upward surprises in tourism could further boost net exports and GDP growth.

Risks to inflation are on the upside during the entire projection horizon. Indeed, further escalation in cuts in gas supplies could trigger a stronger than envisaged rise in commodity prices, which would put further upward pressures on the prices of imported goods and freight costs. In addition, the EU policy to sharply reduce dependence on Russian fossil fuels could also lead to stronger than expected increases in import costs, particularly in the short-run. The risk of second-round effects from wages and mark-ups grows if high inflation persists for longer.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising

commodity prices and the likelihood of state aid to the national airline.

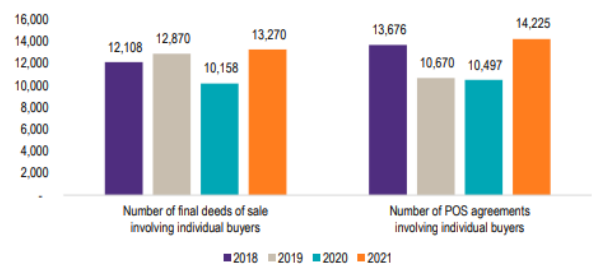
### 3.4. Residential Property Development<sup>5</sup>

The property market in Malta has experienced steady periods of growth. Whilst significant growth has resulted over the past decade, the property market in Malta has steadily increased over the past forty years at a compound annual growth rate ('CAGR') of c. 6%. Recently however, the property market exceeded the CAGR of 6%, because the demand for residential property is increasing at higher rate than the supply of houses being built on the Maltese Islands.

The below chart, highlights that pre-pandemic, the number of final deeds of sale involving individual buyers steadily increased from 12,108 transactions in 2018, to 12,870 transactions in 2019. However, following the onset of the pandemic, the number of final deeds of sale decreased to 10,158 only to increase by 30% in 2021, exceeding pre-pandemic levels. This is also true for companies active in the residential property market. POS agreements entered into by companies had been following a downward trend, but this was reversed in 2021 as they almost doubled from 2020.

Furthermore, in terms of PoSA involving individual buyers, in 2018, PoSA amounted to 13,676 and decreased by around 3,000 in the following years. However, PoSA reached an all-time high in 2021 at 14,225, partly reflecting the sales brought forward due to the anticipated expiry of the stamp duty exemption that the Government had introduced during the year.

Final deeds of sale and POS agreements involving individual buyers (2018 – 2021)



Following fast growth in the five years leading to 2019, house prices remained relatively stable during 2020 and 2021. In 2020, rental prices had already declined by 16% compared to 2019 and declined a further 1.5% in 2021. Relatively stable house prices and declining rental rates suggest that property investors believe the dip in rental prices to be temporary.

In 2021, the Planning Authority ("PA") approved 7,578 permits for new housing units. These are expected to add 6,400 units to the housing stock over the next 5 years. The

<sup>5</sup> National Statistics Office – News Release – 163/2021

additional housing stock in 2021 amounted to 9,487, reflecting the large number of permits approved by the PA in 2018 and 2020 that typically come onto the market with a time lag

The outlook based on a pre-COVID-19 scenario foresaw supply catching up with the continued growth in demand by foreign workers. This was expected to ease upward pressure on house prices (as had already been happening in the second half of 2019). In 2020 and 2021, additional housing supply by far outstripped additional demand (which slowed down because of COVID-19), thereby putting downward pressure on prices. A slowdown in additional housing supply and recovering demand for housing in the period 2022-2024 is expected to ease but not eliminate the downward pressure on prices especially because of the accumulated housing stock and the possibility of rising interest rates.

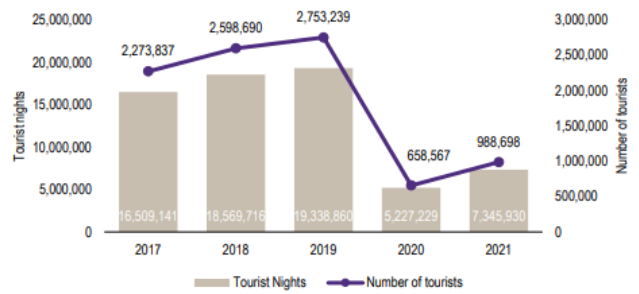
The forecasted recovery in additional demand (reflecting growth in the number of foreign workers and a gradual recovery in tourism) will not suffice to fully meet the housing supply accumulated up to 2024. Eurozone interest rate rises in response to high rates of inflation may put additional downward pressure on house prices as it translates into higher borrowing rates for both first-time buyers and investors. This effect is not expected to be immediate.

### 3.5. Hospitality<sup>6</sup>

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 economy as it is estimated to account for 15.8% of Malta’s GDP and 52,800 jobs, or 21.1% of total employment (WTTC 2020 Economic Impact report for Malta).

The consistent performance in the tourism sector observed over the past few years has persisted year-on-year in terms of inbound tourists. NSO data for 2019, revealed that the influx for the year stood at 2.7m tourists – representing an increase of 5.2% over the previous year. Between 2013 and 2019 there has been an average increase of 11.3% per annum. According to the NSO, this improvement was mostly driven by an increase in the number of leisure tourists. The below diagram illustrates the development of the Maltese tourism industry over the past years, showing both percentage growth as well as growth in absolute terms.

Tourist nights and number of tourists (2017 – 2021)



Naturally, 2020 experienced a significant drop in inbound tourists due to the COVID19 pandemic, whereby the Government of Malta introduced travel restrictions and border closure during the period April to June 2020. Consequently, the number of tourists visiting Malta decreased significantly to 0.7m, but increased to 1m in 2021, following easing of restrictions. This trend can also be seen when one examines the total number of tourist nights. Likewise, a corresponding decrease in number of tourist nights resulted in 2020 but started to increase again in 2021. Nonetheless, the future presents a better outlook for the tourism industry. The Central Bank of Malta estimates that tourism expenditure should increase to 75% of 2019 levels in 2022 and 90% of 2019 levels in 2023.

The number of tourists visiting Malta peaks between April and September (two thirds of inbound tourists arrive during this period), due to the fact that Malta is principally perceived by tourists as a ‘sun and culture’ destination. Furthermore, repeat tourism also flourished between January and December 2019, with 25% of inbound tourists being repeat tourists. Moreover, the peak months of July and August attracted a lower percentage of repeat tourists than the average for the period, indicating that a higher percentage of inbound tourists returned to Malta during the shoulder months to spend more time exploring what the Maltese islands have to offer.

Along with the substantial increase in tourist head count over recent years came a complimentary increase in the aggregate level of tourist expenditure in each year. According to NSO statistics, total expenditure in Malta in 2019 reached €2.2 billion, representing an increase of 5.3% over the total expenditure in 2018. However, the expenditure per capita (which consists of air/sea fares, accommodation and other expenditure) has gradually decreased over time mainly attributable to decreases in the average length of stays and reductions in air/sea fares.

<sup>6</sup> National Statistics Office – News Release – 019/2022

### 3.6. Comparative Analysis

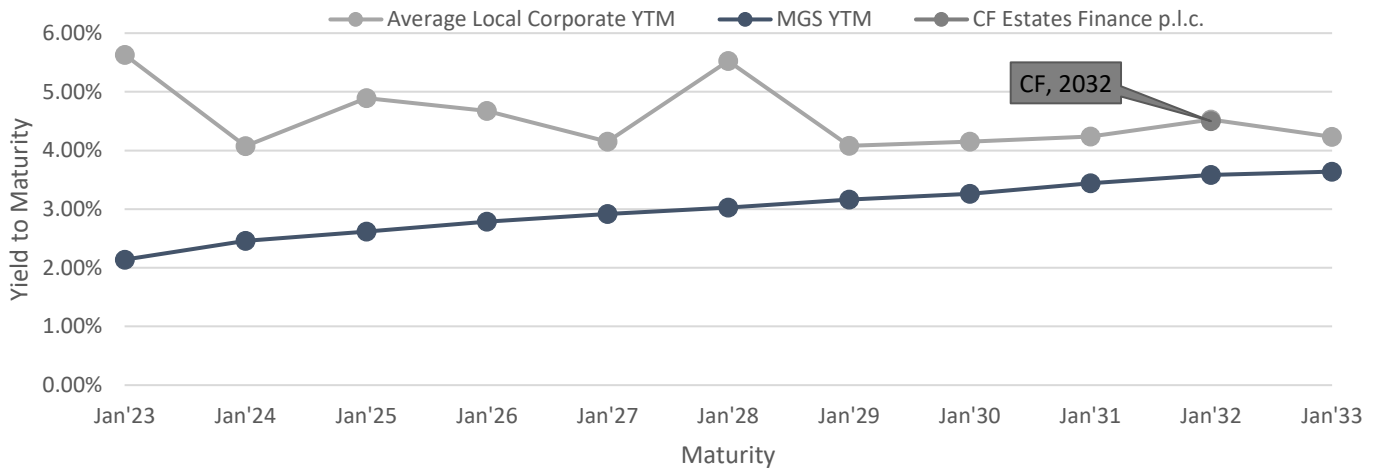
The purpose of the table below compares the proposed debt issuance of the Issuer to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such, we included a variety of Issuers with different maturities. More importantly, we have included different issuers with a similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the business and that of other issuers are therefore different.

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 plc 2023 (xd)	10,000	4.29%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
6% AX Investments Plc € 2024	40,000	3.29%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	4.38%	0.7x	133.5	40.9	69.4%	61.3%	59.9x	2.0x	-5.4%	-19.3%	-51.0%
6% International Hotel Investments plc € 2024	35,000	5.28%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.30%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.13%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.25%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.51%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.35% SD Finance plc Unsecured € 2027	65,000	4.34%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%	-70.9%
4% Eden Finance plc Unsecured € 2027	40,000	4.12%	3.7x	193.5	109.3	43.5%	28.6%	5.9x	1.1x	0.9%	4.3%	86.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.46%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
4% SP Finance plc € Secured 2029	12,000	4.17%	0.5x	40.0	16.0	60.0%	55.6%	48.8x	0.4x	-8.0%	-62.8%	71.5%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.36%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.24%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.30%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
5% CF Estates p.l.c.Secured   2027 - 2032		5.00%	(14.6)x	28.6	6.3	77.9%	66.7%	(13.4)x	0.9x	-14.4%	-26.5%	41.7%
	Average*	4.20%										

Source: Latest available audited financial statements

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

### Yield Curve Analysis



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 yield on the Issuer’s proposed bonds.

As at 27 October 2022, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a

maturity range of 5-11 years was 101 basis points. The proposed CF Estates Finance p.l.c bond is being priced with a 5% coupon issued at par, meaning a spread of 142 basis points over the equivalent MGS, and therefore at a premium to the average on the market of 41 basis points. It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer’s industry is significantly different to the corporates identified and as such its risks differ to that of other issuers.

## Part 4 - Glossary and Definitions

Income Statement	
<b>Revenue</b>	Total revenue generated by the Group/Company from its principal business activities during the financial year.
<b>Costs</b>	Costs are expenses incurred by the Group/Company in the production of its revenue.
<b>EBITDA</b>	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
<b>Operating Profit (EBIT)</b>	EBIT is an abbreviation for earnings before interest and tax.
<b>Depreciation and Amortisation</b>	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.
<b>Net Finance Costs</b>	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
<b>Net Income</b>	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
<b>Growth in Revenue (YoY)</b>	This represents the growth in revenue when compared with previous financial year.
<b>Gross Profit Margin</b>	Gross profit as a percentage of total revenue.
<b>EBITDA Margin</b>	EBITDA as a percentage of total revenue.
<b>Operating (EBIT) Margin</b>	Operating margin is the EBIT as a percentage of total revenue.
<b>Net Margin</b>	Net income expressed as a percentage of total revenue.
<b>Return on Common Equity</b>	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).
<b>Return on Assets</b>	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
<b>Cash Flow from Operating Activities (CFO)</b>	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
<b>Cash Flow from Investing Activities</b>	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
<b>Cash Flow from Financing Activities</b>	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
<b>Capex</b>	Represents the capital expenditure incurred by the Group/Company in a financial year.
<b>Free Cash Flows (FCF)</b>	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	
<b>Total Assets</b>	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
<b>Non-Current Assets</b>	Assets, full value of which will not be realised within the forthcoming accounting year
<b>Current Assets</b>	Assets which are realisable within one year from the statement of financial position date.
<b>Inventory</b>	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
<b>Total Equity</b>	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
<b>Total Liabilities</b>	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.

<b>Non-Current Liabilities</b>	Obligations which are due after more than one financial year.
<b>Total Debt</b>	All interest-bearing debt obligations inclusive of long and short-term debt.
<b>Net Debt</b>	Total debt of a Group/Company less any cash and cash equivalents.
<b>Current Liabilities</b>	Obligations which are due within one financial year.

#### Financial Strength Ratios

<b>Current Ratio</b>	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.
<b>Quick Ratio (Acid Test Ratio)</b>	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.
<b>Interest Coverage Ratio</b>	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
<b>Gearing Ratio</b>	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
<b>Gearing Ratio Level 1</b>	Is calculated by dividing Net Debt by Net Debt and Total Equity.
<b>Gearing Ratio Level 2</b>	Is calculated by dividing Total Liabilities by Total Assets.
<b>Gearing Ratio Level 3</b>	Is calculated by dividing Net Debt by Total Equity.
<b>Net Debt / EBITDA</b>	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

#### Other Definitions

<b>Yield to Maturity (YTM)</b>	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.
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**Calamatta Cuschieri**

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