

SUMMARY

DATED 26 SEPTEMBER 2023

This document is a Summary issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the MFSA and in accordance with the provisions of the Prospectus Regulation.

This Summary is being issued by:

AX GROUP P.L.C.

a public limited liability company registered under the laws of Malta with company registration number C 12271

**in respect of an issue of up to €40,000,000 5.85% unsecured bonds due 2033
issued and redeemable at their nominal value (at €100 per Bond)**

ISIN MT0002361229

Sponsor



Manager & Registrar



Legal Counsel



THIS SUMMARY HAS BEEN APPROVED BY THE MFSA, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MFSA ONLY APPROVED THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.

THIS SUMMARY IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE THEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

APPROVED BY THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'Angelo Xuereb'.

ANGELO XUEREB

A handwritten signature in black ink, appearing to read 'Michael Warrington'.

MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf each of Denise Xuereb, Claire Zammit Xuereb, Christopher Paris, John Soler and Josef Formosa Gauci.

INTRODUCTION AND WARNINGS

This Summary is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary contains key information which investors require in order to understand the nature and the risks of the Issuer and the Bonds. Except where the context otherwise requires, the capitalised words and expressions used in this Summary shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

This Summary contains key information on the Issuer and the Bonds, summarised details of which are set out below:

| | |
|--|---|
| Legal and commercial name: | AX Group p.l.c. |
| Registered address: | AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta |
| Registration number: | C 12271 |
| Telephone number: | +356 2331 2345 |
| Issuer's website: | http://axgroup.mt |
| Legal Entity Identifier ('LEI'): | 213800ZQHNATYCTNN592 |
| Competent authority approving the Prospectus: | The MFSA, being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) |
| Address of the MFSA: | Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010 |
| Telephone number of the MFSA: | +356 2331 2345 |
| MFSA's website: | https://www.mfsa.mt/ |
| Name of the Bonds: | 5.85% Unsecured Bonds due 2033 issued by the Issuer |
| ISIN of the Bonds: | MT0002361229 |
| Prospectus approval date: | 26 September, 2023 |

Prospective investors are hereby warned that:

- (i) this Summary should be read as an introduction to the Prospectus. It is being provided to convey the key characteristics and risks associated with the Issuer and the Bonds being offered pursuant to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary in making a decision as to whether to invest in the Bonds described in this document;
- (ii) any decision of the investor to invest in the Bonds should be based on a consideration of the Prospectus as a whole by the investor;
- (iii) an investor may lose all or part of the capital invested in subscribing for Bonds;
- (iv) where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- (v) civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, but only if the Summary, when read together with the other parts of the Prospectus, is misleading, inaccurate, or inconsistent or does not provide key information in order to aid investors when considering whether to invest in the Bonds.

1. KEY INFORMATION ON THE ISSUE

1.1. Who is the Issuer of the Bonds?

1.1.1. Domicile and legal form, its LEI and country of incorporation

The Issuer of the Bonds is AX Group p.l.c., a public limited liability company registered in Malta in terms of the Companies Act (Cap. 386 of the laws of Malta), having company registration number C 12271. The Issuer was incorporated and is domiciled in Malta, with LEI number 213800ZQHNATYCTNN592.

1.1.2. Principal Activities of the Issuer

The Issuer acts as the ultimate holding company of the AX Group and its trading activity is limited to: (i) the raising of capital and advancing thereof to members of the AX Group as and when the demands of its business so requires; (ii) the acquisition of investment property for lease or resale; and (iii) the provision of management services to Subsidiaries. The AX Group is principally engaged in the provision of hospitality services, leisure, and entertainment ('AX Hotels'); retirement residences and elderly care ('AX Care'); ownership of real estate ('AX Real Estate'), construction and building materials ('AX Construction'); investment in renewable energy projects ('AX Renewable Energy'), through its Subsidiaries. Accordingly, the Issuer is economically dependent on the operations and performance of the Subsidiaries to a significant extent.

1.1.3. Major Shareholders of the Issuer

As at the date of this Summary, Angelo Xuereb holds 55% of the issued share capital of the Issuer. The shares held by Angelo Xuereb are of the same class and carry the same voting rights as the rest of the shares issued by the Issuer.

1.1.4. Directors of the Issuer

The Board of Directors of the Issuer is composed of the following persons: Josef Formosa Gauci (Independent Non-Executive Director), Denise Xuereb (Executive Director), Christopher Paris (Non-Executive Director), John Soler (Independent Non-Executive Director), Michael Warrington (Executive Director and Chief Executive Officer), and Angelo Xuereb (Executive Chairman).

1.1.5. Statutory Auditors

The auditors of the Issuer as of the date of this Summary are Ernst & Young Malta Limited of Ernst & Young Malta Limited, Regional Business Centre, Achille Ferris Street, Msida MSD 1751, Malta. The annual statutory financial statements of the Issuer for the financial year ended 31 October, 2020, 31 October, 2021 and 31 October, 2022 have been audited by Ernst & Young Malta Limited.

1.2. **What is the key financial information regarding the Issuer?**

The key information regarding the Issuer on a consolidated basis is set out below:

| Statement of Comprehensive income (€'000) | Financial year ended 31 Oct'22 (audited) | Financial year ended 31 Oct'21 (audited) | Financial year ended 31 Oct'20 (audited) | Six months ended 30 April'23 (unaudited) | Six months ended 30 April'22 (unaudited) |
|--|---|---|---|---|---|
| Revenue | 38,443 | 35,806 | 29,056 | 16,134 | 15,521 |
| Operating profit (loss) | 1,973 | 4,929 | (4,467) | (4,285) | (2,168) |
| Total comprehensive income (expense) | (1,781) | 20,098 | (21,280) | (4,003) | (2,946) |

| Statement of Financial Position (€'000) | At 31 Oct'22 (audited) | At 31 Oct'21 (audited) | At 31 Oct'20 (audited) | At 30 April'23 (unaudited) |
|--|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Total assets | 422,759 | 374,099 | 348,657 | 440,738 |
| Total equity | 248,223 | 237,143 | 217,449 | 242,816 |
| Total liabilities | 174,536 | 136,956 | 131,209 | 197,922 |

| Statement of cash flows (€'000) | Financial year ended 31 Oct'22 (audited) | Financial year ended 31 Oct'21 (audited) | Financial year ended 31 Oct'20 (audited) | Six months ended 30 April'23 (unaudited) | Six months ended 30 April'22 (unaudited) |
|--|---|---|---|---|---|
| Net cash from (used in) operating activities | (4,489) | 2,959 | (588) | (12,829) | (4,582) |
| Net cash from financing activities | 42,719 | 7,644 | 19,500 | 24,321 | 33,822 |
| Net cash used in investing activities | (32,363) | (6,725) | (20,653) | (21,155) | (13,299) |

1.3. **What are the key risks that are specific to the Issuer?**

The most material risk factors specific to the Issuer, which may adversely impact the operations and, or financial position of the Issuer should the circumstances mentioned therein materialise, are as follows:

1.3.1. Risks relating to the Issuer's dependence on its Subsidiaries

The Issuer is the ultimate holding company of the AX Group and is economically dependent on the financial position and performance of the companies forming part of the AX Group. In this respect, therefore, the operating results of the AX Group have a direct effect on the Issuer's financial position and as such the risks intrinsic in the business and operations of the AX Group will have a direct effect on the financial performance and position of the Issuer and the ability of the Issuer to meet its obligations under the securities issued by it.

- 1.3.2. The Group is subject to certain risks common to the hospitality industry
The Group's hospitality operations and the results thereof are subject to a number of external factors that could adversely affect the Group's business, many of which are common to the hospitality industry and beyond the Group's control, the impact of one or more of which may cause a reduction in the income generated from the Group's hospitality division.
- 1.3.3. Risks associated with the healthcare industry
The Group owns, manages, and operates the Hilltop Gardens Retirement Village and the Simblija Care Home, which includes the Revive Physiotherapy and Aquatic Centre. The Group is, therefore, subject to risks inherent in the healthcare industry inherent in the provision of accommodation and care for elderly persons, one or more of which may adversely affect the business, results of operations and financial condition of the Group.
- 1.3.4. Risk specific to the construction industry, including, in particular, the risk of injury or fatality and exposure to liability and reputational damage
Any failure in health and safety performance may result in penalties for non-compliance with the relevant regulatory requirements and, or in a major or significant health and safety incident, which may be costly in terms of potential liabilities, as well as the generation of adverse publicity having a negative impact on the Group's reputation.
- 1.3.5. Risk specific to property development activities
Property development projects are subject to a number of specific risks, including: the risk of cost overruns; the risk of insufficiency of resources to complete development projects as planned; the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged; delays or refusals in obtaining the required governmental permits and authorisations; and high levels of activity in the sector which could place a strain on the availability of human and other capital resources required to undertake and complete the development projects. Any of such factors could have a material adverse effect on the Group's business, financial condition and results of operations.
- 1.3.6. Risks associated with the real estate industry
Risk factors inherent to the local property market are likely to cause property prices to change, and in turn, an increase in supply and, or a reduction in demand in the property market to which the AX Group is exposed. Additionally, the Group's operating and other expenses could increase without a corresponding increase in revenue, including unforeseen increases in the costs of maintaining the property; material increases in operating costs that may not be fully recoverable from tenants; and increases in the rate of inflation above the level of annual increments contracted with tenants. These factors could have an adverse effect on the AX Group's, financial condition and results.
- 1.3.7. Risks relating to title over immovable property
The AX Group's property developments are dependent on the performance of a due diligence exercise on the good title over the land or immovable property being acquired and, or developed. To the extent that the AX Group, or its third-party advisers, fail to identify defects in title or erroneously assess the materiality or implication of the findings of the due diligence exercise, including environmental liabilities, structure or operational defects, or other material issues, the AX Group may subsequently be exposed to claims and, or liabilities relating to such issues. As at the date of this Prospectus, the Group is subject to a claim for compensation relative to the alleged illegal occupation of a portion of land within the Qawra Properties, which claim is strongly disputed by the relevant Group companies. Should such claim, or similar claims of this nature, prove successful, they could have a material adverse effect on the Group's business and operations.
- 1.3.8. Risks relating to the global economy and financial markets
The operations of the Group are affected by conditions in the global economy and financial markets. Inflation rates have risen in the EU and in most countries over the world due to a number of factors, including but not limited to, the Russian invasion of Ukraine, leading to higher energy and commodity prices. Inflation pressures may, in turn, result in periods of significant volatility in the financial markets and may increase the risks of recession. Changes in overall economic conditions, inflation, interest rates, consumer and business spending, recession, and other general factors, including public health crisis such as the COVID-19 pandemic, which are beyond the Group's control, may have an adverse effect on the Group's business and financial performance.
- 1.3.9. Risks relating to the Group's financing and investment strategies
The AX Group may not be able to obtain the capital it requires for the continued operation of its business and investments, including for the acquisition, development, expansion or improvement of existing or new properties, on commercially reasonable terms, or at all, and, or on time. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and adversely affect its business, financial condition, results of operations and prospects.
- 1.3.10. Consumer trends and competition
The success of the Group's business operations is dependent upon the priority and preference of customers, whether local or foreign, and its ability to swiftly anticipate, identify and capitalise upon these priorities and preferences. If the Group is unable to do so, the Group could experience a reduction in its turnover, which reduction could have a material adverse effect on the Group's operational results, financial condition and its prospects. In addition, the business of the Group is also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors. A decline in the relative competitive strength of the Group could adversely affect the Group's results of its operations, financial condition, and its prospects.

2. KEY INFORMATION ON THE SECURITIES

2.1. What are the main features of the securities?

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|---|---|
| ISIN: | MT0002361229; |
| Description, amount: | up to €40,000,000 unsecured Bonds due 2033, having a nominal value of €100 per Bond issued at par; |
| Bond Issue Price: | at par (€100 per Bond); |
| Interest: | 5.85% per annum; |
| Redemption Date: | 7 November 2033; |
| Status of the Bonds: | the Bonds constitute the general, direct, unsecured, and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such obligations as may be mandatorily preferred by law, at all times rank at least equally with all the Issuer's present and future unsecured obligations; |
| Minimum amount per subscription: | minimum of €1,000 and multiples of €100 thereafter; |
| Denomination: | Euro (€); |
| Form: | the Bonds shall be issued in fully registered and dematerialised form and shall be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD; |
| Rights attaching to the Bonds: | a Bondholder shall have such rights as are attached to the Bonds, including the repayment of capital; the payment of interest; ranking with respect to other indebtedness of the Issuer; the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus; |
| Transferability: | the Bonds are freely transferable and, once admitted to the Official List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. |
| Underwriting: | the Bond Issue is not subject to an underwriting agreement on a firm commitment basis |

2.2. Where will the securities be traded?

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

2.3. What are the key risks that are specific to the securities?

2.3.1. No prior market

Prior to the Bond Issue, there has been no public market, nor trading record for the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Bond Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue. The market price of the Bonds could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified below.

2.3.2. Orderly and liquid market

The existence of an orderly and liquid market for the Bonds depends on a number of factors over which the Issuer has no control, including the presence of willing buyers and sellers of the Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Moreover, there can be no assurance that Bondholders will be able to sell the Bonds at or above the Bond Issue Price or at all.

2.3.3. Future public offers

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

2.3.4. Status of the Bonds

Any secured or privileged debts of the Issuer shall rank at all times ahead of the obligations of the Issuer under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds in the case of insolvency or an equivalent situation, whether in full or in part. Furthermore, subject to the negative pledge covenant, third-party

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

2.3.5. Subsequent changes in interest rates and the potential impact of inflation

The Bonds are fixed rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. 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 can generally be expected to rise. Moreover, the coupon payable on the Bonds is a nominal interest rate. The real interest rate is computed by subtracting inflation from the nominal interest rate, the result of which indicates the real return on the Bond coupons. In a period of high inflation, an investor's real return on the Bonds will be lower than the Bonds' nominal interest rate and thus undermine an investor's expected return. Furthermore, an increase in inflation may result in a decrease in the traded price of the Bonds on the secondary market.

3. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

3.1. Under which conditions and timetable can I invest in this security?

3.1.1. Plan of distribution, allotment and allocation policy

The Bonds shall be made available for subscription as follows:

- (a) an amount of up to €40,000,000 in nominal value of Bonds, shall be made available for subscription by Existing Bondholders during the Offer Period, electing to subscribe for Bonds by Exchangeable Bond Transfer up to the extent of their holdings of Exchangeable Bonds, subject to any Cash Top-Up as and if applicable;
- (b) the balance of the Bonds not subscribed for by Existing Bondholders by means of the Exchangeable Bond Transfer, if any, shall be made available for subscription by: (i) Existing Bondholders in respect of any Excess (provided that such Existing Bondholders transfer their entire holding in Exchangeable Bonds by way of Exchangeable Bond Transfer); and (ii) the Preferred Applicants, *pari passu*, without priority or preference amongst them; and
- (c) in the event that, following the allocations made pursuant to paragraphs (a) and (b) above there shall still remain unallocated Bonds, such Bonds shall be made available for subscription by Authorised Financial Intermediaries through an Intermediaries' Offer.

The Bonds are open for subscription during the Offer Period by: (i) Existing Bondholders applying for Bonds by Exchangeable Bond Transfer; (ii) Existing Bondholders applying for any Excess (provided that such Existing Bondholders transfer their entire holding in Exchangeable Bonds by Exchangeable Bond Transfer); and (iii) the Preferred Applicants, all subject to a minimum subscription amount of €1,000 in nominal value of Bonds.

Existing Bondholders applying for Bonds are to submit an Application through any of the Authorised Financial Intermediaries, who shall in turn process same through a customised IT system, and may elect to settle all or part of the amount due on the Bonds applied for (whether in whole or in part consideration for the Bonds being applied for) by completing an Application Form 'A', indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Exchangeable Bonds held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for (this being, the Exchangeable Bond Transfer). Any Existing Bondholders whose holding in Exchangeable Bonds is less than €1,000 shall be required to pay the Cash Top-Up together with the submission of their Application Form.

The transfer of Exchangeable Bonds to the Issuer in consideration for the subscription Bonds shall cause the obligations of the Issuer with respect to such Exchangeable Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds.

Preferred Applicants applying for Bonds are to submit an Application through any of the Authorised Financial Intermediaries, by completing an Application Form 'B', who shall in turn process same through a customised IT system.

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

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List.

3.1.2. Expected timetable of the Bond Issue

| | | |
|---|--|-----------------------------------|
| 1 | Offer Period for Existing Bondholders and Preferred Applicants | 5 October 2023 to 23 October 2023 |
| 2 | Intermediaries' Offer* | 3 November 2023 |
| 3 | Commencement of interest on the Bonds | 7 November 2023 |
| 4 | Announcement of basis of acceptance | 7 November 2023 |
| 5 | Refunds of unallocated monies (if any) | 14 November 2023 |
| 6 | Expected dispatch of allotment advices | 14 November 2023 |
| 7 | Expected date of admission of the Bonds to listing | 14 November 2023 |
| 8 | Expected date of commencement of trading in the Bonds | 15 November 2023 |

*The Issuer reserves the right to close the Offer Period before the 23 October 2023 with respect to any one or more classes of Applicants depending on the total level of subscription in the Bond Issue, in which case the Intermediaries' Offer' would not take place and the events set out in steps 4 onwards may be brought forward and take place in the same chronological order as set out above.

3.1.3. Total estimated expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €750,000 in the aggregate. The expenses pertaining to the Bond Issue shall be borne exclusively by the Issuer.

3.2. **Why is this prospectus being produced?**

3.2.1. The use and estimated net amount of the proceeds

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €39,250,000, will be utilised by the Issuer for the following purposes:

- (a) an amount of up to €40,000,000 in the form of Exchangeable Bonds surrendered by Existing Bondholders in favour of the Issuer by virtue of an Exchangeable Bond Transfer resulting in the purchase of Exchangeable Bonds from said Existing Bondholders by the Issuer, for cancellation (as at the date of the Prospectus the total value of Exchangeable Bonds in issue stands at €40,000,000); and
- (b) the proceeds derived from the balance of the Bonds not subscribed for by Existing Bondholders by means of the Exchangeable Bond Transfer, as well as any amounts received through the exercise of the Cash Top-Up, will be used by the Issuer for the redemption of the outstanding amount of the Exchangeable Bonds remaining in issue as at 6 March, 2024 being the redemption date of the Exchangeable Bonds.

In the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and it shall apply the net proceeds received to the uses specified in the paragraphs above. Any residual amount which may be required by the Issuer for the purpose of the redemption of the balance of the outstanding amount of the Exchangeable Bonds, which shall not be raised through the Bond Issue, shall be financed from the Group's own funds.

3.2.2. Conflicts of interest pertaining to the Bond Issue

Save for the subscription for Bonds by Authorised Financial Intermediaries, and any fees payable in connection with the Bond Issue to M. Z. Investment Services Ltd as Sponsor and Bank of Valletta p.l.c. as Manager and Registrar, in so far as the Issuer is aware, no person involved in the Bond Issue has an interest, conflicting or otherwise, which is material to the Bond Issue.