

SECURITIES NOTE

Dated 25 July 2024

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: €20,000,000 5.3% Secured Bonds 2034
of a nominal value of €100 per Bond issued and redeemable at par ISIN: MT MT0002191238 (the "Bonds")**



MERCURY FINANCE

MERCURY PROJECTS FINANCE P.L.C.
a public limited liability company duly incorporated under the Laws of Malta,
with Company registration number C 89117

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

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

Sponsor
& Co-Manager

Calamatta Cuschieri

Registrar
& Co-Manager

BOV
Bank of Valletta

Security
Trustee

CSB | trustees &
fiduciaries ltd

Legal
Counsel

salibastafrece
LEGAL

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

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

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

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

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK 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 BOARD OF DIRECTORS

Joseph Portelli
Director

signing in his own capacity as director of the Issuer and on behalf of each of Stephen Muscat,
Mario Vella and Peter Portelli.

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY MERCURY PROJECTS FINANCE P.L.C. (THE "ISSUER") OF UP TO €20,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5.3% PER ANNUM, PAYABLE ON 10 SEPTEMBER 2024 OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "BONDS"). THE ISSUER SHALL REDEEM THE BONDS AND PAY THE FULL NOMINAL VALUE THEREOF ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

THIS SECURITIES NOTE SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

THIS SECURITIES NOTE SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER DATED 25 JULY 2024.

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

ALL THE ADVISORS TO THE ISSUER NAMED UNDER THE HEADING "ADVISORS" IN SECTION 3.4 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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

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

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

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION "S" OF THE SAID ACT). FURTHERMORE, THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND WILL BE 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.

Table of Contents

1	DEFINITIONS	7
2	RISK FACTORS	8
	2.1 Risks relating to the Bonds	9
	2.2 Risks relating to the Guarantor and the Collateral	11
3	PERSONS RESPONSIBLE AND CONSENT FOR USE	12
	3.1 Persons responsible	12
	3.2 Consent for use of the prospectus	12
4	ESSENTIAL INFORMATION	13
	4.1 Interest of natural and legal persons involved in the Bond Issue	13
	4.2 Reasons for the offer and use of proceeds	13
	4.3 Funding of completion and finishing of the Project from other sources	14
	4.4 Expenses	14
	4.5 Security	14
5	OFFER STATISTICS	15
6	INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING	17
	6.1 General	17
	6.2 Registration, form, denomination and title	17
	6.3 Ranking of the Bonds and the Collateral	18
	6.4 Rights attaching to the Bonds	19
	6.5 Interest	19
	6.6 Yield	19
	6.7 Redemption and purchase	19
	6.8 Payments	19
	6.9 Limits of the validity of claims	20
	6.10 Events of Default	20
	6.11 Transferability of the Bonds	21

6.12 Further issues	21
6.13 Resolutions and meetings of Bondholders	22
6.14 Bonds held jointly	23
6.15 Bonds held subject to usufruct	23
6.16 Authorisations and approvals	23
6.17 Representations and warranties	23
6.18 Notices	23
6.19 Governing law and jurisdiction	23
7 TAXATION	24
7.1 Malta tax on interest	24
7.2 Exchange of information	24
7.3 Maltese tax on capital gains on transfer of the Bonds	25
7.4 Duty on documents and transfers	25
8 TERMS AND CONDITIONS OF THE BOND ISSUE	26
8.1 Expected timetable	26
8.2 Terms and conditions of Application	26
8.3 Plan of distribution and allotment	31
8.4 Placement agreements	32
8.5 Intermediaries' Offer	32
8.6 Pricing	32
8.7 Allocation policy	33
8.8 Admission to trading	33
8.9 Additional Information	33
ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES	34
ANNEX II – GUARANTEE	35
ANNEX III – FINANCIAL ANALYSIS SUMMARY	40

1 DEFINITIONS

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

Applicant/s	A person or persons (in the case of joint applicants) who subscribe(s) for the Bonds;
Application	The application to subscribe for Bonds made by an Applicant/s through any of the Authorised Financial Intermediaries;
Authorised Financial Intermediaries	The financial intermediary/ies whose details appear in Annex I to this document;
Bond Issue Price	The nominal value of each Bond (€100 per Bond);
CSD or Central Securities Depository	The Central Securities Depository of and operated by the Malta Stock Exchange set up and authorised in terms of the Financial Markets Act, 1990 (Chapter 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
Event of Default	Shall have the meaning assigned to it in section 6.10 of this Securities Note;
Interest Payment Date	10 September of each year between and including each of the years 2025 and 2034, 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;
Intermediaries' Offer	An offer for subscription of Bonds made by the Issuer to the Authorised Financial Intermediaries through subscription agreements as further detailed in section 8.5 of this Securities Note;
Issue Date	Expected on 20 September , 2024;

Placement Agreement/s	The conditional placement agreement/s which may be entered into between the Issuer and any Authorised Financial Intermediaries, as further described in section 8.4 of this Securities Note;
Redemption Value	The nominal value of such Bond (€100 per Bond); and
Terms and Conditions	The terms and conditions of issue of the Bonds, set out in sections 5, 6 and 8 of this Securities Note.

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

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and *vice-versa*;
- (b) words importing the masculine gender shall include also the feminine gender and *vice-versa*;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- (d) any references to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
- (e) any phrase introduced by the term "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding the term; and
- (f) any references to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Securities Note.

2 RISK FACTORS

THE VALUE OF INVESTMENTS CAN 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 investment in the Bonds. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2.1 RISKS RELATING TO THE BONDS

SUITABILITY OF THE BONDS

An investment in the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an investment advisor as to the suitability or otherwise of an investment in the Bonds before making an investment decision.

In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits, and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- (b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Bonds meet the investment objectives of the prospective investor;

- (c) understands thoroughly the terms of the Bonds; and
- (d) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds, and the inherent risks associated with the Group's business. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of the Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

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. As at the date of this Securities Note, interest rates have gone through a gradual increase and may continue rising to some extent. 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.

RISKS RELATING TO INFLATION

Inflation currently remains at elevated levels when compared to the past decades. 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.

TRADING AND LIQUIDITY RISKS

There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to re-sell his or her Bonds 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 and the Middle East armed conflicts. There can be no assurance that continued or increased volatility and disruption in the capital markets will not impair the saleability of the Bonds.

CURRENCY RISK

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

CONTINUING COMPLIANCE OBLIGATIONS

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 this Prospectus.

AMENDMENTS TO TERMS AND CONDITIONS

The Issuer may call a meeting of Bondholders in accordance with the provisions of this Securities Note in the event that it wishes to amend any of the Terms and Conditions of this Bond Issue. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

ADDITIONAL INDEBTEDNESS AND SECURITY

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

RATINGS

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

2.2 RISKS RELATING TO THE GUARANTOR AND THE COLLATERAL

RISKS RELATING TO THE BUSINESS OF THE GUARANTOR

The risk factors contained in section 2.2 of the Registration Document (entitled 'Risks relating to the Guarantor 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 would have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Issuer-Guarantor Loan 2024 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 FOR BONDS 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 the Guarantor, and save for such exceptions as may be provided by applicable law, they shall rank with priority or preference over all unsecured indebtedness, if any, by virtue and to the extent of the first ranking Special Hypothec over the Security Property for Bonds which the Guarantor will constitute in favour of the Security Trustee for the benefit of the Bondholders.

As noted in section 6.2 of the Registration Document, in its existing state, the Security Property for Bonds has been professionally valued for a total amount which should be sufficient to cover payment of the Redemption Value of the Bonds. 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 the Guarantor in respect of the Security Property for Bonds, there can be no guarantee that the value of the said Security Property for Bonds over the term of the Bonds will be sufficient to cover the full amount of Redemption Value or interest outstanding under the said Bonds. This may be the result of various factors, including general economic factors that could have an adverse impact on the value of the Security Property for Bonds. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Furthermore, there is no guarantee that the value of Security Property for Bonds determined in the independent valuation is necessarily correct or would actually be achieved on the market. The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation of properties, including of Security Property for Bonds, referred

to in the Prospectus reflects actual values that would be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values at the time of enforcement of the Special Hypothec on the Security Property for Bonds.

RISKS RELATING TO RANKING OF SPECIAL HYPOTHEC FORMING PART OF THE COLLATERAL

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

3 PERSONS RESPONSIBLE AND CONSENT FOR USE

3.1 PERSONS RESPONSIBLE

This document includes information given in compliance with the Capital Markets Rules and the Prospectus Regulation for the purpose of providing prospective investors with information with regard to the Bonds. All of the Directors of the Issuer, whose names appear under the heading 'Directors of the Issuer and the Guarantor' in section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

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

3.2 CONSENT FOR USE OF THE PROSPECTUS

CONSENT REQUIRED IN CONNECTION WITH THE USE OF THE PROSPECTUS BY THE AUTHORISED FINANCIAL INTERMEDIARIES

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

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

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

Other than as set out above, neither the Issuer nor any of the advisors of the Issuer has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer and neither the Issuer nor any of the Issuer's advisors has any responsibility or liability for the actions of any person making such offers.

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

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary shall be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor any of its advisors has any responsibility or liability for such information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to Authorised Financial Intermediaries unknown at the time of approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer's website: www.mercury.com.mt

4 ESSENTIAL INFORMATION

4.1 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE BOND ISSUE

Without prejudice to the potential conflicts of interest of Directors disclosed in section 9.4 of the Registration Document, and save for the subscription for Bonds by the Authorised Financial Intermediaries, which include the Sponsor & Co-Manager and the Registrar & Co-Manager, and any fees payable in connection with the Bond Issue to the Sponsor & Co-Manager and the Registrar & Co-Manager, 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 2024**"). The Issuer-Guarantor Loan 2024 will bear interest at 5.5% per annum payable on 25 August of each year, and the principal amount thereof shall be repayable by not later than 25 August 2034.

In turn, the Issuer-Guarantor Loan 2024 will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- (i) **Refinancing of the Relevant BOV Loan:** the amount of approximately **€5,000,000** will be used to re-finance the outstanding Relevant BOV Loan due by the Guarantor to Bank of Valletta p.l.c., which loan was originally principally utilised to finance part of the completion and finishing costs of the Project;
- (ii) **Completion and finishing costs of the Project:** an amount of approximately **€7,750,000** will be used to finance the remaining development (completion and finishing) costs of the Project; and
- (iii) **General corporate funding:** the amount of approximately **€7,250,000** together with any residual amounts not utilised for the purposes identified in paragraphs (i) and (ii) above, shall be utilised for general corporate funding purposes of the Group, including the expenses of the Bond Issue which are expected to amount to approximately €750,000 and which were agreed to be borne by the Guarantor.

As set out in section 6.2 of the Registration Document, the Issuer-Guarantor Loan 2024 shall be drawn down as follows:

- (a) the amount which is intended to be used to refinance the Relevant BOV Loan as set out in (i) above, which will be held by the Security Trustee, will be drawn down in one lump sum following a request by the Guarantor to the Issuer to be made as soon as possible following the listing of the Bonds on the Official List of the Malta Stock Exchange, in order to pay the Relevant BOV Loan to Bank of Valletta p.l.c., which payment will be made to the said Bank of Valletta p.l.c. by the Security Trustee itself on behalf of and by delegation from the Guarantor;

- (b) the remaining amount of the Issuer-Guarantor Loan 2024 which is intended to be used to finance the completion and finishing costs of the Project and for general corporate funding purposes as set out in (ii) and (iii) above, which will be held by the Registrar, excluding those required to fund the expenses of the Bond Issue which are expected to amount to approximately €750,000, shall be drawn down in full in one lump sum following a request by the Guarantor to the Issuer made upon the listing of the Bonds on the Official List of the Malta Stock Exchange, whereupon the Issuer shall promptly instruct the Registrar to transfer the relevant amount to the Guarantor: provided that such part of the Issuer-Guarantor Loan 2024 which is required by the Guarantor to fund the expenses of the Bond Issue (which the Guarantor has agreed to bear itself) shall be forwarded by the Registrar to or to the order of the Issuer upon request.

It is expected that within 15 Business Days from the closing of the Offer Period, the Issuer, the Guarantor and the Security Trustee shall appear on a notarial deed (the **"Deed of Hypothec"**), pursuant to which the Guarantor will constitute and grant to the Security Trustee, and the Security Trustee will obtain, the Special Hypothec over the Security Property for Bonds. By virtue of such Deed of Hypothec, the Issuer will also agree to make the Issuer-Guarantor Loan 2024 to the Guarantor, through which it will make available the proceeds from the Bond Issue by way of loan.

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

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

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

- forward the amount intended to be used to repay the Relevant BOV Loan as referred to in paragraph (a) above to the Security Trustee, which shall hold and apply the same in repayment of the Relevant BOV Loan on behalf of the Guarantor in accordance with the provisions of the Security Trust Deed;
- forward the remaining proceeds of the Bond Issue intended to be used for completion and finishing costs and for general corporate funding purposes as referred to in paragraph (b) above, less the amount equivalent to the expenses of the Bond Issue (as indicated by the Issuer), to the Guarantor, upon instruction of the Issuer; and
- forward the remaining amount equivalent to the expenses of the Bond Issue to or to the order of the Issuer, upon request.

4.3 FUNDING OF COMPLETION AND FINISHING OF THE PROJECT FROM OTHER SOURCES

Assuming that the Bond Issue is fully or at least 65% subscribed, it is anticipated that the proceeds of such Bond Issue, together with other financing previously taken out by the Group for such purpose as referred to in section 6.2 of the Registration Document, will be sufficient to fund the remaining construction and finishing costs of the Project.

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 €750,000. 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 2024, provided that these shall, following the satisfaction of the Conditions Precedent, be released and paid by the Registrar to or to the order of the Issuer upon request.

4.5 SECURITY

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

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

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

The Issuer and the Guarantor have entered into a Trust Deed with the Security Trustee for the benefit of the Bondholders and having as trust property security which consists of the covenants of the Issuer and the Guarantor to pay the principal amount under the Bonds on the respective Redemption Date and interest thereon on the respective Interest Payment Dates, the hypothecary rights under the Deed of Hypothec, the undertakings of the Guarantor under the Guarantee and all the rights and benefits under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds. No Bonds shall be issued and allotted until the Collateral has been duly constituted in accordance with the provisions of the said Trust Deed and the Malta Stock Exchange admits the Bonds to trading as listed instruments.

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

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

Issue:	€20,000,000 5.3% Secured Bonds 2034.
Amount:	€20,000,000.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD.
Denomination (currency):	Euro (€).
ISIN:	MT0002191238
Bond Issue Price:	At par (€100 per Bond).
Minimum amount per subscription:	Minimum of €5,000 and integral multiples of €100 thereafter.
Offer Period:	The period commencing at 08:00 hours on 2 August 2024 and ending at 12:00 hours on 30 August 2024, both days included. The Issuer reserves the right to close the Offer Period before 30 August 2024.
Plan of Distribution:	The Bonds are open for subscription by all categories of investors, as further described in section 8.3 of this Securities Note.
Placement Agreement/s	The Issuer may enter into conditional placement agreement/s with one or more Authorised Financial Intermediary/ies whereby an agreed portion of the nominal value of the Bonds will be made available for subscription to such Authorised Financial Intermediaries, for their own account or on behalf of their clients, as further described in section 8.4 of this Securities Note.

Intermediaries' Offer:	The Issuer may enter into subscription agreements with Authorised Financial Intermediaries for an aggregate amount equivalent to the remaining amount of the Bond Issue not covered by the Placement Agreements (if any), for subscription of Bonds by such Authorised Financial Intermediaries for their own account or on behalf of their clients, as further described in section 8.5 of this Securities Note.
Redemption Date:	10 September 2034.
Redemption Value:	At par (€100 per Bond).
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves. The Bonds shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor in terms of the Guarantee and secured by the Special Hypothec on the Security Property for Bonds to be constituted by the Guarantor. In respect of the Guarantor, 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 Guarantor, by virtue and to the extent of the first ranking special hypothec over the Security Property for Bonds which the Guarantor will constitute in favour of the Security Trustee for the benefit of the Bondholders.
Guarantee	The joint and several guarantee dated 25 July 2024 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue.
Status of the Guarantee	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank <i>pari passu</i> with all its other unsecured and unsubordinated obligations.
Listing:	The Malta Financial Services Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Interest:	5.3% per annum, on the Nominal Value of each Bond.
Interest Payment Date(s):	Annually on 10 September as from 10 September 2025 (the first Interest Payment Date).
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law.
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

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

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

6.1 GENERAL

Each Bond forms part of a duly authorised issue of €20,000,000 5.3% Secured Bonds 2034 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €20,000,000 (except as otherwise provided under section 6.12 (“Further Issues”).

The Issue Date of the Bonds is expected to be 20 September 2024. The Bond Issue is guaranteed by the Guarantor and secured with the Special Hypothec. 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 20 September 2024 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: MTOOO2191238
- (d) Unless previously purchased and cancelled, the Bonds shall be redeemable at the Redemption Value on the Redemption Date.
- (e) The issue of the Bonds is made in accordance with the requirements of the Capital Markets Rules, the Act, and the Prospectus Regulation.
- (f) The minimum subscription amount of Bonds that can be subscribed for by an Applicant is €5,000 and in multiples of €100 thereafter.
- (g) In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, at the Applicant’s sole risk.
- (h) The Bond Issue is not underwritten.
- (i) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 6.3 hereunder.
- (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 opt to subscribe for an online e–portfolio account with the CSD, will be registered 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 (for subscriptions through the Intermediaries’ Offer or under the Placement Agreements, as the case may be).

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 FOR BONDS

In respect of the Guarantor, 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 Guarantor, by virtue and to the extent of the first ranking special hypothec over the Security Property for Bonds which the Guarantor will constitute in favour of the Security Trustee for the benefit of the Bondholders.

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

The Special Hypothec in respect of the Security Property for Bonds, 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 for Bonds. Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee will have the benefit of a special hypothec over the Security Property for Bonds for the full 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 for Bonds in priority to other creditors, except for privileged creditors. During the course of completion of the Project, situations may arise whereby the architects, contractors or suppliers may become entitled by law to register a special privilege over the Security Property for Bonds, thereby obtaining a priority in ranking over the Security Trustee. In this respect, the Guarantor has entered into an agreement with Mercury Contracting Projects Limited, being the principal contractor engaged to construct, develop and finish the Project, where the said contractor has undertaken to waive its right to inscribe a special privilege in its favour over the Security Property for Bonds, and has further undertaken to use best efforts to ensure that any of its sub-contractors will waive their right to a special privilege. Whilst this is intended to minimise the possibility that any real rights are created over the Security Property for Bonds that would have the effect of diminishing the value of the Collateral registered in favour of the Security Trustee, there can be no guarantee that Mercury Contracting Projects Limited will manage to obtain such waiver from the sub-contractors or that a sub-contractor conducting works on the said Security Property for Bonds will not constitute a special privilege according to law. Furthermore, the Guarantor may contract debts with other privileged creditors, who may be entitled to and actually register a special privilege over the Security Property for Bonds which ranks in priority to the Special Hypothec under the Collateral. This notwithstanding, as stated in section 4.3 of this Securities Note, the proceeds of the Bond Issue should be sufficient to fund the remaining construction and finishing costs of the Project, and thus it is unlikely that contractors or service providers register or enforce privileges over the Security Property for Bonds, in view of the fact that it is anticipated that these will be paid what is due to them on time.

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 the Guarantor and with due regard to the interests of all the Bondholders do or concur with the Guarantor in doing certain transactions in respect of the Security Property for Bonds 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 for Bonds 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 the Guarantor, to reduce, cancel and create or otherwise redefine the special hypothec/s burdening any elements of the Security Property for Bonds or to substitute any part of the Security Property for Bonds 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 with the consent of the Security Trustee, confirming that the value of the elements of the Security Property for Bonds 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 for Bonds should at any given time the value of the Security Property for Bonds, 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 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 10 September 2024 at the rate of 5.3% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date.

The first interest payment will be affected on 10 September 2025 (covering the period 10 September 2024 to 9 September 2025), and then annually thereafter on 10 September of each calendar year, with the last interest payment being effected on the Redemption Date.

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

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

6.6 YIELD

The gross yield calculated on the basis of the interest on the Bonds, the Bond Issue Price and the Redemption Value of the Bonds is 5.3% per annum.

6.7 REDEMPTION AND PURCHASE

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

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

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

6.8 PAYMENTS

Payment of the 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 to the bare owner or as otherwise indicated in 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 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 and the Guarantor, declare the Bonds to have become immediately due and repayable at their 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 or the Guarantor 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 or the Guarantor 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 or the Guarantor, as applicable;
- (l) the Issuer or the Guarantor, 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 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 or the Guarantor of any of the covenants, obligations or provisions contained herein or in the Trust Deed, as applicable, due to any fortuitous event of a calamitous nature beyond the control of the Issuer or the Guarantor, as the case may be, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer or the Guarantor, 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 and the Guarantor 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 15 July 2024. 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 15 July 2024.

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 25 July 2024.

6.17 REPRESENTATIONS AND WARRANTIES

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

- (a) it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- (b) it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Bond Issue.

6.18 NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove 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 and/or the Guarantor arising out of or in connection with the Bonds and/or the Prospectus and/or any non-contractual matters arising out of or in connection therewith shall be brought exclusively before the Maltese courts. The Issuer and each Bondholder irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any dispute, action, suit or proceedings as aforesaid.

7 TAXATION

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The tax legislation of the investor's country of nationality, residence or domicile and of the Issuer's country of incorporation (Malta) may have an impact on the income received from the Bonds.

The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

7.1 MALTA TAX ON INTEREST

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer is required to submit to the Maltese Commissioner for Revenue the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Issuer shall also render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax at the standard rates applicable to such Bondholder at that time. Additionally in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

7.2 EXCHANGE OF INFORMATION

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

Relevant legislation includes, but is not limited to:

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

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

Under FATCA Legislation, Financial Institutions (“FIs”) in Malta (defined as such for the purposes of FATCA) are obliged to identify and report financial accounts held by Specified U.S. Persons, as defined under FATCA Legislation, and certain non-U.S. entities which are controlled by U.S. Controlling Persons, as defined under FATCA Legislation, to the Commissioner for Revenue. The latter is in turn required to exchange such information to the US Internal Revenue Service. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

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

The CRS requires Malta based financial institutions (“FIs”) (defined as such for the purposes of CRS) to identify and report to the Commissioner for Revenue financial accounts held by Reportable Persons, as defined under the CRS Legislation, and certain entities with one or more Controlling Persons which are classified as Reportable Persons in terms of the CRS. Financial information relating to Bonds and the holders of the Bonds may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

In particular with respect to CRS, the following information may be reported by FIs to the Commissioner for Revenue in respect of each reportable account maintained by the FIs, (a) the name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth; (b) the account number (or functional equivalent in the absence of an account number); (c) the account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account; (d) the total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

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

FIs reserve the right to request any information and/or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and CRS and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, an FI may take such action as it thinks fit, including without limitation, the closure of the financial account.

7.3 MALTESE TAX ON CAPITAL GAINS ON TRANSFER OF THE BONDS

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

7.4 DUTY ON DOCUMENTS AND TRANSFERS

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the Laws of Malta), duty is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”. Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

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

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS UNDER MALTESE LAW. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

8 TERMS AND CONDITIONS OF THE BOND ISSUE

8.1 EXPECTED TIMETABLE

1.	Offer Period:	2 August 2024 to 30 August 2024
2.	Placement Date:	30 August 2024
3.	Intermediaries' Offer Date:	30 August 2024
4.	Commencement of interest:	10 September 2024
5.	Expected announcement of basis of acceptance:	10 September 2024
6.	Expected dispatch of allotment letters:	20 September 2024
7.	Latest date of constitution of Special Hypothec on Security Property for Bonds:	20 September 2024
8.	Latest date of admission of Bonds to listing:	20 September 2024
9.	Latest date of commencement of trading in the Bonds:	23 September 2024

The Issuer reserves the right to close the Offer Period earlier in the event of full or over-subscription, in which case the events set out in step 2 onwards may be brought forward. The dates specified in step 7 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 as: (1) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed; 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. Investors who wish to subscribe for Bonds are to contact any of the Authorised Financial Intermediaries through whom they may participate in the Bond Issue. Investors may apply for the subscription of Bonds by submitting an Application to an Authorised Financial Intermediary, in the manner instructed thereby, during the Offer Period which will close at 12:00 hours on 30 August 2024, unless closed earlier by the Issuer as provided above.

- (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 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 (t) 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 repayment of principal on the Bond, which shall be due to the bare owner or as otherwise indicated in the joint instructions of all bare owners and usufructuaries.

- (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) 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. Payments may be made through any method of payment as accepted by the respective Authorised Financial Intermediary.
- (m) 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.
- (n) Without prejudice to the generality of paragraph (m) above, the Issuer reserves the right, in its discretion, to reject all Applications and revoke the issue and not to allot any Bonds if the Bond Issue is not fully subscribed and taken up during the Offer Period. The Issuer may however, in its discretion, accept Applications made and proceed with the issue and allotment of the Bonds in case the Bond Issue is subscribed only in part during the Offer Period, whatever the amount so subscribed.
- (o) Without prejudice to paragraphs (m) and (n) above, the Issuer reserves the right to revoke the issue at any time before the closing of the Offer Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.

- (p) The Offer Period shall close immediately upon attaining full subscription or on the last day of the Offer Period, whichever is the earlier. By not later than 10 September 2024, the Issuer shall, through a company announcement which will also be uploaded on the Issuer's website, namely www.mercury.com.mt, announce the basis of acceptance of Applications and allocation policy to be adopted.
- (q) In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for (and the Issuer and Authorised Financial Intermediaries reserve the right to do so in case of oversubscription or otherwise in their absolute discretion), the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application, at the Applicant's sole risk. The respective Authorised Financial Intermediary or the Issuer shall not be responsible for any charges, loss or delay in transmission.
- (r) 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.
- (s) 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.
- (t) 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.

8.3 PLAN OF DISTRIBUTION AND ALLOTMENT

The Bonds will be available for subscription by all categories of investors, as follows:

- (i) The Issuer may enter into a Placement Agreement with any of the Authorised Financial Intermediaries, for the placement of an agreed portion of the nominal value of Bonds (which will be reserved for such Authorised Financial Intermediaries under the Placement Agreements) to be subscribed to by each such Authorised Financial Intermediary either in its own name or in the name of its underlying clients in terms of the respective Placement Agreement, as further detailed in section 8.4 below; and
- (ii) The remaining balance of Bonds shall be made available for subscription by Authorised Financial Intermediaries through an Intermediaries' Offer, who may subscribe the same in their own name or in the name of their underlying clients in terms of the subscription agreements to be entered into with them, as further detailed in section 8.5 below.

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.

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 upon admittance of the Bond to listing on the Official List. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the laws of Malta), and regulations made thereunder. Such monies 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.

8.4 PLACEMENT AGREEMENTS

The Issuer may enter into a Placement Agreement with any one or more of the Authorised Financial Intermediaries, for the placement of an agreed amount in nominal value of Bonds, which will be reserved for such Authorised Financial Intermediaries under the Placement Agreements.

In terms of each Placement Agreement, if any, the Issuer will be conditionally bound to issue, and the relevant Authorised Financial Intermediary will be conditionally bound to subscribe on a best efforts basis to, the number of Bonds indicated therein, subject to the Bonds being admitted to listing on the Official List of the Malta Stock Exchange, and subject to other terms and conditions as will be set out in the Placement Agreements.

In terms of each of the said Placement Agreements (if any), the relevant Authorised Financial Intermediary will have the right to subscribe for Bonds for its own account (where applicable) or for the account of underlying 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 12:00 hours on 30 August 2024, 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, if any, will be required to effect payment to the Issuer for the Bonds subscribed to by not later than the Placement Date.

8.5 INTERMEDIARIES' OFFER

The remaining balance of Bonds not covered by the Placement Agreements, if any, will be reserved by the Issuer for subscription by Authorised Financial Intermediaries pursuant to an Intermediaries' Offer. In this regard, the Issuer may enter into conditional subscription agreements with a number of Authorised Financial Intermediaries whereby it shall bind itself to allocate Bonds to the Authorised Financial Intermediaries in accordance with the terms of such subscription agreements, up to a maximum amount of Bonds remaining after those reserved for Authorised Financial Intermediaries under the Placement Agreements (if any).

The subscription agreements shall be subject to the terms and conditions of the Prospectus and will be conditional on the Bonds being admitted to listing on the Official list of the Malta Stock Exchange, and other conditions set out in the relevant subscription agreement. Moreover, the subscription agreements shall become binding on each of the Issuer and the respective Authorised Financial Intermediary upon signing, provided that the Authorised Financial Intermediary would have paid the Registrar all subscription proceeds in cleared funds by latest 30 August 2024, this being the Intermediaries' Offer Date.

The minimum amount which each Authorised Financial Intermediary may apply for in terms of the applicable subscription agreement is €5,000 and in multiples of €100 thereafter and such minimum and multiples shall also apply to each underlying Applicant in the case of applications under nominee.

Completed subscription agreements, together with evidence of payment, are to reach the Registrar by the Intermediaries' Offer Date. The Issuer acting through the Registrar shall communicate the amount allocated under each subscription agreement by latest 2 September 2024. Where the Authorised Financial Intermediary has been allocated a lesser number of Bonds than the amount being subscribed for, such unsatisfied amount shall be refunded by the Registrar to the Authorised Financial Intermediary to the account specified in the respective subscription agreement by latest 3 September 2024.

In terms of the subscription agreements to be entered into, Authorised Financial Intermediaries will have the right to subscribe for the Bonds either for their own account or for the account of underlying customers and shall in addition be entitled to distribute any portion of the Bonds subscribed to their underlying clients upon commencement of trading or to complete a data file representing the amount being allocated in terms of the respective sales agreement as provided by the Registrar by latest 4 September 2024.

8.6 PRICING

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

8.7 ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following policy:

- (i) the aggregate amount covered by Placement Agreements, if any, will be reserved for, and shall be allocated to, the Authorised Financial Intermediaries entering into the relevant Placement Agreements, in accordance with such Placement Agreements as further detailed in section 8.4 of this Securities Note;
- (ii) the remaining balance of Bonds which are not subject to Placement Agreements, if any, shall be allocated to Authorised Financial Intermediaries pursuant to the Intermediaries' Offer subject to an allocation policy as determined by the Issuer, as further detailed in section 8.5 of this Securities Note.

The Issuer shall announce the result of the Bond Issue through a company announcement on the Issuer's website by not later than 10 September 2024.

8.8 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 25 July 2024.

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 20 September 2024 and trading is expected to commence on 23 September 2024.

8.9 ADDITIONAL INFORMATION

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

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

Calamatta Cuschieri Investment Services Limited does not have any material interest in the Issuer or Guarantor. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

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

ANNEX I

AUTHORISED FINANCIAL INTERMEDIARIES

Bank of Valletta p.l.c.

(Applications accepted from Investments Centres and Wealth Mgmt)

475, Triq il-Kbira San Guzepp

Sta Venera SVR 1011, Malta

Tel: 2275 1732

Calamatta Cuschieri Investment Services Limited

Ewropa Business Centre,

Triq Dun Karm,

Birkirkara BKR 9034, Malta

Tel: 25688688

Michael Grech Financial Investment Services Limited

The Brokerage,

St Marta Street,

Victoria, Gozo VCT 2550

Tel: 22587000

ANNEX II

GUARANTEE

THIS GUARANTEE and INDEMNITY AGREEMENT is dated 25 July 2024 and made between:

- (i) **Mercury Towers Ltd**, a company incorporated under the laws of Malta with registration number C77402 and whose registered office is at J Portelli Offices, St George Street, St Julian's, STJ3202, Malta, (the "**Guarantor**") represented by _____ as duly authorised;
- (ii) CSB Trustees and Fiduciaries Limited, a company incorporated under the laws of Malta with registration number C 40390 and whose registered office is at Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR4013, Malta (the "**Security Trustee**") represented by Dr Franklin Cachia and Mr. Jean Claude Cardona, as duly authorised.

WHEREAS:

- A. **Mercury Projects Finance p.l.c.** (the "**Issuer**") shall issue up to €20,000,000 Secured Bonds at an annual interest rate of 5.3% to be redeemed and finally repaid on 10 September 2034 (the "**Secured Bonds**") by virtue of, and subject to the terms and conditions of, a prospectus dated 25 July 2024 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, as a condition for the issuance of the Secured Bonds 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 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 (7th) day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile number or email address as are stated below as the same may be changed by notice in writing by one party to the other.

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

- (a) without any set-off, condition or counterclaim whatsoever; and
- (b) free and clear of any deductions or withholdings whatsoever except as may be required by law or regulation which is binding on the Guarantor.

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

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

9 NOTICES

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

If to the Guarantor:

Address: J Portelli Offices, St George Street, St Julian's, STJ3202, Malta

Fax number: n/a

E-mail address: accounts@mercury.com.mt

To the attention: Ms. Chloe Portelli

If to the Security Trustee:

Address: Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR4013, Malta

E-mail address: trustee@csbgroup.com; franklin.cachia@csbgroup.com

To the attention: Dr. Franklin Cachia

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.

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

Dr Franklin Cachia and Mr. Jean Claude Cardona

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

ANNEX III

Financial Analysis Summary

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

Calamatta Cuschieri

25 July 2024

Re: Financial Analysis Summary – 2024

Dear Board Members,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Mercury Projects Finance p.l.c. (the “**Issuer**”) and Mercury Towers Ltd (the “**Guarantor**”), where the latter is the parent company of the “Group”. The data is derived from various sources, or is based on our own computations as follows:

- a) Historical financial data for the three years ended 31 December 2021, 2022 and 2023 has been extracted from the audited financial statements of the Issuer and Guarantor for the three years in question.
- b) The forecast data for the current financial year 2024 has been provided by management.
- c) Our commentary on the Issuer and Guarantor’s results and financial position is based on the explanations provided by management.
- d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of 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 investors in the Issuer’s securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors and is meant to complement, and not replace, the content of the full Prospectus. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,

Patrick Mangion
Head of Capital Markets

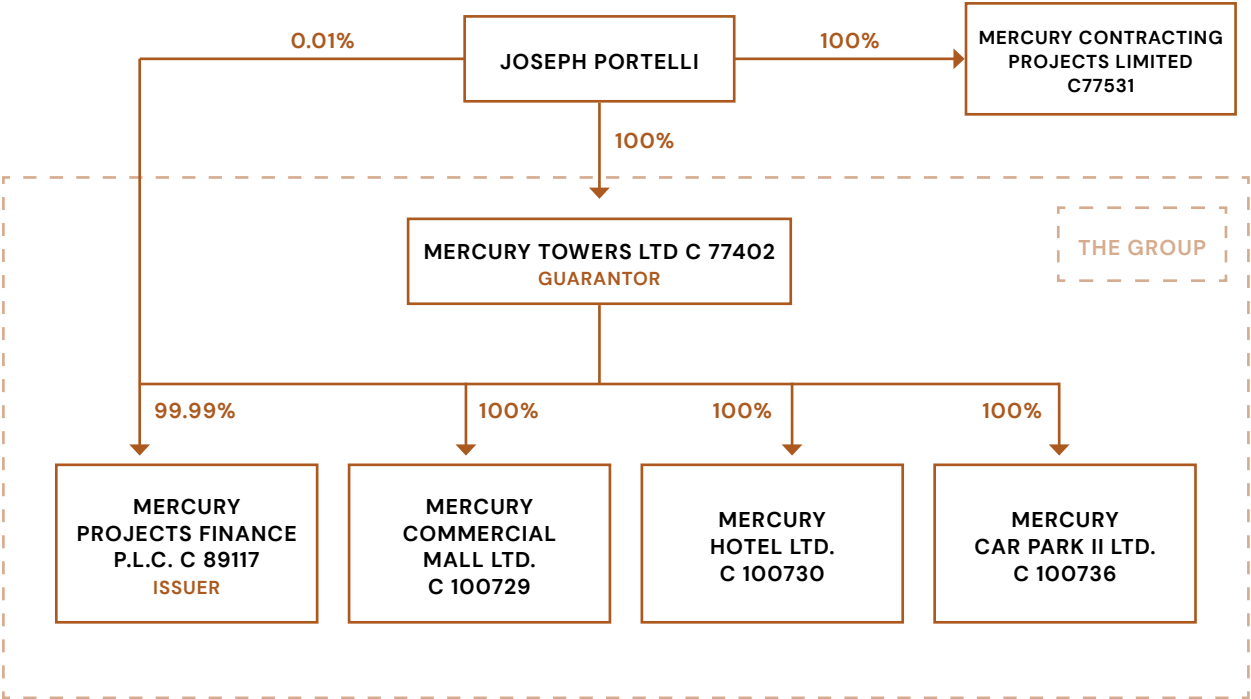
Table of Contents

1	Information about the Group	3
	1.1 The Group's Key Activities and Structure	3
	1.2 Directors and Key Employees	4
	1.3 Major Assets owned by the Group	4
	1.4 Operational Developments	5
	1.5 Conflict in Ukraine	6
	1.6 Listed Debt Securities of the Issuer	6
	1.7 Use of Proceeds	6
2	Historical Performance and Forecasts	7
	2.1 Issuer's Income Statement	7
	2.2 Issuer's Statement of Financial Position	8
	2.3 Issuer's Statement of Cash Flows	9
	2.4 Group's Income Statement	10
	2.5 Group's Statement of Financial Position	12
	2.6 Group's Statement of Cash Flows	15
3	Key Market and Competitor Data	17
	3.1 General Market Conditions	17
	3.2 Comparative Analysis	18
4	Glossary and Definitions	21

1 INFORMATION ABOUT THE GROUP

1.1 THE GROUP’S KEY ACTIVITIES AND STRUCTURE

THE GROUP STRUCTURE IS AS FOLLOWS:



The “Group” of companies (or the “Mercury Group”) comprises Mercury Projects Finance p.l.c. (the “Issuer”), Mercury Towers Ltd, acting as the Guarantor of the outstanding bonds of the Issuer, Mercury Car Park II Ltd, Mercury Hotel Ltd., and Mercury Commercial Mall Ltd.

The key activities of the Group consist of the development and operation of a mixed-use project (the “Project”) that *inter alia* involves the development of a 34-floor tower (including serviced apartments), a 5-star luxury hotel spanning over the podium area, retail and commercial spaces spanning across the entire project, a commercial mall, a rooftop bar, as well as an underlying car park. As at the date of this Analysis, the commercial mall and a number of commercial outlets are in operation (since November 2023).

The Issuer, with company registration number C 89117, is a public limited liability company registered in Malta on 16 January 2019. The Issuer is, except for one share that is directly held by Mr Joseph Portelli, a wholly-owned subsidiary of Mercury Towers Ltd, which is the parent company of the Group. The Issuer, which was set up and established to act as a

finance vehicle has, as at the date hereof, an authorised share capital of €500,000 divided into 500,000 ordinary shares of €1 each and has an issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor, Mercury Towers Ltd (“MTL”), is a private limited liability company incorporated and registered in Malta on 28 September 2016, with company registration number C 77402. The Guarantor owns land in St. Julian’s for the purpose of completing the Project in question. The Guarantor, has as at the date hereof an authorised share capital of €20,500,000 divided into 20,500,000 ordinary shares of €1 each and an issued share capital of €15,000,000 divided into 15,000,000 ordinary shares of €1 each, all fully paid up. Mr Joseph Portelli is the sole shareholder of the Guarantor.

Mercury Car Park II Ltd owns the car park underlying the entire development as further detailed in section 1.4 below.

Mercury Hotel Ltd. (“MHL”), a wholly owned subsidiary of MTL, owns and will operate the hotel, as explained in more detail in section 1.4 of this Analysis.

Mercury Commercial Mall Ltd., also a subsidiary of MTL, is the proprietor and operator of the commercial mall. The retail outlets were rented to third parties in shell form internally whilst the common areas of the mall and the outlets' exterior (where applicable) were fully finished.

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

1.2. DIRECTORS AND KEY EMPLOYEES

Board of Directors – Issuer

As of the date of this Analysis, the board of directors of the Issuer is composed as follows:

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

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

Board of Directors – Guarantor

As of the date of this Analysis, the board of directors of the Guarantor is composed as follows:

Name	Office Designation
Mr Joseph Portelli	Executive Director
Ms Chloe Portelli*	Executive Director
Mr Tristen Portelli*	Executive Director

**Ms Chloe Portelli and Mr Tristen Portelli were appointed as directors on 14 June 2024*

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

The board of directors of the Guarantor will be supported by the new management team appointed in 2023 to oversee

the Group companies' day-to-day management and will be responsible for the general executive management, sales and business development, as well as for eventual hotel operations.

Management team members are:

Name	Office Designation
Mr Marcel Bonnici	Chief Executive Officer
Mr Neal Debono	Chief Operating Officer
Mr Keith Fabri	Chief Finance Officer

As of the date of this Analysis, the Issuer does not have any employees of its own, whereas the Guarantor has 24 full-time employees (2022: 2).

1.3 MAJOR ASSETS OWNED BY THE GROUP

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

The Guarantor owns land in St. Julian's measuring *circa* 9,665m², which it acquired on a freehold title over two phases. 7,701.8m² of said land was acquired in two stages, in December 2016 and June 2017, for a total price of *circa* €24.3m. A plot of land measuring 1,964m² was then acquired in August 2021 for €14m.

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

- Property, plant, and equipment ("PPE"): €143.2m, as at 31 December 2023 (2022: €27.6m) consisting of property which will be retained by the Group to be used in the supply of services (operated as a hotel and car park). Further explanation on the value of PPE in sub-section 2.5. of this Analysis.
- Investment property: €80.6m, as at 31 December 2023 (2022: €68.1m) which comprises the retained property which will be leased out to third parties. As of 31 December 2023, this consisted of serviced apartments on Level 31 of Mercury Tower, the Twist, Mercury House, the Pavilion, the Commercial Mall, and the rooftop bar on Level 33.
- Inventory: €2.1m as at 31 December 2023 (2022: €15.2m) includes the Group's inventory which consists of the various serviced apartments available for sale.

As at the date of this Analysis, elements of the Project are finished and available for use.

1.4 OPERATIONAL DEVELOPMENTS

The Group was set up in view and for the purpose of, and will principally operate by reference to, the Project. The ultimate beneficial owner of the Group, Mr Joseph Portelli, has a long trading history in the acquisition, development, management, and operation of real estate developments, including hotels, residential, office, retail property, and entertainment projects.

The most recent developments of the Group are described hereunder:

MERCURY PROJECT

The development and finishing of the Project are carried out by MCPL, a related party that is wholly owned by Mr Joseph Portelli. This is governed through a contract of works agreement entered into between MCPL and MTL in 2016.

To date, the Commercial Mall and the car park are finished and in operation, while the Mercury Tower, the Peripheral Block, the Mercury Hotel and the Pavilion are in the finishings stage. Installation of the glass fibre reinforced concrete façade, glass balustrades, and aluminium apertures of the Mercury Tower and Peripheral Block are now in their advanced stages. Mercury House, a listed building, is being fully restored. Management confirmed that the handing over of the apartments within the Mercury Tower commenced in Q1 2023, with only a few remaining.

The Commercial elements on the Lower Ground floor are in operation while the ones in Level 11 and Level 33 are in the finishing stages and are expected to be operational by the end of 2024.

Finishing works on the Mercury Hotel are currently in progress. Management confirmed that construction works were completed and finishing works are in progress. The handing over of commercial elements commenced in Q1 2023. All commercial spaces within the commercial mall were handed over to their respective tenants. Management confirmed that the Commercial Mall opened its doors to the public in Q4 2023, as scheduled, with the Mercury Hotel opening rescheduled to summer 2024, when the entire project is expected to be inaugurated.

MERCURY TOWER

The Mercury Tower (the “Tower”) is a 34-storey building above ground level, and also includes 6 storeys underground, four of which are designated as parking spaces. The gross floor area of the units within the tower (excluding parking spaces) is 20,591m². The Tower consists of 291 branded serviced apartments the majority of which were sold to third parties (279 apartments), with the remaining 12 apartments retained by the Guarantor. As at the date of this Analysis, all apartments have been sold and the deed of transfer has been signed.

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

- A commercial area at level 11 (the Twist), which incorporates an outdoor pool, is a unique and versatile event space and has been rented out to third parties to be operated as a restaurant;

- A rooftop bar at level 33 (entrance on level 32); a viewing gallery which will be accessible to guests and patrons alike, also rented out to third parties;
- Three levels of commercial space (level B01 to level 1) will form part of the commercial offering and are connected to other commercial parts of the development. The outlets in level B01 were operational in November 2023;
- Office space situated on level 2 and
- Levels 10, 12, and (part of) level 32 of the Mercury Tower shall include plant rooms and storage facilities.

PERIPHERAL BLOCK

The peripheral residential block is an adjacent 9-storey block and includes a total of 170 serviced apartments across seven levels (levels 2 to 8). The serviced apartments have an average net internal area of circa 60m². As of the date of this Analysis, 155 apartments have been sold and 13 were under a promise of sale agreement, while 2 remain available for sale.

Management confirmed that finishing works on the Peripheral Block are almost completed following delays in the installation of the façade and other works. The delays were caused by workers being sent back to Turkey to assist their families after the devastating earthquake that hit the region.

Three levels of commercial space (levels B01 to level 1) of the peripheral residential block forms part of the Commercial Mall. The peripheral block also houses 2 outdoor pools for hotel guests and residents.

HOTEL

Another branch of the Project comprises a 20-storey 5-star branded hotel, consisting of 140 rooms (the “Hotel”). Its accommodation capacity will extend by virtue of the serviced apartments whose owners sign up for a hotel accommodation pooling arrangement.

The Hotel is owned and will be operated by MHL through a hotel management agreement with the internationally renowned hotel chain Meliá, in particular with Meliá Hotels International S.A. (as manager) and Prodigios Interactivos S.A. (as provider). Following advice from the operator, the operations are expected to commence by summer 2024.

COMMERCIAL OUTLETS

The Project will also comprise a mix of retail and catering outlets, distributed on levels B01, the ground floor, and level 1 of the tower, podium, and in the peripheral building. The commercial outlets will consist of a number of shops with a total floor area exceeding 7,900m². The commercial shopping mall and entertainment arena will mainly be located over four floors across Mercury House, Mercury Tower, the Hotel, and the Peripheral Block (underlying Mercury Suites).

The commercial mall also includes the Flying Theatre and Museum of Illusions, both of which are situated within the Mercury House. The entertainment arena, known as Planet Play started operating in Q1 2024.

ANCILLARY COMPONENTS

The Project also includes a number of ancillary components.

- The Mercury House, a restored 19th century building intended to comprise an element of food and beverage activity. It will also comprise part of the planned Mercury Experience (described hereunder)
- The Mercury Experience, an attraction with audio-visual presentations of various historical eras and/or points of interest in Malta, and ending in the admission to the flying theatre, which will be a type of entertainment-themed simulator ride, consisting of rigged-seats and virtual reality/projection to create the illusion of flight.
- The Pavilion, a stand-alone building situated next to Mercury House intended to be operated by an anchor tenant as a flagship store.
- The rooftop bar and viewing gallery located in the uppermost two floors of the Tower, offering a 360° view from what is so far the highest building in Malta, accessible to guests and patrons alike.

CAR PARK

The Project also comprises a sub-structure car park, underneath all the sites spanning from levels B07 to B03. The car park now includes a total of 638 car spaces. None of the 638 car spaces will be sold and will be used as a public car park to complement the commercial offering.

Management noted that, out of the aforementioned 638 car spaces, 28 are owned by a third-party.

1.5 CONFLICT IN UKRAINE

Management confirmed that, following thorough assessment of the Group's operations, it was noted that there is minimal reliance on the Russian/Ukrainian region for supplies of construction materials, and the Group was not impacted by sanctions on Russian nationals. The only consequences relate to shipping delays referred to in the prior sub-sections above.

1.6 LISTED DEBT SECURITIES OF THE ISSUER

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

	ISIN	€m
3.75% Mercury Projects Finance plc Secured € 2027	MT0002191204	11.5
4.25% Mercury Projects Finance plc Secured € 2031	MT0002191212	11.0
4.3% Mercury Project Finance plc Secured € 2032	MT0002191220	50.0

1.7 USE OF PROCEEDS

The proceeds from the proposed €20.0m bond Issue (the "Bond Issue") as identified in the prospectus dated 25 July 2024 published by the Issuer (the "Prospectus"), will be used by the Issuer to provide a loan facility to the Guarantor, to be used as provided below (the "Issuer-Guarantor Loan 2024").

In turn, the Issuer-Guarantor Loan 2024 will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- (i) approximately, €5.0m will be used to re-finance the outstanding Relevant BOV Loan due by the Guarantor to Bank of Valletta p.l.c., which loan was originally principally utilised to finance part of the completion and finishing costs of the Project;
- (ii) approximately, €7.75m will be used to finance the remaining development (completion and finishing) costs of the Project; and
- (iii) the amount of €7.25m together with any residual amounts not utilised for the the previous points (i) and (ii) in this subsection, shall be utilised ffor general corporate funding purposes of the Group, including the expenses of the Bond Issue which are expected to amount to *circa* €750k and which were agreed to be borne by the Guarantor.

2 HISTORICAL PERFORMANCE AND FORECASTS

The Issuer's historical financial information for the three years ending 31 December 2021, 2022 and 2023, as set out in the audited financial statements of the Issuer may be found in sub-sections 2.1. to 2.3. of this Analysis. These sub-sections also include the projected performance of the Issuer for the period ending 31 December 2024. Moreover, the Group's historical financial information for the three years ending 31 December 2021, 2022 and 2023, together with the Group's projected performance for the period ending 31 December 2024 are set out in sub-sections 2.4. to section 2.6.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company 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 ISSUER'S INCOME STATEMENT

Income Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Finance income	1,121	2,730	3,371	3,622
Finance costs	(899)	(2,377)	(3,049)	(3,280)
Net finance income	222	353	322	343
Administrative expenses	(79)	(160)	(195)	(193)
Profit before taxation	143	193	127	150
Taxation	(74)	(120)	(44)	(52)
Profit after taxation	69	73	83	97

Given its role as the finance vehicle of the Group, the Issuer generates income from the differential in interest rates between the coupon on its listed bonds and the interest income charged to the Guarantor on the funds advanced.

Finance income and finance costs both increased from FY2022 to FY2023, as the latter was the first full financial interest period of the bonds issued during 2022. These are expected to increase further in FY2024 and thereafter following additional interest incurred on the €20 million bond issue.

Administrative expenses have also increased from FY2022 following an increase in directors' fees and listing fees. These expenses are assumed to remain stable in FY2024.

In FY2023 the Issuer reported a lower tax charge than in the previous year following a change in tax calculation wherein all expenses were deemed to be deductible.

Profit for the year increased slightly, in line with the changes mentioned herein.

2.2 ISSUER'S STATEMENT OF FINANCIAL POSITION

Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
ASSETS				
Non-current assets				
Loans and receivables	22,444	72,444	72,444	92,444
Total non-current assets	22,444	72,444	72,444	92,444
Current assets				
Other receivables	1,211	2,522	2,565	2,932
Tax recoverable	-	-	29	-
Cash and cash equivalents	33	366	235	221
Total current assets	1,244	2,888	2,829	3,152
Total assets	23,688	75,332	75,273	95,597
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	170	243	325	423
Total equity	420	493	575	673
Non-current liabilities				
Interest bearing borrowings	22,500	72,500	72,500	92,500
Total non-current liabilities	22,500	72,500	72,500	92,500
Current liabilities				
Other payables	703	2,294	2,198	2,424
Current tax liability	65	45	-	-
Total current liabilities	768	2,339	2,198	2,424
Total liabilities	23,268	74,839	74,698	94,924
Total equity and liabilities	23,688	75,332	75,273	95,597

The Issuer's non-current assets are mostly made up of loans advanced to the Guarantor, in line with the sole function of the Issuer. As at 31 December 2023, these loans represented *circa* 96% of total assets. The value of these loans increased by €50m in FY2022 following the issue of bonds by the Issuer, proceeds of which were all loaned out to the Guarantor. There were no changes in these loans during FY2023. Looking forward into FY2024, the Issuer is forecasting an increase of €20m in loans to the Guarantor following the €20 million bond issue.

Current assets are mainly made up of accrued interest on the aforementioned loans, and cash and cash equivalents. The Issuer reports total current assets of €2,829 in FY2023 as compared to €2,888 in FY2022 denoting a very minor decrease in balance. Accrued interest is expected to

increase slightly in FY2024 following the aforementioned expected increase in debt.

Total equity in FY2023 amounted to €575k. This consists of the Issuer's share capital of €250k and retained earnings of €325k. Total equity is expected to increase to €673k in FY2024 following a slight projected increase in retained earnings.

The non-current liabilities of the Issuer are its listed securities, as listed in sub-section 1.6. of this Analysis. These were unchanged from FY2022 to FY2023, and are expected to increase by €20.0m due to the bond issue. The only other liabilities of the Issuer are the outstanding interest commitments, which are expected to increase slightly in FY2024 due to the expected financing.

2.3 ISSUER'S STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Profit before tax	143	192	127	150
Movement in working capital:				
Movement in finance income	-	(1,608)	-	(367)
Movement in finance expense	-	1,478	-	256
Movement in other receivables	-	(10)	-	29
Movement in other payables	(5)	14	2	(30)
Taxes paid	(83)	(139)	(119)	(52)
Net cash generated from / (used in) operating activities	55	(73)	10	(14)
Cash flows from investing activities				
Loans advanced to related parties	-	(50,000)	-	(20,000)
Net cash generated used in investing activities	-	(50,000)	-	(20,000)
Cash flows from financing activities				
Proceeds from Bond Issue	-	50,000	-	20,000
Movement on parent company account	(164)	406	(141)	-
Net cash generated from / (used in) financing activities	(164)	50,406	(141)	20,000
Net movements in cash and cash equivalents	(109)	333	(131)	(14)
Opening cash and cash equivalents	142	33	366	235
Closing cash and cash equivalents	33	366	235	221

The Issuer's main cash movements, other than that of raising and repaying debt instruments, is to advance loans to the Guarantor against an annual interest charge ranging between 4.50% and 5.25% per annum.

There were no major cash movements from operating activities during FY2023, and management is not expecting any in FY2024 either.

The Issuer did not register any major cash flows from investing or financing activities during FY2023, but is forecasting to loan out €20.0m to the Guarantor during FY2024 through proceeds from the bond.

The Issuer ended the year under review with a cash balance of €235k, and is projecting to close FY2024 with approximately the same amount.

2.4 GROUP'S INCOME STATEMENT

Income Statement for the year ended 31 December	FY2021A	FY2022A	FY2023A	FY2024F
	€000s	€000s	€000s	€000s
Revenue	4,934	37,804	24,807	29,158
Cost of sales	(3,913)	(29,041)	(18,696)	(12,025)
Gross profit	1,021	8,763	6,111	17,133
Other income / (expenditure)	-	27	(478)	555
Total operating costs	(707)	(2,506)	(2,379)	(6,302)
EBITDA	314	6,284	3,254	11,386
Depreciation	-	(10)	(1,238)	(4,736)
EBIT	314	6,274	2,016	6,650
Net finance costs	(899)	(2,386)	(3,462)	(8,228)
Gain on transfer of asset under construction	-	6,657	-	-
Revaluation of investment property	(4,797)	-	13,140	-
Profit / (loss) before tax	(5,382)	10,545	11,694	(1,578)
Taxation	(393)	(1,871)	(5,957)	4,118
Profit / (loss) after tax	(5,775)	8,674	5,737	2,540

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability				
Growth in Total Revenue (YoY Revenue Growth)	-75.1%	666.2%	-34.4%	17.5%
Gross Profit Margin (Gross Profit / Revenue)	20.7%	23.2%	24.6%	58.8%
EBITDA Margin (EBITDA / Revenue)	6.4%	16.6%	13.1%	39.1%
Operating (EBIT) Margin (EBIT / Revenue)	6.4%	16.6%	8.1%	22.8%
Net Margin (Profit after taxation / Revenue)	-117.0%	22.9%	23.1%	8.7%
Return on Common Equity (Profit after taxation / Average Equity)	-19.6%	24.1%	9.9%	3.1%
Return on Assets (Profit after taxation / Average Assets)	-6.0%	5.9%	2.6%	3.1%

During FY2023, the Group generated €24.8m in revenue (FY22: €37.8m). Up to FY2022, the Group's sole revenue stream was the sale of property. The inventory levels of said property are expectedly decreasing year-on-year, with management expecting to have sold all remaining apartments by FY2024.

Starting from FY2023, the Group is generating revenue from the operation and rental of the newly-opened commercial areas, including the car park, as explained in section 1.4. of this Analysis. The aforementioned operations commenced in November 2023, so this revenue stream is expected to increase substantially going forward.

Another revenue stream is expected during FY2024 following the planned official opening of the Mercury Hotel in summer of 2024¹.

After accounting for cost of sales of €18.7m, the Group reported a gross profit of *circa* €6.1m during FY2023, with gross profit margin increasing slightly from 23.2% to 24.6%. Gross profit margin is expected to more than double in FY2024 following the forecasted increase in revenue as previously explained, as well as the fact that the new revenue streams are less costly than that of property development for resale.

Operating costs, which primarily consist of wages and salaries, professional fees, bank charges, insurance, audit fees, and other fees which cannot be capitalised as part of the Project, stood at *circa* €2.4m in FY2023. These costs were relatively unchanged from the previous year. Looking forward to FY2024, following the full year of operation of the commercial area as well as approximately half a year of hotel operating costs, this is expected to increase substantially.

In line with the explained decrease in revenue, EBITDA decreased from €6.3m in FY2022 to €3.3m in FY2023. This, however, is expected to increase exponentially following the forecast increase in revenue and lower cost of sales outweighing the increase in operating costs.

Up to FY2021, the Group did not incur any depreciation due to the nature of its assets, being property developed for sale and investment property not yet available for use. Following

the development of assets for rental or eventual operation, the Group started reporting a trivial amount of depreciation relative to its asset base. Going forward, depreciation is expected to be higher due to the higher value of the assets for rental and operation.

Financing costs amounted to €3.5m in FY2023. These figures reflect the interest paid on the Issuer's bonds. These increased in FY2023 as it was the first full interest period for the Issuer's bond issued in FY2022. The €20 million bond issue will increase finance costs. Management noted that other interest currently being incurred by the Group is at present being capitalised, given that the Project is still under construction.

The Group reported a gain of €13.1m being the revaluation of investment property following the completion of the commercial areas (specifically the Commercial Mall and the Car Park) towards the end of FY2023.

The majority of the tax charge refers to the deferred tax charge on the revaluation of property. The income tax credit forecast for FY2024 arises from tax credits for which the Group will become eligible on commencement of operations of the hotel.

The Group reported a profit after tax of €5.7m for FY2023, as result of the aforementioned changes in revenue, costs, and one-off income from the revaluation of investment property.

2.4.1 GROUP'S VARIANCE ANALYSIS

Income Statement	2023F	2023A	Variance
	€000s	€000s	€000s
Revenue	35,860	24,807	(11,053)
Cost of sales	(23,734)	(18,696)	5,038
Gross profit	12,126	6,111	(6,015)
Other income / (expenditure)	-	(478)	(478)
Total operating costs	(3,438)	(2,409)	1,029
EBITDA	8,688	3,224	(5,464)
Depreciation and amortisation	(62)	(1,208)	(1,146)
EBIT	8,626	2,016	(6,610)
Net finance costs	(3,892)	(3,462)	430
Revaluation of investment property	-	13,140	13,140
Profit before taxation	4,734	11,694	6,960
Taxation	(3,314)	(5,957)	(2,643)
Profit after taxation	1,420	5,737	4,317

¹ In 2024 the Group is undergoing a transitional phase. As from FY2025, revenue generation will shift from property sales to commercial and hospitality operations. This is expected to result in enhanced profits.

Revenue and gross profit for FY2023 were lower than expected following delays in the signing of property deeds, which resulted in more units remaining in stock as at end of year. As stated in sub-section 2.4. above, these units are expected to be sold by end of FY2024.

The Group reported other expenditure of €478k in FY2023, which was not previously forecast. It also reported operating costs of €1.0m less than expected. Management explained that the aforementioned €478k other expenditure were part of the projected operating costs but were reported as other expenses at the end of the year. The remaining decrease in operating costs is attributable to delays in the recruitment of members of management.

Mainly as a result of the delay in the signing of property deeds, the Group reported an EBITDA of €3.2m for FY2023 when compared to the forecasted €8.7m.

Depreciation for FY2023 was substantially higher than previously projected, as the Group has accounted for a full

year's depreciation on the car park and commercial mall following their commencement of operation in Q4 2023.

With regard to finance costs, the Group reported an amount slightly less than previously forecast, with management attributing this to higher interest rates assumed for the FY2023 forecasts.

The Group revalued its investment property during FY2023. This is explained in further detail in sub-section 2.5. below. This revaluation had not been forecast.

Taxation for the year was substantially higher than forecast. This was a result of the increase in deferred tax asset charged on the revaluation gain.

The Group therefore reported a favourable variance of €4.3m in profit after tax.

2.5 GROUP'S STATEMENT OF FINANCIAL POSITION

Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
ASSETS				
Non-current assets				
Property, plant and equipment	13,660	27,567	143,187	202,542
Intangible assets	-	-	270	240
Investment property	58,415	68,066	80,595	71,278
Investment in subsidiaries	4	-	-	-
Investment in associate	2	2	2	2
Other receivables	-	-	252	252
Restricted cash	20	20	20	21
Deferred tax asset	-	-	-	5,221
Total non-current assets	72,101	95,655	224,326	279,555
Current assets				
Inventories	23,974	15,157	2,081	-
Trade and other receivables	16,155	47,624	39,413	6,380
Tax recoverable	-	-	31	-
Cash and cash equivalents	814	21,001	3,702	1,777
Total current assets	40,943	83,782	45,227	8,157
Total assets	113,044	179,437	269,553	287,712

Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	10,500	10,500	15,000	21,000
Revaluation reserve	6,124	-	35,838	35,838
Investment property reserve	18,182	16,985	26,106	26,106
Retained earnings	(160)	9,711	1,828	4,368
Total equity	34,646	37,196	78,772	87,312
Non-current liabilities				
Borrowings	28,908	38,889	73,450	67,304
Bonds payable	22,500	72,500	72,500	92,500
Deferred tax liability	3,806	2,638	14,120	14,120
Total non-current liabilities	55,214	114,027	160,070	173,924
Current liabilities				
Borrowings	9,589	4,394	13,223	13,638
Trade and other payables	13,530	23,775	17,488	12,815
Taxation payable	65	45	-	23
Total current liabilities	23,184	28,214	30,711	26,478
Total liabilities	78,398	142,241	190,781	200,399
Total equity & liabilities	113,044	179,437	269,553	287,712

Ratio Analysis	2021A	2022A	2023A	2024F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	63.5%	71.8%	66.4%	66.3%
Gearing 2 (Total Liabilities / Total Assets)	69.4%	79.3%	70.8%	69.7%
Gearing 3 (Net Debt / Total Equity)	173.7%	254.8%	197.4%	196.6%
Net Debt / EBITDA	191.7x	15.1x	47.8x	15.1x
Current Ratio (Current Assets / Current Liabilities)	1.8x	3.0x	1.5x	0.3x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.7x	2.4x	1.4x	0.3x
Interest Coverage (EBITDA / Cash interest paid)	0.3x	2.6x	1.1x	3.8x

The Group's assets are principally PPE, investment property, inventories, trade and other receivables and cash and cash equivalents. As at 31 December 2023, the Group's total assets stood at €269.6m (FY2022: €179.4m).

As at 31 December 2023, the Group's PPE amounted to €143.2m, representing *circa* 53% of total assets. PPE of the Group includes the cost of the airspace of the Mercury Project, along with the construction and development of the components that will be operated by the Group. PPE increased greatly from the €27.6m reported as at 31 December 2022, mainly due to the increase in value following developments within the Project. This was higher than what the Group previously forecast following the revaluation on the Commercial Mall and Car Park, with the former being reclassified from investment property to PPE during the year. The value of the Group's PPE is expected to increase further in FY2024 given the completion of the Project.

Investment property, which represents *circa* 30% of total assets, was reported at €80.6m in FY2023 (FY2022: €68.1m). Investment property is made up of the cost of the airspace of the Mercury Project, along with its construction and development of the components that will be leased out to, and operated by third parties. The increase in the value of investment property was due to further developments of the aforementioned components. It is expected that, during FY2024, there will be a shift of assets from investment property to PPE. Specifically, the Flying Theatre and the Museum of Illusions, being part of the commercial mall as explained in sub-section 1.4., will be accounted for as investment property as from FY2024.

Other non-current assets include intangible assets and other receivables, with the former being amortised licence fees and the latter being a tax incentive granted to Mercury Hotel Ltd.

The current assets of the Group are mainly its inventories, trade and other receivables, and cash and cash equivalents (the latter will be explained in sub-section 2.6. below).

Inventories, which are the apartments within the Mercury Tower for sale, decreased year-on-year, with management expecting the last 22 units to be sold during FY2024. The value of inventories at the end of FY2023 was approximately €2.1m, and this is expected to be nil by the end of FY2024.

Trade and other receivables amounted to €39.4m as at the end of FY2023. These represent advances by the Group to Mercury Contracting Projects Limited (a related company) for contracting works to be done during the year under review, as well as deferred bond issue costs amortised over the term of the Issuer's bonds. This was expected to be substantially higher, with management attributing this to a contractor balance previously assumed to be set off against a contractor credit balance. Given the projected completion of the project, trade and other receivables are forecast to decrease substantially, with the balance mainly consisting of €5.9m amortised bond issue costs remaining by the end of FY2024.

As at 31 December 2023, the Group's share capital amounted to €15.0m. The increase from €10.5m reported at the end of FY2022 is due to an interim dividend of €4.5m which was capitalised accordingly. This is expected to increase by the end of FY2024 due to a planned capital injection of €6.0m.

As explained previously in this sub-section, the Group's PPE increased following the construction and development of components to be operated internally. The post-completion increase in value has, in turn, increased the Group's revaluation reserve. The Group's investment property reserve increased for the same reason but for components to be operated by third parties. The Group's projections did not assume such increases. The Group does not expect to anticipate any further increases in the value of PPE and investment property during FY2024.

The liabilities of the Group mainly consist of financial debt, trade and other payables, and deferred tax liabilities. Financial debt is made up of the Issuer's €72.5m bonds currently on the market, and total borrowings amounting to €86.7m, made up of bank loans and a temporary overdraft. The aforementioned bank borrowings were higher than previously projected, with management attributing this to an additional bank facility obtained to cover new investments in operations within the Mercury Project. As mentioned in section 1.7 of this analysis, a temporary €5.0m banking facility will be repaid using the proceeds from the proposed €20.0m bond issue during FY2024.

Deferred tax liability at the end of FY2023 was reported at €14.1m. This was substantially higher than both FY2022 levels as well as what the Group previously projected for FY2023. Management explained that this is directly related to the previously-mentioned revaluations on PPE and investment property.

Trade and other payables amounted to €17.5m as at end of FY2023. This shows a decrease of *circa* €6.3m from the FY2022 equivalent, with the major contributor to said decrease being the settlement of dues to contractors throughout the year. Going forward, trade and other payables are expected to decrease further to €12.8m, made up mostly of €9.1m due to related contractor incurred for the continuing development of the project.

Despite the increase in borrowings as explained in this sub-section, the increase in equity following revaluations has decreased the Group's gearing to 66.4% (FY2022: 71.8%). This is expected to increase slightly by the end of FY2024, mainly due to the issue of the €20.0m bond. The Group expects to meet all its financing obligations through a combination of capital injections and profits generated from operations.

2.6 GROUP'S STATEMENT OF CASH FLOWS

Statement of Cash Flows for the year ended 31 December	FY2021A	FY2022A	FY2023A	FY2024F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Operating profit / (loss) before working capital movements	289	6,285	3,254	11,386
Movement in working capital:				
Movement in inventory	(15,056)	8,818	13,076	7,097
Movement in trade and other receivables	(8,794)	(31,465)	8,211	6,696
Movement in trade and other payables	4,506	9,311	(7,363)	(1,608)
Contract liability	101	932	1,076	-
Tax paid	(331)	(2,525)	(2,019)	(1,081)
Net cash generated from / (used in) operating activities	(19,285)	(8,644)	16,235	22,491
Cash flows from investing activities				
Acquisition of investment property	-	-	(25,921)	-
Acquisition of property	(17,667)	(23,569)	(46,990)	(36,363)
Acquisition of subsidiary	(4)	-	-	-
Acquisition of intangible assets	-	-	(300)	-
Net cash generated from / (used in) investing activities	(17,671)	(23,569)	(73,211)	(36,363)
Cash flows from financing activities				
Issue of share capital	10,000	-	4,500	6,000
Repayment of bank borrowings	(10,406)	(5,195)	-	(15,811)
Movements in borrowings	38,497	9,980	43,390	10,080
Movements from loans from related parties	-	-	(252)	-
Dividends paid	-	-	(4,500)	-
Interest paid	(899)	(2,377)	(3,049)	(3,024)
Bank interest paid	-	(8)	(413)	(4,798)
Net proceeds of bond	-	50,000	-	19,500
Net cash generated from / (used in) financing activities	37,192	52,400	39,676	11,947

Statement of Cash Flows for the year ended 31 December	FY2021A	FY2022A	FY2023A	FY2024F
	€000s	€000s	€000s	€000s
Net movements in cash and cash equivalents	236	20,187	(17,300)	(1,925)
Cash and cash equivalents at start of year	578	814	21,001	3,702
Cash and cash equivalents at end of year	814	21,001	3,701	1,777

Ratio Analysis	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Cash Flow				
Free Cash Flow (Net cash from operations + interest – Capex)	(36,952)	(32,213)	(56,676)	(13,872)

The Group reported *circa* €3.3m operating profit before working capital changes for FY2023. After adjusting for working capital movements, non-cash items and the payment of tax, the Group reported an inflow from operating activities of €16.2m.

This inflow was mainly a result of a decrease in inventories following sale of apartments throughout the year under review, as well as a decrease in trade and other receivables, particularly when compared to the substantial increase between FY2022 and FY2023. This was partially offset by a decrease in trade and other payables. These movements in working capital are explained in sub-section 2.5. above.

Investing activities of the Group resulted in an outflow of €73.2m. As explained throughout this Analysis, the development of components within the Mercury Project was ongoing throughout the majority of FY2023, requiring a substantial amount of cash. Management explained that the cash outflows for investing activities were higher than previously forecast mainly due to the fact that certain areas within the Mercury Project were relocated to PPE following the

decision to operate internally, as well as a higher level of cash payments in order to complete components of the Mercury Project in a timely manner following delays. This was partially offset by less outflows for the acquisition of property, as the works on PPE were slower than was anticipated. Management is expecting to use less cash in investing activities during FY2024 given the advanced status of the developments within the Mercury Project.

The Group reported an inflow from financing activities of €39.7m in FY2023. The major financing activity affecting year-end cash was the movement in borrowings following additional financing facilities and the new bond issue taken up by the Group throughout the year under review.

The Group had a net cash outflow of €17.3m during FY2023 which, after taking into consideration the cash balance of €21.0m at the beginning of FY2023, resulted in a year-end balance of €3.7m. As previously explained in this sub-section, the most substantial cash outflows during the year were for investing activities.

3 KEY MARKET AND COMPETITOR DATA

3.1 GENERAL MARKET CONDITIONS

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

MALTA ECONOMIC UPDATE²

The Bank's Business Conditions Index (BCI) indicates that in May 2024, annual growth in business activity was broadly unchanged around its historical average estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta increased in May, but remained below its long-term average, estimated since November 2002. Sentiment mostly improved in industry.

Additional data show that in month-on-month terms, price expectations decreased across all sectors, bar the construction sector. The largest decreases were in the services sector and among consumers.

In May, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with April, indicating lower uncertainty. Uncertainty decreased mostly in the services and construction sectors.

In April, industrial production and retail trade rose on a year-on-year basis. The unemployment rate increased to 3.1% in April from 3.0% in March but stood below that of 3.3% in April 2023.

Commercial building permits in April were higher than a month earlier and were also higher compared to a year earlier. On the other hand, residential building permits were lower on both monthly and annual bases. In May, the number of residential promise-of-sale agreements fell on a year earlier as did the number of final deeds of sale, though the decline in the latter was less pronounced.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.3% in May, slightly down from 2.4% in the previous month, and below the euro area average by 0.3 percentage points. HICP excluding energy and food in Malta also remained below the euro area average. Inflation based on the Retail Price Index (RPI) eased to 1.5%, from 1.6% in April, the lowest rate since June 2021.

In April, Maltese residents' deposits increased above their level a year ago for the fifth consecutive month, following declines

in the latter half of 2023. Growth over the year to April was mostly driven by balances belonging to households and non-financial corporations. By contrast, deposits held by financial intermediaries decreased. Meanwhile, credit to Maltese residents also increased in annual terms, reflecting higher lending to both the government sector and other sectors.

ECONOMIC PROJECTIONS³

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) is expected to grow by 4.3% in 2024. Growth is then projected to ease to 3.5% in both 2025 and 2026. This implies a marginally downward revision in 2024 and 2025, when compared to the Bank's previous projections, while for 2026 the outlook is revised upwards.

In 2023, growth was primarily driven by net exports, while domestic demand is envisaged to be the main driver of growth in 2024. Private consumption growth continues at a brisk pace, and private investment, is expected to gradually recover. Net exports are also projected to contribute positively, driven mainly by services exports. Growth in 2025 and 2026 is expected to continue to be led by domestic demand.

Employment growth is set to moderate, albeit from high rates, in the projection horizon, while the average wage is expected to grow at a faster rate in 2024, partly in response to the pronounced inflation in the recent past and a tight labour market.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to drop significantly, from 5.6% in 2023 to 2.4% in 2024, before reaching 1.9% by 2026. Compared to previous projections, inflation has been revised down by 0.5 percentage point in 2024, largely reflecting the unexpected rapid drop experienced in the initial months of the year. The general government deficit-to-GDP ratio is set to decline to 4.1% in 2024, and to narrow further over the rest of the forecast horizon, to stand at 3.1% by 2026.

The general government debt-to-GDP ratio is set to increase throughout the forecast horizon, reaching 54.3% by 2026. When compared with the previous projection round, the projected deficit ratio is higher, while the debt ratio is broadly unchanged.

Risks to activity are broadly balanced over the projection horizon. Downside risks largely emanate from possibly adverse trade effects related to ongoing geopolitical tensions. On the other hand, the labour market could exhibit even stronger dynamics than envisaged in this projection round, both in terms of employment and wages. This could then result in stronger private consumption growth.

² Central Bank of Malta – Economic Update 6/2024

³ Central Bank of Malta – Outlook for the Maltese economy – 2024 – 2026

Risks to inflation are balanced over the project horizon. Upside risks to inflation could stem from extreme weather events and effects of geopolitical developments. Other upside risks to headline inflation include the potential impact of measures to combat climate change. Furthermore, wage pressures could be stronger than envisaged in the baseline. On the downside, imported inflation could fall more rapidly than expected, while services inflation could normalise more quickly than envisaged in this projection round.

On the fiscal side, risks are tilted to the downside (deficit-increasing). These mainly reflect the likelihood of slippages in current expenditure, including higher-than-expected outlays on energy support measures if commodity prices are higher than envisaged. They also reflect the likelihood of additional increases in pensions and public sector wages in the outer years of the forecast horizon. Should these risks materialise, they are set to be partly offset by the likelihood of additional fiscal consolidation efforts to comply with the EU's fiscal rules.

HOSPITALITY SECTOR

The tourism sector in Malta

Comparison between the data of 2022 and 2023 provides valuable insights into the trajectory of the local tourism industry over the span of a single year, reflecting the pace and direction of recovery following the disruptions caused by the pandemic.

Inbound tourist arrivals experienced a notable surge from 2,287k in 2022 to 2,976k in 2023, marking an impressive increase of 30.1%. This significant uptick underscores the industry's robust recovery momentum and highlights the successful implementation of strategic initiatives aimed at rejuvenating tourism demand and stimulating visitor traffic.

Correspondingly, the metric of tourist guest nights witnessed a substantial growth, escalating from 16,600k in 2022 to 20,242k in 2023, reflecting a noteworthy increase of 21.9%. This surge in guest nights not only indicates a resurgence in tourist engagement but also underscores the sustained interest and participation in the local tourism offerings, contributing to the overall vibrancy of the sector.

However, amidst the recovery, there was a notable decline in the average length of stay, dropping from 7.3 days in 2022 to 6.8 days in 2023, representing a significant decrease of 6.8%. This decline may raise concerns regarding visitor engagement and expenditure patterns, necessitating a deeper examination into the underlying factors driving this trend and potential strategies to address it.

On the economic front, tourist expenditure exhibited a remarkable increase from €2,013m in 2022 to €2,671m in 2023, depicting a substantial surge of 32.7%. This surge in spending reflects the revitalization of tourism-related economic activities and underscores the sector's pivotal role in driving economic growth and employment.

Furthermore, the metric of tourist expenditure per capita demonstrated a modest increase, rising from €880 in 2022 to €898 in 2023, representing a marginal increment of 2.0%. While this increase reflects improved spending capacity and

propensity among tourists, further analysis is required to discern the underlying factors influencing spending behaviour and patterns. The trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category	2020	2021	2022	2023	2022 vs 2023
Inbound tourists*	659	968	2,287	2,976	30.1%
Tourist guest nights*	5,227	8,390	16,600	20,242	21.9%
Avg. length /stay	7.9	8.7	7.3	6.8	(6.8)%
Tourist expenditure**	455	871	2,013	2,671	32.7%
Tourist exp. per capita (€)	691	899	880	898	2.0%

*in thousands

**in € millions

JANUARY – APRIL 2024⁴

Inbound tourists for the first four months of 2024 amounted to 888,118, an increase of 25.1% over the same period in 2023. Total nights spent by inbound tourists went up by 12.7%, almost reaching 5.1 million nights.

Total tourist expenditure was estimated at €646.8m, 26.2% higher than that recorded for the same period in 2023. Total expenditure per capita increased to €728 from €722 for the same period in 2023.

The number of tourists visiting Gozo and Comino, including both same-day and overnight visitors, totaled 431,367, or 48.6% of total tourists

3.2 COMPARATIVE ANALYSIS

The purpose of the table below compares the debt issuance of the Group 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 similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

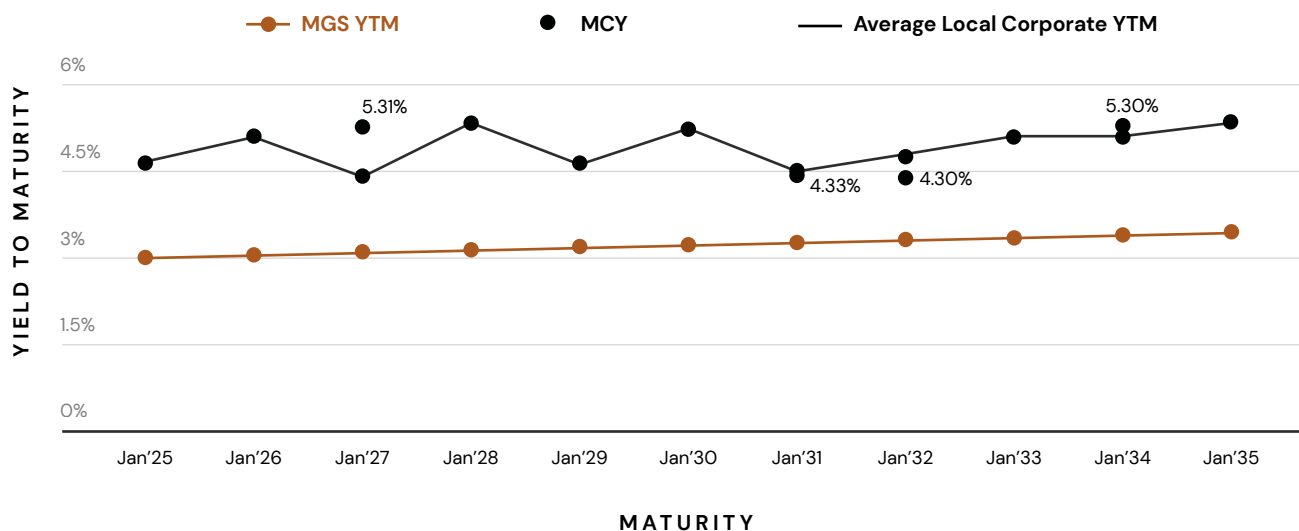
⁴ National Statistics Office, Malta NR 103/2024

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA)	Total Assets (€' millions)	Total Equity (€' millions)	Total Liabilities / Total Assets (%)	Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
5.75% International Hotel Investments plc Unsecured € 2025	45,000	3.98%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4.25% CPHCL Finance plc Unsecured € 2026	40,000	4.09%	1.6x	1,913.3	891.9	53.4%	42.3%	10.1x	1.1x	-1.3%	-3.4%	20.9%
4% International Hotel Investments plc Secured € 2026 (xd)	55,000	4.52%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4% Shoreline Mall plc Secured € 2026	14,000	6.13%	N/A	73.8	17.0	77.0%	68.8%	(93.5)x	0.9x	-2.4%	N/A	0.0%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.13%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.46%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	5.31%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4% Eden Finance plc Unsecured € 2027	40,000	4.38%	5.7x	223.3	136.7	38.8%	27.1%	4.3x	0.2x	2.8%	8.4%	36.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.30%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
4.15% Phoenicia Finance Company plc Unsecured € 2023-2028	5,711	4.18%	2.6x	128.1	47.0	63.3%	59.0%	11.9x	0.3x	0.7%	1.6%	29.9%
4% SP Finance plc Secured € 2029	12,000	4.09%	2.2x	43.3	17.9	58.6%	51.2%	9.3x	0.5x	-0.7%	-1.3%	0.0%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.87%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.33%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.43%	1.8x	312.4	87.8	71.9%	58.4%	14.9x	0.8x	-1.9%	-1.1%	30.5%
3.65% IHI plc Unsecured € 2031	80,000	4.47%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.45%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.5% Shoreline Mall plc Secured € 2032	26,000	5.60%	N/A	73.8	17.0	77.0%	68.8%	(93.5)x	0.9x	-2.4%	N/A	0.0%
4.65% Smartcare Finance plc Secured € 2032	7,500	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	4.92%	1.2x	155.9	32.7	79.0%	76.3%	22.9x	0.5x	-8.2%	-18.0%	9.6%
4.3% Mercury Projects Finance plc Secured € 2032	50,000	4.30%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
5% CF Estates Finance plc Secured € 2028-2033	30,000	5.00%	1.59x	81.1	7.5	90.7%	87.3%	16.4x	2.0x	-5.2%	-1.7%	N/A
5.85% AX Group plc Unsecured € 2033	40,000	5.27%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
6% International Hotel Investments plc 2033	60,000	5.30%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
5.75% Phoenicia Finance Company plc Unsec Bonds 2028-2033	50,000	5.17%	2.6x	0.1	0.0	63.3%	59.0%	11.9x	0.3x	0.7%	1.6%	29.9%
5.3% Mercury Projects Finance p.l.c. Secured Bonds 2034	20,000	5.30%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
Average*		4.56%										

Source: Latest available audited financial statements. Last closing price as at 11/07/2024

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

YIELD CURVE ANALYSIS



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

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 industry, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer’s existing yields of its outstanding bonds.

As at 11 July 2024, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 2–4 (2026–2028) years was 124 basis points. The 3.75% MCY PLC Secured Bonds 2027 is currently trading at a YTM of 513 basis points, meaning a spread of 217 basis points over the equivalent MGS. This means that this bond is trading at a premium of 93 basis points in comparison to the market.

As at 11 July 2024, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 6–8 years was 94 basis points. The 4.25% MCY PLC Secured Bonds 2031 is currently trading at a YTM of 433 basis points, meaning a spread of 102 basis points over the equivalent MGS. This means that this bond is trading at a premium of 8 basis points in comparison to the market.

Meanwhile, as at 11 July 2024, the 4.3% MCY PLC Secured Bonds 2032 is currently trading at a YTM of 430 basis points, meaning a spread of 95 basis points over the equivalent MGSs. This means that the bond is trading at a discount of 72 basis points in comparison to the market.

As at 11 July 2024, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 9–10 years is 143 basis points. The proposed Mercury Projects Finance p.l.c bond is being priced with a 5.3% coupon issued at par, meaning a spread of 171 basis points over the equivalent MGS, and therefore at a premium to the average on the market of 28 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 also differ to that of other issuers.

4 GLOSSARY AND DEFINITIONS

INCOME STATEMENT

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

PROFITABILITY RATIOS

Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.

Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

CASH FLOW STATEMENT

Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

BALANCE SHEET

Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year

Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

FINANCIAL STRENGTH RATIOS

Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.

Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

OTHER DEFINITIONS

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