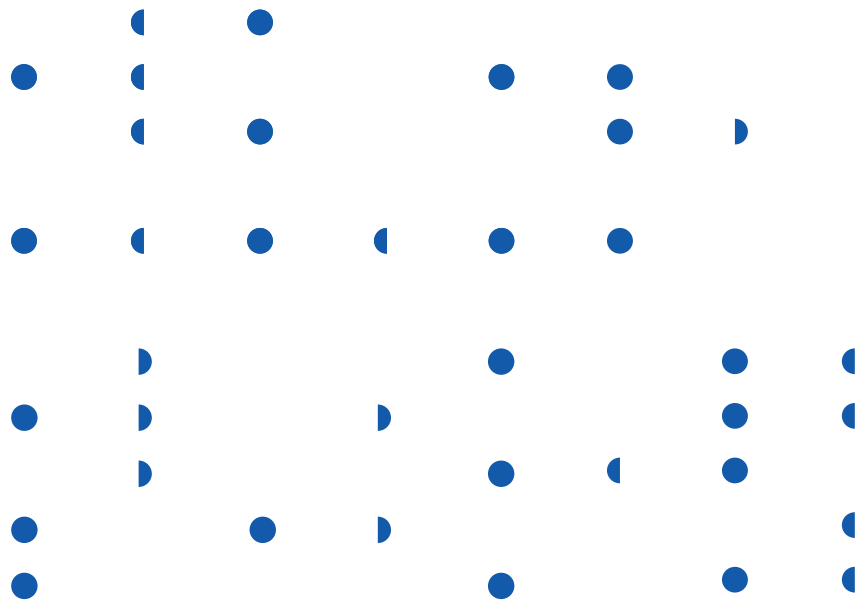




**together beyond payments**



# **PROSPECTUS**

**DATED 19 FEBRUARY 2021**



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# SUMMARY

THIS SUMMARY HAS BEEN APPROVED BY THE LISTING AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY ONLY APPROVES THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY. THIS SUMMARY IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY.

## APPROVED BY THE DIRECTORS



**Mr Mario Schembri in his capacity as Director of the Company**

and for and on behalf of: Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi,  
Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

## A. INTRODUCTION AND WARNINGS

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Preference Shares should be based on consideration of the Prospectus as a whole by the prospective investor. A prospective investor may lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under Maltese law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus, is misleading, inaccurate or inconsistent or does not provide key information in order to aid investors when considering whether to invest in the Preference Shares.

Legal Name of the Company/Issuer:	RS2 Software p.l.c.
Registered Address:	RS2 Buildings, Fort Road, Mosta, MST 1859
Registration Number:	C 25829
Telephone Number:	+356 2134 5857
Email Address:	investorrelations@rs2.com
Legal Entity Identifier (LEI):	2138004MEYJUDFJ3IQ49
Securities to be issued:	28,571,400 Preference Shares having a nominal value of €0.06 per Preference Share
ISIN of the Preference Shares:	MT0000400219
Competent authority approving the Prospectus:	The Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta)
Address, telephone number and official website of the competent authority approving the Prospectus:	The Listing Authority, Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta Tel: +356 2144 1155; Website: www.mfsa.mt
Prospectus approval date:	19 February 2021

## B. KEY INFORMATION ON THE ISSUER

### B.1 WHO IS THE ISSUER OF THE SECURITIES?

#### General

The Issuer is RS2 Software p.l.c., a public limited liability company registered in Malta in terms of the Companies Act. The Company's LEI is 2138004MEYJUDFJ3IQ49.

## Principle activities

The principal activities of the Issuer are the development, installation, implementation and marketing of computer software for financial institutions under the trademark of BankWORKS® (Licence Solutions). Through its subsidiaries, the Issuer also acts as service provider with the use of BankWORKS® (Processing Solutions) and has recently established its own 'Acquiring' business line by making use of a financial institution licence to be obtained through BaFin, the German regulator (Merchant Solutions).

## Major shareholders

The Issuer is owned up to 50.04% by ITM Holding Limited, a company registered in Malta in terms of the Companies Act. Mr. Radi Abd El Haj is the ultimate beneficial owner of ITM Holding Limited. Barclays Bank plc holds 18.25% of the Ordinary Shares of the Issuer. No other person holds more than 10% of the Ordinary Shares.

## Directors

The members of the Board of Directors are Mr Mario Schembri (Chairman), Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi, Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

## Auditors

The Company's statutory auditors are Deloitte Audit Limited, a firm registered as a limited liability company authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

## B.2 WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

The financial information presented below has been extracted from the Company's audited consolidated financial statements for the three financial years ended 31 December 2017, 2018 and 2019 and the consolidated interim financial statements for the six months ended 30 June 2019 and 2020. The Company's financial statements are available for inspection at the Company's registered office. The financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

<b>RS2 Software p.l.c.</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>6 months to</b>	<b>6 months to</b>
<b>Extracts from Consolidated Income Statements</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>Unaudited</b>	<b>Unaudited</b>
				<b>€000s</b>	<b>€000s</b>
Revenue	22,100	25,008*	17,380	10,838	11,219
Results from operating activities	(1,995)	6,606	1,619	(2,900)	361
(Loss) / Profit for the year attributable to equity holders	(1,634)	4,247	793	(2,304)	20
Year on year revenue growth	(12%)	44%	17%	(3%)	23%
Results from operating activities margin	(9%)	26%	9%	(27%)	3%
(Loss) / Profit margin attributable to equity holders	(7%)	17%	5%	(21%)	0%
Earnings per share **	(€ 0.0085)	€ 0.0220	€ 0.0041	(€ 0.0119)	€ 0.0001

\* Revenue for 2018 includes €5.6 million resulting from the effect of the first-time implementation of IFRS15.

\*\* Earnings per share have been adjusted retrospectively to reflect the bonus issue of 18 June 2019.

<b>RS2 Software p.l.c.</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>30-Jun-20</b>
<b>Extracts from Consolidated Statements of Financial Position</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Total assets	31,812	27,970	29,638	34,811
Total equity	14,085	17,232	20,720	10,536
Net financial debt	1,558	(2,569)	(5,931)	6,659

<b>RS2 Software p.l.c.</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>6 months to</b>	<b>6 months to</b>
<b>Extracts from Consolidated Statements of Cash Flows</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>Unaudited</b>	<b>Unaudited</b>
				<b>€000s</b>	<b>€000s</b>
Net cash (used in) / generated from operating activities	(1,108)	1,296	4,563	(3,030)	(133)
Net cash used in investing activities	(2,680)	(2,145)	(430)	(1,448)	(659)
Net cash generated from / (used in) financing activities	2,798	(3,524)	(2,575)	4,981	(589)

### **B.3 WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?**

The most material risk factors specific to the Company and the Group are the following:

#### ***i. Execution risk***

The Groups' growth strategy involves a variety of projects, activities, undertakings and investments which lead to a complex, multi-project management which is typical for a tech-driven, competitive and innovative environment and an ambitious growth strategy. RS2 is partially dependent on third parties, its ability to retain existing clients and attract new ones, as well as on the impact of applicable regulatory issues related to the financial industry in which it operates.

#### ***ii. Access to capital and funding***

The Group's primary sources of further funding can be through a combination of capital increase, cash flow based self-financing and debt financing (particularly for M&A transactions). Taking into consideration the Group's current capital base and the significant investment required to expand in new markets and in new business lines, the Group's funding capabilities could be limited, while competitors in larger and more liquid markets can have access to alternative and broader funding sources.

#### ***iii. Market forces and competition***

The market in which the Group operates is characterised by rapidly evolving technology and industry standards, as well as new competitors such as FinTechs and Big Techs entering the market, driving change and market disruption, bringing new business models to the market. RS2 must be able to compete with such companies and meet the need for innovation in its industry.

#### ***iv. Dependence on key clients***

RS2 generally benefits from a highly diversified global client base, including Banks, PayFacs, PSPs, ISVs, acquirers and issuers. However, since some of its clients are large and global corporates with a high aggregated payment and processing volume, these key clients stand for a large proportion of the Group's revenue. Although management believes that its relationships with these key clients are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships on commercially attractive terms, depends on a range of commercial and operational factors and events, any of which may be beyond RS2's control.

#### ***v. Dependence on key personnel***

RS2's success and growth has been dependent on the loyalty and dedication of its pool of highly skilled employees and key personnel including its executive officers and key management team, and as such this has been a main driver of the Group's historical success in delivering large and strategic projects contributing to the Group becoming a global player in the payment industry. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of certain key personnel. The loss of the service of executive officers or other key personnel, and the process to replace any of them, could involve significant time and expense and may significantly delay or prevent the achievement of RS2's business objectives.

#### ***vi. Software risk***

It is an inherent risk of this industry that software applications could contain undetected errors which could lead to the software not operating as intended. Any failure of the Group's current or future platforms, software and technology infrastructure, including the Cloud-Solution, could materially adversely affect its business, results of operations, financial condition or prospects.

#### ***vii. Cyber security risk***

Similar to business and technology, cyber threat evolves and is always present. The most common cyber security threats result in risks associated with either data breach or service provision disruptions. The nature of RS2's business and of its customers and partners, who use the processing services involve systems and environments that possess large amounts of sensitive data. RS2 cloud services and data centres as well as its operations store and transmit sensitive information related to cardholders, merchants and financial institutions including names, addresses and accounts amongst other information that could be vulnerable to computer viruses, physical and cyber-criminal attacks and web fraudsters that could lead to destruction or theft of transaction data and/or personal data. This could lead to financial losses or delays in providing the services to the customers.

### **viii. Risk to intellectual property and proprietary rights**

The Group regards its intellectual property as critical to its success. It relies and will rely on a combination of trade secret, copyright, trademark and non-disclosure laws, domain name, registrations and other contractual agreements and technical measures to protect its intellectual proprietary rights ("IPR"). RS2 generally seeks to enter into confidentiality or licence agreements with its employees, consultants and clients. The Directors consider that, currently, RS2 has appropriate systems and procedures to control access to and distribution of its intellectual property documentation and other proprietary information and are continually on the lookout for new tools to protect its IPR in the future.

### **ix. Compliance risk**

The Group, via its subsidiary RS2 Financial Services GmbH, is in the application process for an E-Money-Institution (EMI) licence with BaFin, the German financial authority. Once approved and licensed as an EMI, RS2 will be subject to a number of regulatory controls, reporting duties and organisational requirements, designed to maintain the safety and soundness of business, ensure its compliance with economic and other objectives and limit its exposure to risk.

### **x. Integration risk for Mergers & Acquisitions ("M&A")**

Since its inception, RS2's strategy has been to grow organically as a technology software provider. As the Group seeks to build its new Merchant Solutions business segment, it has adapted its strategy to consider M&A transactions that could help accelerate market entry and add on products that have to date not been considered as core to the Group's business, but which would offer a consolidated proposition to its clients. The Group started the implementation of the new adapted strategy and in 2020 completed its first acquisition of KALICOM Zahlungssysteme GmbH. Going forward, further acquisitions may be considered as part of RS2's disciplined, phased and strategic geographical expansion. Any acquisition that RS2 undertakes could subject it to integration and other risks and difficulties.

## **C. KEY INFORMATION ON THE SECURITIES**

### **C.1 WHAT ARE THE MAIN FEATURES OF THE SECURITIES?**

The key features of the Preference Shares are set out below:

#### **Description, amount and class of the Preference Shares**

The offer consists of 28,571,400 Preference Shares of a nominal value of €0.06 per share, at an offer price of €1.75. The Preference Shares shall be denominated in Euro. On admission to trading, the Preference Shares shall have the following ISIN MT0000400219.

#### **Rights attaching to the Preference Shares**

The Preference Shares shall carry the right to participate in the Company's profits in the form of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares. The dividend is non-cumulative and when declared, would be payable similarly to all holders of Preference Shares. The Preference Shareholders shall have the right to attend general meetings of the Company and to receive notices, reports and balance sheets as the holders of any class of Ordinary Shares but, save for specific circumstances as documented in the Company's Memorandum and Articles of Association, shall not have the right to vote at any general meeting of the Company. The Preference Shares shall carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise, *pari passu* with all other Ordinary Shares. The Preference Shares shall be non-cumulative, and shall not be redeemable or convertible into any other form of security.

#### **Transferability**

The Preference Shares are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is in multiples of one (1) Preference Share) in accordance with law, including the rules and regulations of the MSE applicable from time to time and with the Articles of Association of the Company.

## **Dividend policy**

The Directors of the Company expect that, subject to available cash flows, the requirements of the Act, unforeseen circumstances and economic conditions that might have an impact on the Company's financial performance, the Company will distribute dividends to its shareholders. The Company will also balance the distribution of dividends against the use of these funds towards growing the enterprise value of the business by investments, including in new markets and new services. In this way, the Company will seek to maximise shareholders' return. The Preference Shares shall carry the right to participate in the distribution of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares on a non-cumulative basis.

## **C.2 WHERE WILL THE SECURITIES BE TRADED?**

Application has been made to the MSE for the Company's shares to be listed and traded on the Official List.

## **C.3 WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?**

The most material risk factors specific to the securities are set out below:

### ***i. Results and ability to pay dividends***

The Company's results can fluctuate and its ability to pay dividends is dependent on, amongst other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons.

### ***ii. Market for the shares***

The existence of an orderly and liquid market for the Preference Shares depends on a number of factors, including but not limited to, the presence of willing buyers and sellers of the Company's Preference Shares at any given time and the general economic conditions in the market in which the Preference Shares are traded.

### ***iii. No voting rights***

Preference Shareholders will not have the right to vote at any general meeting of the Company save for specific circumstances as documented in the Company's Memorandum and Articles of Association.

### ***iv. Equity interest***

The Preference Shares represent equity interests in the Company that entitle the holder to rank *pari passu* with all other holders of Ordinary Shares in the Company upon any distribution of assets in a winding up situation. The Preference Shares of the Company are subordinated to any other debt instruments in the Company's capital structure, and will therefore be subject to greater credit risk than debt instruments of the Company.

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

### **D.1 UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THIS SECURITY?**

#### **Application for the Shares**

The offer of Preference Shares is open for subscription to all categories of investors. The Issuer may enter into conditional subscription agreements ("**Subscription Agreements**") with Financial Intermediaries subject to the underlying applications being for a minimum of 150,000 Preference Shares and in multiples of 100 thereafter.

Ordinary Shareholders will, as a result of the Offer, suffer an immediate dilution of 12.9% in the share capital of the Company if the Offer is taken up in full. The level of dilution to each individual Ordinary Shareholder will be dependent on the level of participation in the Offer.

The expenses pertaining to the Offer are estimated not to exceed €1,040,000 and shall be deducted entirely from the proceeds of the Offer.



## Allocation Policy

The Company shall allocate the Preference Shares on the basis of the following policy:

- i. a maximum amount of 14,285,700 Preference Shares, shall be allocated to Financial Intermediaries pursuant to Subscription Agreements entered into with the Issuer at the Intermediaries' Offer date. Financial Intermediaries may, by ticking the appropriate box in the respective Subscription Agreement, opt to have any unallocated Preference Shares considered with the Applications received from Preferred Applicants and the general public in terms of (ii) hereunder in case of over-subscription;
- ii. the remaining 14,285,700 Preference Shares together with any number of Preference Shares not being subscribed for during the Intermediaries' Offer referred to in (i) above, shall be allocated to Preferred Applicants and the general public in accordance with an allocation policy as determined by the Issuer. In determining the allocation policy, the Issuer will be giving preference to Preferred Applicants (which include the Ordinary Shareholders appearing on the register of members as at 19 February 2021 (with last trading being on 17 February 2021) and the Company's employees as at 19 February 2021).

The terms of the allocation policy will be published up to five (5) business days after the closing of the Offer Period. The Issuer will endeavour, through the allocation policy to be adopted, to sufficiently disperse the shareholder base to facilitate, as far as practicable, an active secondary market in the Preference Shares.

## Expected Timetable

Event	Date
1. Application Forms mailed to RS2 Ordinary Shareholders	26 February 2021
2. Opening of Offer Period	3 March 2021
3. Intermediaries' Offer date	17 March 2021
4. Closing of Offer Period	30 March 2021
5. Announcement of basis of acceptance through a company announcement	9 April 2021
6. Refund of unallocated monies, if any	16 April 2021
7. Dispatch of allotment letters	16 April 2021
8. Expected date of admission of the Preference Shares to listing	16 April 2021
9. Expected date of commencement of trading in the Preference Shares	19 April 2021

The Issuer reserves the right to close the Offer Period before 30 March 2021 in the event of over-subscription, in which case the remaining events set out above in 5 to 9 above will be brought forward and will keep the same chronological order set out above.

## D.2 WHY IS THIS PROSPECTUS BEING PRODUCED?

The Preference Shares, because of their characteristics, would form part of the Company's equity base and will be instrumental for the Company's growth plans. The net proceeds from the Offer, expected to amount to approximately €48,959,950, shall be for the benefit of the Company and will be used to allow the Group embark onto its business expansion and transformation plan.

The points below outline the reason for the Offer:

- i. increase the Group's profile and brand awareness;
- ii. foster organic growth investment to ramp up and strengthen operations by focusing on Europe and North America as well as extending its reach to APAC and LATAM;
- iii. invest in organisation and regional expansion by scaling up sales, marketing and market communication;
- iv. invest further in its own acquiring business initially in Europe and the US and subsequently globally by following the Group's customers base;
- v. develop and execute the technology roadmap to enhance product capability and service offering;
- vi. support RS2 in pursuing growth over profitability in the medium term;
- vii. repay short-term bank facilities mainly composed of bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans; and
- viii. sign accretive add-on acquisitions of companies to enhance our capability, to scale and improve time to market through M&A transactions.

Points (i) to (vii) above will enable the Group to proceed with the following (there is no order of priority with which the funds will be applied):

- further investment in the United States (applying *circa* €4 million of the proceeds from the Offer);
- additional investment in the Merchant Solutions business (applying *circa* €6 million of the proceeds from the Offer);
- product enhancements in line with the Group's strategic product road map (applying *circa* €5 million of the proceeds from the Offer); and
- the repayment of short-term bank facilities (applying *circa* €10 million of the proceeds from the Offer).

The balance from the proceeds pursuant to the offer of Preference Shares, amounting to the equivalent of a maximum of €25 million in Preference Shares will be applied towards the following, depending on future opportunities as they may arise:

- M&A transactions which will complement the Group's business and growth plans (approximately €15 million); and
- further investments in the technical capability of the platform and the service offering ensuring a full automation for its operation including the Processing Solutions business, business intelligence within Software Solutions and a fully digitalized KYC/AML, merchant onboarding and payment gateway services for its Merchant Solutions business (approximately €10 million).

**Underwriting:** The Offer is not underwritten.

**Potential Conflicts of Interest:** Radi Abd El Haj is the indirect majority shareholder of the Company and has been nominated to the Board of Directors by ITM Holding Limited. Mr. David Price has been nominated to the Board of Directors by Barclays Bank plc, which is also a client of the Company. As of the date of this Prospectus, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company.





# REGISTRATION DOCUMENT

dated 19 February 2021

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and of Commission Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the "**Prospectus Regulation**").

Issued by

## RS2 SOFTWARE P.L.C.

a public limited liability company registered under the laws of Malta  
with company registration number C 25829

Legal Counsel



Sponsors



Manager & Registrar



THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE LISTING AUTHORITY HAS APPROVED THIS REGISTRATION DOCUMENT 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 COMPANY THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

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A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

APPROVED BY THE DIRECTORS

A handwritten signature in black ink, appearing to be 'M. Schembri', written over a horizontal line.

**Mr Mario Schembri in his capacity as Director of the Company**

and for and on behalf of: Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi,  
Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

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## IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON THE COMPANY AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SECURITIES OF THE COMPANY OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS OR ADVISERS.

**THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.**

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

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

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THE PROSPECTUS AND ANY PERSON WISHING TO ACQUIRE ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES OF THE COMPANY ADMITTED TO TRADING ON THE MSE SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF SO APPLYING FOR ANY SUCH SECURITIES AND OF ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS.

**STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.**

ALL THE ADVISERS TO THE COMPANY NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING "ADVISERS" IN SECTION 5.1 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY 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 INFORMATION ON THE ISSUER'S WEBSITE DOES NOT FORM PART OF THE PROSPECTUS UNLESS THAT INFORMATION IS INCORPORATED BY REFERENCE INTO 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 SECURITIES.

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS.**





## 1 DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Act or Companies Act</b>	the Companies Act (Cap. 386 of the laws of Malta);
<b>BaFin</b>	the Federal Financial Supervisory Authority in Germany - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFIN);
<b>Company or Issuer</b>	RS2 Software p.l.c., a public limited liability company registered under the laws of Malta bearing company registration number C 25829 and having its registered office at RS2 Buildings, Fort Road, Mosta MST 1859, Malta;
<b>Directors or Board</b>	the directors of the Company whose names are set out in section 12.1 under the heading " <i>Board of Directors of the Issuer</i> ";
<b>Euro or €</b>	the lawful currency of the Republic of Malta;
<b>Listing Authority</b>	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Listing Rules</b>	the listing rules of the Listing Authority, as may be amended from time to time;
<b>Malta Stock Exchange or MSE</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Memorandum and Articles of Association</b>	the memorandum and articles of association of the Company in force at the time of publication of the Prospectus. The terms " <b>Memorandum</b> " and " <b>Articles of Association</b> " shall be construed accordingly;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
<b>Offer</b>	the offer of up to 28,571,400 Preference Shares of a nominal value of €0.06 per Preference Share in the Company being made at the Offer Price pursuant to the Prospectus;
<b>Offer Price</b>	the price of €1.75 per Preference Share representing a discount of <i>circa</i> 18% to the trade weighted average price of the Company's Ordinary Shares over a twelve-month period from 11 February 2020 to 8 February 2021 and a premium of €1.69 over nominal value;
<b>Ordinary Shares</b>	each and all of the 192,968,569 issued ordinary shares in the Company having a nominal value of €0.06 per ordinary share;
<b>Preference Shares</b>	each and all of the 28,571,400 preference shares in the Company having a nominal value of €0.06 per preference share and forming the subject of the Offer at the Offer Price pursuant to the Prospectus;
<b>Prospectus</b>	collectively, the Summary, this Registration Document and the Securities Note, all dated 19 February 2021;

<b>Prospectus Regulation</b>	Commission Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
<b>RS2, RS2 Software Group or Group</b>	the Company and its Subsidiaries;
<b>Registration Document</b>	this document in its entirety;
<b>Securities Note</b>	the securities note issued by the Company dated 19 February 2021, forming part of the Prospectus;
<b>Subsidiaries</b>	the subsidiaries of the Company whose details are set out in section 6.3.1 under the heading " <i>Organisational Structure</i> "; and
<b>Summary</b>	the summary issued by the Company dated 19 February 2021, forming part of the Prospectus.

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 reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
- e. any reference to a person includes that person's legal personal representatives, successors and assignees;
- f. any phrase introduced by the terms "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- g. any reference to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislations in force at the time of publication of this Registration Document.

## 2 GLOSSARY OF KEY AND TECHNICAL TERMS

<b>Acquiring / Acquirer</b>	A bank, financial institution or regulated entity, which has a licence from card schemes such as Visa, MasterCard, etc., and acquires funds for its merchants from consumers.
<b>BigTech</b>	Refers to the major technology companies such as Apple Inc., Google LLC, Amazon.com Inc. and Facebook Inc., which are the largest and most dominant companies in the information technology industry.
<b>Card Schemes</b>	Payment networks that set rules and provide infrastructure to issue cards and process payments generated by these cards. Prominent examples of these card networks are Visa Inc., MasterCard International LLC, The American Express Company, Discover Card, JCB Co. Ltd and Diners Club International.
<b>E-commerce</b>	Refers to payments made by consumers and shoppers through websites and marketplaces buying goods and services provided such types or merchants, using card and other payment methods including account to account transfer.
<b>Electronic Money (E-Money)</b>	An electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer.
<b>E-Money Institution (EMI) licence</b>	Licence issued by the competent authority that authorises a financial institution to issue electronic money in terms of the Electronic Money Directive (EU Directive 2009/110/EC of the European Parliament and Council of 16 September 2009).
<b>FinTech</b>	Refers to new technology that seeks to improve and automate the delivery and use of financial services, to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilising specialised software and algorithms that are used on computers and, increasingly, smartphones. It also includes the development and use of cryptocurrencies such as Bitcoin.
<b>General Data Protection Regulation (GDPR)</b>	The legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the European Union (EU).
<b>Independent Sales Organisation (ISO)</b>	A third-party organisation representing a bank or other financial institution that sells and promotes its services, including merchant acquiring services, point of sale devices and other services. An Independent Sales Organisation sets up partnerships with various banks to find, open and manage merchant accounts and provide services on behalf of the financial institutions it represents, and administers merchants' services of the bank or payment processor.
<b>Independent Software Vendor (ISV)</b>	An organisation specialising in making and selling software, designed for mass or niche markets. This is in contrast to in-house software, which is developed by the organisation that will use it, or custom software, which is designed or adapted for a single, specific third party. Although ISV-provided software is consumed by end users, it remains the property of the vendor.
<b>Issuing / Issuer</b>	A bank or financial institution that issues payment cards (credit or debit cards) to consumers. The issuer is responsible for the billing and collecting of funds for purchases that were made using that card and pays the acquiring bank for purchase of goods and services made by the cardholder.

<b>Mergers &amp; Acquisitions (M&amp;A)</b>	A general term used to describe the consolidation of companies or assets through various types of financial transactions, including mergers, acquisitions, consolidations, tender offers, purchase of assets, and management acquisitions.
<b>Merchant</b>	An entity, usually a shop, retailer, or any other firm or organisation, that sells goods and services either in store or on the internet. A merchant collects funds from its consumers by accepting card payments or other payment methods.
<b>Omni-channel</b>	Refers to the ability of accepting and integrating payments through multiple channels – whether that is in person through a point-of-sale system, online, or through apps. Omni-channel payments involve an integrated, consistent experience across different sources and enable consumers to conduct transactions in whatever way suits them best.
<b>Payment Facilitator (PayFac)</b>	A merchant services provider that simplifies the payments lifecycle from enrolment through processing and reporting.
<b>Payment Service Provider (PSP)</b>	An organisation that offers merchants online services for accepting electronic payments by a variety of payment methods including credit card, bank-based payments such as direct debit, bank transfer, and real-time bank transfer based on online banking.
<b>Point of Sale (POS)</b>	A hardware device that allows a consumers and shoppers to make a payment at the merchant's shop. This payment is usually made using cards (debit or credit).

### **3 RISK FACTORS**

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS 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 COMPANY.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE COMPANY AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE COMPANY FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE COMPANY'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE COMPANY.

IF ANY OF THE RISKS DESCRIBED WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE COMPANY'S FINANCIAL RESULTS, TRADING PROSPECTS AND THE ABILITY OF THE COMPANY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED IN TERMS OF THE PROSPECTUS. ACCORDINGLY, THE COMPANY CAUTIONS PROSPECTIVE INVESTORS THAT THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH STATEMENTS, THAT SUCH STATEMENTS DO NOT BIND THE ISSUER WITH RESPECT TO FUTURE RESULTS AND NO ASSURANCE IS GIVEN THAT THE FUTURE RESULTS OR EXPECTATIONS WILL BE ACHIEVED.

#### **3.1 RISKS RELATING TO THE COMPANY AND ITS BUSINESS**

##### **A. Execution risk**

The Groups' growth strategy involves a variety of projects, activities, undertakings and investments which lead to a complex, multi-project management which is typical for a tech-driven, competitive and innovative environment and an ambitious growth strategy.

Since RS2's performance partially depends on third parties, resources are limited, and there are limitations on back-up service providers to cover capacity gaps on RS2's core applications, RS2 might face execution risk in delivering against demand. On the other hand, clients might delay or postpone projects or just take a stretched implementation path, as seen particularly during COVID-19 times. Both might lead to unplanned extraordinary costs, penalties and delays of projects, all of which may cause a negative impact on revenues and profits. RS2's growth is dependent on its ability to retain existing clients, attract new clients for its Software Solutions business and increase the processed transaction volumes and revenue in its Processing and Merchant Solutions from both new and existing clients.

Regulatory issues related to the financial industry, such as General Data Protection Regulation (GDPR) and EU Directive 2016/1148 concerning measures for a high common level of security of network and information systems, might impact the way RS2 operates today and might require RS2 to modify its corporate structure, risk strategy and may require additional infrastructure expenditure.

##### **B. Access to capital and funding**

The market demand for ongoing technical development, the implementation of regulatory requirements, the competitive situation and the implementation for RS2's growth strategy will require material financial investments over the next few years.

The Group's primary sources of further funding can be through a combination of capital increase, cash flow based self-financing and debt financing (particularly for M&A transactions). Taking into consideration the Group's current capital base and the significant investment required to expand in new markets and in new business lines, the Group's funding capabilities could be limited.

Competitors in larger, more liquid markets have access to alternative and broader funding sources and can drive M&A transactions, in particular, more aggressively to add missing capabilities to their platform or gain quicker access to new markets than RS2.

### **C. Market forces and competition**

The market in which the Group operates is characterised by rapidly evolving technology and industry standards. Many of the companies that compete with the Group have substantially greater financial, technical and marketing resources, long operating histories, greater name recognition, larger client bases and well-established relationships. To maintain its established position within the market, RS2 will be required to continue to invest significantly into its strategy and global expansion. The established players, while processing primarily on legacy and decentralised systems, have however the financial power to invest large amounts of money in technical developments as well as acquisitions to close the gaps or even bypass RS2.

The global payment market, while growing, has seen new competitors entering the market. FinTechs and BigTechs have been entering the market and are driving change and market disruption, bringing new business models to the market. While RS2 is benefiting from the demand of many of these players, these might become competitors in the mid to long term.

These new competitors may have more financial resources, be willing to accept lower return on capital, or may have other economic arrangements through the cross selling of other services, which may place them at an advantage over RS2. In addition, other processors and payment companies may provide more favourable terms to potential or existing clients of RS2 or employ more effective marketing which may lead to loss of client base, existing or potential. Overall, the payment market has seen consolidation, increasing cost pressure and margin compression. These trends, which have so far been somewhat set off by the overall market growth, are expected to continue in the coming years.

If RS2 is unable to compete with such companies and meet the need for innovation in its industry, the demand for RS2's platform could stagnate or substantially decline. RS2 could experience reduced revenue or its processing platform could fail to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

### **D. Forward-looking statements and projections risk**

The forward-looking statements and future projections included in the Prospectus are primarily based on new business expected to be generated by the Group, which new business is exposed to higher uncertainty than the existing core business, which is a rather stable growing business. While the new business pipeline remains strong and RS2 has delivered against the planned strategy and budgets of the various new clients, COVID-19 has shown that clients might delay, postpone or prolong the implementation on their side. Consequently, results may differ from the Group's projections and plans set out in this Prospectus. Other factors, e.g. projection of the market development, regulatory issues, deviations in interest rates and technology developments, may also result in a different dynamic than originally anticipated.

Since RS2 is a project driven organisation, the business is characterised by a large number of projects carried out for its clients, the further development of RS2's solutions (e.g. entering the Acquiring and Issuing business) as well as fulfilling regulatory or new technology requirements. Naturally, large projects have a more significant impact on the total operating performance of the Group compared to smaller projects. Larger projects may, therefore, lead to considerable fluctuations on the Group's performance and financial position.

By their nature, forward-looking statements and projections are based on management's best estimates and assumptions, thus the actual performance may eventually result to be different to those projections. This holds particularly true for the Merchant Solutions business since it is a new business line and as such carries more uncertainties than established business.

## **E. Dependence on key clients**

RS2 generally benefits from a highly diversified global client base, including Banks, PayFacs, PSPs, ISVs, acquirers and issuers. However, since some of its clients are large and global corporates with a high aggregated payment and processing volume, these key clients stand for a large proportion of the Group's revenue. Although management believes that its relationships with these key clients are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships, on commercially attractive terms, depends on a range of commercial and operational factors and events, any of which may be beyond RS2's control.

Although RS2 provides a modern, flexible and highly scalable processing solution, there can be no assurance that a competitor will not, in the future, offer a more attractive proposition, or that the Group's clients will invest in in-house processing solutions and will insource existing business. If a significant proportion of these key clients were to suspend, limit or terminate their relationships with RS2 or withdraw part or all of their contracts, RS2's business, results of operations, financial condition and prospects would be materially adversely affected.

## **F. Dependence on key personnel**

RS2's success and growth has been dependent on the loyalty and dedication of its pool of highly skilled employees and key personnel including its executive officers and key management team, and as such this has been a main driver of the Group's historical success in delivering large and strategic projects contributing to the Group becoming a global player in the payment industry. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of certain key personnel. The loss of the service of executive officers or other key personnel, and the process to replace any of them, could involve significant time and expense and may significantly delay or prevent the achievement of RS2's business objectives. Any of these risks could have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

Many of the companies with which RS2 competes for experienced employees may have more resources than RS2 and may be able to offer more attractive terms of employment, such as higher compensation and share option plans. Should the Group fail to retain these employees or not manage to continue attracting highly skilled employees in the future, it may not be able to achieve its anticipated level of growth and its business could suffer.

RS2 may also face challenges in recruiting or retaining highly skilled employees for reasons unrelated to compensation. RS2's head office is based in Malta and a large proportion of the administration and of the service provision is performed from its head office in Malta. The local talent-pool is limited, and competition for highly skilled technical and financial personnel is intense. Recruiting high potential and knowledgeable employees within RS2 and also retaining these employees can be challenging.

## **G. Software risk**

It is an inherent risk of this industry that software applications could contain undetected errors which could lead to the software not operating as intended. Any failure of the Group's current or future platforms, software and technology infrastructure, including the Cloud-Solution, could materially adversely affect its business, results of operations, financial condition or prospects. RS2 has developed and continues to develop its own bespoke processing platform BankWORKS®, software and technology infrastructure and operates and maintains the processing-platform, which are critical to RS2's operations, customer service and reputation. RS2's current or future platform, software and technology infrastructure may be subject to certain defects, failures or interruptions, including those caused by computer "worms", viruses, power failures, natural disasters or security breaches, whether accidental or wilful.

Any failure in the systems and technology developed, maintained or used by RS2 could result in a negative experience for the Group's clients and their customers, adversely impact RS2's operational effectiveness, delay introductions of new features or enhancements, result in errors, compromise RS2's intellectual property, and/or potentially result in monetary loss among other things. In addition, certain operations interface with, or depend on, systems and technology operated by third parties which are outside the control of RS2, and RS2 may not be in a position to verify the risks or reliability of such third-party systems. The implementation of upgrades and changes of RS2's platform, product features, software and technology requires significant investments. RS2's results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to these systems and infrastructure.



## **H. Cyber security risk**

Similar to business and technology, cyber threat evolves and is always present. The most common cyber security threats result in risks associated with either data breach or service provision disruptions. All ranges of IT platforms are exposed to many forms of threats, including legacy systems, modern cloud-based solutions plus systems that facilitate end-user communications and mobility. Criminal groups capitalise on new technologies to identify targets and launch attacks on an industrial scale. The changing scale and nature of cyber-crime means every business is a potential target.

The nature of RS2's business and of its customers and partners who use the processing services, involve systems and environments that possess large amounts of sensitive data. RS2 cloud services and data centres as well as its operations, store and transmit sensitive information related to cardholders, merchants and financial institutions including names, addresses and accounts amongst other information that could be vulnerable to computer viruses, physical and cyber-criminal attacks and web fraudsters that could lead to destruction or theft of transaction data and/or personal data. This could lead to financial losses or delays in providing its services to customers.

The most common threats that pose the highest levels of risk include malware, social engineering, phishing, physical theft or loss of data, denial of service attacks, data breach, insider threat from Group employees and system intrusion. RS2 will continue expanding its security resources and tools to fight and protect its systems and facilities in order to cover any attack or eventualities using its disaster recovery system and procedures the Group has built in various locations to fit this purpose.

While RS2 takes several approaches to detect and prevent such risks through vulnerability scanning, awareness training, ongoing investment in security operations, incident security planning, supply chain monitoring, information security policies, compliance with regulatory requirements through annual audits and finally insurance, it cannot completely eliminate such threats. Any failure of such mitigation measures could materially adversely affect its business, results of operations, financial condition or prospects.

## **I. Adaptability to technological changes**

The Group's future success depends in part on its ability to develop enhancements to the existing products and to introduce new products that keep pace with rapid technological developments, changes in clients' needs and any changes in the regulatory environment. Failure to successfully introduce new or enhanced products to the market may adversely affect the Group's business, financial condition and results of operations.

No assurance can be given that the Group's products and services will be developed in time to capture market opportunities, will achieve a sufficient level of acceptance in new and existing markets or that RS2 will successfully anticipate rapid technological changes, new industry standards or changes in the regulatory environment.

## **J. Risk to intellectual property and proprietary rights**

The Group regards its intellectual property as critical to its success. It relies and will rely on a combination of trade secret, copyright, trademark and non-disclosure laws, domain name, registrations and other contractual agreements and technical measures to protect its intellectual proprietary rights ("IPR"). RS2 generally seeks to enter into confidentiality or licence agreements with its employees, consultants and clients. The Directors consider that, currently, RS2 has appropriate systems and procedures to control access to and distribution of its intellectual property documentation and other proprietary information and are continually on the lookout for new tools to protect its IPR in the future.

Despite the Group's efforts to protect such proprietary rights, unauthorised parties may attempt to obtain and use information that the Group regards as proprietary. There can be no assurance that the steps which have been, are being or will be taken by the Group to protect its proprietary information will prevent misappropriation of such technology and proprietary information and that such measures will not preclude competitors from developing products with functionality or features similar to the Group's. In addition, effective copyright and other legal protection may be unavailable or limited in certain countries, and failure by the Group to register its intellectual property rights in certain countries may make enforcement of its rights more difficult.

Legal proceedings to enforce, protect or defend the Group's intellectual property rights assigned and/or developed could be burdensome and expensive and could involve a high degree of uncertainty. If the Group cannot successfully enforce or defend such rights, this could have a material adverse effect on its business and financial condition.

Furthermore, although procedures are in place to ensure that third parties' rights are not infringed in the software development process, such procedures may not be sufficient to guarantee full compliance.

#### **K. Compliance risk**

The Group, via its subsidiary RS2 Financial Services GmbH, is in the application process for an E-Money-Institution (EMI) licence with BaFin, the German financial authority. Once approved and licensed as an EMI, RS2 will be subject to a number of regulatory controls, reporting duties and organisational requirements, designed to maintain the safety and soundness of business, ensure its compliance with economic and other objectives and limit its exposure to risk.

RS2 therefore faces risks associated with a rapidly evolving regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital and liquidity resources and to satisfy specified capital and liquidity ratios at all times. The interpretation and application by regulators of existing laws and regulations to which RS2 is subject may also change from time to time. Any legislative or regulatory actions and any required changes to RS2's business operations resulting from such legislation and regulations, may result in loss of revenue, limit the ability to pursue business opportunities in which RS2 might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs or otherwise adversely affect its business. There can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect RS2 and its financial position.

#### **L. Integration risk for Mergers & Acquisitions ("M&A")**

Since its inception, RS2's strategy has been to grow organically as a technology software provider. As the Group seeks to build its new Merchant Solutions business segment, it has adapted its strategy to consider M&A transactions that could help accelerate market entry and add on products that have to date not been considered as core to the Group's business, but which would offer a consolidated proposition to its clients. The Group started the implementation of the new adapted strategy and in 2020 completed its first acquisition of KALICOM Zahlungssysteme GmbH.

Going forward, further acquisitions may be considered as part of RS2's disciplined, phased and strategic geographical expansion. Any acquisition that RS2 undertakes could subject it to integration and other risks and difficulties, including:

- the need to support and integrate with local technical solutions which could be subject to different regulatory environment depending on the respective jurisdiction;
- difficulties in aligning the acquired company's internal controls and processes to those of RS2;
- difficulties in integrating the acquired company's organisation due to corporate culture differences;
- difficulties in retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- inability to eliminate inefficiencies, overlapping and redundant marketing, finance, general and administrative functions;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

As a result of these risks, there can be no assurance that the Group will be able to realise the full anticipated cost savings, synergies or revenue enhancements from any such acquisitions. Any of these risks could result in goodwill impairment and have a material adverse effect on RS2's business, results of operations, financial condition or prospects.

The Group also faces the risk that its competitors may follow similar acquisition strategies with greater financial resources available for investment or willingness to accept less favourable conditions than those which the Group is able or willing to accept, preventing RS2 from acquiring such targets, to the benefit of its competitors.

## 4 IDENTITY OF DIRECTORS AND AUTHORISATION STATEMENT

### 4.1 DIRECTORS AND COMPANY SECRETARY

The Directors of the Company, whose details are included in section 12.1 of this Registration Document, are the persons responsible for the information contained in the Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import. The Directors accept responsibility accordingly.

### 4.2 AUTHORISATION STATEMENT

This Registration Document has been approved by the Listing Authority, as the competent authority under the Prospectus Regulation. The Listing Authority only approves this Registration Document as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

## 5 ADVISERS & AUDITORS

### 5.1 ADVISERS

The persons listed under this sub-heading have advised and assisted the Directors in the drafting and compilation of this Prospectus.

#### Legal Counsel

GTG Advocates  
66, Old Bakery Street,  
Valletta, VLT 1454

#### Independent Accountants

Deloitte Services Limited  
Deloitte Place,  
Triq L-Intornjatur,  
Central Business District, CBD 3050

#### Joint Sponsors

Rizzo Farrugia & Co (Stockbrokers) Ltd.  
Airways House, Fourth Floor,  
High Street,  
Sliema, SLM 1551

#### Manager & Registrar

Bank of Valletta p.l.c.  
BOV Centre, Zone 4, Business District,  
Cannon Road, Santa Venera, CBD 4060

Calamatta Cuschieri Investment Services Ltd.  
Ewropa Business Centre,  
Triq Dun Karm,  
Birkirkara, BKR 9034

## 5.2 AUDITORS

The Company's statutory auditors are:

Deloitte Audit Limited  
Deloitte Place,  
Triq L-Intornjatur,  
Central Business District, CBD 3050  
Company Registration No: C 51312

Deloitte Audit Limited is a limited liability company authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

The annual financial statements of RS2 Software p.l.c. for the years ended 31 December 2018 to 2019 have been audited by Deloitte Audit Limited. The annual financial statements of RS2 Software p.l.c. for the year ended 31 December 2017 have been audited by KPMG. KPMG is a civil partnership, authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). The registered office of KPMG is Portico Building, 92, Marina Street, Pieta, PTA 9044.

In line with the new EU mandatory rotation rules<sup>1</sup>, the Company issued a request for proposals for audit services upon the expiry of KPMG's ten-year term as auditors of the Company, following which Deloitte Audit Limited were appointed as auditors at the Annual General Meeting held on 19 June 2018.

## 6 INFORMATION ABOUT THE ISSUER AND THE GROUP

### 6.1 THE ISSUER

Legal Name of the Company:	RS2 Software p.l.c.
Registered Address:	RS2 Buildings, Fort Road, Mosta, MST 1859
Place of Registration and Domicile:	Malta
Registration Number:	C 25829
Date of Registration:	5 April 1993
Legal Form:	The Company is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone No:	+356 2134 5857
Email Address:	investorrelations@rs2.com
Website:	www.rs2.com*
Legal Entity Identifier (LEI):	2138004MEYJUDFJ3IQ49

\* The information on the Issuer's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

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<sup>1</sup> Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014

## 6.2 HISTORY AND DEVELOPMENT OF THE GROUP

The origins of the Company stem back to 1988 when two international banking executives partnered to develop a software solution as a core banking application to manage the services offered by banks and other financial institutions such as current and corporate accounts, foreign exchanges, retail business activities and other banking related services based on client server technology rather than on a high maintenance and high-cost mainframe platform. The system was successfully deployed at a small bank in Germany. In 1989, they were approached by one of the international card organisations to deliver a card-based management system for a small bank in Malta – Mid-Med Bank Ltd (now HSBC Bank Malta plc). The system was implemented at Mid-Med Bank enabling the bank to successfully issue credit cards and acquire POS merchant transactions. In the 1990s, there was a big demand for card management systems and in 1993 the Company was established. This demand directed the founders of RS2 to change their strategy of selling core banking applications to one which focused more on the development and the distribution of their card management system, which used to be a niche market at the time.

Having designed and introduced a new programming concept in the early 1990's, RS2 penetrated the Central and Eastern European and Mediterranean markets with their electronic payment and card management solutions.

Being a software company positioned RS2 at the forefront of developments in the payments processing technology and enabled RS2 to drive innovation and digitalisation. In 2001, RS2 became an omni-channel enabler for e-commerce by delivering the platform for one of its clients in Europe being one of the first omni-channel transaction processors.

Until 2013, RS2 focused on selling licences to use its processing software BankWORKS® to financial institutions and service providers across the globe. Revenue was generated from payments for the licences of the software in perpetuity (generally one-time) and regular payments for service and upkeep of the platform, performed by RS2 staff. RS2 continued to focus on onboarding new clients, while servicing existing clients thus providing a stable base to fund operations of the business. RS2 was successful in continuously onboarding new clients historically, thus consistently generating strong revenue growth.

In 2013, there was a further development in the Group's strategy as it started to focus on offering a new Processing Solution. In the meantime, however, it continued to provide development and maintenance services to its licensed clients. The Processing Solution is what is commonly referred to as a 'managed service' processing of transactions on behalf of clients while using the Group's own BankWORKS® software solution.

The reasons for the Group shifting its strategy were based on the following considerations:

- a mega-trend in the payment industry pointing at payment service providers, payment facilitators and independent sales organisations creating a demand for such an offering;
- consolidation and globalisation in the payment business requiring a modern and global platform; and
- revenue streams of the Processing Solution being more attractive than the licensing model (further information is included in section 7.2 below).

In 2014, the Group intensified its internationalisation by steadily moving ahead with its expansion plans to open and develop new regional offices across the globe. It expanded its operations beyond Europe by investing in North America and Asia Pacific (APAC). Having already owned 26% of Transworks LLC in North America, during 2014 RS2 increased its shareholding to 64.2% (currently standing at 57.05% as at the date of this Prospectus)<sup>2</sup> in this company. The company was renamed to RS2 Software, Inc. and the Group built up its operation to service the market by establishing a new office in the United States at the Denver Tech Centre in Denver Colorado with the intention of working very closely with financial institutions, international sales organisations (referred to as ISOs) and payment gateways to provide issuing, acquiring, chargeback and reconciliation services.

In the APAC region, RS2 established presence by incorporating a new subsidiary in Manila, Philippines to provide development and support services for the local market while also operating as a satellite development centre for RS2's headquarters.

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<sup>2</sup> Following certain share ownership arrangements entered into by RS2 Software, Inc., with an executive and other key personnel as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. was diluted from 64.2% to 57.41% (see also section 6.3.1).

At a time when the majority of its clients had a perpetual licence to use BankWORKS®, RS2 continued to re-dimension its strategy towards onboarding new clients to its managed services model and, in 2015, it changed its approach towards licensing by being selective in this business, particularly in the United States and Europe markets where the Group saw considerable potential for the processing business. RS2 undertook a major organisational shift in order to pursue this new strategy, fully repositioning the salesforce, its service delivery staff and its potential client list, with the aim to continue to deliver a service of a high-level quality in the long-term best interest of the Group.

In 2020, RS2 decided to pursue a third strong pillar in addition to the managed services business by entering into direct merchant acquiring and issuing services by building a solid and competitive offering in the market to be in a position to provide a more comprehensive service offering to its clients and attract new ones. The Group applied for its own E-Money Institution (EMI) licence that will be regulated by BaFin (the German financial authority). This will result in a substantial change in the revenue model for the Group as it will be able to charge a percentage of the transaction value, rather than a flat fee per transaction, as in case of the Processing Solution.

RS2 will continue to build on its experience of over 30 years in payments by focusing on enhancing its products and services solutions and diversifying its revenue models and business offerings across a variety of existing and new clients.

Figure 1 below shows the important events in the development of RS2's history:

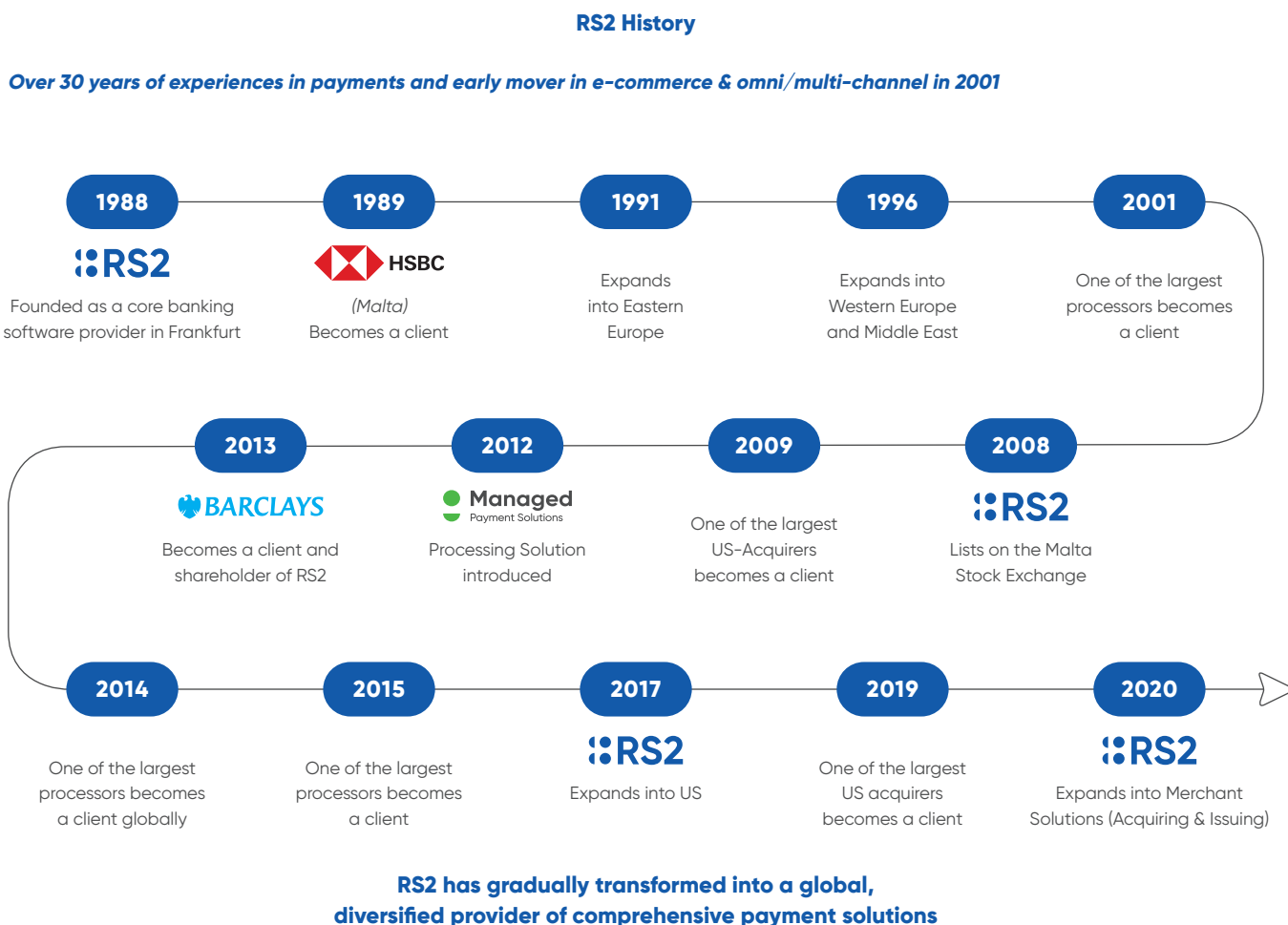


Figure 1 - Important events in the development of RS2's history, Source: Management Information

## 6.3 ORGANISATIONAL STRUCTURE & MAJOR SHAREHOLDERS

### 6.3.1 ORGANISATIONAL STRUCTURE

The organisational structure of the Company as at the date of the Prospectus is illustrated in the diagram below:

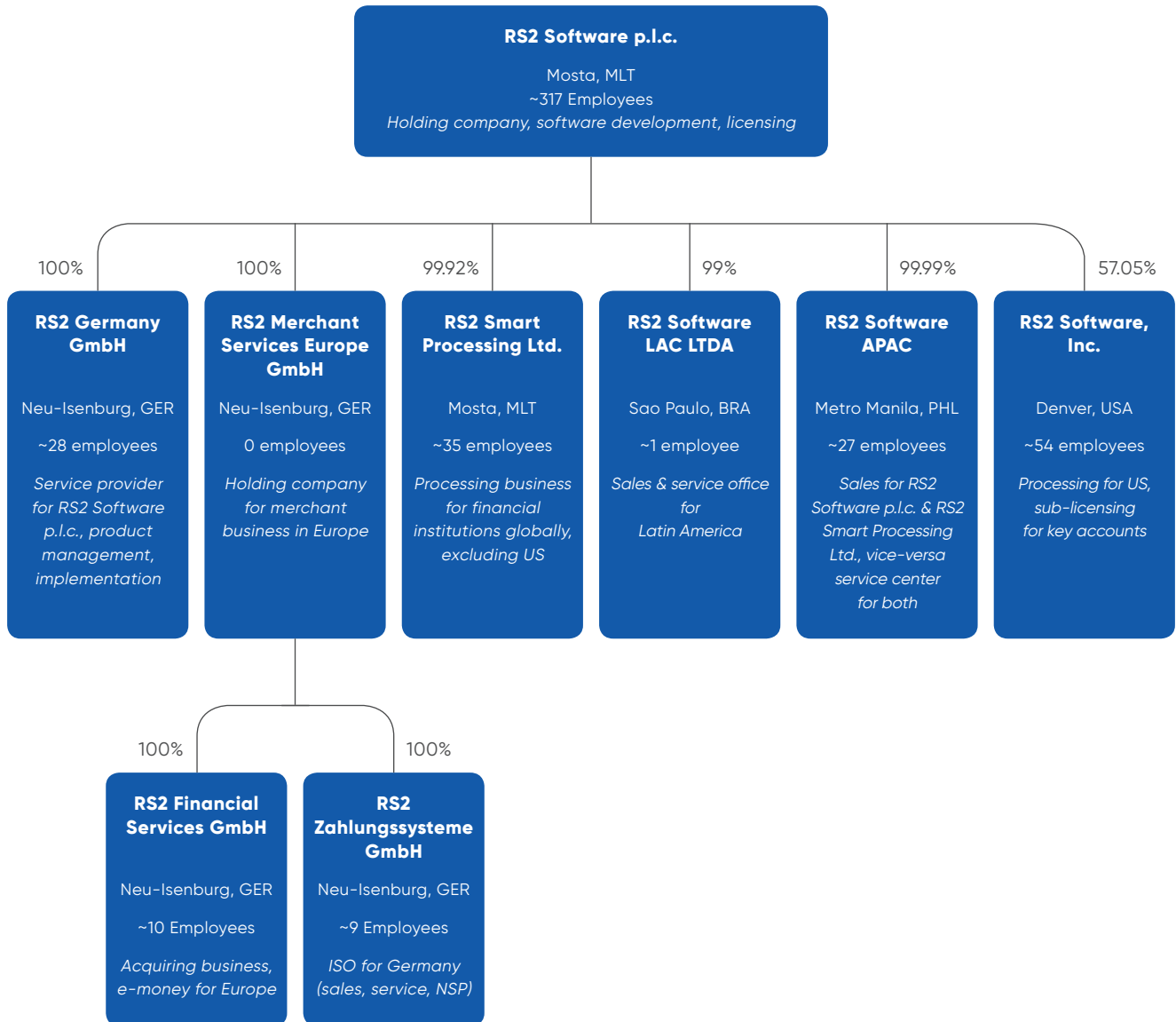


Figure 2 - RS2 Group organisational structure

RS2 Software p.l.c. is the parent company of the Group and holds the intellectual property rights to BankWORKS®, which has been internally developed by RS2's technical team throughout the years. BankWORKS® is the flagship solution of the Group and it continues to remain a main focus of the Group as it is the basis for all three business lines (see section 7.1 below). All core development within BankWORKS®, in line with the technology road map, is centralised within RS2 Software p.l.c., while each subsidiary performs a specific role within the respective business line.

The following is a list of all subsidiaries and their details:

<b>Name</b>	<b>Registered Number</b>	<b>Registered Office</b>	<b>% Shareholding</b>	<b>Business Line</b>
RS2 Smart Processing Limited	C 56484	RS2 Buildings, Fort Road, Mosta MST 1859 Malta	99.92%	Processing Solutions
RS2 Software, Inc.	82-5471416	Twelfth floor, Suite No. 1285, South Ulster, Denver, Colorado USA	57.05% <sup>3</sup>	Processing Solutions
RS2 Software LAC LTDA	35.229038.882	Rua Manoel de Nobrega Município de Sao Paulo Estado de Sao Paulo Brazil	99%	Software Solutions
RS2 Software APAC	CS201606521	Unit 1501 AccraLaw Tower 2 <sup>nd</sup> Avenue Corner 30 <sup>th</sup> Street Bonifacio Global City Barangay Fort Bonifacio Taguig City 1634, Metro Manila Philippines	99.99%	Software Solutions
RS2 Germany GmbH	HRB 50934	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Software Solutions
RS2 Merchant Services Europe GmbH (formerly RS2 Holding Europe GmbH)	HRB 52553	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions

RS2 Holding Europe GmbH holds the following subsidiaries:

<b>Name</b>	<b>Registered Number</b>	<b>Registered Office</b>	<b>% Shareholding</b>	<b>Business Line</b>
RS2 Financial Services GmbH	HRB 51924	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions
RS2 Zahlungssysteme GmbH (formerly KALICOM Zahlungssysteme GmbH)	HRB 52353	Martin-Behaim-Straße 15a 63263 Neu-Isenburg Germany	100%	Merchant Solutions

<sup>3</sup> In view of the share ownership arrangements with an executive and other key personnel of RS2 Software, Inc. as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. as at the date of this Prospectus stands at 57.05%. Once all vesting conditions of all share ownership arrangements are satisfied, the shareholding will amount to 56.27%.



### 6.3.2 MAJOR SHAREHOLDERS:

As at 31 December 2020, the major shareholders of RS2 Software p.l.c. are:

- ITM Holding Limited – 50.04%
- Barclays Bank plc – 18.25%

As far as the Company can ascertain, no other shareholder holds more than 10% of the Ordinary Shares in RS2 Software p.l.c.

**The diagram below depicts the full shareholding structure of RS2 Software p.l.c.:**

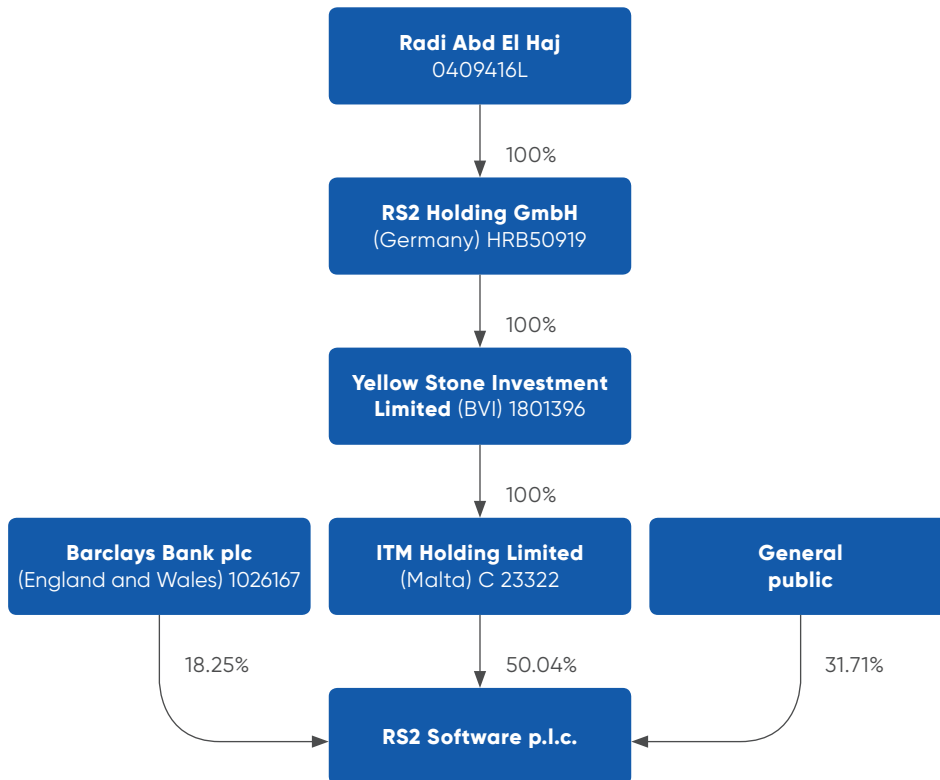


Figure 3 – RS2 Group shareholding structure, Source: Management Information

## 7 BUSINESS OVERVIEW – PRINCIPAL ACTIVITIES & MARKETS

### 7.1 PRINCIPAL ACTIVITIES OF THE GROUP

RS2 is a global technology software provider specialised in payment solutions for Issuing and Acquiring. The Group provides processing solutions connecting consumers and merchants around the globe using one single modern platform running on the cloud. The Company was founded in 1988 in Frankfurt, Germany and is headquartered in Mosta, Malta. It has approximately 481 employees spread across offices in Malta, Germany, US, Philippines, Jordan and Brazil.

RS2 provides acquiring and issuing services to a wide range of clients starting from large financial institutions, ISVs, PayFacs, ISOs and merchants throughout Europe, Middle East, North America, Latin America and Asia Pacific, covering various industries such as travel, hospitality, retail, gaming, foreign exchange (FX) and healthcare.

BankWORKS® is the flagship solution of the Group providing a wide set of payment services, such as switching and authorisation of payment transactions originating from POS, ATMs, e-commerce or in-store, clearing and settlement, fraud and risk management, disputes management, consumer and merchant portals, invoicing and statements as well as reporting, reconciliation and general ledger accounting, covering more than 180 transaction currencies and settling in more than 80 currencies.

The technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments through a variety of channels (referred in the industry as omni-channels). The business is built on long-standing and deeply-rooted relationships with leading global payment providers. The software has been proven capable of processing up to 80 million transactions per hour, is used by approximately 250 banks and PSPs, and processes *circa* 350 million cards and approximately 16 million merchants globally.

RS2 operates three business segments:

- **Software Solutions** (licensing): engaged in licensing of the Company's BankWORKS® software to banks and financial service providers and generally includes:
  - Selling of term or perpetual licences on a selective basis to banks/financial institutions to utilise the BankWORKS® issuing and acquiring platform;
  - Customisation, implementation and installation services;
  - Upgrades, enhancements and on-going support for the BankWORKS® platform, as well as updates mandated by international card organisations;
  - Additional services including, but not limited to, onsite support for testing, implementation and training beyond the originally defined scope of the initial implementation; and
  - Ad-hoc services as the need arises from clients, generally raised as change requests.
- **Processing Solutions** (managed services): involved in processing of payment transactions utilising BankWORKS® software, including:
  - Offering BankWORKS® as a managed service, where clients can access payments as a service on a private/public cloud solution for acquiring, issuing, clearing and settlement covering multiple omni-channels;
  - Provision of installation services; and
  - Other services such as statements, chargebacks, merchant portal, and e-commerce gateway.
- **Merchant Solutions** (direct acquiring): offering issuing and acquiring payment solutions directly to merchants including terminal and PSP gateway services. This is a new business-line which commenced in early 2020 and which is expected to allow the Group to expand its service offerings within the payment value chain through:
  - Acquiring and issuing solutions to be offered directly to merchants, PSPs and ISVs;
  - Acquiring: offer and manage card-based, wallet, alternative payments for national and international card payment schemes, including selling/renting of terminals, technical network services and clearing and settlement;
  - Issuing: issuing of cards, including pre-paid, gift, and loyalty cards as closed or open-loop systems;
  - Authorisation;
  - Clearing and reconciliation;
  - Fraud and risk management; and
  - Settlement and funding services.

## 7.2 REVENUE GENERATION BY BUSINESS SEGMENT

Below are the characteristics of each segment in relation to the revenue generation models showing how the recent shift in the business strategy, which is more focused on Processing Solutions and Merchant Solutions, translates into a higher percentage of recurrent revenue for the Group, with major potential for revenue growth in line with growth of the clients' business as well as industry growth.

### Software Solutions

RS2 charges a one-time licence fee for perpetual licences and one-time service fee for set-up, customisation and implementation of the Software Solution. Payment terms are generally structured in four installments (upon signing the contract, upon sign off of the project scope, upon delivery and upon acceptance or first transaction processed). The project cycle ranges between 12-18 months depending on the size of the implementation, dependencies the client may have on third parties such as card schemes (Visa, MasterCard, etc.), infrastructure providers and operation readiness of the client itself. In line with the provisions of *IFRS15 – Revenue from Contracts with Customers*, the revenue recognition of the licence and service fees is spread over the term of the implementation period, thus any delays in implementation could affect the performance of the Group. Once the client goes live with the system, RS2 charges a yearly maintenance fee amounting to a percentage of the initial licence fee, and provides additional development and consultancy services that the client may require from time to time. In this model, the Group earns substantial revenue during the implementation period through the licence and service fee, however, this tapers down to a lower annual maintenance fee, and payment for any additional services which are not necessarily guaranteed.

### Processing Solutions

In the case of Processing Solutions, the implementation time is reduced to three to six months, while the infrastructure and operation is provided by RS2, thus limiting third party dependencies in going live. An initial implementation fee is charged to the client, however the main revenue is then derived once the client goes live. Revenue is generally charged as a flat fee on a per transaction basis for different types of transactions and other services provided such as:

- Number of authorisations
- Number of settlements
- Number of accounts
- Number of merchants
- POS rental fees
- Price per card held
- E-commerce gateway services
- Price per statements
- Access to merchant portal

These services are invoiced on a monthly basis and are also subject to monthly minimum fees. By comparison to the Software Solutions model, initial revenue is lower, however, this later transforms into recurring revenue to the Group which grows on the basis of the increase in the number of transactions processed and regular services provided.

### Merchant Solutions

The revenue model in the Merchant Solutions is rather similar to that of the Processing Solutions with one significant difference. While in Processing Solutions charges are based on flat fees for each transaction processed, with Merchant Solutions revenue is generally generated through a flat fee as well as a percentage of the transaction value. Further information about this business segment is included in section 7.3 below.

The following illustrates the revenue model using an example of a flat rate + percentage fee:

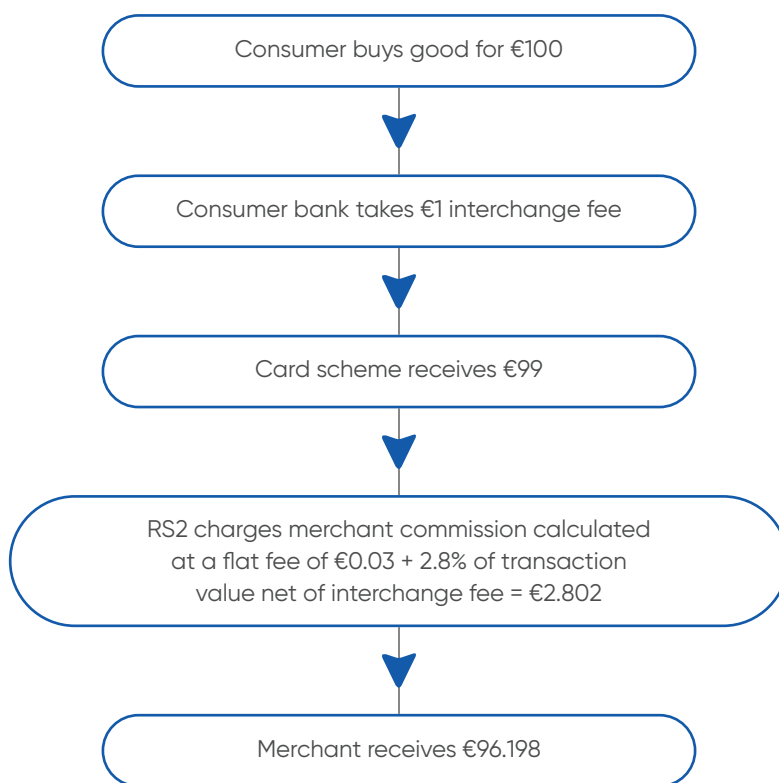


Figure 4 - Merchant Solutions revenue model, Source: Management Information

Figure 5 below sets forth the revenue by business segments for the years 2017-2020.

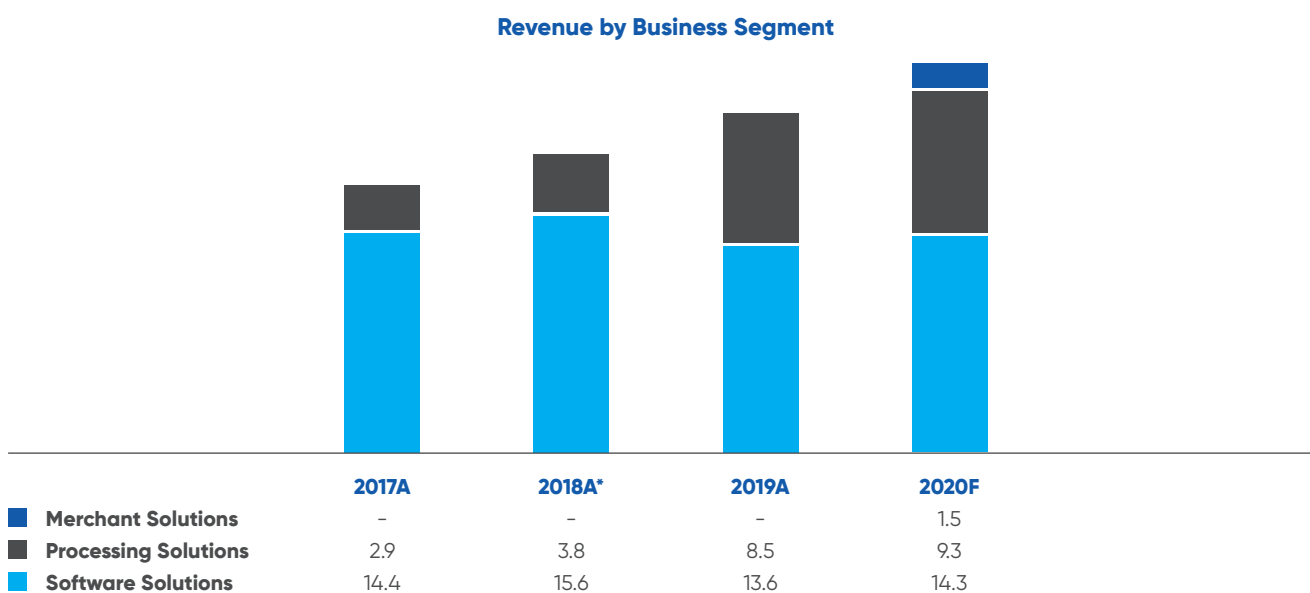


Figure 5 - Revenue by business segment, Source: Annual Reports for the years ended 31 December 2017, 2018, 2019 and Management Information for the year ended 31 December 2020.

\* Revenue for 2018 has been adjusted to eliminate the effect of the first-time implementation of IFRS 15 - Revenue from Contracts with Customers (See section 92).

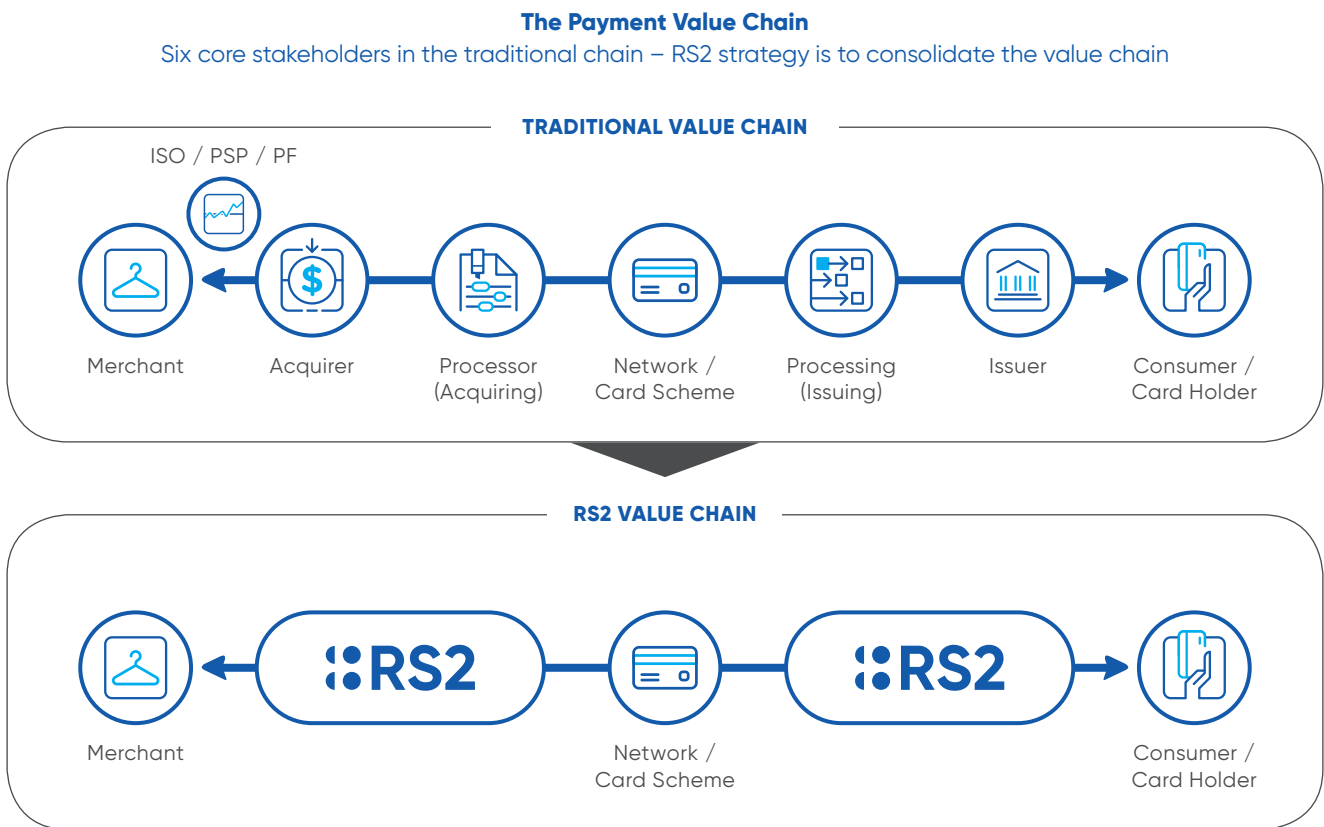
In summary, the shift in the Group's strategy from its original Licensing Solution towards the Processing and Merchant Solutions is altering the overall Group's revenue generation model from one that is highly dependent on one-time licensing fees to one which is mainly characterised by ongoing and recurring revenue based on the number and value of transactions processed. This change in the revenue model is possible because RS2 is now positioning itself in a different part of the value chain.

### 7.3 NEW BUSINESS LINE – MERCHANT SOLUTIONS

In 2020, RS2 entered into a new era – that of direct merchant acquiring and issuing services – building a solid and competitive offering in the market. This business line is referred to as "Merchant Solutions".

The RS2 merchant acquiring platform provides a wide array of services (including e-commerce gateway, risk and fraud prevention management, processing and point of sales and online acquiring) using one single platform that integrates through API to the merchant's website or store, thereby consolidating the entire business of the merchant across all the respective payment channels. This single integrated platform enables the merchants to offer their products and services globally, by providing them with a reliable, high-performance and secure way of connecting all payment channels (being Visa, MasterCard, American Express or local debit schemes such as Sofort in Germany or iDEAL in Holland or ELO in Brazil) through one platform.

Figure 6 below depicts RS2's strategy of how it will position itself along the payment value through this new business line.



**The RS2-way: Control the chain, take complexity out, lift synergies to build better solutions**

Figure 6 – RS2's strategy within the value chain, Source: Management Information

To execute the Merchant Solutions business line, the following will be required and a phased approach will be taken based on the progress:

- E-Money licence from the BaFIN in Germany: The E-money licence will be required in order to manage the merchant funding and to be able to provide acquiring services and to issue payment instruments, mainly pre-paid cards for consumers or to be used to fund micro and small sized merchants.
- Continue building a high performance team: In order to manage the set up and execution of the new business line, an international experienced team is being built-up.
- Market entry strategy: In order to be successful in the execution of its strategy, RS2 will be focusing on two regions to start its own acquiring, primarily Europe and in a second step the US, where it has a solid footprint and a strong local team to start the business.
- Product and services: The product and service offering to target clients in Europe and the US will encompass the following:
  - E-commerce (card not present including PSP services)
  - Card present (including POS terminals and network services)
  - InAPP-Payments
  - Payment gateway
  - Chargeback management
  - Call center services
  - Issuing of pre-paid cards
  - Fraud and risk monitoring services
  - Reporting and reconciliation
  - Interchange optimisation
  - Smart routing increasing the approval rate
  - Dynamic currency conversion
  - Instalments
  - Recurring payments

The rollout of these services will be in phases over the next twelve to eighteen months, whereby the majority of the above mentioned products will be delivered by RS2 Group while others will be delivered through partners with the option to develop these services in-house at a later stage.

The current status of the initiative is the following:

- An e-money licence has been applied for in Germany, at the national financial authority BaFin. The licence is at an advanced stage of the approval process.
- RS2 is currently building up the German merchant service team. Several personnel have already been engaged for most of the key positions including Head of Finance, Head of Strategy and Business Development, Head of Sales, Head of Customer Service and Operations, Legal Counsel and Data Protection Officer, Head of Risk, Head of E-Commerce and Innovation.
- The market entry strategy is defined and a first acquisition was made. In January 2020, RS2 acquired KALICOM Zahlungssysteme GmbH (recently renamed to RS2 Zahlungssysteme GmbH). KALICOM is an ISO and payment provider business for SMEs and selected key account merchants across Germany. The services provided by KALICOM include network service provider, girocard<sup>4</sup> and credit card acceptance, terminals, terminal management, technical maintenance and a wide range of value added services. The acquisition is a starting point for RS2's direct merchant business with more than 4,000 terminals and over 2,000 merchants under management.

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<sup>4</sup> Girocard is an interbank network and debit card service connecting virtually all German ATMs and banks, and is based on standards and agreements developed by the German Banking Industry Committee.

## 7.4 PRINCIPAL MARKETS OF THE GROUP

RS2 was founded in 1988 and established its operations in Malta shortly after having won a mandate from one of the largest Maltese banks (today HSBC Bank Malta plc) to develop a solution for card based payments. Following this, the Company expanded its operations to Northern, Eastern and Western Europe and the Middle East.

In 2009, RS2 acquired 26% shareholding in Transworks LLC in North America, and in 2014 it acquired a further 38.2% increasing its shareholding to 64.2% (currently standing at 57.05% as at the date of this Prospectus)<sup>5</sup>. The Group built up its operation to service the market by establishing its new office in the United States at the Denver Tech Centre in Denver Colorado with the intention of working very closely with financial institutions, ISOs and payment gateways to provide issuing, acquiring, chargeback and reconciliation services.

In the APAC region, RS2 established presence by incorporating a new subsidiary in Manila, Philippines in 2016 to provide development and support services for the local market while also operating as a satellite development centre for RS2's headquarters.

Today, RS2 has established six offices around the world - Mosta and Xewkija (Malta and Gozo), Frankfurt am Main (Germany), Denver (USA), Amman (Jordan), BGC Manila (Philippines), Sao Paulo (Brazil).

RS2 serves merchants directly and indirectly in 26 countries. The core markets are the US and Europe.

The geographic image below gives an overview about RS2's markets:

### Strong Global Presence and Large Untapped Market Potential

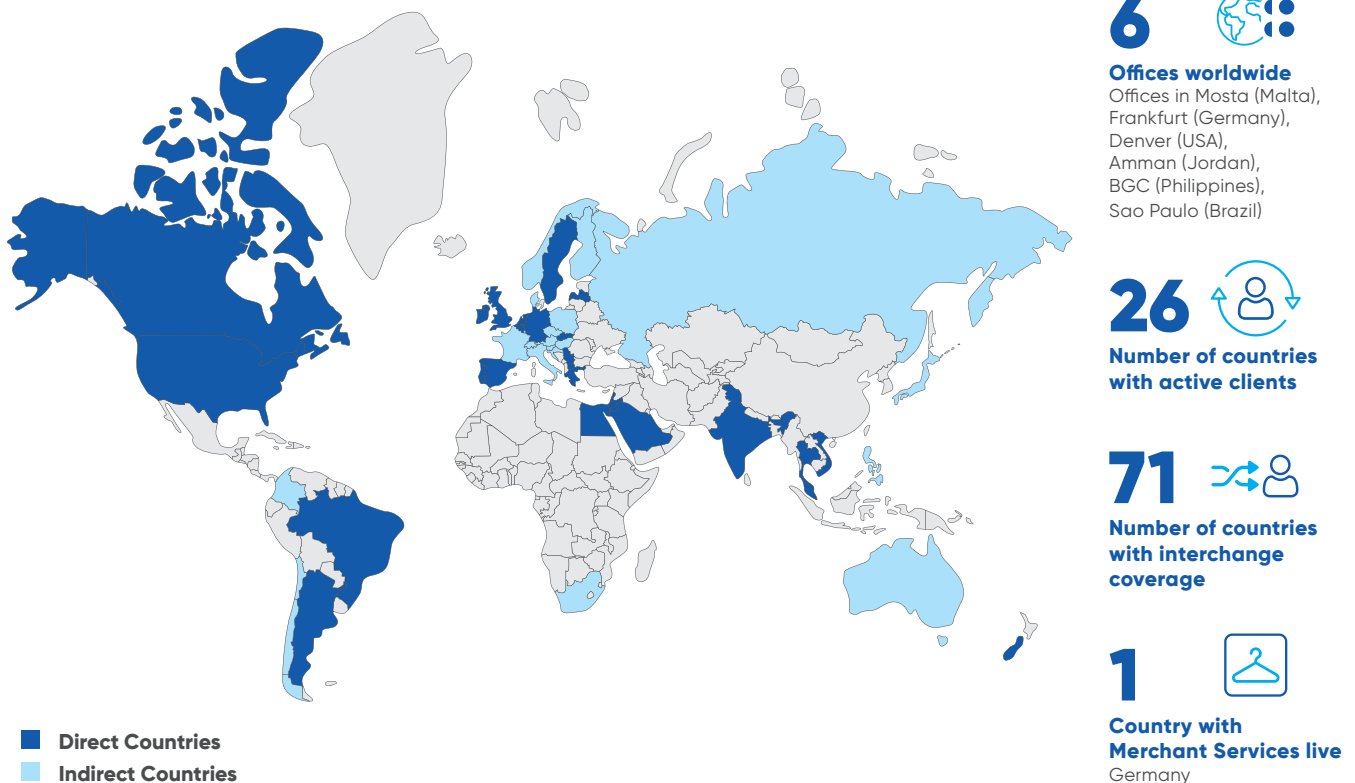
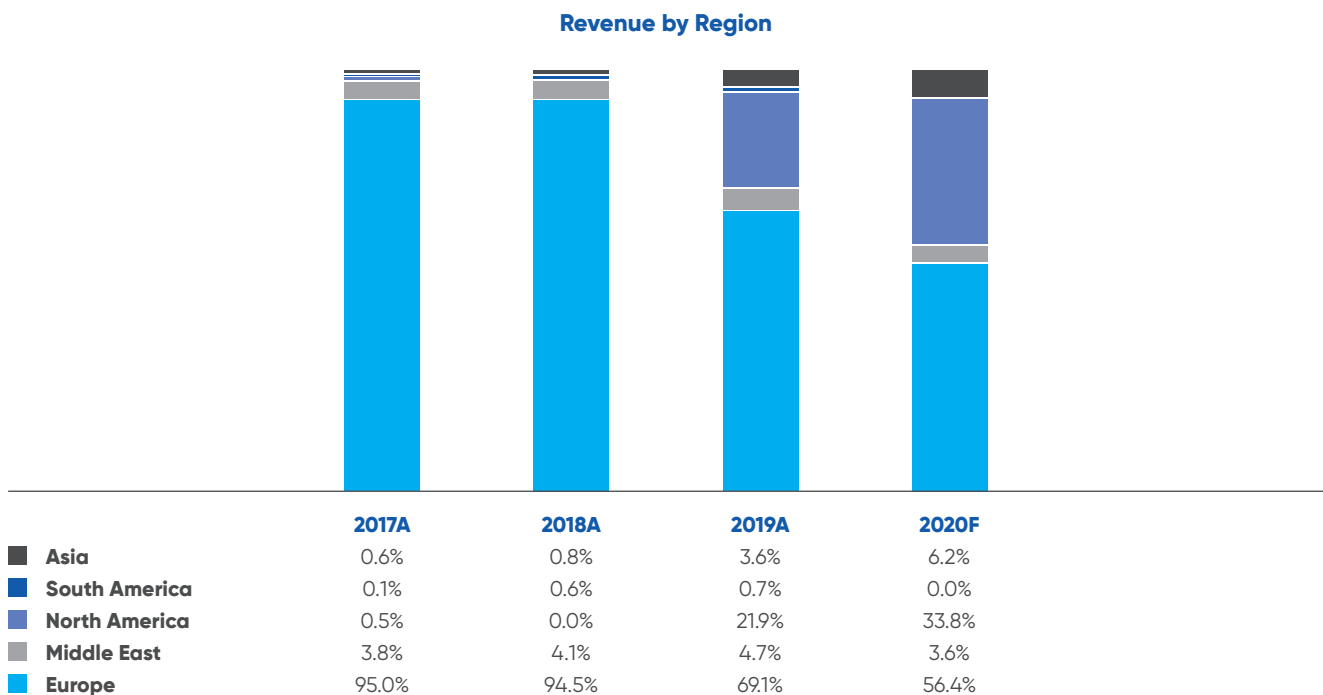


Figure 7 - RS2's global presence, Source: Management Information

<sup>5</sup> Following certain share ownership arrangements entered into by RS2 Software, Inc., with an executive and other key personnel as detailed in section 14.4 of this Registration Document, the shareholding of RS2 Software p.l.c. was diluted from 64.2% to 57.05% (see also section 6.3.1).

Figure 8 below shows revenue breakdown of RS2 by region:



**Figure 8** – Distribution of revenue by region, Source: Annual Reports for the years ended 31 December 2017, 2018, 2019 and Management Information for the year ended 31 December 2020.

## 7.5 COMPETITIVE STRENGTHS

RS2 is one of the few providers worldwide to offer global omni-channel payment services through a cloud based platform. As such, RS2 is uniquely positioned to enable global clients to process both international and local payments. RS2 provides clients with a single view of their transactions through consolidated reporting and the reconciliation of their entire business across currencies and languages. It has a highly flexible platform allowing clients quicker time to market through a single API integration.

The USPs (Unique Selling Points) and value proposition of RS2, which management believes to be the key differentiators in the market, are the following:

- Reliable performance: robust 99999% availability and high performance engine;
- One global platform: global state of the art solution and global coverage, instant and real time payments;
- Scalable: cloud-based solution linearly scalable with no lead-time for infrastructure upgrade;
- Omni-channel capability: true omni-channel covering all payment sources (online, offline, mobile);
- API enabled: single platform with single API integration – one source code for SMEs and large enterprises;
- Highly configurable: configurable by client, region, currency, business type and channel;
- Customer experience: high integration over the payment value chain enables superior customer support;
- Value-added services including:
  - Dynamic Currency Conversion (DCC) providing foreign currency exchange services at the point of sale allowing the customer to choose between the merchant currency or his card issued currency;
  - Multi-currency merchant payment accounts such as EUR, USD, CHF, etc;
  - Installments;
  - Reporting;
  - Merchant portal for the merchant to view all their business activities;
  - Partner portal providing the sales agents the possibility to review the business activities with their banks and payment service providers;
  - Global reconciliations;
  - Foreign exchange conversion services for multi-currency businesses;



- DCC, Merchant Cash Advances (MCA), instalments, reporting, merchant and partner portal, global reconciliation and FX;
- Through holistic market-approach (issuing, acquiring, processing), high customer retention, strong monetisation of customer relationship as well as cost advantages; and
- Through global solution, positioning RS2 in the main growth areas in payment (regions and solutions).

The payment market is led by huge, international processors and integrated payment companies. Leading industry players are investing in and acquiring other businesses to keep up with the changing ecosystem that continuously upgrades itself. The main trend of most players is that of striving for control of a greater portion of the payment ecosystem by moving up in the value chain and by global expansion into strategic markets, either established or emerging and as such, the market has seen substantial consolidation in the past few years.

RS2 is aiming to position itself as an alternative to legacy payment processors (FIS, Fiserv, Global Payments) and filling the void created by mega-mergers. RS2's flagship product BankWORKS® is a distinctive global payment platform which enables truly global merchant acquiring on a single platform, managed in the cloud. BankWORKS® is highly configurable and easy to use, it puts the clients in charge of their products, pricing, servicing providing independence from the processor, and is natively omni-channel (online, offline, mobile) with acquiring, issuing and closed loop, all on one platform.

## 8 PROJECTS AND PROPOSED INVESTMENTS

### 8.1 INVESTMENTS

The Group's growth over the years was characterised by both capital expenditure and operational expenditure. During the financial years 2017 to 2020, the Group made the following significant investments:

- The Group continued to enhance its platform by adding new tools that streamline the operation of its clients and differentiate it from competition in order to onboard more businesses from various industries on its platform globally. In the last four years, investment in its proprietary BankWORKS® software amounted to a total of €6 million. This investment represents development work carried out internally by the Group on enhancement of BankWORKS® and its functionality.
- In 2019, the Group invested €1.1 million in the setting up of its US processing platform that will be the foundation of the Processing Solution within the United States. Similar to the investment in the BankWORKS® software, this investment represents setup and development work carried out internally by the Group. In addition, over the four years, the Company has invested *circa* €6.9 million in capital contributions to RS2 Software, Inc. in order for the subsidiary to build up its operation in the US.
- In 2020, the Group injected *circa* €2 million in equity and capital reserves required for the setup of its third business line Merchant Services, including its application of the EMI licence (see section 7.3).
- In line with RS2's strategic shift towards Merchant Solutions, during 2020 the Group acquired KALICOM Zahlungssysteme GmbH for a total purchase price of €2.5 million including transaction costs and fees. The acquisition will provide RS2 with a quick start into the direct acquiring business with immediate capabilities of selling, installing and servicing terminals and processing card transactions in the German market for small and mid-size accounts.

### 8.2 PROPOSED INVESTMENTS

The estimated proceeds from the offer of Preference Shares, will be approximately €48,959,950, after deducting related expenses.

This funding will allow the Group to follow its ambitious but sustainable growth strategy, which may possibly eventually require additional debt financing depending on the extent and progress of growth pattern. Management believes that this is an appropriate time to take RS2 to the next level in repositioning the Group to a fully integrated payment service provider, reflecting the robust foundations from the market side as well as the demand from the current client base to serve as an impetus for future growth. Furthermore, innovation and research and development (R&D) are the cornerstones of RS2's strategy to cement its position as one of the leading global processing platforms. RS2 believes that it is at the forefront of innovation in managed cloud platform solutions as it undertakes a structured innovation approach to continuously enhance its technology to provide better solutions that meet client needs.

Further detail on the use of the funds generated from the Offer is found in section 4.4 of the Securities Note.

### 8.3 FINANCING OF THE PROJECTS

To date, the Group has financed its investment activities through its internally generated cash flows and from bank financing. For the purpose of the acquisition of KALICOM in 2020, RS2 obtained mid-term financing arrangement with one of the leading banks in Malta amounting to €2.5 million.

Going forward and in order to proceed with its plans for accelerated growth as discussed earlier on in this Prospectus, the Group may use internally generated cash flows from operations and/or source additional debt financing depending on the extent and timing when such financing would be required.

At the date of this Registration Document, RS2 has no investments on its horizon other than those explained in section 4.4 of the Securities Note.

## 9 OPERATING AND FINANCIAL REVIEW

### 9.1 HISTORICAL FINANCIAL INFORMATION

The financial information included hereinafter is extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019, all of which are incorporated by reference in this Registration Document. The financial statements are available for inspection at the Company's registered office and on the Company's website [www.rs2.com](http://www.rs2.com). These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been audited by Deloitte Audit Limited and KPMG and none of the auditors' reports therein include a modified audit opinion (see section 5.2 above).

The full consolidated financial statements can be found in the Annual Reports published by the Company which are available on display as detailed in section 22, as follows:

Information incorporated by reference in this Registration Document	PAGE NUMBER IN ANNUAL REPORT		
	Financial year ended 31 December 2017	Financial year ended 31 December 2018	Financial year ended 31 December 2019
Statements of Financial Position	52-53	52-53	50-51
Statements of Comprehensive Income	56	57	55
Statements of Cash Flows	57-58	58-59	56-57
Notes to the Financial Statements	60-132	60-163	58-163
Independent Auditors' Reports	133-146	164-174	164-173

## 9.2 SUMMARY OF CONSOLIDATED INCOME STATEMENTS

The table below sets out extracts from the consolidated audited Income Statements of the RS2 Software Group for the financial years ended 31 December 2017, 2018 and 2019.

### RS2 Software p.l.c.

#### Consolidated Income Statements for the years ended 31 December

	2017 €000s	2018 €000s	2019 €000s
<b>Revenue</b>	<b>17,380</b>	<b>25,008</b>	<b>22,100</b>
Cost of sales	(10,741)	(12,612)	(15,097)
<b>Gross Profit</b>	<b>6,639</b>	<b>12,396</b>	<b>7,003</b>
Marketing and promotional expenses	(695)	(1,013)	(1,852)
Administrative and other expenses	(4,095)	(4,956)	(7,026)
Other income/ (expenses)	(230)	179	(120)
<b>Results from operating activities</b>	<b>1,619</b>	<b>6,606</b>	<b>(1,995)</b>
Net finance income/ (costs)	(393)	(41)	(120)
<b>Profit/ (loss) before tax</b>	<b>1,226</b>	<b>6,565</b>	<b>(2,115)</b>
Income tax expense	(611)	(3,324)	(1,089)
<b>Profit/ (loss) for the year</b>	<b>615</b>	<b>3,241</b>	<b>(3,204)</b>
Attributable to:			
Owners of the Company	793	4,247	(1,634)
Non-controlling interest	(178)	(1,006)	(1,570)
<b>Profit/ (loss) for the year</b>	<b>615</b>	<b>3,241</b>	<b>(3,204)</b>
Earnings per share (in €)*	0.004	0.022	(0.008)
Total dividends	1,583	2,504	-
Dividends per share (in €)*	0.01	0.01	-

\* Earnings per share, dividends per share and the weighted average number of ordinary shares in issue during each financial year on which the earnings per share and dividends per share are based, have been adjusted retrospectively to reflect the bonus issue of 18 June 2019.

The past three years have been a period of significant investment for the Group, particularly with regards to the Processing Solutions in the United States through RS2 Software, Inc. as well as the new business line Merchant Solutions, mainly through RS2 Financial Services GmbH. To a large extent, the Group's investment is of an operational nature rather than capital nature, mainly comprising human resources and infrastructure costs, and which is therefore expensed in the Income Statements.

Group revenue increased from €17.4 million in 2017 to €22.1 million in 2019, representing an increase of 27% over the three years up to 31 December 2019. Revenues reported in 2018 amounted to €25 million which included €5.6 million of revenues already accounted for up to 31 December 2017 but that were reversed from equity reserves in order to be compliant with the new implementation of IFRS 15 – Revenue from Contracts with Customers<sup>6</sup>.

In 2017 and 2018, revenue from Software Solutions represented 83% and 80% of total revenues, respectively. The remaining revenue was generated from Processing Solutions. In 2019, revenue from Processing Solutions increased to 42% of total revenue, reflecting additional revenue from new and existing clients in the form of implementation and transaction processing fees. This is in line with RS2's strategic shift from providing perpetual licences of its platform to managed services, merchant acquiring services and issuing services throughout Europe, Middle East, North America, Latin America (LATAM) and Asia Pacific (APAC), resulting in international growth and expansion.

<sup>6</sup> IFRS 15 – Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. It supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts and related interpretations. On 1 January 2018, in line with the date of initial application, the Group released the reversal of €5.6 million from equity reserves back to revenue. Accordingly, the amount of €5.6 million, which was already recognised in revenues prior to 1 January 2018 in terms of IAS 18, was recognised in revenues again in 2018 as a result of the adoption of IFRS 15. Adjusted 2018 revenue eliminating this reversal amounts to €19.4 million, showing a steady increase in revenue over the past three years.

In 2019, the Group was in the final stages of implementation and deployment of significant clients of RS2 Smart Processing Ltd for launch in early 2020, which going forward, are expected to contribute heavily to the financial performance of the Group. Current clients of RS2 Smart Processing Ltd have been ramping up their volumes and consolidating their entire cross-regional business on the platform and expanding their regional presence using RS2 managed services business.

The main components of cost of sales, which increased from €10.7 million in 2017 to €15.1 million in 2019 (an increase of 41%), mainly included human resources costs, infrastructure costs and amortisation of intangible assets. These costs have been ramping up over the past three years in line with the Group's strategy for growth and show the Group's investment, which is of an operational nature and is therefore expensed in the Income Statements. Human resources costs are based on the requirements expected to meet the anticipated demand and steer the Group towards its strategic growth plans and include the following additions:

- supplementing the operations teams for the Processing Solution in Europe and the US;
- ramping up headcount within RS2 Financial Services GmbH;
- strengthening Group's ability to deliver to its clients therefore increasing the relative project delivery headcount; and
- strengthening Group infrastructure and therefore increasing the relative technical unit headcount.

In order to be efficient and meet the demand for processing capacity, which is sometimes unpredictable, RS2 has also moved its Managed Services to the Amazon Cloud. This allows scaling up the service as required during the on-boarding of new clients and expanding into new regions.

The Group's gross profit for 2019 amounted to €7 million compared to an adjusted €6.8 million in 2018 (originally reported as €12.4 million including the €5.6 million effect of implementing IFRS 15 as detailed above) and €6.6 million in 2017, an overall increase of approximately 6% over the three years.

The Group continued to invest heavily in marketing and sales in order to build and implement its healthy pipeline globally in the various regions and increasing the Group's probability of securing significant business in the US, APAC and Europe for its managed services business. Overall sales and marketing expenses increased by 166% over the three years under review.

Administrative expenses, which include administrative human resources expenses, legal and professional fees, insurance and utilities, travel expenses and depreciation, increased by 72% from 2017 to 2019, mainly reflecting the strengthening of the administrative functions at head office, the United States and Germany in support of the planned international growth. Attracting and engaging high profile professional officers enables the Group to focus on its targets and reach its goals by attracting the right clients and strategic partners.

Profit after tax contracted from €0.6 million in 2017 to a loss of €3.2 million in 2019. This has been in line with the Group's projections in relation to its growth plan. As explained above, the Group is currently in a phase of investment, most of which is in the form of operating expenditure. This means that for the short-term, cost are increasing at a faster rate than the increase in revenue, which situation will turnaround when the Group starts realising the revenue from its new clients and business line.

The Company declared a cash dividend of €1.6 million in 2017 coupled with a bonus issue of €0.8 million (based on the financial year ending 31 December 2016), a cash dividend of €2.5 million in 2018 (based on the financial year ending 31 December 2017) and a bonus issue of €1.3 million in 2019 (based on the financial year ending 31 December 2018).

### 9.3 SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out extracts from the consolidated audited Statements of Financial Position of the RS2 Software Group as at 31 December 2017, 2018 and 2019.

#### RS2 Software p.l.c.

#### Consolidated Statements of Financial Position as at 31 December

	2017 €000s	2018 €000s	2019 €000s
<b>Assets</b>			
Total non-current assets	15,969	17,854	21,738
Total current assets	13,669	10,116	10,074
<b>Total assets</b>	<b>29,638</b>	<b>27,970</b>	<b>31,812</b>
<b>Equity</b>			
Totally equity attributable to equity holders of the Company	21,078	18,568	17,012
Non-controlling interest	(358)	(1,336)	(2,927)
<b>Total equity</b>	<b>20,720</b>	<b>17,232</b>	<b>14,085</b>
<b>Liabilities</b>			
Total non-current liabilities	3,780	4,233	6,674
Total current liabilities	5,138	6,505	11,053
<b>Total liabilities</b>	<b>8,918</b>	<b>10,738</b>	<b>17,727</b>
<b>Total equity and liabilities</b>	<b>29,638</b>	<b>27,970</b>	<b>31,812</b>

Non-current assets of the Group amounted to €21.7 million at 31 December 2019. Out of this, €9.2 million related to property, plant and equipment including the premises in Malta, office infrastructure for the whole Group and computer software. Intangible assets of €8.9 million represent the Group's BankWORKS® platform, the US processing platform, as well as goodwill relating to the Company's initial acquisition of the US subsidiary. On adoption of *IFRS 16 - Leases*, the Group recognised additional right of use assets and additional lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *IAS 17 - Leases*. Right of use assets at 31 December 2019 amounted to €2.6 million and relate to the leased premises in the US, Germany and Philippines. Corresponding to this, new lease liabilities of €2.2 million were also recognised during 2019.

Current assets of the Group comprise of trade and other receivables, prepayments, accrued income and contract costs, and cash balances. Trade receivables amounted to €4.2 million at 31 December 2019, significantly higher than €1.6 million in 2018, however, this relates to client invoices in the ordinary course of business outstanding at year-end, that were subsequently paid early in 2020. Accrued income and contract costs amounting to €2.6 million relate to the portion of revenue that has been recognised as of 31 December 2019 in accordance with *IFRS 15 - Revenue from Contracts with Customers*, but that has not yet been invoiced to clients in terms of the respective client contracts. Such accrued income and contract costs decreased from €4.7 million in 2018 to €2.6 million in 2019.

Group equity at 31 December 2019 stood at €14.1 million, of which €17 million was attributable to the shareholders of the Company. This was made up of share capital of €11.6 million, negative reserves of €0.2 million and accumulated retained earnings of €5.6 million. Non-controlling interest amounted to negative €2.9 million and represented the total of share capital and retained losses of RS2 Software, Inc. which is attributable to its minority shareholders.

Total non-current liabilities at 31 December 2019 amounted to €6.7 million, which was €2.4 million higher than 31 December 2018. This was mainly reflective of the new lease liabilities recognised during the year as explained above. Other non-current liabilities included employee benefits of €2.9 million (see section 12.6) and deferred tax of €1.4 million. Current liabilities at 31 December 2019 amounted to €11.1 million, which included bank borrowings, trade and other payables, current tax payable, accruals and deferred income. Deferred income, which stood at €1.8 million at 31 December 2019, refers to those amounts that have already been invoiced to clients in accordance with the respective contracts, but that are not yet taken to revenue as they relate to periods past the year-end. Current liabilities include also the current portion (i.e. those amounts due within twelve months of the year-end) of lease liabilities and employee liabilities explained above.

#### 9.4 SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below sets out extracts from the consolidated audited Statements of Cash Flows of the RS2 Software Group for the financial years ended 31 December 2017, 2018 and 2019.

##### RS2 Software p.l.c.

##### Consolidated Statements of Cash Flows for the years ended 31 December

	2017 €000s	2018 €000s	2019 €000s
<b>Cash flows from operating activities</b>			
Cash generated before working capital movements	2,159	8,426	479
Movements in working capital	3,473	(6,605)	(395)
Net interest paid	(102)	(65)	(92)
Net income tax paid	(967)	(460)	(1,100)
<b>Net cash generated from / (used in) operating activities</b>	<b>4,563</b>	<b>1,296</b>	<b>(1,108)</b>
<b>Net cash used in investing activities</b>	<b>(430)</b>	<b>(2,145)</b>	<b>(2,680)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,575)</b>	<b>(3,524)</b>	<b>2,798</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,558</b>	<b>(4,373)</b>	<b>(990)</b>
Cash and cash equivalents at 1 January	6,344	7,789	3,403
Effects of exchange rate fluctuations on cash held	(113)	(13)	9
<b>Cash and cash equivalents at 31 December</b>	<b>7,789</b>	<b>3,403</b>	<b>2,422</b>

The Group's cash flow statements show that cash generated from operating activities during 2017 to 2019 amounted to €4.8 million. These mainly comprised cash generated from operations of €11.1 million, €3.5 million net cash outflow with respect to working capital movements and tax and interest payments of €2.8 million.

Net cash used in investing activities amounted to €5.3 million during the three-year period. This mainly comprised €3.5 million investment in the BankWORKS® software and €1.8 million investment in property, plant and equipment.

Net cash used in financing activities amounted to €3.3 million over the course of the three-year period under consideration. The majority relates to dividends paid in 2017 and 2018 of €4.1 million, repayments of bank borrowings during 2017 and 2018 to finance the purchase and completion of properties in Malta and Gozo amounting to €3 million, and proceeds from new banking facilities raised during 2019 to facilitate planned growth amounting to €3.8 million.

Closing cash balances at 31 December 2019 stood at €2.4 million.

#### 9.5 INTERIM INFORMATION

This section summarises the Group's unaudited interim consolidated Income Statements and consolidated Statements of Cash Flows for the six-month period from 1 January 2020 to 30 June 2020 and the comparable period from 1 January 2019 to 30 June 2019. This section also includes the unaudited consolidated Statement of Financial Position of the Group as at 30 June 2020, and the comparative audited Statement of Financial Position as at 31 December 2019.

## 9.5.1 SUMMARY OF INTERIM CONSOLIDATED INCOME STATEMENTS

The table below sets out extracts from the unaudited interim consolidated Income Statements of RS2 for the six months ended 30 June 2020.

### RS2 Software p.l.c.

#### Consolidated Income Statements for the six months ended 30 June

	2019 €000s	2020 €000s
<b>Revenue</b>	<b>11,219</b>	<b>10,838</b>
Cost of sales	(6,728)	(8,928)
<b>Gross Profit</b>	<b>4,491</b>	<b>1,910</b>
Marketing and promotional expenses	(957)	(741)
Administrative and other expenses	(3,176)	(3,955)
Other income/ (expenses)	3	(114)
<b>Results from operating activities</b>	<b>361</b>	<b>(2,900)</b>
Net finance income/ (costs)	(63)	(162)
<b>Profit / (Loss) before tax</b>	<b>298</b>	<b>(3,062)</b>
Income tax expense	(545)	(584)
<b>Loss for the year</b>	<b>(247)</b>	<b>(3,646)</b>
Attributable to:		
Owners of the Company	20	(2,304)
Non-controlling interest	(267)	(1,342)
<b>Loss for the year</b>	<b>(247)</b>	<b>(3,646)</b>

During the first six months to 30 June 2020, the Group has registered total revenues of €10.8 million compared to the first half of 2019's €11.2 million. During the COVID-19 pandemic, the Group experienced an increase in productivity and delivery of services to its clients and partners through its applied business continuity plans that included a seamless switchover to home-working which will be reflected in the second half of the year.

In continuation of the past years, during the first six months of 2020, the Group continued to invest in human resources to support the framework of its new Merchant Solutions business line in conjunction with the process undertaken to obtain its EMI licence. This stream requires a different set of skills and talent to manage such business line. With the Group's growth in diversifying its business lines, cost of sales increased by 33% when compared to 2019. This allows the sustainability of the business and regional growth expansion as envisaged in the Group's strategic plans. Marketing expenses have decreased by 23% when compared to the same period in 2019, mainly as a result of a decrease in travel and participation in fairs.

Performance in the first six months of 2020 has been very much in line with the Group's COVID-19 adjusted budgets for the year. During this time of investment, the Group's results from operating activities amounted to a negative €2.9 million.

## 9.5.2 SUMMARY OF INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out extracts from the unaudited interim consolidated Statements of Financial Position of RS2 as at 30 June 2020.

### RS2 Software p.l.c.

#### Consolidated Statements of Financial Position

as at

	31-Dec-2019 €000s	30-Jun-2020 €000s
<b>Assets</b>		
Total non-current assets	21,738	24,007
Total current assets	10,074	10,804
<b>Total assets</b>	<b>31,812</b>	<b>34,811</b>
<b>Equity</b>		
Totally equity attributable to equity holders of the Company	17,012	14,794
Non-controlling interest	(2,927)	(4,258)
<b>Total equity</b>	<b>14,085</b>	<b>10,536</b>
<b>Liabilities</b>		
Total non-current liabilities	6,674	8,715
Total current liabilities	11,053	15,560
<b>Total liabilities</b>	<b>17,727</b>	<b>24,275</b>
<b>Total equity and liabilities</b>	<b>31,812</b>	<b>34,811</b>

All components of assets, liabilities and equity are in line and consistent with those of years 2017 to 2019 as explained in section 9.3 above. The Statement of Financial Position as at 30 June 2020 shows a net current liability position of €4.8 million. This is in line with the Group's projections for the period and is expected to revert to positive values in future periods when the Group reaps benefits from its current investment.

Included in non-current assets under '*Intangible Assets and Goodwill*' is the capitalised development cost net of amortisation and BankWORKS®. BankWORKS® has been built in-house and therefore does not represent its true value to the Group – the potential and capacity of the software in terms of future revenues being generated far outweigh the actual value given on the Statement of Financial Position.



### 9.5.3 SUMMARY OF INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below sets out extracts from the unaudited interim consolidated Statements of Cash Flows of RS2 for the six months ended 30 June 2020.

#### RS2 Software p.l.c.

#### Consolidated Statements of Cash Flows for the six months ended 30 June

	2019 €000s	2020 €000s
<b>Cash flows from operating activities</b>		
Cash generated before working capital movements	1,256	(1,815)
Movements in working capital	(1,330)	(1,086)
Net interest paid	(59)	(117)
Net income tax paid	-	(12)
<b>Net cash used in operating activities</b>	<b>(133)</b>	<b>(3,030)</b>
<b>Net cash used in investing activities</b>	<b>(659)</b>	<b>(1,448)</b>
<b>Net cash (used in) / generated from financing activities</b>	<b>(589)</b>	<b>4,981</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,381)</b>	<b>503</b>
Cash and cash equivalents at 1 January	3,403	2,430
Effects of exchange rate fluctuations on cash held	(18)	112
<b>Cash and cash equivalents at 30 June</b>	<b>2,004</b>	<b>3,045</b>

Total cash used in operating activities in the first six months of 2020 amounted to €3 million, compared to €0.1 million in the same period of 2019. This mainly resulted from the increased expenditure as a consequence of the growth initiatives being undertaken by the Group, most of which involve operating expenditure rather than capital expenditure.

Net cash used in investing activities during the first six months of 2020 was mainly composed of investment in the BankWORKS® software in the form of salaries and related expenditure. On the other hand, total cash generated from financing activities relates mostly to additional bank financing, in the form of bank overdrafts to finance planned growth, as well as financing with respect to the KALICOM acquisition.

Closing cash balances at 30 June 2020 stood at €3 million.

### 9.6 CAPITAL RESOURCES

The Group's operations are financed through a mix of equity and reserves, existing bank loans and credit facilities. The following table sets out the capitalisation and indebtedness of the Issuer in the past three financial years ended 31 December 2017 to 31 December 2019, and the six months ended 30 June 2020:

	2017 €000s	2018 €000s	2019 €000s	1H2020 €000s
Bank loans	(1,857)	(834)	(200)	(2,995)
Bank overdraft	-	-	(3,780)	(6,709)
	(1,857)	(834)	(3,980)	(9,704)
Cash equivalents	7,789	3,403	2,422	3,045
<b>Net cash/ (debt)</b>	<b>5,932</b>	<b>2,569</b>	<b>(1,558)</b>	<b>(6,659)</b>
<b>Total equity</b>	<b>20,720</b>	<b>17,232</b>	<b>14,085</b>	<b>10,536</b>
<b>Total funding</b>	<b>26,652</b>	<b>19,801</b>	<b>12,527</b>	<b>3,877</b>

The Group's bank loans for the three-year period 2017 to 2019 comprised mainly of loans taken to finance its investment in its premises in Malta and Gozo, which are being repaid in accordance with their terms. During 2020, the Group raised additional financing through a new bank loan of €2.5 million in order to finance the acquisition of KALICOM Zahlungssysteme GmbH. Further bank financing was generated during 2019 and 2020 through bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans. Cash equivalents comprise of bank balances.

Total equity is composed mainly of share capital and retained earnings. While share capital has increased via a new issue of bonus shares during 2019, retained earnings has decreased during the period under consideration as a result of dividends paid and losses absorbed by the Group resulting from its investment in its future growth plans (see sections 9.2 and 9.5.1).

The Group's Board expects that any additional borrowing that the Group may need to undertake in the future can be sustained in view of the current low gearing.

## 9.7 STRATEGY AND OBJECTIVES

The payment market remains one of the brightest spots in the financial service industry. Propelled by positive macroeconomic tailwinds, continuing technology development and expanding digital use, payment business globally grows up to double digit per year and is on track to add \$1 trillion in new revenue through 2027. This outlook presents enormous opportunities.

These factors, combined with favourable economies, mean that the real breakthrough for the payment industry is yet to come. The payment market will increasingly accelerate over the next decade. Even if COVID-19 will cause a drop in the short term, the pandemic will most likely accelerate the digital transformation and card payments. Since payments and commerce are fundamentally changing toward frictionless, real-time, data-driven, omni-channel and global, innovative and technology business models will drive the way of disruption in payments.

Taking that into account, RS2 has developed a clear strategy for accelerated growth around the Group's strength, cutting-edge payment technology, and the big market opportunities. The strategy tries to anticipate and adapt to the main trends to benefit from the market opportunities.

With a mission of building a better payment solution, RS2's strategy is to be a one-stop-shop for payment solutions. The Group's vision, mission and strategy statements are the following:

- **RS2 Vision:** Ambition is to become a fully integrated, digital omni/multi-channel payment service provider – simple, innovative, targeted to consumer demands and with global reach.
- **RS2 Mission:** Deliver all payment services out of one hand, worldwide scalable and agile solutions combined with best-in-class customer service – RS2 empowers financial service providers and merchants to benefit from digitalisation of payment and on-us processing.
- **RS2 Strategy:** Develop towards a fully integrated End2End payment player and to position the Group as a one-stop-shop service provider for all types of merchants in all regions over all payment-categories (refer to Figure 6 in section 7.3). The Group believes that, due to its current position across the industry value chain, it plays a pivotal role in the payments ecosystem. This strategy means a transformation for RS2 to gain traction towards accelerated growth, improved profitability and a sustainable position within the entire value chain.

Five pillars will drive the strategy, to build a fully integrated omni-channel service provider:

1. **Processing:** Processing for Issuing & Acquiring – Global platform with a single API, switching, dispute management, risk management, reconciliation and settlement;
2. **Acquiring & Issuing:** Build up direct merchant acquiring-business under own licence in EU, with strong position in Germany and US as a starting point for further growth in other countries (as follow your customer strategy), including issuing for loyalty, prepaid, closed-loop cards;

3. **PSP / Alternative Payments:** PSP-solution, including capability to offer integrated one-stop-shop payment solutions (omni-channel), alternative payments in e-commerce (e.g. Billpay, Ratepay, iDeal, Elo, Wallets);
4. **Terminal & Technical Network:** Own technical network operations to run and operate terminal business, including sales & rent of terminals; and
5. **Strategic Add-on Services:** dunning/collection, factoring, cash management, business-to-business payment.

### The EMI licence

Currently, the Group is using external market leading service providers to complete its service offering for financial service providers and merchants with respective back-up alternatives available. Through its subsidiary RS2 Financial Services GmbH, the Group has applied for an E-Money Institution (EMI) licence with the German regulator BaFin in order to provide direct acquiring and issuing services to merchants.

The licence is at an advanced stage in the approval process, and is expected to be obtained by the end of the first quarter of 2021.

## 10 TREND INFORMATION

The year 2020 has been characterised by various lockdowns that were the consequence of the COVID-19 pandemic with far-reaching social, economic and geopolitical negative impacts globally. The Group's response to this is based on an agile management culture, leveraged by a technology-based culture and preparedness, to seamlessly switch over to home productivity with minimal disruption. However, this cannot be said for all clients who had varying consequences from the pandemic affecting their availability and propensity to keep discussions and projects as their topmost priority in the circumstances.

Throughout the COVID-19 global crisis, RS2, as a service provider, triggered its business continuity plan to continue providing its services with no impact or interruption to business. RS2 noted a decrease in momentum during the beginning of the COVID-19 pandemic, which momentum eventually started to return to its normal levels as from the second quarter of the year, resulting in a strong and healthy pipeline for the coming years. In Processing Solutions, the number of transactions processed have not yet recovered to pre-COVID-19 levels due to the ongoing restrictions in the travel and entertainment industry. While this trend is expected to continue into 2021, the Group will deliver solid growth through new business being on-boarded.

Save for the above, there has been no significant change in the financial or trading position of the Group since 30 June 2020 the last period for which consolidated financial statements have been prepared.

### 10.1 ANALYSIS OF TRENDS IMPACTING THE BUSINESS

*Certain projections and information set forth in this section have been derived from external sources, including industry publications and surveys. These sources are listed below. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While management believes that these industry publications and surveys are reliable, such information has not been independently verified and the Company cannot guarantee their accuracy or completeness. Nonetheless, this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The industry information and estimates in this section involve risks and uncertainty and are subject to change based on various factors, the majority of which are outside the control of the Group.*

Sources:

- McKinsey & Company, *Global Payments Map, Global Payments Report 2019*
- Strategy&, *Mastering the COVID-19 crisis, April 2020*
- Capgemini Research Institute, *World Payment Report 2019*

Furthermore, it is unclear how the COVID-19 pandemic will affect payments economics. At the time of publishing this Prospectus, not enough information is available. The challenges are immediate, with long-term implications for global, regional and local economies, and for the payments industry itself. Much depends on the complex interplay between economic activity, the interest rate landscape and the evolution of individual and collective behaviour. Since this is a new and so far unknown crisis with no empirical valuations, the management can only take these factors into account, and rely on expert's expectations.

## Historic Trends and Market Outlook (pre-COVID-19)

### A. Dynamic Market growth

Following a year of unprecedented, double-digit growth in 2017, the global payments industry returned to its established pattern of steady yet strong performance. Global revenues are estimated to grow by 6% until 2023. As always, however, the composition and dynamics of payments revenue vary substantially by region, necessitating a disaggregated geographical assessment.

The regional view is more nuanced:

In **North America**, payments revenues have been growing two to three percentage points faster than Gross Domestic Product (GDP) for the four years 2015–2018 because of a combination of interest-margin expansion and rapid transaction growth. The rate of growth in electronic payments transactions has been nearly twice the GDP growth rate, propelled by the e-commerce and m-commerce boom, as well as the continued shift away from cash and cheques. Interest income on current accounts is estimated to have provided roughly one fifth of US payments revenue in 2018, the lowest share among the four primary regions.

Payments revenue growth in **Europe**, in contrast with North America, has remained sluggish and below GDP growth, continuing the trend of the observed from 2016 to 2018. (Europe comprises roughly 90% of the activity in EMEA– Europe, Middle East and Africa). Although it remains the slowest growing of the four primary regions, Europe has established a somewhat heartening revenue trend, with consistent growth in the region (in contrast to the contraction experienced in the first half of the decade). The European region continues to lag behind McKinsey's estimates, stemming from a slower-than-predicted economic recovery. Despite the encouraging signs in transaction growth and fee revenue (4% in 2018), these gains are offset by marginal declines in liquidity revenue. This does not imply an absence of opportunity, however.

Electronic payments transactions in Europe are growing consistently at double the European GDP growth rates (from 2013 to 2018, 79% compound annual growth rate (CAGR) versus 3.5% GDP CAGR). The continued shift away from cash is because of the strong performance of card transactions in combination with payments solutions enabled by genuine innovation (for example, real-time payments and mobile wallets) and regulation (for example, the second Payment Services Directive<sup>7</sup> – better known as PSD2 – and open banking).

**Asia-Pacific** (APAC) payments revenues grew by 6% in 2018, in line with GDP growth for the region (but contrary to what one could expect, slower than in North America). Asia revenues have been very volatile over recent years: their growth significantly lagged behind GDP growth in 2015 and 2016 before sharply exceeding it in 2017. There are three underlying drivers behind this somewhat erratic growth trend: While transaction numbers grew significantly driven by electronic payments transactions (upward of 15% annually, more than 2.5 times the rate of GDP growth), transaction fee growth has been more muted, as regulatory and competitive pressures have depressed margins. On top, current account revenues (both consumer and commercial), representing 60% of payment revenues in the region, prove to be extremely volatile.

Current APAC account balances (\$20 trillion in McKinsey's analysis) are an important revenue driver, with China being the "swing factor". If current account balances have been growing slightly faster than economic growth has in the region as a whole (pointing to additional growth coming from an increasing share of consumers with bank accounts in the region), 2017's regional revenue "explosion" (21% increase) was driven by China.

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<sup>7</sup> Directive (EU) 2015/2336 of the European Parliament and of the Council of 25 November 2015.

**Latin America** was the fastest-growing region in revenue terms, at 10%, in 2018. This result marks a return to growth following a 2% decline in 2017. It confirms 2017's outlier nature, owing to a one-off regulatory intervention affecting Brazil, the region's largest payments market. With nearly 40% of Latin America's revenue growth coming from fee income, the fundamentals appear to point to continued strength.

Figure 9 below shows global payments revenues 2007–2018, extrapolated for 2023:

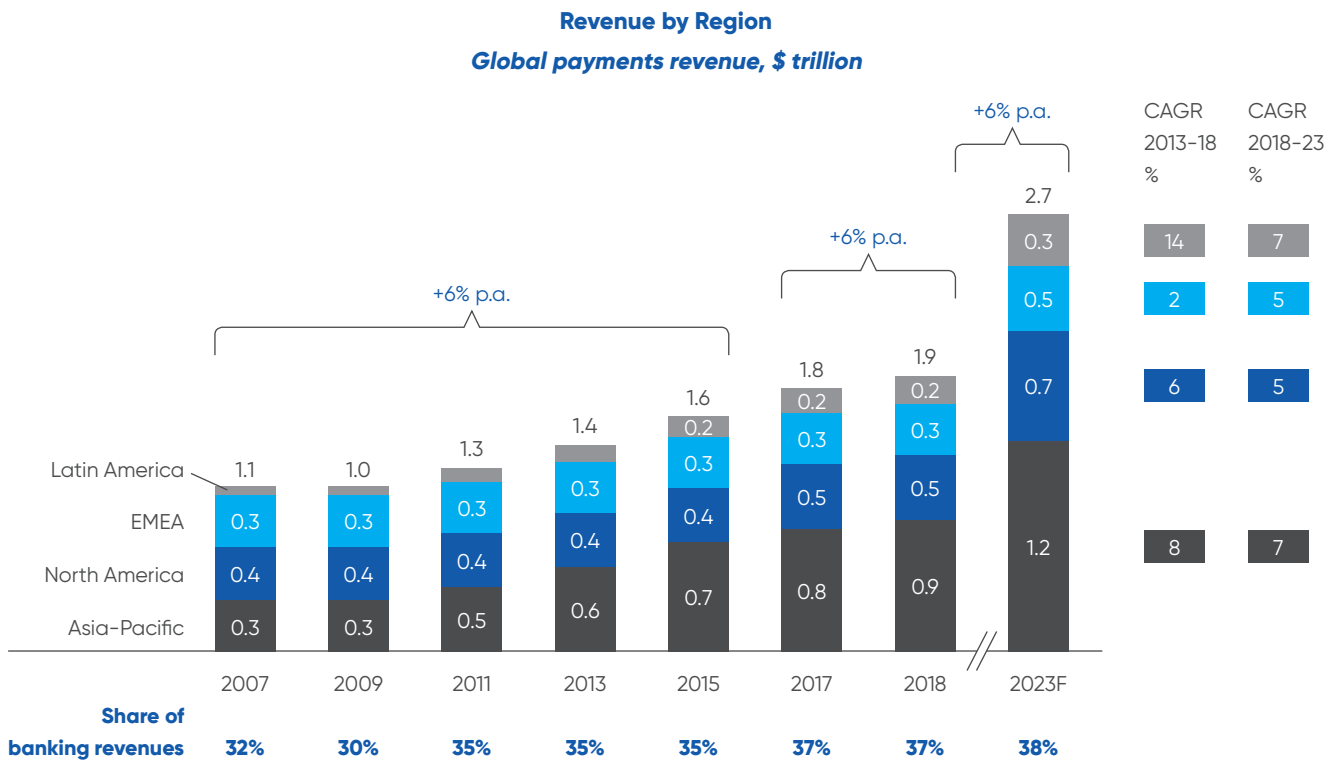


Figure 9 - Global payments revenues, Source: McKinsey Global Payments Map, Global Payments Report 2019

## B. Consolidation

Industry players are acquiring other companies to keep up with the changing ecosystem that continuously upgrades itself. The main trend that contributes to an organic growth of the whole industry, is the strive for control of a greater portion of the payment ecosystem and moving up in the value chain and global expansion into strategic markets, either established or emerging.

The last 18 months have brought deals that are valued at levels approaching \$100 billion, are increasingly cross-border, and involve increasingly global players (for example, Fiserv–First Data; FIS–Worldpay).

Four main dynamics are shaping consolidation in the industry: growth in non-traditional areas, demand for integrated solutions, the significance of scale and efficiency, and the evolution of the trust equation.

### **C. Digital commerce and alternative payments methods open multi-channel horizons**

Consumer digital payments, that is, browser-based e-commerce and in-app purchases, are growing rapidly. Global digital commerce volume exceeded \$3 trillion in 2017–13% of total commerce—and will more than double by 2022.

Mobile commerce is the dominant factor in this trend, already accounting for 48% of digital commerce sales, and forecasted to reach 70% by 2022. The growing popularity of e-commerce in general—digital checkout solutions as well as new payments solutions—further contributes to payments' overall trend toward digitalisation. Additionally, there are new opportunities arising from the digital commerce ecosystems developing today. While the online card experience has improved over the past decade, particularly with regard to security, alternative payments methods (APMs) have gained far greater traction by tackling a variety of pain points. The evolution of in-app and omni-channel order-ahead models gives rise to a host of adjacent payment services.

The outlook for in-store mobile payments varies significantly by country and region. In the US, in person use of digital wallets will increase at a 45% CAGR to reach \$400 billion in annual flows by 2022. More than half of overall global purchase volume growth over the next five years will be generated by digital channels. Digital payments will double in volume over the next five years to represent approximately 29% of consumer POS payments, with in-app payments exceeding browser-based e-commerce by 2021. Consequently, payment companies must deliver a fully integrated omni-channel payment solution and improved checkout experience with payments as a component over all channels.

### **D. Entrance of new players will increase competition**

The payments industry has recently seen the entry of diverse FinTech and BigTech players, both technology giants like Facebook Inc. or Apple Inc. and other start-ups that are presenting increased competition for payment companies, processors and networks. While start-ups have generally not been a major threat to the payments industry in the past, the prominence of smartphones as a channel, rapidly evolving customer expectations and real-time account-to-account transfers will have a profound disrupting effect.

The payment industry is currently going through a wave of infrastructure modernisation that is required to compete effectively with FinTech and BigTech innovators and address evolving client needs. This digital revolution will extend well beyond consumer payments and cards causing significant changes in all areas of finance.

### **E. Regulatory landscape**

Interoperability and standardisation have become one of the main objectives of regulators. Globally, a broad range of authorities have taken or are planning initiatives to ensure uniformity – critical moves to sustain success as the new payments' ecosystem coalesces. While pushing for innovation through open banking and real-time payments, regulators are working to mitigate risks. In addition to standardisation, risk mitigation appeared as the priority for the payment industry.

- Key regulatory and industry initiatives aim to build a resilient payments ecosystem to serve society.
- Interoperability and standardisation are key for regulators, even though there are disparate standards, systems and scope of regulators.
- Globally, the broad range of regulators are operating on initiatives to ensure uniformity.
- Regulators are pushing through open banking and real-time payments, while working towards a reduction in risks – in addition to standardisation, risk mitigation appeared as the priority for the industry.

Figure 10 below shows key regulatory and industry initiatives, clustered by regulators' primary objectives:

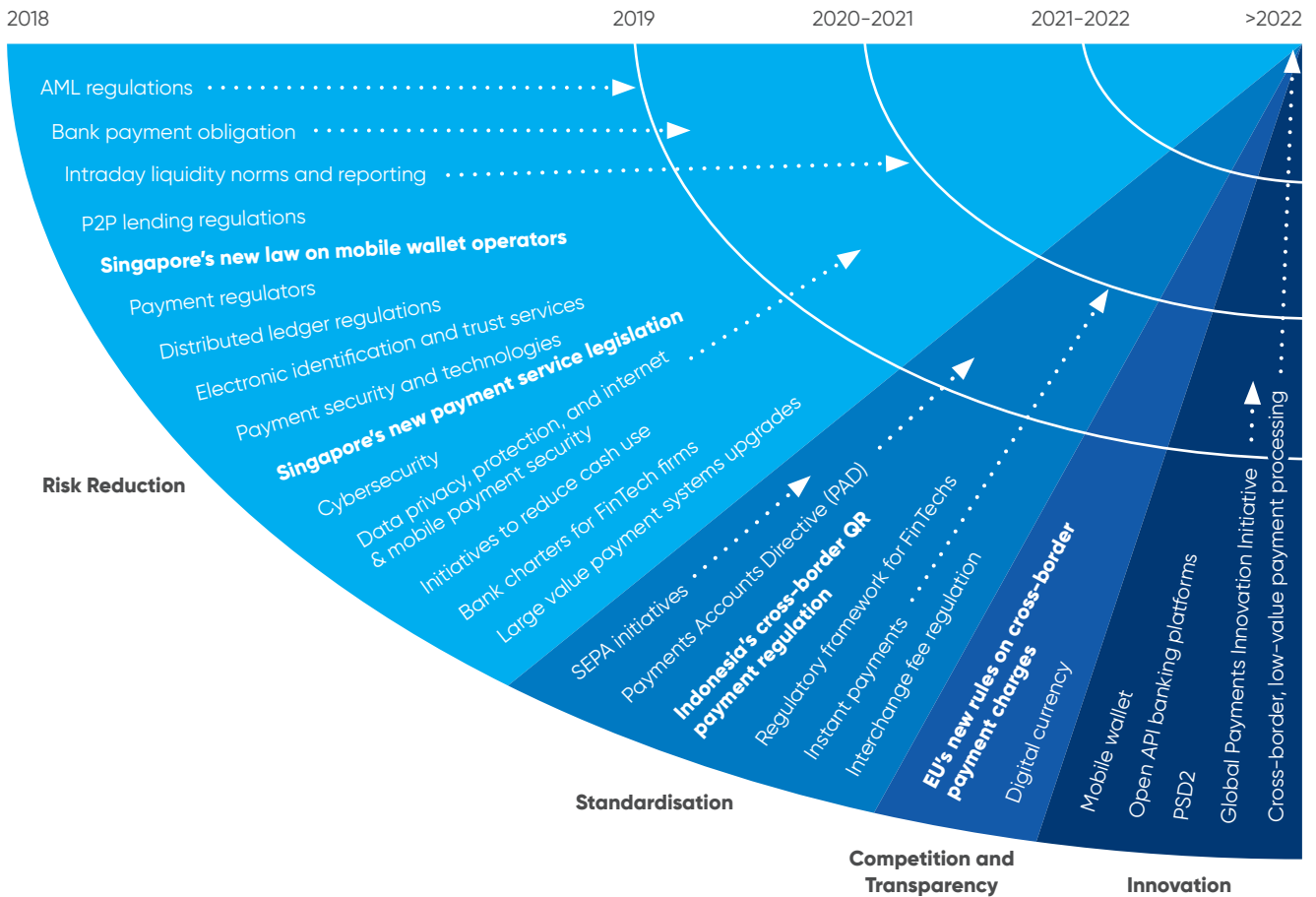


Figure 10 - Key regulatory and industry initiatives, Source: Capgemini, World Payments Report 2019

## F. Impact of COVID-19 on payments

COVID-19 is an unprecedented catastrophic occurrence, and it is currently completely unclear what changes it will lead to. But it is clear that the changes and challenges are immediate, with long-term implications for global, regional and local economies – and of course for the payments industry itself.

Unfortunately, payment data on COVID-19 impact is still very limited and scenarios are still rather trend than data based. Overall, the payment trend follows the overall economic developments, shows however huge variances based on industry sectors. The outlook largely depends on the further spread of the virus, the public health response and the effectiveness of the fiscal, monetary, and broader public measures.

For the global payments sector, the events of 2020 have reset expectations and significantly accelerated several existing trends. The public health crisis and its many repercussions changed the operating environment for businesses. For the payments sector, McKinsey stated that global revenues declined by an estimated 22% in the first six months of the year compared to the same period in 2019. Over the past several years, payments revenues had grown by roughly 7% annually, which means this crisis leaves revenues 11% to 13% below the pre-pandemic revenue projection from McKinsey for 2020.

For global payments, 2020 stands in dramatic contrast to the year before, which was a relatively stable year. Global revenues grew at nearly 5% in 2019, bringing total global payments revenue to just under \$2 trillion. Any stability was quickly disrupted in early 2020 by governments' reactions to the COVID-19 pandemic. McKinsey expects full-year 2020 global payments revenue to be roughly \$140 billion lower than in 2019, a decline of about 7% from 2019.

Figure 11 below shows global payments revenues to end 2020 down 7% compared to 2019:

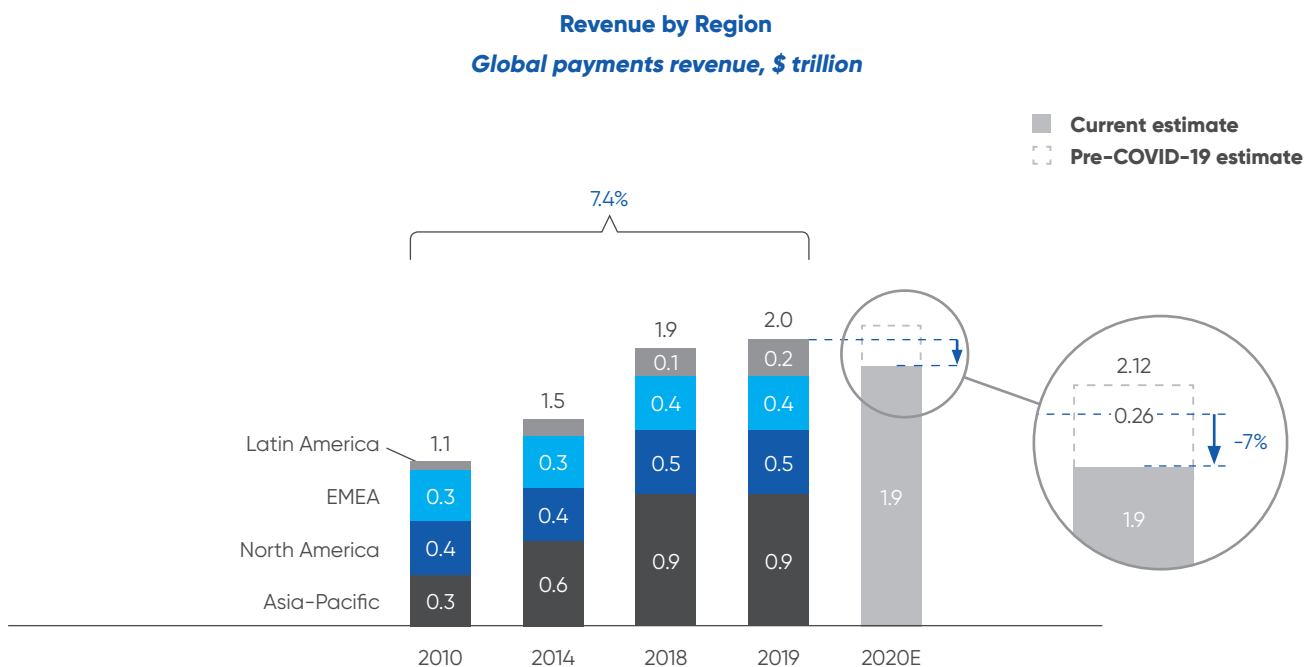


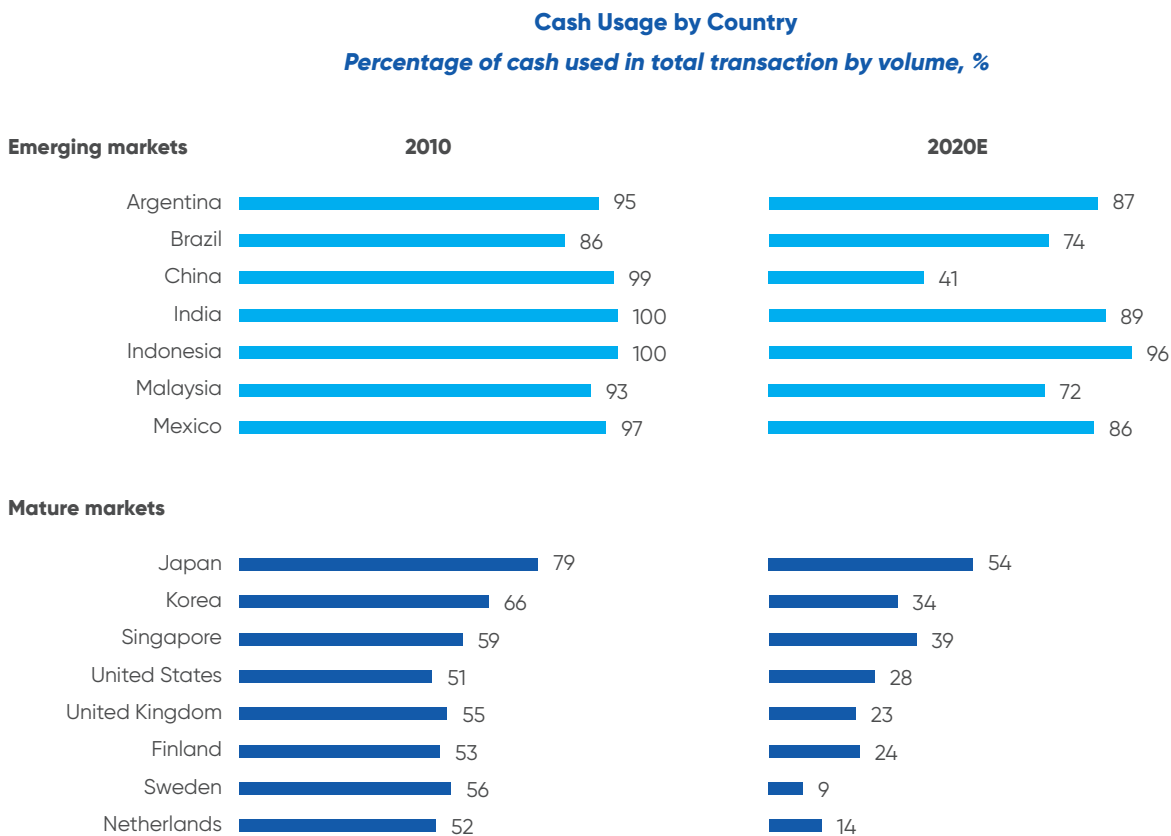
Figure 11 - Global payments revenue estimate for 2020, Source: McKinsey, The Global Payments Report 2020

The immediate consequence of the lock-down was, a steep reduction in discretionary spending and a severe demand side shock, along with reductions in cash usage. Discretionary spending initially sank by 40% globally. The impact was especially great on the travel and entertainment category, which was down by 80% to 90%. While some categories of spending rebounded, consumers' well-documented shift from the point of sale (POS) to digital commerce accounts for the reduced use of cash. Overall, in retail, the impact was not a decline but a shift in buying behaviour. In the first six months of the year, consumers spent \$347 billion online with US retailers, up 30% from the same period in 2019—corresponding to six times the annualised 2019 growth rate of online retail.

Consequently, all forms of electronic payments have been boosted. In many regions, this has mostly benefited debit cards, which typically align with lower-value transactions and are a logical cash substitute for contact-averse consumers. Higher limits for contactless payments also triggered rising adoption rates across the globe. COVID-19 will likely lead to a further decline in cash usage and a shift to electronic payments around the globe. By the end of 2020, McKinsey expects a shift of four to five percentage points in the share of global payment transactions executed via cash—down from 69% in 2019—propelled by evolving behaviour in both mature and emerging markets.



Figure 12 below shows cash usage by country:



**Figure 12** - Cash usage by country, Source: McKinsey, *The Global Payments Report 2020*

As the crisis plays out, there will likely be more clarity about the depth and duration of the impact. However, one thing is clear now: there will be no return to the norms before the crisis; the impact on the behaviour and expectations of the customers and businesses, indeed the entire economy, will be profound. A rebooting economy may need to deal with social distancing, increased sensitivity to security, and accrued risk awareness for quite some time. McKinsey expects in the most realistic scenario, that global payments, in most categories of payment transactions, are poised for sharp and rapid rebounds as lockdowns are lifted and behavioural shifts from cash to electronic payments are largely sustained.

So, we will have a “new normal” for the payments ecosystem and also for the economy as a whole (more working from home instead of in offices, more e-commerce than POS shopping, more regional vacations than long distance travelling, more virtual meetings than business trips, more card based payments than use of cash etc.). However, not all players, countries and products will arrive at the same end state. At a regional level, the following differences are notable:

- Asia-Pacific (excluding China) could suffer larger declines, as its revenue model is more affected by NIM (Net Interest Margin) contraction, faces increasing government pressures on mass-market transaction fees, and has greater exposure to long-term affected industries, such as travel, tourism, and international remittance payments.
- Europe may be poised for a swifter rebound, for two reasons: Firstly, NIMs were already so compressed before COVID-19 that there was little room for further squeezing; secondly, volume growth is being fuelled by the acceleration of digital migration in Southern and Eastern Europe, and by government stimulus measures.
- In North America, the revenue benefit from an accelerated shift to digital channels has been more than offset by credit-card economics – outstanding balances are down roughly 29% from 2019 levels, and increased delinquencies are a possibility. Considering credit cards are the largest source of the region’s payments revenue, at roughly 44%, the decline in outstanding balances alone will outweigh the benefits of increased use of digital channels.

- In Latin America, which is characterised by a significant unbanked population, cash usage will likely remain resilient. Visa-supported mobile wallets have gained more than a million users since December 2019, with the pandemic accelerating this trend.
- Overall, the greatest recovery opportunities reside in countries with low electronic penetration (Brazil, India, Indonesia, Thailand), as the next normal provides impetus for digitalisation. However, countries starting from a high level of digitisation (France, Germany and the United Kingdom) are also seeing COVID-19-induced behaviour push cash usage to the minimum – fuelling payments-revenue growth.

## 10.2 PROFIT ESTIMATES & FORECASTS

The expectations of the Directors with respect to the future operations of the RS2 Group for the financial years ending 31 December 2020, 2021, 2022, and 2023 are presented in Annex II of this Registration Document. The basis of preparation and the key assumptions underlying the Profit Estimates and Forecasts are set out in detail in Annex II of this Registration Document.

The Profit Estimates and Forecasts include the forecast for the financial year ended 31 December 2020. This forecast is based on the interim results for the Group to 31 October 2020, and the forecast for the period 1 November to 31 December 2020 based on the results achieved to October 2020, and extrapolated until year-end. The forecast has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with the Company's accounting policies.

The Profit Estimates and Forecasts have not been audited. An independent accountant report by Deloitte Services Limited in accordance with *ISAE 3000 – Assurance Engagements Other than Audits and Reviews of Historical Financial Information* is included in Annex III of this Registration Document.

## 11 REGULATORY ENVIRONMENT

RS2 Software p.l.c. is a company registered under and subject to Maltese law. The Company's Ordinary Shares are currently listed and traded on the Official List of the MSE and as such, the Company is subject to the Listing Rules.

Given its diverse geographical presence, the Group is subject to a variety of laws of several jurisdictions including Germany, United States, Philippines and Brazil.

As the owner, developer and software vendor of BankWORKS®, RS2 Software p.l.c. holds a Payment Card Industry (PCI) Payment Application Data Security Standard (PA-DSS) validation. RS2 Smart Processing Limited is also certified as a PCI DSS Compliant service provider.

Due to the nature of its business offering to clients operating in the payments industry, the Group's BankWORKS® software is obliged to be compliant with all regulatory frameworks applicable to its clients.

During 2020, RS2 applied for a licence as an Electronic Money Institution (EMI) at the BaFin, the German financial authority. As an EMI licence holder, the Group will be directly subject to EU Directive 2009/110/EC of the European Parliament and Council of 16 September 2009 which came into force in Germany with the introduction of the Payment Services Oversight Act (Zahlungsdiensteaufsichtsgesetz, ZAG).

The EMI allows the Group to provide a wider range of financial services comparing with payment institutions and allows safeguarding client funds for an unlimited period of time. Electronic Money Institutions licensed in one European Union (EU) member state opens up business opportunities to act and provide services in all other EU/EEA countries, enjoying benefits of the single European financial market within Single Euro Payments Area (SEPA) for passporting purposes.

Electronic Money (E-money) is defined by the European Central Bank as an electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument, which does not necessarily involve bank accounts in transactions. Directive 2009/110/EC (also referred to as the E-Money Directive) established legal basis for e-money issuing in the European Union (EU).

Once RS2 receives the EMI licence, it intends to become a member of MasterCard and VISA and the other international card schemes in due course.

## 12 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 12.1 BOARD OF DIRECTORS OF THE ISSUER

The Company's governance principally lies in its Board of Directors, responsible for the general governance of the Company and to set its strategic aims, for its proper administration and management, and for the general supervision of its affairs. Its responsibilities include the oversight of the Company's internal control procedures and financial performance, and the review of the Company's business risks, thus ensuring such risks are adequately identified, evaluated, managed and minimised.

The Memorandum of the Company provides that the Board of Directors shall be composed of not less than three (3) and not more than eight (8) directors. The Board of Directors currently comprise one (1) Executive Director (Chief Executive Officer) and six (6) Independent Non-Executive Directors. The Board, following a self-assessment in terms of the Listing Rules and relevant Code Provisions, confirmed that all non-executive directors are independent.

Name	ID/Passport	Designation	Date of appointment
Mr Mario Schembri	474854M	Chairman and non-executive director	1 January 2008
Mr Radi Abd El Haj	0409416L	CEO and executive director	19 June 2012
Dr Robert Tufigno	191657M	Non-executive director	9 May 2008
Mr Franco Azzopardi	648162M	Non-executive director	12 May 2009
Mr John Elkins	456917951	Non-executive director	17 August 2015
Prof. Raša Karapandža	51609565	Non-executive director	19 June 2018
Mr David Price	555969092	Non-executive director	9 January 2019

The Company Secretary is Dr Ivan Gatt.

The business address of each Director is the registered office of the Company.

Directors are appointed at the Annual General Meeting and, unless they resign or are removed, directors shall hold office for a period of one year. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

A list of directorships held by the Directors mentioned above is included in Annex I to this Registration Document.

The *curriculum vitae* for each of the Directors and of the Company Secretary are set out below.

#### Mr Mario Schembri - Chairman and non-executive director

Mr Schembri joined RS2 in 1999 as Regional Manager, Mediterranean Region and took on the role of Deputy Chief Executive Officer in 2006. Mr Schembri was appointed Chief Executive Officer in January 2008 and Chairman in January 2012.

Mr Schembri has extensive knowledge related to card management systems, with diverse exposure to the international card organisations including VISA International, MasterCard and DINERS Club International. Up to the time of joining the Company, Mr Schembri had been in the banking industry for 26 years and has vast experience relating to retail banking operations, product management and co-ordination. He also served as a lecturer and examiner for the Institute of Financial Services for a period of 12 years.

**Mr Radi Abd El Haj - Chief Executive Officer and executive director**

Mr El Haj joined RS2 in 1997 as a Project Manager for Tier 1 European banks where he was responsible for the implementation of corporate card programs, later promoted to Customer Relationship Manager in 2002 and Head of Sales and Implementation in 2004. Mr El Haj was appointed Chief Executive Officer in January 2012.

In the cards and payments industry, Mr El Haj specialises in the areas of issuing, acquiring, clearing and settlement, e-commerce and accounting. His international experience, professional contacts in various regions and working closely with the Technical and Product Development Units within the Group, has contributed in providing RS2's clients with a global compliant platform.

**Dr Robert Tufigno - Non-executive director**

Dr Tufigno, LL.D., has vast experience in company law, contract law, financial services, employment law, maritime law and legislative drafting. Dr Tufigno, who is also an Arbitrator, has practised in the fields of general commercial law, property law and litigation. He has also acted as Chairman of Malta's Employment and Training Corporation and as Chairman of Malta's Housing Authority, and as past Board Director of Lohombus Bank. Dr Tufigno is a Partner of GTG Advocates.

**Mr Franco Azzopardi - Non-executive director**

Mr Azzopardi, a Certified Public Accountant with a UK post-graduate MSc in Finance, spent twenty-seven years working in public practice, ten of which with Deloitte Haskins and Sells and later in a firm he co-founded in 1990. In 2007 he exited the firm to contribute more towards the strategic direction of boards of directors. He specialises in corporate strategy, governance, risk and finance. He is today a professional director and a registered fellow member of the UK Institute of Directors. He serves on Boards of Directors, Audit, and Risk Committees of both listed and private companies in various sectors including banking, insurance, software and logistics. He is CEO of the leading logistics company in Malta. His focus there is sustainable growth in shareholder value, highest degree of readiness for public listing, and investor-family governance. As part of his social responsibility he also personally contributed towards the development of the Malta Institute of Accountants. He is a fellow member serving on Council since 2007. He was also elected and served as President of the Institute for the term 2015-2017.

**Mr John Elkins - Non-executive director**

Mr Elkins served as President, International Regions at First Data (a global leader in electronic payments with operations in 35 countries) until June 2015. Mr Elkins had full responsibility for over 8,000 employees and all markets outside of the United States. Mr Elkins served as a Senior Adviser at McKinsey & Company (2007-2009). Between 2002 and 2007 he served as Executive Vice-President and Global Chief Marketing Officer for Visa International. Mr Elkins was the founder, former Chairman and CEO of FutureBrand, built from a start-up into one of the leading worldwide corporate brand and design consultancies.

**Prof. Raša Karapandža - Non-executive director**

Prof. Karapandža is a Professor of Finance and serves as Vice Dean Education at EBS University, Germany. He also serves as an academic director of the Masters in Finance programme and head of chair of finance. He received a PhD degree in economics and finance from Barcelona Graduate School of Economics, University Pompeu Fabra, Barcelona. He has been a visiting research scholar at New York University and at University of California at Berkeley. He currently also serves as a visiting professor at New York University (NYU). Prof. Karapandža's work has been featured in top media outlets like The Wall Street Journal, The New York Times, and Der Spiegel. He advised members of the US congress on the topics of regulating cryptocurrencies and other blockchain related technologies. He was elected favourite professor by the EBS business school's student body for his teaching ten years in a row – in 2009 through 2020. At EBS University Prof. Karapandža teaches Investments, Finance, Corporate Finance, Asset Pricing and Fintech class. At NYU Prof. Karapandža teaches a Fintech course as well as NYU Stern courses on Foundation of Financial Markets and Advanced Investments.

**Mr David Price - Non-executive director**

Mr Price is the Managing Director of Client Coverage in Barclaycard Commercial Payments, a proven leader within the payments industry, with 15 years' experience of working within the Barclays Group. Mr Price is currently responsible for the Corporate Business within Commercial Payments as well as building propositions across the whole Barclays Corporate network. Prior to working in commercial payments, Mr Price spent 12 years in Payment Acceptance at Barclaycard, where he developed specialisations across new product deployment, multinational client acquisition and relationship management. His extensive payments experience and dedicated client focus gives Mr Price an extremely interesting perspective on payment trends, regulation and most importantly what this means to Barclaycard's customers and clients.

### **Dr Ivan Gatt – Company Secretary**

Dr Gatt represents clients in a broad spectrum of substantive legal areas. Having vast experience in advising companies and board committees on corporate governance, he has facilitated a variety of transactions, including securities offerings, venture capital investments and corporate acquisitions. In addition, he assists clients with annual general meeting preparation and gives advice on numerous regulatory and compliance matters. Dr Gatt has presided over the Levy Appeals Board and the Customs and Excise Tax Appeals Board of the Ministry of Finance. Dr Gatt is a Partner at GTG Advocates.

## **12.2 POWERS OF THE DIRECTORS**

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts and sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association, they may do all such things that are not by the Memorandum and Articles of Association reserved for the Company in general meetings.

## **12.3 POTENTIAL CONFLICTS OF INTEREST**

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest, irrespective of whoever appointed them to the Board.

The Board has approved an Internal Code of Dealing that details the obligations of the directors, as well as those of senior management and other individuals having access to sensitive information, on dealings in the equity of the Company within the parameters of the law and the Listing Rules. Each Director has declared his interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest.

In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the director's duties, the conflicted director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director.

As indicated in section 6.3.2 above, Radi Abd El Haj is the indirect majority shareholder of the Company and has been nominated to the Board of Directors by ITM Holding Limited. Mr. David Price has been nominated to the Board of Directors by Barclays Bank plc, which is also a client of the Company. As of the date of this Prospectus, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company.

## **12.4 REMUNERATION OF DIRECTORS**

In accordance with the provisions of the Articles of Association of the Company, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Company in a general meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact.

The maximum aggregate annual directors' emoluments currently approved by the shareholders, amounts to €500,000. The aggregate annual emoluments payable in the financial year ended 31 December 2019 to members of the directors amounted to €160,905. Salaries and other benefits paid to Directors of the Group in the financial year ended 31 December 2019 in their respective executive and consultancy roles amounted to €761,945.

## 12.5 SENIOR MANAGEMENT OF THE ISSUER

A *curriculum vitae* for each of the Company's senior management is set out below.

*The curriculum vitae of Mr Radi Abd El Haj is included in section 12.1 above.*

### **Jens Mahlke - Group Chief Operating Officer and Group Chief Financial Officer**

Mr Mahlke joined RS2 in 2019, and with more than 25 years in European Banking, Payments and Financial Services, where he held various senior roles, Jens Mahlke has an in-depth industry and market experience.

Previously, Mr Mahlke served Chief Operating Officer and Chief Financial Officer at Concardis, where he led the expansion and business transformation strategy, grew Concardis to the leading payment service provider in Germany, Austria and Switzerland and played an essential role in the sale to private equity investors Advent and Bain and subsequently Hellman & Friedman.

Prior to Concardis, Mr Mahlke led as Chief Executive Officer the European business of EVO Payments International, after having built Deutsche Card Services as General Manager into one of the leading international eCom acquirers.

Mr Mahlke started his career at Deutsche Bank AG, where he held various senior roles in Corporate and Transaction Banking in Gütersloh and Frankfurt and gained international experience in Deutsche Bank's Investment Banking division in New York. Mr Mahlke is a Six Sigma Black Belt and holds a degree in Banking and Economics from Frankfurt School of Finance.

### **Patrick Clarke - Group Chief Technology Officer**

Mr Clarke joined the RS2 team in May 2017 as Group Chief Technology Officer. Under his direction RS2 has transitioned its processing service to the Amazon cloud, allowing for demand-based provisioning of services. In addition, for one large bank a dedicated cloud was established and managed in Azure Cloud. The product has evolved through client requests and specific targeted developments. Prior to joining RS2, Mr Clarke was CEO and co-founder of OmniPay, a global acquirer processing company, and was responsible for the executive leadership of the business which comprised 190 staff. During his tenure at OmniPay he grew the client base to 43 acquiring clients servicing a global marketplace and transacting in excess of 3 billion transactions per year. OmniPay is now a Fiserv company. Mr Clarke also held the position of Chief Technology Officer and under his leadership, a high-volume real-time transaction management system was built delivering software as a service. Mr Clarke has previously held technical and management positions in Oracle, Trintech, Motorola and British Telecom.

Mr Clarke is a BSc (Eng) graduate of the Dublin Institute of Technology and is a Certified Information Systems Security Professional (CISSP) and former Payment Card Industry Qualified Security Assessor (PCI QSA). Patrick is also a fellow of the Irish Computer Society.

### **Marlene Attard - Chief Operating Officer and Group Chief Administrative Officer**

Ms Attard joined RS2 in 2016 after gaining vast experience in business administration, human resource management, project management, and change management with one of Malta's largest public authorities. Ms Attard took over the role of Chief Operating Officer of RS2 Software p.l.c. in March 2020 in addition to her existing role as Group Chief Administrative Officer.

Ms Attard served as Director for Corporate Services within the Malta Environment and Planning Authority (MEPA) for four years where she facilitated the MEPA reforms, executed various projects during her tenure and participated in the Authority demerger from corporate remit.

Ms Attard holds a Masters in Business Administration, from the University of Leicester. Additionally, she was a visiting lecturer with the Faculty of Economics, Management and Accountancy at the University of Malta for eight years till 2019. She holds certifications in Internal Audit Frameworks and Anti-Money Laundering/ Combating the Financing of Terrorism.

### **David Amato – Group Head of Sales and Client Relationship Management**

Mr Amato's career started in the banking sector and, prior to joining RS2, he held various positions in the IT industry. He joined RS2 in 1997 in the role of Project Manager and in 2001 he was appointed to head RS2's Project Management teams in Malta and Germany. As of December 2015, Mr Amato has been entrusted to head the sales and client relationship teams for RS2 Software p.l.c and RS2 Smart Processing Ltd.

At RS2, Mr Amato was key in introducing various project management methodologies within the Group and implementing numerous projects across the globe.

Other key personnel hold senior management position within subsidiary levels.

### **Senior Management emoluments**

The aggregate annual emoluments payable in the financial year ended 31 December 2019 to members of the Senior Management referred to above amounted to €2,277,919.

## **12.6 SERVICE CONTRACTS**

Non-competition post-employment benefits due to certain directors and employees holding senior management positions are payable upon cessation based on an agreed fixed amount or the then applicable annual salary. Such benefits are commensurate to the non-compete clauses which bind these directors and employees not to compete with the Company, or its subsidiaries, for periods ranging between one and three years. This liability, amounting to €3.7 million as at 30 June 2020, is recognised in the Statement of Financial Position as *Employee Benefits* and represents the present value of the defined benefit obligation as at the end of the financial year.

## **12.7 DECLARATION**

None of the Directors, members of the board committees or members of management referred to in sections 12.1 and 12.5 of this Registration Document have, in the last five years:

- been the subject of any convictions in relation to fraudulent offences;
- been associated with bankruptcies, receiverships or liquidations (other than voluntary) in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

## **13 BOARD PRACTICES**

### **13.1 CORPORATE GOVERNANCE**

As a company with Ordinary Shares already listed on the Malta Stock Exchange, RS2 Software p.l.c. is regulated by the Listing Rules and accordingly is required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the "**Code**"). As a consequence, the Company complies with the Code and publishes its Corporate Governance Statement of Compliance in its Annual Report. The Statement of Compliance in the Annual Report for the year ended 31 December 2019 is set out in pages 32 to 41.

In terms of the Listing Rules, the Company explains instances of non-compliance with the Code in its Corporate Governance Statement of Compliance the Company with respect to:

- Principle Four: The Responsibilities of the Board
- Principle Eight B: Nomination Committee
- Principle Nine (Code provision 9.3): Relations with shareholders and the market

These explanations are set out in page 39 of the Annual Report for the year ended 31 December 2019.

The Directors have constituted the following board committees:

### **13.2 AUDIT COMMITTEE**

The Audit Committee's terms of reference are modelled on the provisions of the Listing Rules, primarily to monitor the financial reporting process and the effectiveness of the Company's internal control procedures. Whilst the Committee vets and approves related party transactions, it also considers the materiality and the nature of related party transactions to ensure that the arm's length principle is adhered to.

The Audit Committee is responsible for managing the Board's relationship with the external auditors, monitoring the audit of the annual consolidated accounts, making recommendations to the Board on their appointment and monitoring their independence, especially with respect to non-audit services. In addition, the Audit Committee is responsible for considering whether a financial internal audit function is required and makes recommendations accordingly to the Board. In the event that the Committee determines the necessity of an internal audit function, it shall recommend the role, functions and remit and how the establishment of such function shall add value to the Company. The Committee shall constantly monitor and assess the role and effectiveness of the internal audit function. Moreover, the Audit Committee shall review the Company's arrangements related to whistle blowing, also ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Mr Franco Azzopardi, an independent non-executive director appointed by the Board, acts and serves as Chairman, whilst Dr Robert Tufigno and Prof. Raša Karapandža, both independent non-executive directors act as members. No changes in the composition of the committee took place since the year ended 31 December 2019.

The Company Secretary, Dr Ivan Gatt, acts as secretary to the Committee.

### **13.3 REMUNERATION COMMITTEE**

The remit of the Remuneration Committee is set out in the Terms of Reference adopted by the Board of Directors. The Committee is composed of three (3) non-executive directors - Dr Robert Tufigno (Chairman), Mr Franco Azzopardi and Mr Mario Schembri. The Chief Executive Officer is invited to attend meetings of the Committee where appropriate. The Chairman of the Committee, Dr Robert Tufigno, is independent in accordance with Code Provision 8.A.1.

The determination of the remuneration arrangements for Board members is determined by the Committee. The Committee is primarily responsible for devising appropriate packages needed to attract, retain and motivate executive and non-executive directors with the right qualities and skills for the proper management of the Company and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.

The Committee also makes recommendations on the remuneration of senior management. In making such recommendations, it considers that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

In addition, the Committee is responsible for authorising all remuneration arrangements involving share options.



## 14 EMPLOYEES

### 14.1 AVERAGE NUMBER OF EMPLOYEES

As at 31 December 2020, the Group employed a total of 429 employees. The table below shows the average number of employees and distribution for the financial years 2017 to 2020.

	2017	2018	2019	2020
Management, sales & administration	50	55	71	90
Operations	194	227	246	339
	244	282	317	429

### 14.2 SHARE OWNERSHIP BY DIRECTORS AND SENIOR MANAGEMENT

As at the date of this Registration Document, the Company is informed that Mr Radi Abd El Haj, Executive Director and Chief Executive Officer, indirectly holds 50.04% of the Ordinary Shares of RS2 Software p.l.c. (see section 6.3.2).

Similarly, Mr Mario Schembri, Chairman and Non-Executive Director holds 1.44% of the Ordinary Shares in RS2 Software p.l.c., while Mr Franco Azzopardi and Mr David Amato, hold 0.002% and 0.001% of the Ordinary Shares of the Company, respectively.

### 14.3 SHARE OPTION SCHEME

By virtue of resolution of the extraordinary general meetings dated 15 and 29 December 2020, the Board of Directors is authorised to issue and allot up to a maximum of 10% of the authorised Preference Shares to officers and/or employees of the Company or of its subsidiaries as the Board may from time to time determine. The Directors are also authorised to establish and set up a share option scheme that is based on the share option scheme that had been approved by the shareholders of the Company by means of a resolution of the Company in the general meeting dated 29 April 2008, but containing such necessary modifications as the Board of Directors may establish.

### 14.4 OTHER SHARE OWNERSHIP ARRANGEMENTS

In addition to the share option scheme described above, the Group has the following share ownership arrangements:

#### Performance-related share-based payment (equity-settled)

RS2 Software p.l.c. has an arrangement with one of its members of senior management, whereby the Company may in its absolute discretion, grant to the employee a one-time assignment of shares, provided the employee has reached the performance targets linked to net profit for each of the three consecutive calendar years commencing from the date of commencement of employment.

#### Performance-related share-based payment (cash-settled)

In terms of the employment agreement, an executive of RS2 Software, Inc. was granted 12,500 new shares in the subsidiary (the 'award shares'), representing 10% of the shares of the subsidiary, with certain vesting conditions and restrictions. In terms of the agreement, upon transfer of the award shares to the individual, the latter obtained all the rights of a shareholder, including the right to vote and to receive any dividends with respect to such shares, provided however that the individual may not sell, transfer, pledge or assign unvested award shares. The arrangement also includes the right by the company to repurchase and the right by the executive to sell the vested award shares at fair market value in the case of termination or resignation happening after the expiration of a fixed specified period.

In terms of agreements entered into in March 2019, other key personnel of RS2 Software, Inc. were granted 5,626 share options in the subsidiary (the 'share options'), representing 4.5% of the shares of the subsidiary, and which may increase up to a maximum of 10%, with certain vesting conditions. In terms of the agreement, upon vesting of the share options, the participants may exercise all or a portion of the options vested to the extent of the shares vested. Upon termination of employment, all shares issued upon exercise of the options shall be subject to a call option by the company to repurchase at fair market value.

## 15 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its parent company, its subsidiaries, the Company's key management personnel, entities in which the Directors or their immediate relatives have an ownership interest and entities that provide key management personnel services to the Group ("other related parties").

Further details on related party transactions are available in the Annual Reports published by the Company which are available on display as detailed in section 22.

### Transactions with parent company

Transactions with the parent company are limited to the principal and interest charged on the loan receivable. As indicated in section 6.3.2 above, Mr Radi Abd El Haj, Executive Director and Chief Executive Officer, is the ultimate beneficial owner of the parent company.

### Transactions with subsidiaries

Transaction with subsidiaries include support services provided to or received from subsidiary companies as well as recharges of salaries and overheads where appropriate.

### Transactions with key management personnel

Transactions with key management personnel (including Directors and senior management) are limited to fees, remuneration, share based payments and other benefits emanating from their service contracts as explained above.

### Transactions with other related parties

Barclays Bank plc holds 18.25% of the Ordinary Shares of RS2 Software p.l.c. and is consequently classified as a related party. All transactions with Barclays Bank plc are in the ordinary course of business and are conducted at arm's length.

The Company uses the legal services of GTG Advocates in relation to advice given to the Company. Amounts are billed based on normal market rates for such services and are due and payable under normal payment terms. The Company also uses consultancy services by one of the Directors.

## 16 HISTORICAL FINANCIAL INFORMATION

The historical financial information of the Group is included in the audited financial statements for each of the financial years ended 31 December 2017, 2018 and 2019. The said statements and the auditor's reports thereto are available for inspection as set out under the heading "*Documents on Display*" in section 22 of this Registration Document.

The unaudited interim financial statements of the Group for the six months ended 30 June 2020 are also available for inspection as set out under the heading "*Documents on Display*" in section 22 of this Registration Document.

Save for what has been stated in section 10 above, there has been no significant change in the financial or trading position of the Group since 31 December 2019, being the last period for which audited consolidated financial statements have been prepared.

## 17 DIVIDEND POLICY

The Directors of the Company expect that, subject to available cash flows, the requirements of the Act, unforeseen circumstances and economic conditions that might have an impact on the Company's financial performance, the Company will distribute dividends to its shareholders.

The Company will also balance the distribution of dividends against the use of these funds towards growing the enterprise value of the business by investments including in new markets and new services. In this way the Company will seek to maximise shareholders' return.

The Preference Shares shall carry the right to participate in the distribution of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares on a non-cumulative basis.

## 18 LEGAL AND ARBITRATION PROCEEDINGS

The Directors are not aware of any pending or threatened governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

## 19 MATERIAL CONTRACTS

The Group is not party to any contract, not being a contract entered into in the Group's ordinary course of business, giving rise to an obligation or entitlement which is material to the Group as at the date of this Registration Document.

## 20 ADDITIONAL INFORMATION

### 20.1 SHARE CAPITAL

As at the date of this Prospectus, the authorised share capital of the Company is €18,000,000. The issued share capital of the Company is €11,578,114 divided into 192,968,569 Ordinary Shares of a nominal value of €0.06 each, all fully paid-up.

The table below shows the movements in the issued ordinary share capital for the years ended 31 December 2017, 2018 and 2019.

	2017	2018	2019
In issue at 1 January	158,333,187	171,527,619	171,527,619
Bonus issue	13,194,432	-	21,440,950
In issue at 31 December	171,527,619	171,527,619	192,968,569

The entire Ordinary Shares of the Company are listed on the Official List of the MSE. An application will be made with the Listing Authority and the Malta Stock Exchange for the Preference Shares to be admitted to Listing and Trading on the Official List of the Malta Stock Exchange.

The voting rights attaching to each class of shares are set out below:

#### Ordinary Shares

**Voting rights** Each ordinary shareholder shall be entitled to two (2) votes per share at the meetings of the shareholders.

#### Preference Shares

**Voting rights** The holders of Preference Shares shall have the right to attend at general meetings of the Company and to receive notices, reports and balance sheets as the holders of any class of Ordinary Shares, but save for specific circumstances as documented in the Company's Memorandum and Articles of Association, shall not have the right to vote at any general meeting of the Company. When applicable, each Preference Shareholder shall be entitled to one (1) vote per share.

There is no capital of the Company which is currently under option.

## 20.2 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Memorandum and Articles of Association of the Company are registered with the Malta Business Registry. A full list of the objects for which the Company is established is provided in Article 4 of the Memorandum. These objects include, *inter alia*:

- a. to develop, market, sell and install computer software and software solutions and hardware for banks, service providers and other financial and non-financial organisations;
- b. to act as service providers with the use of software developed by the Company;
- c. to acquire, hold and dispose by any title whatsoever shares, debentures, securities of any other type and any other interest in any company, corporation, partnership, and any other legal person as well as in any joint venture whose objects, scope or activities are connected, complimentary or useful to the business of the Company, including in any payment institution/s, financial institution/s, credit institution/s and providers of services to such institutions as well as to merchants; and
- d. to do all such other things as may be collateral, relative, subsidiary, complementary, ancillary or in any other way necessary or useful to give effect to the object for which the Company is constituted.

A copy of the Memorandum and Articles of Association of the Company may be inspected at the Malta Business Registry during the lifetime of the Company.

## 21 INTEREST OF EXPERTS AND ADVISERS

This Registration Document does not contain any statement or report attributed to any person as an expert.

## 22 DOCUMENTS ON DISPLAY

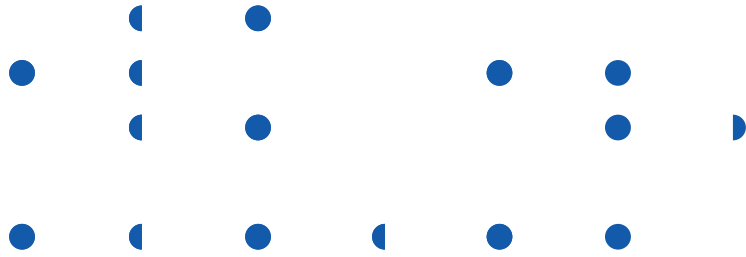
For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Company:

- A. The Memorandum and Articles of Association of the Company;
- B. The consolidated audited financial statements of RS2 Software p.l.c. covering the years ended 31 December 2017, 2018 and 2019, together with the Auditors' Reports thereon; and
- C. The consolidated unaudited interim financial statements of RS2 Software p.l.c. for the six months ended 30 June 2020.

The documents mentioned above shall also be available on the *Investor Relations* section of the Company's website [www.rs2.com](http://www.rs2.com).

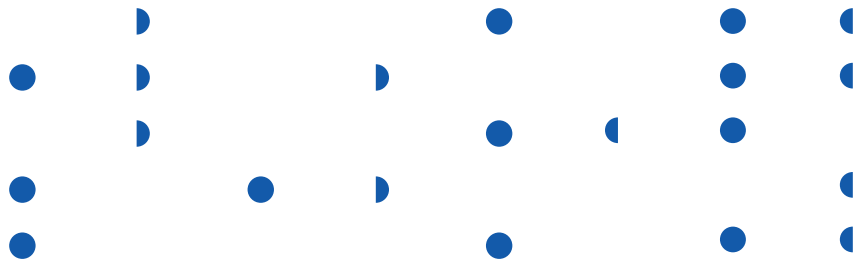






REGISTRATION DOCUMENT

## **ANNEXES**



# ANNEX I

## LIST OF DIRECTORSHIPS

Save for their directorship in the Company, the Directors hold or have held (in the past 5 years), the following directorships:

### MARIO SCHEMBRI

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
RS2 Software APAC Inc.	CS201606521	Philippines	Active

### RADI ABD EL HAJ

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
RS2 Software APAC Inc.	CS201606521	Philippines	Active
RS2 Holding GmbH	HRB50919	Germany	Active
RS2 Software LAC LTDA	35.229.038.882	Brazil	Active
RS2 Holding Europe GmbH	HRB52553	Germany	Active
Yellow Stone BVI	1801396	BVI	Active

### ROBERT TUFIGNO

Company name	Registration number	Country	Status
E-Tech Limited	C 29285	Malta	Active
Europadvice Limited	C 24442	Malta	Active
Finac Limited	C 17916	Malta	Active
GTG Limited	C 19239	Malta	Active
Marben Limited	C 50830	Malta	Active
Millennium Communications Limited	C 25561	Malta	Active
Proserv Properties Limited	C 13995	Malta	Active
Katendrecht Limited	C 22044	Malta	Relinquished
Kieldrecht Ltd	C 22043	Malta	Relinquished
Kitzbühl-Hathaway Investments Limited	C 28606	Malta	Relinquished
Media Centre Limited	C 42258	Malta	Relinquished
Pendrecht Limited	C 22033	Malta	Relinquished
RTK Limited	C 12857	Malta	Relinquished



## FRANCO AZZOPARDI

Company name	Registration number	Country	Status
Vella Brothers Limited (Express Group)	C 3768	Malta	Active
Express Trailers Limited	C 4278	Malta	Active
Express Trailers Engineering Limited	C 76278	Malta	Active
Express VRT Limited	C 22618	Malta	Active
Express Group Limited (non-trading)	C 57218	Malta	Active
Eyre Cargo Services Limited	C 59901	Malta	Active
Emmanuel Vella & Sons Limited (non-trading)	C 59900	Malta	Active
Express Freights Limited (non-trading)	C 59903	Malta	Active
Atlas Insurance PCC Ltd	C 5601	Malta	Active
Grand Harbour Marina PLC	C 26891	Malta	Active
Saki La Limited (holding) (non-trading)	C 43050	Malta	Active
Pelangi Limited (subsidiary) (non-trading)	C 46925	Malta	Active
3a Malta Limited	C 41217	Malta	Active
PMS Holdings Ltd	C 4146	Malta	Relinquished
APS Bank plc	C 2192	Malta	Relinquished

## JOHN ELKINS

Company name	Registration number	Country	Status
RS2 Software, Inc.	82-5471416	USA	Active
Finca International	13-32440109	USA	Active
Elatel Group Ltd.	07435521	USA	Active
Travelex Currency Services	2004853	USA	Active
Card Dynamics	B87706578	Spain	Active

## RAŠA KARAPANDŽA

No other directorships

## DAVID PRICE

No other directorships

# ANNEX II

## PROFIT ESTIMATES AND FORECASTS

### 1 INTRODUCTION

The expectations of the Directors with respect to the future operations of RS2 Software Group for the financial years ending 31 December 2020, 2021, 2022, and 2023 are presented in this Annex II of the Registration Document (the **"Profit Estimates and Forecasts"**). The basis of preparation and the key assumptions underlying the Profit Estimates and Forecasts are set out in detail hereunder.

The Profit Estimates and Forecasts are intended to show a possible outcome based on a mixture of best-estimate assumptions as to future events which the Directors expect to take place, actions the Directors expect to take, hypothetical assumptions about future events and other management actions which may not necessarily take place. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the Profit Estimates and Forecasts.

The Profit Estimates and Forecasts are not intended to, and do not, provide all the information and disclosures necessary to give a true and fair view of the financial results of RS2 Software Group in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU.

The Directors have exercised due care and diligence in adopting the assumptions below. The Directors formally approved the Profit Estimates and Forecasts on 8 February 2021 and the stated assumptions reflect the judgements made by the Directors as at that date. The assumptions that the Directors believe are significant to the Profit Estimates and Forecasts are set out in section 4 below.

The Profit Estimates and Forecasts have not been audited. An independent accountant report prepared by Deloitte Services Limited in accordance with *ISAE 3000 – Assurance Engagements Other than Audits and Reviews of Historical Financial Information* is included in Annex III of this Registration Document.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of RS2 Software Group are set out in note 4 to the consolidated audited financial statements for the year ended 31 December 2019. Where applicable and in so far as they relate to recognition and measurement criteria, these accounting policies, have been consistently applied in the preparation of the Profit Estimates and Forecasts.

At the date of this Prospectus, amendments to existing accounting standards, and interpretations have been published by the International Accounting Standards Board (IASB) but are not yet effective. None of these amendments or interpretations have been adopted early by the Group. Further information about such new amendments is included in note 5 to the consolidated audited financial statements for the year ended 31 December 2019.

### **3 BASIS OF PREPARATION AND SIGNIFICANT ASSUMPTIONS**

The Profit Estimates and Forecasts include the forecast for the financial year ended 31 December 2020. This forecast is based on the unaudited management accounts for the Group to 31 October 2020, and the forecast for the period 1 November to 31 December 2020 based on the results achieved up to October 2020 and extrapolated until year-end.

The Profit Estimates and Forecasts have been compiled on the basis of the Group's strategy and objectives explained in section 9.7 of the Registration Document, taking into consideration the trends impacting the business as set out in section 10.1 of the Registration Document.

The Profit Estimates and Forecasts have been compiled and prepared on a basis which is both comparable and consistent with the consolidated historical financial information of the Group and its accounting policies, and have been prepared in line with IFRS as adopted by the EU.

The principal assumptions underlying the Profit Estimates and Forecasts relate to the increase in expected client contracts, amount of services required therefrom and number of transactions to be processed, as well as human resources and infrastructure expenditure required to meet the anticipated demand. Other principal assumptions relating to the environment in which RS2 Software Group operates as well as the factors that the Directors can influence, and which underlie the Profit Estimates and Forecasts, are outlined in section 4 below.

Assumptions relating to the environment in which RS2 Software Group operates and the factors which are exclusively outside the influence of the Directors and which underlie the Profit Estimates and Forecasts are the following:

- there will not be any material adverse events originating from market and economic conditions;
- interest rates and exchange rates will not change materially throughout the period covered by the Profit Estimates and Forecasts;
- the basis and rates of taxation will not change materially throughout the period covered by the Profit Estimates and Forecasts;
- the rate of inflation will not exceed that experienced in the last few years; and
- where required, regulatory approvals will be obtained on a timely basis.

## 4 PROJECTED CONSOLIDATED INCOME STATEMENTS

RS2 Software Group's projected consolidated Income Statements for the years ending 31 December 2020, 2021, 2022 and 2023, as well as comparative audited consolidated income statement for the year ended 31 December 2019 are included below:

### RS2 Software p.l.c.

#### Consolidated Income Statements for the years ended 31st December

	2019 Audited €000s	2020 Forecast €000s	2021 Projected €000s	2022 Projected €000s	2023 Projected €000s
<b>Revenue</b>	<b>22,100</b>	<b>25,121</b>	<b>42,486</b>	<b>68,416</b>	<b>102,007</b>
Cost of Sales	(15,097)	(18,748)	(28,325)	(41,454)	(53,769)
<b>Gross Profit</b>	<b>7,003</b>	<b>6,373</b>	<b>14,161</b>	<b>26,962</b>	<b>48,238</b>
Marketing and promotional expenses	(1,852)	(1,319)	(3,317)	(6,462)	(8,381)
Administrative and other expenses	(7,026)	(8,181)	(9,957)	(12,867)	(14,991)
Other (expenses) / income	(120)	(552)	43	52	55
<b>Results from operating activities</b>	<b>(1,995)</b>	<b>(3,679)</b>	<b>930</b>	<b>7,685</b>	<b>24,921</b>
Net finance costs	(120)	(252)	(315)	(87)	(64)
<b>(Loss)/profit before tax</b>	<b>(2,115)</b>	<b>(3,931)</b>	<b>615</b>	<b>7,598</b>	<b>24,857</b>
Income tax expense	(1,089)	(1,238)	(601)	(1,744)	(6,404)
<b>(Loss)/Profit for the year</b>	<b>(3,204)</b>	<b>(5,169)</b>	<b>14</b>	<b>5,854</b>	<b>18,453</b>
Attribute to:					
Owners of the company	(1,634)	(3,153)	163	4,809	14,773
Non-controlling interest	(1,570)	(2,016)	(149)	1,045	3,680
<b>(Loss)/Profit for the Year</b>	<b>(3,204)</b>	<b>(5,169)</b>	<b>14</b>	<b>5,854</b>	<b>18,453</b>

#### EBITDA (Earnings before Interest, Tax Depreciation and Amortisation)

Results from operating activities	(1,995)	(3,679)	930	7,685	24,921
Depreciation	1,004	926	1,668	2,221	3,159
Amortisation	792	858	985	1,182	1,382
<b>EBITDA</b>	<b>(199)</b>	<b>(1,894)</b>	<b>3,583</b>	<b>11,088</b>	<b>29,462</b>
EBITDA% on revenue	(1%)	(8%)	8%	16%	29%
Number of employees	317	429	467	531	568

Set out below are the main assumptions and characteristics which the Directors believe underlie the Profit Estimates and Forecasts:

### 4.1 INTRODUCTION

The Group is offering the equivalent of up to *circa* €50 million in Preference Shares for subscription by investors. This amount would enable the Group to:

- i. increase the Group's profile and brand awareness;
- ii. foster organic growth investment to ramp up and strengthen operations by focusing on Europe and North America as well as extending its reach to APAC and LATAM;
- iii. invest in organisation and regional expansion by scaling up sales, marketing and market communication;
- iv. invest further in its own acquiring business initially in Europe and the US and subsequently globally by following the Group's customers base (see section 7.3 of the Registration Document);
- v. develop and execute the technology roadmap to enhance product capability and service offering;

- vi. support RS2 in pursuing growth over profitability in the medium term;
- vii. repay short-term bank facilities mainly composed of bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans; and
- viii. sign accretive add-on acquisitions of companies to enhance our capability, to scale and improve time-to market through M&A transactions.

Points (i) to (vii) above will enable the Group to proceed with:

- further investment in the United States (applying *circa* €4 million of the proceeds from the Offer);
- additional investment in the Merchant Solutions business (applying *circa* €6 million of the proceeds from the Offer);
- product enhancements in line with the Group's strategic product road map (applying *circa* €5 million of the proceeds from the Offer); and
- the repayment of short-term bank facilities (applying *circa* €10 million of the proceeds from the Offer).

The balance from the proceeds pursuant to the offer of Preference Shares, amounting to up to €25 million, will be applied towards:

- M&A transactions which will complement the Group's business and growth plans (applying *circa* €15 million of the proceeds from the Offer); and
- further investments in the technical capability of the platform and the service offering ensuring a full automation for its operation including the Processing Solutions business, business intelligence within Software Solutions and a fully digitalised KYC/AML, merchant on boarding and payment gateway services for its Merchant Solutions business (applying *circa* €10 million of the proceeds from the Offer).

Due to their nature, M&A transactions cannot be timed, nor can they be assessed in terms of their impact on the income statement and as such the Profit Estimates and Forecasts do not include the effects of such initiatives. Similarly, the additional investment in the technical capabilities of the Group will be required following the attainment of certain levels of growth and operations, which as such, can only be ascertained and assessed (in terms of their impact on the income statement) at a later stage.

## 4.2 REVENUE

Total revenue for 2020 is expected to reach €25.1 million, an increase of 14% over 2019. Revenue is then expected to increase by a further 69% in 2021 to €42.5 million. Revenue projections take into consideration agreements with existing clients and expected new agreements, as well the anticipated demand from these clients, either in the form of the level of services required (in the case of Software Solutions) or in the form of the number of transactions to be processed (in the case of Processing Solutions and Merchant Solutions).

During the first quarter of 2021, the Group will see a fundamental shift in operations, particularly in the Processing Solutions segment, moving away from a focus on implementations to processing of transactions. A number of large processing customer implementations that were ongoing during 2020, are now being completed and going live, thus resulting in new recurring revenue with effect from late 2020, and throughout 2021.

Revenue projected for 2021 includes 77% which is anticipated to be generated from existing clients, and 14% from new contracted or committed clients (see figure 1), while revenue for 2022 and 2023 continue to build further on this basis, as well as anticipating further new clients in the pipeline.

### Revenue Generation

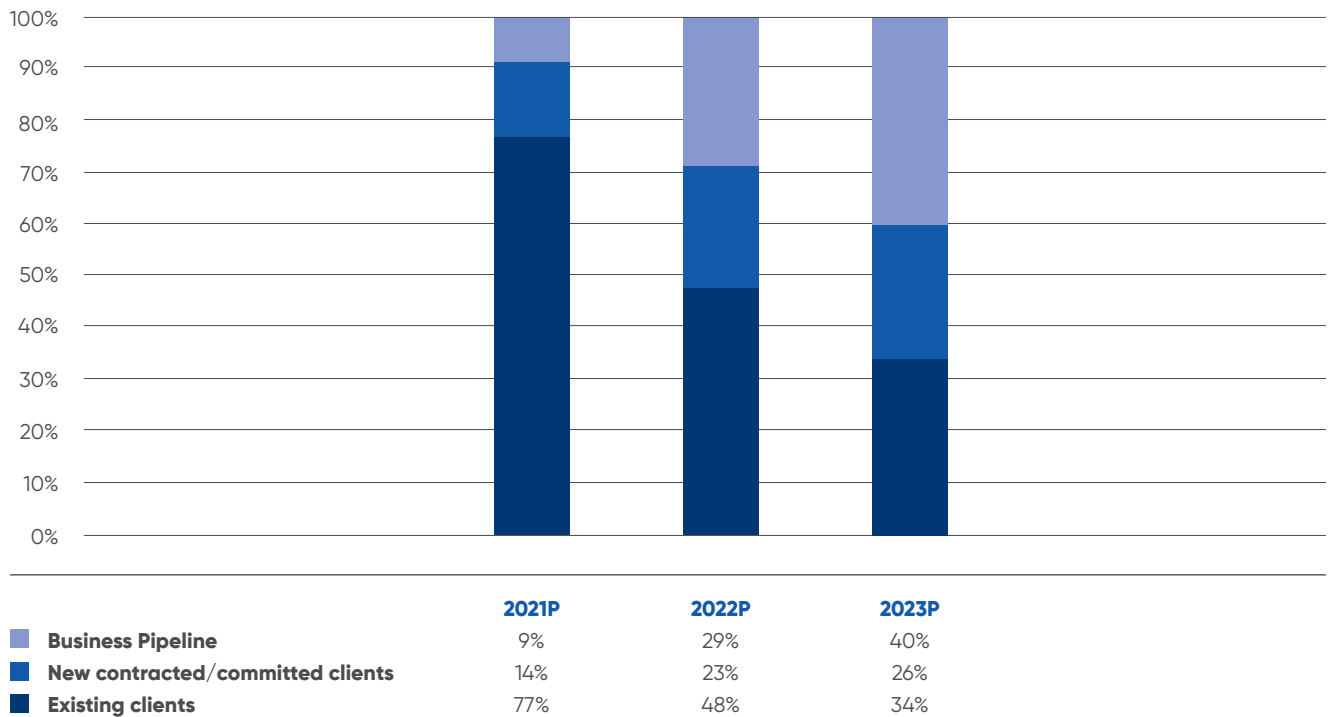
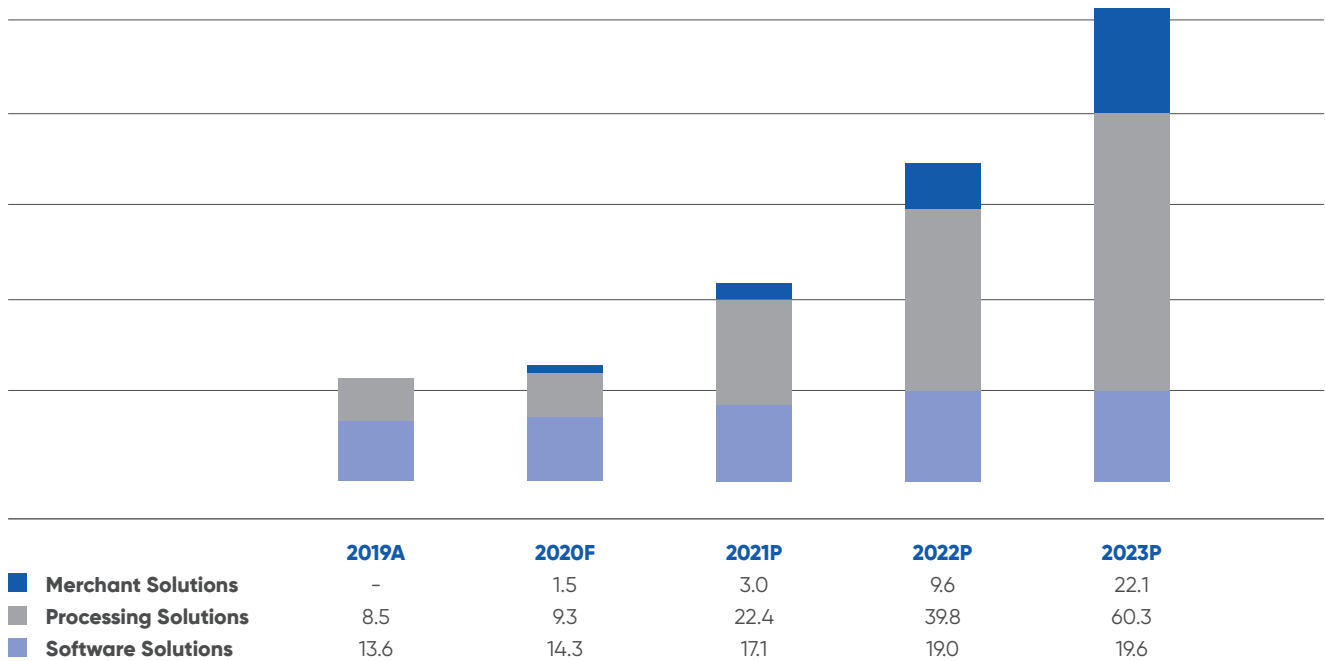


Figure 1 - Revenue Generation, Source: Management Information

Further growths of 61% and 49% are anticipated in 2022 and 2023 respectively, driving revenue to €102 million in 2023. This growth pattern is mainly characterised by the following:

- Software Solutions revenue is expected to remain stable over the coming three years as the Group will continue to shift its focus towards the more lucrative Processing and Merchant Solutions, while still servicing existing clients and on-boarding selective and strategic clients with this business line.
- Processing Solutions revenue is expected to increase almost threefold over the three year period 2021 – 2023 as the Group continues to increase the number of transactions processed for existing clients and more importantly attracting and adding new clients with significant transaction volumes.
- Merchant Solutions revenue is expected to gain momentum in 2022 as the business starts to ramp up and continues to increase further in 2023 as more clients and volumes are added to the portfolio.

### Revenue by Business Segment 2019 - 2023 (€ millions)



**Figure 2** - Revenue by business segment, Source: Annual Report for the year ended 31 December 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.

Below are the principal assumptions for each business segment:

#### 4.2.1 SOFTWARE SOLUTIONS

RS2 will continue to offer Licence Solutions to its existing client base which is largely dominated by two existing large licence clients.

During 2020, RS2 has entered into a contract with a significant client in the US for a 10-year Licence and Managed Service hybrid solution which will provide a steady stream of licence revenue for the duration of the agreement.

Save for the above, and in line with its business strategy, RS2 will continue to be selective in licence sales and will only target customers not competing directly with RS2, whether it is in processing or acquiring. Particularly in APAC, the Group expects an increase in revenue generated from licence and implementation fees of new clients in each of 2021, 2022 and 2023.

Within this business segment, RS2 will continue to work on its BankWORKS® platform to provide an End2End payment solution, adding new capabilities and other value-added services. Such new developments will also benefit the Group's other business lines as users of the BankWORKS® platform, thus continually enriching RS2's service offering.

#### 4.2.2 PROCESSING SOLUTION

RS2's strategy of building and investing in its Processing Solution business line has proven to be the optimal strategy for the Group's growth plans and global expansion. Over the past few years, the Group managed to secure tier one premium clients from various industries such as payment service providers, financial institutions and merchants in different geographical regions including Europe, Latin America, Asia Pacific and North America.

With the current client base and the on-boarding of new ones, the Group continues to increase the volumes of transactions processed on its platform enabling the customers to transact across regions and consolidating their businesses on a single platform. The increase in the number of transactions processed is the main driver for the revenue growth projected for this business segment.

The Group's subsidiary RS2 Smart Processing Ltd. continues to increase the efficiency of its business operation by automating and digitalising its processes both internally and externally for its customers, providing a large set of APIs to integrate, consolidate and reconcile clients' business.

Due to its global reach through the current implementations, the Group's packaging of services is being enhanced in order to offer already existing capabilities to new clients in the different regions, shortening the implementation time and accelerating the time to market.

The primary focus in Processing Solutions will continue to be in Europe and the United States, while also building on the momentum already gained within Latin America (LATAM) and Asia Pacific (APAC) with focus on existing and key large markets, and also following existing customers into new markets. Particularly, in the United States, the main focus will be on processing for ISOs, PSPs, ISVs and PayFacs, and as the number of transactions processed increases, this will eventually ramp up to be a major contributor to the Group's total processing revenue as can be seen in figure 3 below.

A new variety of processing clients are going live between late 2020 and throughout 2021 which are expected to result in a significant increase in the number of transactions being processed on the Group's European platform servicing clients in Europe, LATAM and APAC by RS2 Smart Processing Ltd., as well as in the United States by RS2 Software, Inc. RS2 is also exploiting the opportunities of cross selling its global capabilities across different geographical regions, which contributes further to the increase in the number of transactions processed.

The number of transactions processed for the year ended 31 December 2019, and the expected number of transactions to be processed in the four-year period ending 31 December 2023 are shown below:

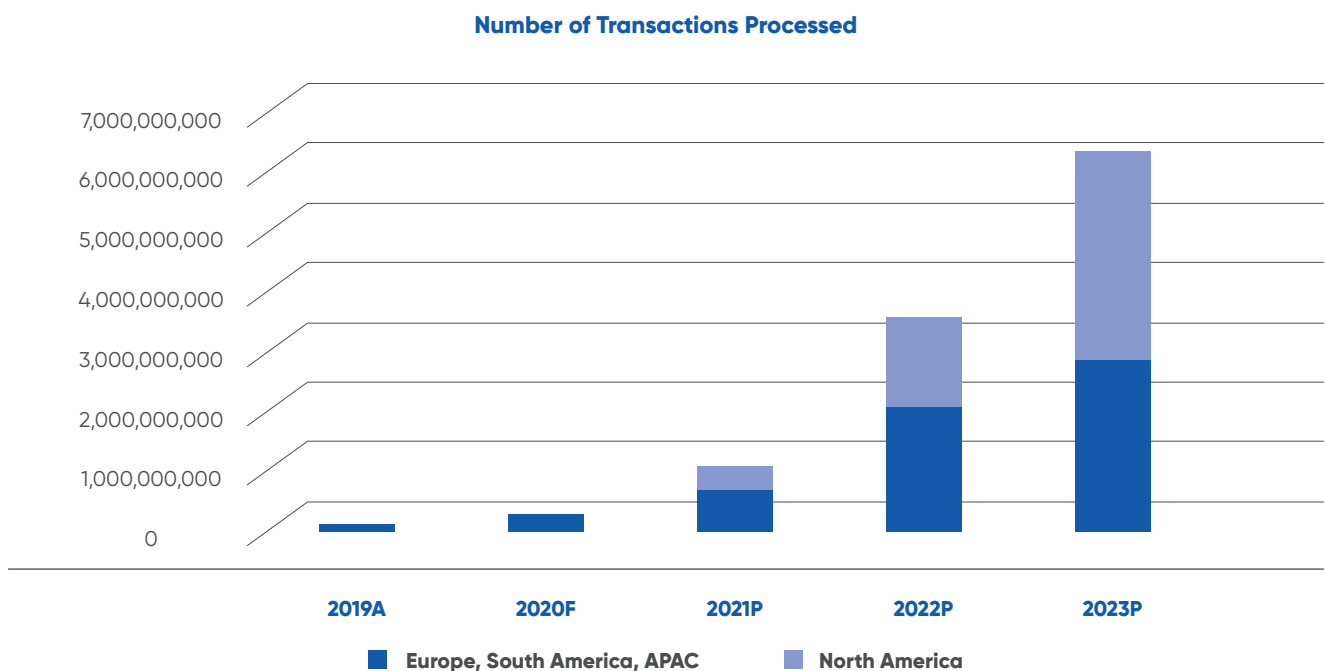


Figure 3 - Number of transactions processed, Source: Management Information.



As a result of the continuous development of the Group's BankWORKS® platform, new revenue streams are expected within Processing Solutions, most notable relating to chargeback services which is an attractive, margin-rich service. One of RS2's main goals is to develop BankWORKS® as a state of the art tool for dispute handling and to utilise RS2's industry experience to help merchants and RS2 as an acquirer to save time and resources, increase efficiency and significantly reduce the costs associated with chargebacks. With a highly automated End2End solution, RS2 can meet merchants' demand for a flexible electronic solution with as little effort for themselves as possible in disputing chargebacks.

### 4.2.3 MERCHANT SOLUTIONS

The Group expects to obtain its EMI licence from the BaFin and achieve technical readiness for launch by early 2021. The initial focus will be on the German market and later passporting the licence to other European countries. The product offering will cover international credit and debit card acquiring, girocard<sup>1</sup> acquiring, POS (point of sale) terminals, PSP (payment service provider) and NSP (network service provider) services. The Group expects to ramp up its business by initially cross selling acquiring services into the RS2 Zahlungssysteme (formerly KALICOM Zahlungssysteme GmbH) portfolio, and eventually through organic growth via on boarding of payment facilitators (PayFacs), and potential selective add-on acquisitions of profitable merchant portfolios.

During 2020 the Group has generated revenue from this business segment through its KALICOM acquisition for which steady growth is expected throughout the coming three years. RS2 Financial Services GmbH is expected to start generating revenue in 2021, gain momentum in 2022 and increase further in 2023 as is demonstrated in figure 3 above.

In the United States, the launch of Merchant Solutions is planned for 2022 by selling acquiring services directly to ISOs, PSPs, ISVs and PayFacs, with a full year of acquiring revenue expected by 2023. The Group will also follow its customers to enable them to acquire business globally due to the capability of the platform being one single platform covering omni and multi-channels that are easy to integrate through one single API.

### 4.3 COST OF SALES

Cost of sales are expected to increase from €18.7 million in 2020 to €53.8 million by 2023. A direct effect of the shift in the Group's business model from Software Solutions to Processing and Merchant Solutions is that cost of sales are expected to increase at a slower rate than the expected ramp up of revenue, thereby resulting in increasing gross profit margins (see figure 4 below).

The main components of cost of sales mainly include human resources costs, infrastructure costs and amortisation of intangible assets (as explained below).

Human resources costs are based on the requirements expected to meet the anticipated demand and include the following additions:

- Supplementing the operations teams for the Processing Solution in Europe and the US;
- Increasing headcount in 2022 and 2023 relating to value added services;
- Ramping up headcount within RS2 Financial Services GmbH for the complete structure required to fully launch the Merchant Solutions in 2021;
- Formation of a Product Enhancement Focus Team to focus on product development (see also '*Amortisation of intangible asset*' below); and
- Strengthening Group infrastructure and therefore increasing the relative technical unit headcount.

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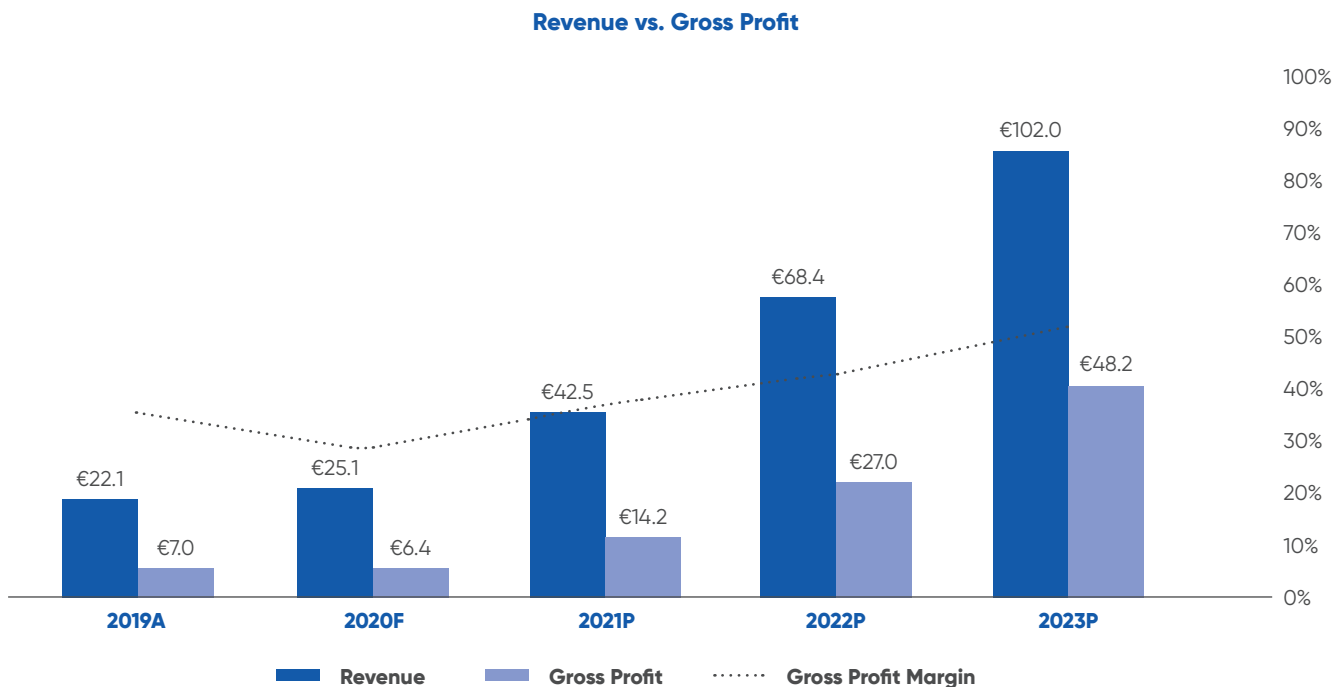
<sup>1</sup> Girocard is an interbank network and debit card service connecting virtually all German ATMs and banks, and is based on standards and agreements developed by the German Banking Industry Committee.

The increase in volumes being processed will inevitably also lead to an increase in infrastructure costs to process such transactions. Such costs relate to the investment required in the technological infrastructure to process such transactions and are directly proportionate to the number of transactions processed, although generally increase in stepped tier form.

One of the most significant cost component directly related to the number of transactions processed is the cost of the underlying database used by the BankWORKS® platform. Costs for the underlying database are incurred by the Group based on the respective tier (range of number of transactions processed) applicable at any point in time. As part of its product enhancement program, RS2 has embarked on an initiative to bring such cost to lower levels thereby slowing the rate of increase of such costs. The approach taken is to incrementally identify highly processing intensive activities and to re-engineer minimising the use of the database and shifting the load to a collection of micro service-based services. Following the investment in micro services which is expected to be completed by early 2021, these Profit Estimates and Forecasts assume that database costs will be lower than what they would have been in the absence of such micro service developments.

#### 4.4 GROSS PROFIT

Gross Profit Margin for the Group shows a decrease in recent years, as the Group has been going through its investment phase (this can be seen also in gross profit for historic financial years 2017 to 2019 in section 9.2 of the Registration Document. This metric is expected to pick up exponentially in the coming years increasing from 25.4% in 2020 to 47.3% by 2023.



**Figure 4** - Revenue vs. gross profit, Source: Annual Report for the year ended 31 December, 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.

A more detailed explanation of the main drivers for the turnaround in profitability is included in section 4.10 below.

#### **4.5 MARKETING AND PROMOTIONAL EXPENSES**

Marketing and promotional expenses are anticipated to increase from €1.3 million in 2020 to €8.4 million in 2023 as the Group increases its efforts in marketing and communications in order to boost its profile and brand awareness. These Profit Estimates and Forecasts assume a substantial increase in such activities targeted at strengthening its sales and marketing team in order to ensure a healthy pipeline of prospective clients for years to come.

#### **4.6 ADMINISTRATIVE EXPENSES**

Administrative expenses are expected to increase from €8.1 million in 2020 to €15 million in 2023. This is very much in line with the increase in anticipated operations. The main contributors to the increase in administrative expenses are:

- Increase in human resources cost as administrative functions are enhanced to reflect the growth within the Group; and
- Increase in depreciation cost on infrastructure expenditure necessary for the capacity required to process the planned transaction volumes.

#### **4.7 NET FINANCE COSTS**

Net finance costs up to 2021 mainly comprise costs of banking facilities. Other finance costs include the interest element in relation to the lease liabilities on premises leased by the Group in the United States, Germany, Philippines and Gozo in line with the requirements of IFRS16 – Leases.

#### **4.8 TAXATION**

Current taxation has been provided at the corporate tax rate applicable in the respective jurisdiction, namely 35% for Malta, 21% for United States, and 30% for Germany and the Philippines.

#### **4.9 EBITDA**

EBITDA represents Earnings before Interest, Tax, Depreciation and Amortisation and is calculated by adding back Amortisation and Depreciation to the Results from Operating Activities.

The Group has reported negative EBITDA in 2019 of €0.2 million and is expecting to report negative EBITDA of €1.9 million in 2020. This is in line with the Group's budgets for the year, being another year of significant investment in its operations. However, such investment is expected to pave the way for the inflection point expected as from 2021 as the Group's strategy is fully implemented and revenue starts being realised. In 2021, the Group expects to report EBITDA of €3.5 million in 2021, increasing to €11 million in 2022 and €29.4 million in 2023.

##### **4.9.1 DEPRECIATION OF TANGIBLE ASSETS**

Depreciation is calculated on a straight-line basis to allocate the cost of all items comprised within property, plant and equipment over their estimated useful lives. For the purpose of these Profit Estimates and Forecasts, depreciation is included within administrative expenses, consistent with the Group's presentation in its annual reports and in line with the existing accounting policies.

The depreciation charge is based on RS2 Software Group's fixed asset base as at 31 December 2019 adjusted for projected additions during the period of the projections (of approximately €10.7 million principally consisting of computer hardware and software necessary to process the expected volume of transactions).

#### 4.9.2 AMORTISATION OF INTANGIBLE ASSET

The Group has planned several initiatives for further product development in line with its product roadmap to enhance and strengthen its products and the performance of the business. Such product development is carried out internally within the Group and the related costs, mainly human resources costs, are capitalised as intangible assets and amortised accordingly.

In line with the amortisation policy of the Group, development costs are amortised over a period of 15 years, and thus the related human resources costs will be spread over this period.

#### 4.10 GROUP'S RESULTS

The past three years have been a period of significant investment for the Group particularly with regards to the Processing Solution in the United States through RS2 Software, Inc., as well as the new business line Merchant Solution mainly through RS2 Financial Services GmbH. To a large extent, the Group's investment is of an operational rather than capital nature, mainly comprising human resources and infrastructure costs, and is therefore expensed in the Income Statements.

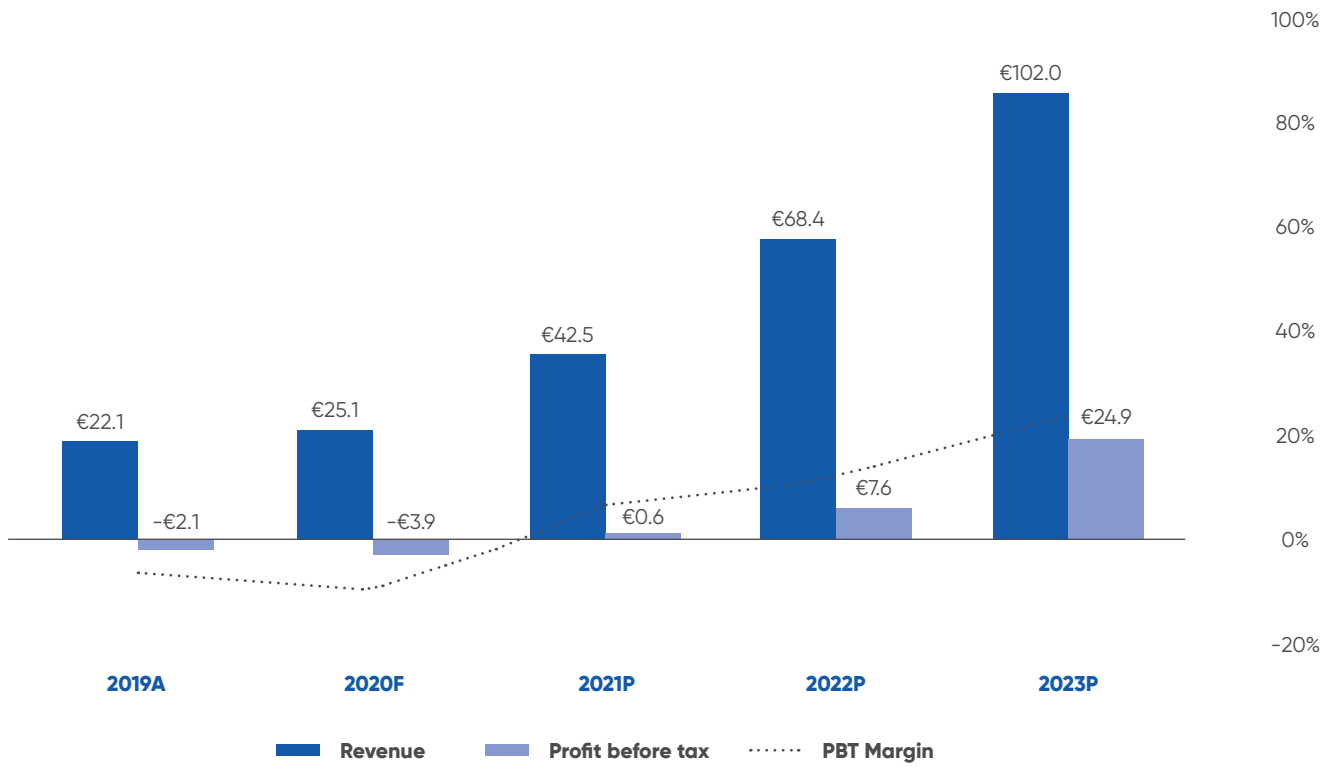
The Group has reported losses in 2019 and is expecting to report losses before tax of €3.9 million in 2020. The 2020 forecast includes extraordinary and non-recurring costs related to M&A activity (KALICOM: €0.5 million), non-capitalised setup costs for the Merchant Solutions business (€0.4 million) and severance payments and termination benefits (€0.9 million), amounting to €1.8 million in total. Eliminating the effect of these one-off costs (reported within administrative and other expenses) would reduce the loss before tax being reported for 2020 to €2.1 million.

As a result of this period of investment, the Group is projecting profits before tax of €0.6 million in 2021, increasing to €7.6 million in 2022 and further increasing to € 24.9 million in 2023 (profits after tax of €0.014 million, €5.9 million and €18.5 million respectively).

In summary, the main drivers of this turnaround are:

- The shift from Software Solutions into Processing and Merchant Solutions, the latter of which being more lucrative business lines with recurring revenue, higher margins, faster time to market and per transaction revenue;
- Major clients with high transaction volumes in implementation during 2020 will be going live and start processing with effect from late 2020 and during 2021;
- Further on-boarding of high-volume clients during the coming years, as well as additional business from existing clients that add more processing volumes (sometimes by adding on new regions), thus resulting in exponential growth in transactions processed;
- The signing on of one major US customer on a hybrid Software and Processing Solutions model, engaged during 2020 which will take revenue generation for the Group to a new level;
- Past results included very limited revenues from other US clients. However, 2021 will see the launch of the core processing business in the US, to the extent that revenues from the US are expected to surpass those emanating from clients in Europe and all other regions combined;
- Merchant Solutions is expected to be launched during 2021. As such, the first full year of revenues for the Merchant Solutions in Europe will be in 2022, while in the US this will be in 2023, this being a new revenue stream for the Group when compared to the historical information;
- Investment in the Group's own micro services capabilities resulting in a slower rate of increase in infrastructure costs when compared to the rate of increase in transactions processed.

### Revenue vs. Profit Before Tax (PBT)



**Figure 5** - Revenue vs. profit before tax, Source: Annual Report for the year ended 31 December 2019 and Management Information for the years ended 31 December 2020, 2021, 2022, and 2023.

Approved by the Board of Directors on 8 February 2021 and signed on their behalf by:

**Mario Schembri**  
Chairman

09 February 2021

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The Directors  
**RS2 Software p.l.c.**,  
RS2 Buildings,  
Fort Road,  
Mosta MST 1859,  
Malta

Company Reg No: C51320  
VAT Reg No: MT2013 6212  
Exemption number: EXO2156

Dear Sirs,

## Independent Accountants' Report on the Profit Estimates and Forecasts of RS2 Software p.l.c.

We report on the forecast income statement ("the Forecast Financial Information") of RS2 Software p.l.c (the "Issuer") for the financial years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023. The forecast financial information, the basis of preparation and the material assumptions upon which the forecasts are based, are set out in Annex II "Profit Estimates and Forecasts" of the Registration document as approved by the Board of Directors of RS2 Software p.l.c. on 8 February 2021.

This report is required in terms of rule 5.40 of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and is given for the purpose of complying with that regulation and for no other purpose.

### Directors' responsibilities for the Forecast Financial Information

It is the responsibility of the Company to prepare the forecast financial information and the assumptions upon which it is based, as set out in Annex II "Profit Estimates and Forecasts" of the Registration document, in accordance with the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and EU Regulation EC 809/2004.

### Accountants' responsibility

It is our responsibility to form an opinion as required by Listing Rule 5.40 as issued by the Listing Authority of the Malta Financial Services Authority and Annex IV item 9.2 of EU Regulation EC 809/2004 as to the proper compilation of the forecast financial information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.



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IMPACT THAT  
MATTERS**

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## **Basis of preparation of the Forecast Financial Information**

The financial information has been prepared on the basis stated in Annex II “Profit Estimates and Forecasts” of the Registration document and is based on the forecasts for the years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023. The forecast financial information is required to be presented on a basis consistent with the accounting policies of the Company.

## **Basis of opinion**

We have examined the basis of compilation and the accounting policies of the accompanying forecast financial information of the Company for the years ending 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with ISAE 3000 “Assurance Engagements Other than Audits and Reviews of Historical Financial Information”. Our work included evaluating the basis on which the financial information included in the forecast has been prepared and considering whether the forecast financial information has been accurately computed based upon the disclosed assumptions and the accounting policies of the Company.

The assumptions upon which the forecast financial information is based are solely the responsibility of the Directors of the Company and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the forecast financial information have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the forecast financial information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The forecast financial information is not intended to, and does not provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

Since the forecast financial information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the forecast financial information and differences may be material.

## **Opinion**

In our opinion, the Forecast Financial Information has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Company.

Yours sincerely,



**Raphael Aloisio**

**Director**

**Deloitte Services Limited**





# SECURITIES NOTE

dated 19 February 2021

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

This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Preference Shares being offered for sale by RS2 Software p.l.c. (the **"Company"** or **"Issuer"**). Application has been made for the admission to listing and trading of the Preference Shares on the Official List of the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Company.

This document is issued  
in respect of an offer of up to 28,571,400 Preference Shares  
having a nominal value of €0.06 per Preference Share in

## RS2 SOFTWARE P.L.C.

(a public limited liability company registered under the laws of Malta  
with company registration number C 25829)

at an Offer Price of €1.75

ISIN: MT0000400219

### Legal Counsel



### Sponsors



### Manager & Registrar



**THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, WHICH IS THE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS ONLY APPROVED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION AND SUCH APPROVAL OF THIS PROSPECTUS BY THE AUTHORITY SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE COMPANY AND SECURITIES THAT ARE THE SUBJECT OF THIS PROSPECTUS. INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES, THE SUBJECT OF THIS SECURITIES NOTE.**

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**A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO ACQUIRE ANY SHARES. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN ACQUIRING THE SHARES OF THE COMPANY AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.**

### APPROVED BY THE DIRECTORS

A handwritten signature in black ink, appearing to be 'M. Schembri'.

**Mr Mario Schembri in his capacity as Director of the Company**

and for and on behalf of: Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi,  
Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

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## IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN OFFER TO THE PUBLIC OF UP TO 28,571,400 PREFERENCE SHARES HAVING A NOMINAL VALUE OF €0.06 EACH IN RS2 SOFTWARE P.L.C. (THE “COMPANY” OR “ISSUER”) AT AN OFFER PRICE OF €1.75 PER PREFERENCE SHARE (THE “OFFER”). THIS SECURITIES NOTE IS BEING DRAWN UP IN COMPLIANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT AND THE PROSPECTUS REGULATION AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE COMPANY.

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

SAVE FOR THE OFFER, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE COMPANY THAT WOULD PERMIT A PUBLIC OFFERING OF THE PREFERENCE SHARES 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.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT. APPLICATION HAS ALSO BEEN MADE TO THE LISTING AUTHORITY AND THE MALTA STOCK EXCHANGE FOR THE PREFERENCE SHARES TO BE ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY PREFERENCE SHARES PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE COMPANY TO BRING ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF PREFERENCE SHARES OR AGREEMENT RESULTING HEREFROM OR THE PROSPECTUS AS A WHOLE IN ANY OTHER COMPETENT JURISDICTION.

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

THE CONTENTS OF THE COMPANY’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY’S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE PREFERENCE SHARES.

ALL THE ADVISERS MENTIONED IN SECTION 5.1 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THIS 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 WHOSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS AND/OR IN RELATION TO THE COMPLETENESS OR ACCURACY OF THE CONTENTS OF, OR INFORMATION CONTAINED IN, THE PROSPECTUS.

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO ACQUIRE ANY OF THE PREFERENCE SHARES.

**THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF AN INVESTOR NEEDS ADVICE, S/HE SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISER LICENSED UNDER THE INVESTMENT SERVICES ACT, CAP. 370 OF THE LAWS OF MALTA.**

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

## 1 DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressions and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Applicant/s</b>	a person/s who subscribe(s) for Preference Shares;
<b>Application/s</b>	the offer made by an Applicant to subscribe for Preference Shares by completing an Application Form and delivering it to any of the Financial Intermediaries;
<b>Application Form/s</b>	the forms of application to subscribe for the Preference Shares, specimens of which is set out in Annex II of this Securities Note;
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Co-Sponsors</b>	each of: <ul style="list-style-type: none"><li>i) Rizzo, Farrugia &amp; Co. (Stockbrokers) Ltd., a private limited liability company registered under the laws of Malta having its registered office at Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta and bearing company registration number C 13102; and</li><li>ii) Calamatta Cuschieri Investment Services Ltd, a private limited liability company registered under the laws of Malta having its registered office at Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta and bearing company registration number C 13729;</li></ul>
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange authorised in terms of Part IV of the Financial Markets Act (Cap. 345 of the laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Financial Intermediary/ies</b>	the licensed stockbrokers and financial intermediaries as listed in Annex I of this Securities Note;
<b>Income Tax Act</b>	the Income Tax Act (Cap. 123 of the laws of Malta);
<b>Intermediaries' Offer</b>	shall have the meaning set out in sub-section 7.5 of this Securities Note;
<b>Manager &amp; Registrar</b>	Bank of Valletta p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 2833 and having its registered address at 58, Zachary Street, Valletta, VLT 1130, Malta. Bank of Valletta p.l.c. is regulated by the MFSA and is licensed to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the laws of Malta) and the Investment Services Act (Cap. 370 of the laws of Malta);
<b>MiFIR</b>	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
<b>Offer Period</b>	the period between 08:30 hours on 3 March 2021 and 12:00 hours on 30 March 2021 during which Preferred Applicants and the general public may apply for the Preference Shares;
<b>Official List</b>	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;

<b>Preferred Applicants</b>	collectively RS2 Employees and RS2 Shareholders;
<b>Preference Shareholders</b>	holders of Preference Shares;
<b>RS2 Employees</b>	those persons employed by RS2 as at 19 February 2021;
<b>RS2 Shareholders</b>	holders of ordinary shares in RS2 Software p.l.c. appearing on the register of members as at 19 February 2021 (last trading session of the 17 February 2021); and
<b>Terms &amp; Conditions</b>	the terms and conditions relating to the Preference Shares as set out in this Securities Note under section 7.

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 reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
- e. any reference to a person includes that person's legal personal representatives, successors and assignees;
- f. any phrase introduced by the terms "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- g. any reference to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislations in force at the time of publication of this Securities Note.

## 2 RISK FACTORS

### 2.1 GENERAL

AN INVESTMENT IN THE PREFERENCE SHARES INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO ACQUIRE THE PREFERENCE SHARES. THE RISK FACTOR APPEARING FIRST UNDER EACH SUB-CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE BOARD HAS ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS PROSPECTUS. IN MAKING THEIR ASSESSMENT OF MATERIALITY, THE BOARD HAS 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 COMPANY, IF THE RISK FACTOR WERE TO MATERIALISE.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PREFERENCE SHARES: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY ACQUISITION OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE COMPANY OR ANY OF ITS ADVISERS THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY PREFERENCE SHARES, SHOULD PURCHASE ANY PREFERENCE SHARES.

ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

## 2.2 FORWARD-LOOKING STATEMENTS

This Securities Note may contain forward-looking statements which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward-looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Company's Directors. No assurance is given that future results or expectations will be achieved.

## 2.3 RISKS RELATING TO THE PREFERENCE SHARES

- The Company's results can fluctuate and its ability to pay dividends is dependent on, amongst other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons. The Company currently intends to retain in the near future substantial parts of its earnings to finance the operation and expansion of its business in order to deliver high value creation for the shareholders. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in financing arrangements that RS2 may from time to time enter into, the Company's future profits and financial position, the Company's distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Board deems significant from time to time. The prospective dividend policy, set out in section 17 of the Registration Document, should be read accordingly. Furthermore, dividends on the Preference Shares are non-cumulative and therefore, if the Company does not declare dividends, Preference Shareholders will have no claim in respect of the non-payment and the Company has no obligation to pay those dividends in any future dividend period.
- The existence of an orderly and liquid market for the Preference Shares depends on a number of factors, including but not limited to, the presence of willing buyers and sellers of the Company's Preference Shares at any given time and the general economic conditions in the market in which the Preference Shares are traded. Such factors are dependent upon the individual decisions of Preference Shareholders and the general economic conditions of the market, over which the Company has no control. Accordingly, there can be no assurance that an active secondary market for the Preference Shares will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that a Preference Shareholder will be able to sell or otherwise trade in the Preference Shares at all.
- Preference Shareholders will not have the right to vote at any general meeting of the Company save for specific circumstances as documented in the Company's Memorandum and Articles of Association.
- A Preference Shareholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Preference Shares (€) and the Preference Shareholder's currency of reference, if different.
- The Preference Shares represent equity interests in the Company that entitle the holder to rank *pari passu* with all other holders of Ordinary Shares in the Company upon any distribution of assets in a winding up situation. The Preference Shares of the Company are subordinated to any other debt instruments in the Company's capital structure, and will therefore be subject to greater credit risk than debt instruments of the Company.
- The terms and conditions of the admission to trading of the Preference Shares are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- No prediction can be made about the effect which any future public offerings of the Company's Preference Shares, or any takeover or merger activity involving the Company, will have on the market price of the Preference Shares prevailing from time to time.
- In the event that the Company wishes to amend any of the rights of Preference Shareholders, it shall call a meeting of holders of Ordinary Shares and Preference Shares whereby Ordinary Shareholders shall have two (2) votes in respect of each Ordinary Share and Preference Shareholders shall have one (1) vote in respect of each Preference Share in accordance with the Company's Memorandum and Articles of Association. These provisions permit defined majorities to bind all Preference Shareholders including those Preference Shareholders who did not attend and vote at the relevant meeting and any Preference Shareholders who voted in a manner contrary to the majority.

- Application has been made to seek a listing of the Preference Shares on the Official List of the Malta Stock Exchange, which is a smaller market and less liquid than the more developed stock markets in Europe and the United States. Prior to the Offer, there has been no local trading market for preference shares with the same characteristics as the Preference Shares. The limited liquidity of the market for the Preference Shares could increase the price volatility of the Preference Shares and may impair the ability of a holder of Preference Shares to sell such Preference Shares in the market in the amount and at the price and time such holder wishes to do so.
- The price at which the Preference Shares will be traded, as well as the sales volume of the Preference Shares traded, will be subject to fluctuations. These movements may not necessarily be caused by the Company's business activity or its results of operations, and may not necessarily be correlated to that of the Ordinary Shares trading. It is also possible that the Company's results of operations or its business outlook may fall short of expectations, in which case the price of the Preference Shares could be negatively affected.
- An investment in the Company may not be suitable for all recipients of this Prospectus and prospective investors are urged to consult their advisers as to the suitability or otherwise of acquiring the Preference Shares before such acquisition.

### **3 PERSONS RESPONSIBLE, CONSENT FOR USE OF PROSPECTUS & AUTHORISATION STATEMENT**

#### **3.1 PERSONS RESPONSIBLE**

This document includes information given in compliance with the Prospectus Regulation and the Listing Rules for the purpose of providing prospective investors with information with regard to the Company and the Preference Shares. All of the directors of the Company, whose names appear in section 12.1 of the Registration Document entitled "*Board of Directors of the Issuer*", accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Company, 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 Company accept this responsibility accordingly.

#### **3.2 CONSENT FOR USE OF THE PROSPECTUS**

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

- (a) in respect of Preference Shares subscribed through Financial Intermediaries during the Intermediaries' Offer and during the Offer Period;
- (b) to any resale or placement of Preference Shares subscribed for as aforesaid, taking place in Malta; and
- (c) to any resale or placement of Preference Shares subscribed for as aforesaid, taking place within the period of sixty (60) days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Company hereby which are relevant for the use of the Prospectus.

Neither the Company nor its advisers take any responsibility for any of the actions of any 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 Preference Shares.



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

Investors should enquire whether an intermediary is considered to be an Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice. No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Company or its advisers and neither the Company nor its advisers accept responsibility for any information not contained in this Prospectus.

**In the event of a resale, placement or other offering of Preference Shares by a Financial Intermediary, the Financial Intermediary will 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 Preference Shares to an investor by an Financial Intermediary will be made in accordance with any terms and other arrangements in place between such 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 Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Company nor its advisers have, or shall have, any responsibility or liability for such information.

**Any Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Preference Shares subsequent to the Offer shall, limitedly for the period of sixty (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 Company 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 any Financial Intermediary unknown at the time of approval of this Prospectus will be made available through a company announcement, which will also be made available on the Company's website ([www.rs2.com](http://www.rs2.com)).

### **3.3 AUTHORISATION STATEMENT**

This Securities Note has been approved by the Listing Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Listing Authority has only approved this Securities Note as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company and the Preference Shares (as the subjects of the Prospectus).

## 4 KEY INFORMATION

### 4.1 WORKING CAPITAL

The Directors, after reasonable inquiry, are of the opinion that the working capital available to the Company, after taking into consideration up to €14 million generated from the proceeds of the Offer, is sufficient for the Company's present business requirements for the 12 months following the date of this Securities Note.

### 4.2 CAPITALISATION AND INDEBTEDNESS

This section summarises the capitalisation and indebtedness of the Group as at 31 December 2019 (being the date of the latest audited financial statements) and as at 30 November 2020 (based on unaudited financial information).

#### RS2 Software p.l.c. Statement of Capitalisation as at

	31.12.19 €000s	30.11.20 €000s
<b>Current debt</b>		
Secured	3,913	10,414
Guaranteed	-	522
	<b>3,913</b>	<b>10,936</b>
<b>Non-current debt</b>		
Secured	67	1,677
	<b>67</b>	<b>1,677</b>
<b>Shareholder equity</b>		
Share capital	11,578	11,578
Legal and other reserves	(183)	(318)
	<b>11,395</b>	<b>11,260</b>
<b>Total</b>	<b>15,375</b>	<b>28,873</b>

As at 31 December 2019, the Group's total capitalisation amounted to €15.4 million, comprising mainly of share capital and secured debt in the form of bank loans and bank overdrafts. Total capitalisation increased to €23.9 million at 30 November 2020 as the Group secured further banking facilities in order to enable its planned growth.

The secured debt as at 30 November 2020 is composed of bank loans and bank overdrafts. These facilities are secured by general hypothecs over the Company's assets, special hypothecs and special privilege over the Company's premises in Mosta and a pledge over the Company's business all risks insurance policy. In addition, the bank loan related to the acquisition of RS2 Zahlungssysteme GmbH (formerly KALICOM Zahlungssysteme GmbH) is also secured by an unsupported guarantee by the said subsidiary.

Guaranteed debt as at 30 November 2020 relates to a loan granted under the Small Business Administration (SBA) Paycheck Protection Program (PPP) to RS2 Software, Inc<sup>1</sup>. The loan is 100% guaranteed by the SBA and is eligible for forgiveness up to the full principal amount upon application and satisfaction of set criteria, which the Group believes it will satisfy.

Total equity as at 30 November 2020, excluding retained earnings and before deducting non-controlling interest, amounts to €11.3 million.

<sup>1</sup> US Government assistance granted to small businesses with less than 500 employees in line with the CARES Act (Coronavirus Aid, Relief and Economic Security Act)

**RS2 Software p.l.c.**  
**Statement of Indebtedness**  
**as at**

	<b>31.12.19</b>	<b>30.11.20</b>
	<b>€000s</b>	<b>€000s</b>
Cash	(2,422)	(6,418)
<b>Liquidity</b>	<b>(2,422)</b>	<b>(6,418)</b>
Current financial debt	4,277	11,229
<b>Current financial indebtedness</b>	<b>4,277</b>	<b>11,229</b>
<b>Net current financial indebtedness</b>	<b>1,855</b>	<b>4,811</b>
Non-current financial debt	2,265	3,604
Non-current trade and other payables	2,965	3,265
<b>Non-current financial indebtedness</b>	<b>5,230</b>	<b>6,869</b>
<b>Total financial indebtedness</b>	<b>7,085</b>	<b>11,680</b>

As at 31 December 2019, the Group's total financial indebtedness (net of cash) amounted to €7.1 million, which increased to €11.7 million at 30 November 2020.

The increase in the net financial indebtedness is attributable to:

1. increase in bank facilities; and
2. new loan granted to RS2 Software, Inc. under the Small Business Administration (SBA) Payment Protection Program (PPP) as detailed above.

Current financial debt at 30 November 2020 includes €10.9 million in bank facilities (loans and overdrafts) and €0.3 million in lease liabilities in line with the new *IFRS 16 - Leases*. Non-current financial debt includes €1.7 million in bank facilities and €1.9 million in lease liabilities. Non-current trade and other payables comprise employee liabilities in line with obligations the Company has for certain post-employment benefits as detailed in section 12.6 of the Registration Document.

#### **4.3 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER**

Save for any subscription for Preference Shares being made by Financial Intermediaries (which include the Co-Sponsors and the Manager & Registrar) and the fees payable to the advisers to the Offer, the Directors are not aware of any interest, conflicting or otherwise, considered material to the Offer.

#### **4.4 REASON FOR THE OFFER AND USE OF PROCEEDS**

The Preference Shares, because of their characteristics, would form part of the Company's equity base and will be instrumental for the Company's growth plans. The net proceeds from the Offer, expected to amount to approximately €48,959,950, shall be for the benefit of the Group and will be used to allow the Group to embark onto its business expansion and transformation plan.

The points below outline the reason for the Offer:

- i. increase the Group's profile and brand awareness;
- ii. foster organic growth investment to ramp up and strengthen operations by focusing on Europe and North America as well as extending its reach to APAC and LATAM;
- iii. invest in organisation and regional expansion by scaling up sales, marketing and market communication;

- iv. invest further in its own acquiring business initially in Europe and the US and subsequently globally by following the Group's customer base (see section 7.3 of the Registration Document);
- v. develop and execute the technology roadmap to enhance product capability and service offering;
- vi. support RS2 in pursuing growth over profitability in the medium term;
- vii. repay short-term bank facilities mainly composed of bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans; and
- viii. sign accretive add-on acquisitions of companies to enhance our capability, to scale and improve time-to-market through M&A transactions.

Points (i) to (vii) above will enable the Group to proceed with the following (there is no order of priority with which the funds will be applied):

- further investment in the United States (applying *circa* €4 million of the proceeds from the Offer);
- additional investment in the Merchant Solutions business (applying *circa* €6 million of the proceeds from the Offer);
- product enhancements in line with the Group's strategic product road map (applying *circa* €5 million of the proceeds from the Offer); and
- the repayment of short-term bank facilities (applying *circa* €10 million of the proceeds from the Offer).

The balance from the proceeds pursuant to the offer of Preference Shares, amounting to the equivalent of a maximum of €25 million in Preference Shares will be applied towards the following, depending on future opportunities as they may arise:

- M&A transactions which will complement the Group's business and growth plans (approximately €15 million); and
- further investments in the technical capability of the platform and the service offering ensuring a full automation for its operation including the Processing Solutions business, business intelligence within Software Solutions and a fully digitalised KYC/AML, merchant on boarding and payment gateway services for its Merchant Solutions business (approximately €10 million).

In the event that following the closing of the Offer Period total subscriptions for Preference Shares do not equate to at least 50% of the Offer (amounting to 14,285,700 Preference Shares), no allotment of Preference Shares will be made, the subscription for Preference Shares shall be deemed not to have been accepted by the Issuer and all proceeds received from Applicants shall be refunded accordingly.

## **5 INFORMATION CONCERNING THE PREFERENCE SHARES TO BE ADMITTED TO TRADING**

### **5.1 GENERAL**

**5.1.1** The Preference Shares are preference shares in the Company having a nominal value of €0.06 per Preference Share. An application is made to the Listing Authority for the admissibility of the Preference Shares to listing and to the Malta Stock Exchange for the Preference Shares to be listed and traded on its Official List.

**5.1.2** The Preference Shares have been created in terms of the Act and subject to the Company's Memorandum and Articles of Association.

**5.1.3** By virtue of a resolution approved during the Extraordinary General Meeting held on the 29 December 2020, the holders of Ordinary Shares irrevocably waived all their rights of pre-emption deriving from their shareholding in the context of (i) the Directors issuing and allotting any of the Preference Shares to employees and officers of the Company or of its subsidiaries and (ii) a public offering of any Preference Shares and their issuance and allotment subsequent thereto. The reason for this waiver stems from the desire of the Company to allow for the Issue of the Preference Share to be undertaken more flexibly and be open for subscription to all categories of investors, and to ensure a timelier and more cost-effective manner of allocation.

- 5.1.4** Subject to admission to listing of the Preference Shares to the Official List of the MSE, the shares are expected to be assigned ISIN MT0000400219.
- 5.1.5** Following their admission on the Official List, the Preference Shares will be in a de-materialised form, and held in an electronic form at the CSD in accordance with the requirements of the Malta Stock Exchange or in such other form as may be determined from time to time by applicable law, the requirements of the MSE or the Company.
- 5.1.6** The currency of the Preference Shares is Euro (€).
- 5.1.7** The expected date of listing of the Preference Shares is 16 April 2021, while trading may commence as from the next Business Day.
- 5.1.8** Applications for the Preference Shares are in line with section 7.6 of this Securities Note.
- 5.1.9** The Offer is open for subscription by all categories of investors.
- 5.1.10** The Issuer may enter into conditional subscription agreements ("**Subscription Agreements**") with Financial Intermediaries subject to the underlying applications being for a minimum of 150,000 Preference Shares and in multiples of 100 thereafter. Financial Intermediaries subscribing for Preference Shares in terms of a Subscription Agreement may do so for their own account or for the account of underlying customers, including retail customers, and the minimum shall also apply to each underlying Applicant. Subscription Agreements may be lodged with the Registrar by latest 14:00 hours on 17 March 2021.
- 5.1.11** Application Forms 'A' will be: i) pre-printed and mailed to RS2 Shareholders on 26 February 2021 and ii) available to RS2 Employees from the Company's offices as from 3 March 2021. Application Forms 'B' will be available to the general public as from 3 March 2021.
- 5.1.12** The Offer Period during which Preferred Applicants and the general public may apply for the Preference Shares shall be between 08:30 hours on 3 March 2021 and 12:00 hours on 30 March 2021, (both days included). The Offer may, at the discretion of the Issuer, close earlier in case of over-subscription.
- 5.1.13** The Company also reserves the right to withdraw the offer of Preference Shares prior to 16 April 2021, being the expected date of listing of the Preference Shares on the Official List of the Malta Stock Exchange, for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Company and/or other relevant events that in the reasonable discretion of the Company may be prejudicial to the Offer.

In the event of a revocation or withdrawal of the Offer as aforesaid, any application monies received by or on behalf of the Company will be returned without interest (through the Registrar and/or the Financial Intermediaries, as applicable).

## **5.2 RIGHTS ATTACHED TO THE PREFERENCE SHARES**

The Preference Shares form part of one class of Preference Shares in the Company. The following are highlights of the rights attaching to the Preference Shares:

### **Dividends**

the Preference Shares shall carry the right to participate in the Company's profits in the form of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares. The dividend is non-cumulative and when declared, would be payable similarly to all holders of Preference Shares. More detail on the dividend policy is found in section 17 of the Registration Document.

<b>Bonus Shares</b>	the holders of Preference Shares shall qualify in the same manner as the holders of Ordinary Shares to be entitled to any bonus shares issued by the Company.
<b>Voting Rights</b>	<p>the Preference Shareholders shall have the right to attend general meetings of the Company and to receive notices, reports and balance sheets as the holders of any class of Ordinary Shares, but shall not have the right to vote at any general meeting of the Company save for the following specific circumstances as documented in the Company's Memorandum and Articles of Association:</p> <ul style="list-style-type: none"> <li>i. reducing the capital of the Company; or</li> <li>ii. winding up of the Company; or</li> <li>iii. where the proposition to be submitted directly affects their rights and privileges; or</li> <li>iv. when the dividend on their shares is in arrears by more than six (6) months.</li> </ul> <p>In such case where Preference Shareholders have the right to vote, such Preference Shareholders shall have one (1) vote in respect of each Preference Share whereas Ordinary Shareholders shall have two (2) votes in respect of each Ordinary Share.</p>
<b>Capital Distributions</b>	The holders of Preference Shares shall not be entitled to participate in the assets of the Company except by way of distribution of assets to its members on its winding up and this in the same manner as holders of Ordinary Shares. In any such case the holders of Preference Shares shall not enjoy any preference over the holders of the other shares.
<b>Pre-Emption</b>	in accordance with article 88 of the Act, should shares of the Company be proposed for allotment for consideration in cash, those shares must be offered on a pre-emptive basis to Preference Shareholders in proportion to the share capital held by them immediately prior to the new issue of shares, save for the allotment of Preference Shares to officers and employees of the Company and/or its subsidiaries, in accordance with the Company's Memorandum and Articles of Association.
<b>Assets upon Liquidation</b>	all holders of Preference Shares shall rank <i>pari passu</i> with holders of Ordinary Shares upon any distribution of assets in a winding up.
<b>Mandatory Takeover Bids, Squeeze-Out and Sell-Out Rules</b>	Chapter 11 of the Listing Rules, implementing the relevant provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids and the squeeze-out and sell-out mechanisms. The Preference Shareholders of the Company may be protected by the said Listing Rules in the event that the Company is the subject of a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website of the Listing Authority – <a href="http://www.mfsa.mt">www.mfsa.mt</a> .
<b>Other</b>	the Preference Shares shall be non-cumulative and shall not be redeemable or convertible into any other form of security.

### **5.3 TRANSFERABILITY OF THE PREFERENCE SHARES**

- 5.3.1** The Preference Shares are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is in multiples of one (1) Preference Share) in accordance with law, including the rules and regulations of the MSE applicable from time to time and with the Articles of Association of the Company.
- 5.3.2** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Preference Shares, to any applicable laws and regulations and to the Articles of Association of the Company.
- 5.3.3** The costs and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Company 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 transferor/ transferee, as applicable.

**5.3.4** The minimum subscription and multiples requirements described in section 7.1(6) hereunder, shall only apply for Applications submitted in terms of the Offer. As such, no minimum holding requirement and multiples restrictions shall be applicable once the Preference Shares are admitted to listing on the Official List of the MSE and commence trading thereafter.

## **5.4 AUTHORISATIONS AND ADMISSIBILITY TO LISTING AND TRADING**

The Offer has been authorised by the Board of Directors of the Company through a resolution dated 8 February 2021. The Listing Authority has authorised the Preference Shares as admissible to the Official List pursuant to the Listing Rules by virtue of a letter dated 19 February 2021.

The Preference Shares are expected to be admitted to the Malta Stock Exchange with effect from 16 April 2021 and trading may commence as from the next Business Day therefrom.

## **6 TAXATION**

### **6.1 GENERAL**

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Preference Shares, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Preference Shareholders 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 Company at the date of the Prospectus. 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 who do not deal in the acquisition and disposal of securities in the course of their normal trading activity. The precise implications for Preference Shareholders will depend, among other things, on their particular circumstances and on the classification of the Preference Shares from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

### **6.2 TAXATION OF THE COMPANY**

The Company, being a company incorporated in Malta, is subject to Maltese income tax on its worldwide profits. The normal Maltese corporate tax rate of 35% is chargeable on the taxable profits, although certain tax exemptions or lower tax rates may possibly apply in respect of certain particular sources of income.

The Company may be entitled to receive dividend income from its Maltese subsidiaries and associates. Such dividends should not be chargeable to further tax at the level of the Company, whether by way of withholding tax or otherwise.

If the Company receives any income from foreign sources (including capital gains, dividends, interest and any other income), such income should also be subject to tax in Malta at the corporate tax rate of 35% but subject to the entitlement to claim the applicable double taxation relief, if any. A Malta tax exemption may also apply at the level of the Company on dividends and gains derived from qualifying participating holdings in foreign entities.

### **6.3 TAXATION OF PREFERENCE SHAREHOLDERS**

#### **6.3.1 INCOME TAX ON ACQUISITION OF THE PREFERENCE SHARES**

The acquisition of Preference Shares in the Company should not trigger a Maltese income tax liability.

### **6.3.2 INCOME TAX ON DIVIDENDS ARISING FROM THE HOLDING OF PREFERENCE SHARES**

In general, distributions of dividends from taxed profits by the Company to its shareholders are not subject to any further tax in terms of the Income Tax Act.

In the event that the Company distributes a dividend out of profits allocated to the Untaxed Account of the Company (generally comprising of profits not chargeable to tax at the level of the Company), such dividends may be subject to a 15% withholding tax in the case where the shareholder is a "recipient" as defined in Article 61 of the Income Tax Act, as may be amended from time to time.

### **6.3.3 INCOME TAX ON CAPITAL GAINS ON TRANSFER OF THE PREFERENCE SHARES**

Following the listing of the Preference Shares on the Malta Stock Exchange, in general, capital gains derived from the disposal of Preference Shares in the Company should be exempt from tax on capital gains in the hands of the shareholder.

### **6.3.4 DUTY ON DOCUMENTS AND TRANSFERS**

Transfers of Preference Shares in the Company may be subject to duty under the Duty on Documents and Transfers Act.

However, following the listing of the Preference Shares on the Malta Stock Exchange, transfers of shares in the Company should be exempt from the payment of duty.

THIS INFORMATION IS BEING GIVEN SOLELY FOR GENERAL INFORMATION AND IT DOES NOT CONSTITUTE A SUBSTITUTE FOR LEGAL OR TAX ADVICE, AND IT DOES NOT PURPORT TO BE EXHAUSTIVE. 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 SHARES AS WELL AS DIVIDEND PAYMENTS MADE BY THE COMPANY. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE COMPANY AND TO ITS PREFERENCE SHAREHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO PREFERENCE SHAREHOLDERS WHO DO NOT DEAL IN SHARES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

## **7 TERMS & CONDITIONS OF THE OFFER**

### **7.1 CONDITIONS**

These terms and conditions of application apply to any application for Preference Shares.

1. The contract created by the acceptance of an Application shall be subject to the terms and conditions set out herein, in the Prospectus and in the respective Application Form.
2. Subject to all other terms and conditions set out in the Prospectus, the Company reserves the right to reject in whole or in part, or to scale down, any Application (including multiple or suspected multiple Applications) and any cheques and/or drafts for payment, upon receipt. The right is also reserved to refuse any Application which, in the opinion of the Financial Intermediary and/or the Registrar, is not properly completed in all respects in accordance with the instructions, or is not accompanied by the required documents.
3. In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several. Joint Applications are to be signed by all parties.
4. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person/s authorised to sign and bind such Applicant. It shall not be incumbent on the Company or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised. Applications by corporate Applicants have to include a valid legal entity identifier ("LEI") which must be unexpired. Applications without such information or without a valid LEI will not be accepted.



5. Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an MSE account and that the Application Form is signed by both parents or the legal guardian/s. Any Preference Shares allocated pursuant to such an Application shall be registered in the name of the minor as the holder of the acquired Preference Shares, with dividends payable to the parents/legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all dividends shall be payable directly to the registered holder, provided that the Malta Stock Exchange has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
6. All Applications for the purchase and acquisition of Preference Shares must be submitted on the appropriate Application Form within the time limits established herein. Applications submitted during the Offer Period shall be for a minimum of 1,000 Preference Shares and in multiples of 100 Preference Shares thereafter. Applications in terms of the Intermediaries' Offer shall be for a minimum of 150,000 Preference Shares and in multiples of 100 thereafter. The completed Application Forms are to be lodged with any of the Financial Intermediaries mentioned in Annex I of this Securities Note. All Application Forms must be accompanied by the full price of the Preference Shares applied for in Euro. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the respective Financial Intermediary or the Registrar reserve the right to invalidate the relative Application Form.
7. By completing and delivering an Application Form, the Applicant/s:
  - a. irrevocably offer/s to purchase, and pay the consideration for, the number of Preference Shares specified in the Application Form at the Offer Price subject to the provisions of the Prospectus, the Terms and Conditions, the Application Form and the Memorandum and Articles of Association of the Company;
  - b. authorise the Registrar and the Company to include the Applicant's name or in the case of joint Applications, the first-named Applicant, in the register of members of the Company (in respect of the Preference Shares allocated);
  - c. agree that, in the case of Applications received from Preferred Applicants and the general public during the Offer Period, a refund of any unallocated Application monies will be received, without interest, by direct credit, at the Applicant's own risk, to the bank account as indicated in the Application Form. Neither the Company nor the Registrar shall be responsible for any loss or delay in transmission or any charges in connection therewith;
  - d. warrant that the remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, the Applicant will not be entitled to receive a registration advice or to be registered in the register of members or to enjoy or receive any rights in respect of such Preference Shares, unless and until payment is made in cleared funds for such Preference Shares and such payment is accepted by the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis of indemnification of the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Registrar of such late payment in respect of such Preference Shares), the Company may, without prejudice to other rights, treat the agreement to allocate such Preference Shares as void and may allocate such Preference Shares to some other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Preference Shares (other than return of such late payment);
  - e. agree that the registration advice and other documents and any refunds may be retained pending clearance of the remittance and any verification of identity as required in terms of the Prevention of Money Laundering Act 1994 (and regulations made thereunder) and that such monies will not bear interest;
  - f. agree that all Applications, acceptances of Applications and contracts resulting therefrom will be governed by, and construed in accordance with Maltese law and that the Applicant submits to the jurisdiction of the Maltese Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law in any court of competent jurisdiction;

- g. warrant that, if signing the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the Applicant has due authority to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to submit the power of attorney or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar;
- h. agree that, having had the opportunity to read the Prospectus, it shall be deemed that the Applicant have had notice of all information and representations concerning the Company and the Offer contained therein;
- i. confirm that in making such Application, the Applicant is not relying on any information or representation in relation to the Company or the Offer other than those contained in the Prospectus and accordingly agree that no person responsible solely or jointly for the Application or any part thereof will have any liability for any such other information or representation;
- j. confirm to have reviewed and will comply with the restriction contained in paragraph (q) and the warning in paragraph 8 below;
- k. warrant not to be under the age of eighteen (18) years or, if lodging an Application in the name and for the benefit of a minor, warrant that the Applicant/s are the parents or legal guardian/s of the minor;
- l. agree that such Application Form is addressed to the Company and that, in respect of those Preference Shares for which the Application has been accepted, the Applicant shall receive a registration advice confirming such acceptance;
- m. agree to provide the Registrar, with any information which it may request in connection with the Application/s;
- n. agree that the Co-Sponsors will not, in their capacity as Co-Sponsors to the Offer, treat the Applicant/s as their customer/s by virtue of the Application for Preference Shares or by virtue of the Application to purchase Preference Shares being accepted and they will not owe the Applicant/s any duties or responsibilities concerning the price of the Preference Shares or their suitability for the Applicant/s;
- o. warrant that, in connection with the Application, the Applicant would 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 the Application in any territory and have not taken any action which will or may result in the Company or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or the Application;
- p. represent that the Applicant is not a U.S. person as such term is defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and that s/he is not accepting the invitation comprised in the Offer from within the United States of America, its territories or its possessions, any State of the United States of America or the District of Columbia (the "**United States**") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person, unless indicated otherwise in the Application Form;
- q. acknowledge that the Preference Shares have not been and will not be registered under the Securities Act and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person; and
- r. acknowledge that any Preference Shares which may be allotted will be recorded by the CSD in the MSE account number quoted on the Application Form even if the details of such account number, as held by the MSE, differ from any or all of the details appearing on the Application Form. Notwithstanding, the Company acting through the Registrar, reserves the right to contact the Applicant/s to verify, and if need be correct, the information submitted on the Application Form.

8. No person receiving a copy of the Prospectus or any part thereof or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. Having considered the circumstances, the Issuer has formed the view (due to the onerous requirements involved in the registration of the Prospectus in any territory other than Malta and/or compliance with the relevant legal or regulatory requirements) not to send Application Forms to RS2 Shareholders having their address as included in the register of shareholders outside Malta, except where, *inter alia*, in the absolute discretion of the Issuer, it is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.
9. It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issues, transfer or other taxes required to be paid in such territory.
10. For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as subsequently amended, all appointed Financial Intermediaries are under a duty to communicate, upon request, all information they hold about clients, pursuant to Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 in Chapter 3 of the MSE Bye-Laws, irrespective of whether the Financial Intermediaries are MSE members or not. Furthermore, such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and/or 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.
11. It shall be incumbent on the respective Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Preference Shares by an Applicant are complied with, including without limitation the obligation to comply with all applicable MiFIR requirements as well as applicable MFSA Rules for investment services providers.
12. By latest 9 April 2021, the Company shall determine and announce the basis of acceptance of Applications and the allocation policy to be adopted.
13. Preferred Applicants are to submit completed Application Forms A whereas the general public are to submit completed Application Forms B to any Financial Intermediary by not later than 12:00 hours on 30 March 2021 or earlier in case of over-subscription.
14. With respect to the Intermediaries' Offer, Financial Intermediaries need to submit completed Application Forms B representing the number of Preference Shares they have been allocated in terms of the respective Subscription Agreement by latest 23 March 2021.

## **7.2 REGISTRATION, REPLACEMENT, TRANSFER AND EXCHANGE**

- a. A register of the Preference Shares will be kept by the Company at the CSD, wherein there will be entered the names and addresses of the holders of Preference Shares. A copy of such register will, at reasonable times during business hours, be open for inspection at the registered office of the Company for the purpose of inspecting information held on their respective account
- b. The Preference Shares, upon admission of the same to listing and trading on the MSE, shall be maintained in electronic form at the CSD. The Preference Shares shall accordingly be evidenced by a book-entry in the register of Preference Shareholders held by the CSD. Statements of holdings and/or registration advices issued by the CSD will be regulated in terms of the e-portfolio service offering of the CSD. To this extent, the Preference Shareholders are expected to liaise directly with the CSD on this matter.
- c. Preference Shares may be transferred only in whole (that is in multiples of one (1) Share) in accordance with the rules and procedures applicable from time to time in respect of the Official List of the MSE.

- d. Any person becoming entitled to the Preference Shares in consequence of the death or bankruptcy of a holder of Preference Shares may, upon such evidence being produced as may from time to time properly be required by the Company or the MSE, elect either to be registered himself/herself as holder of the Preference Share/s or to have another person nominated by him/her registered as the transferee thereof. If the person so becoming entitled elects to be registered himself/herself, he/she shall deliver or send to the Company a notice in writing signed by him/her stating that he/she so elects. If he/she elects to have another person registered he/she shall testify his/her election by executing to that person a transfer of those Preference Shares.
- e. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Preference Shares and to any applicable laws and regulations.
- f. The cost and expenses of affecting any exchange or registration of transfer or transmission except for the expenses of delivery other than regular mail (if any) and except, if the Company 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 holder of the Preference Shares.
- g. Upon submission of an Application Form, Applicants who opt to subscribe for the online e-portfolio by ticking the appropriate box on the Application Form will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Applicant's statement of holdings evidencing entitlement to Preference Shares 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>.

### **7.3 PLAN OF DISTRIBUTION AND ALLOTMENT**

The Offer is open for subscription to all categories of investors which may be broadly split up as follows:

- i. An amount not exceeding 14,285,700 Preference Shares is being reserved for subscription by Financial Intermediaries through an Intermediaries' Offer subject to each underlying Application being for a minimum of 150,000 Preference Shares and in multiples of 100 Preference Shares thereafter;
- ii. The remaining balance of 14,285,700 Preference Shares, together with any number of Preference Shares not taken up during the Intermediaries' Offer shall be made available for subscription by Preferred Applicants and the general public. The minimum number of Preference Shares that can be subscribed for by Preferred Applicants and the general public shall be of 1,000 Preference Shares and in multiples of 100 Preference Shares thereafter.

In any case, Applications made under nominee, the minimum and multiples as mentioned in (i) and (ii) above shall apply for each individual underlying customer.

### **7.4 ALLOCATION POLICY**

The Company shall allocate the Preference Shares on the basis of the following policy:

- i. a maximum amount of 14,285,700 Preference Shares, shall be allocated to Financial Intermediaries pursuant to Subscription Agreements entered into with the Issuer at the Intermediaries' Offer date as further detailed in section 7.5 hereunder. Financial Intermediaries may, by ticking the appropriate box in the respective Subscription Agreement, opt to have any unallocated Preference Shares considered with the Applications received from the general public in terms of (ii) hereunder in case of over-subscription;
- ii. the remaining 14,285,700 Preference Shares together with any number of Preference Shares not being subscribed for during the Intermediaries' Offer referred to in (i) above, shall be allocated to Preferred Applicants and the general public in accordance with an allocation policy as determined by the Issuer. In determining the allocation policy, the Issuer will be giving preference to Preferred Applicants.

The terms of the allocation policy will be published up to five (5) Business Days after the closing of the Offer Period. The Issuer will endeavour, through the allocation policy to be adopted, to sufficiently disperse the shareholder base to facilitate, as far as practicable, an active secondary market in the Preference Shares.

## **7.5 INTERMEDIARIES' OFFER**

An amount not exceeding 14,285,700 Preference Shares is being reserved for subscription by Financial Intermediaries participating in an Intermediaries' Offer. Any subscriptions received during the Intermediaries' Offer shall be subject to the same terms and conditions as those applicable to Applications by Preferred Applicants and the general public.

In this regard, the Issuer shall enter into Subscription Agreements with a number of Financial Intermediaries whereby it will bind itself to allocate Preference Shares up to the total aggregate amount of 14,285,700 Preference Shares during the Intermediaries' Offer.

In terms of each Subscription Agreement entered into with a Financial Intermediary, the Issuer will be conditionally bound to issue, and each Financial Intermediary will bind itself to subscribe for, up to the total number of Preference Shares as indicated therein, subject to the Preference Shares being admitted to trading on the Official List. The Subscription Agreements, which will be subject to the terms and conditions of the Prospectus, will become binding on each of the Issuer and the respective Financial Intermediaries upon delivery, provided that these Financial Intermediaries would have paid to the Registrar all subscription proceeds in cleared funds on delivery of the Subscription Agreement.

Financial Intermediaries subscribing for Preference Shares may do so for their own account or for the account of underlying customers, including retail customers. The minimum which each Financial Intermediary may apply for in terms of the applicable Subscription Agreement is 150,000 Preference Shares and in multiples of 100 Preference Shares thereafter and such minimum and multiples shall also apply to each underlying Applicant.

## **7.6 APPLICATION FORM/METHOD OF PAYMENT**

Applications for the purchase of Preference Shares by Preferred Applicants must be submitted on Application Form A whereas Applications by the general public must be submitted on Application Form B. A specimen of the Application Forms can be found in Annex II to this Securities Note. Applicants applying for Preference Shares in terms of the Intermediaries' Offer are to complete Application Form B.

The completed Application Forms are to be lodged with any of the Financial Intermediaries during the Offer Period or by the Intermediaries' Offer date, as the case may be, and must be accompanied by the full price of the Preference Shares applied for. In the event that cheques accompanying the Application Forms are not honoured on their first presentation, the Financial Intermediary reserves the right to invalidate the relative Application.

## **7.7 REFUNDS**

If any Application Form by Preferred Applicants and/or the general public is not accepted, or is accepted for fewer Preference Shares than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Company, acting through the Registrar, without interest, by direct credit into the Applicant's bank account as indicated by the Applicant on the relevant Application Form by latest 16 April 2021.

With respect to the Intermediaries' Offer, any refund equivalent to the number of unallocated Preference Shares in terms of the Subscription Agreements shall be paid to the respective Financial Intermediary, without interest, to the bank account indicated in the Subscription Agreement by latest 18 March 2021, unless otherwise indicated by the Financial Intermediary to consider any unallocated Preference Shares with Applications submitted by the general public in which case refund of any unallocated monies will be effected by latest 16 April 2021.

The Company shall not be responsible for any loss or delay in transmission or any charges in connection therewith.

## 7.8 MINIMUM APPLICATIONS

Applications shall be for a minimum of 1,000 Preference Shares and in multiples of 100 Preference Shares thereafter with respect to Preferred Applicants and the general public during the Offer Period, and shall be for a minimum of 150,000 Preference Shares and in multiples of 100 Preference Shares for Applications qualifying for the Intermediaries' Offer.

## 7.9 PRICING

The Offer Price for the Preference Shares has been fixed at €1.75 per Preference Share. The Offer Price consists of a discount of *circa* 18% to the trade weighted average price of the Company's Ordinary Shares over a twelve-month period from 11 February 2020 to 8 February 2021 and a premium of €1.69 over nominal value.

## 7.10 UNDERWRITING

The Offer is not underwritten.

## 7.11 RESULTS OF THE OFFER

The Issuer shall determine, and announce by way of company announcement which will also be made available on its website: [www.rs2.com](http://www.rs2.com), the basis of acceptance of Applications and allocation policy to be adopted by no later than five (5) Business Days from the closing of the Offer Period. Dealing in the Preference Shares shall not commence prior to admission to listing.

## 7.12 INTENTION TO ACQUIRE

The Company does not have any knowledge whether any member of the management, supervisory or administrative bodies of the Company or any single investor has the intention of participating in the Offer by acquiring more than five per cent (5%) of the Preference Shares of the Company.

## 7.13 EXPECTED TIMETABLE

Event	Date
1. Application Forms mailed to RS2 Ordinary Shareholders	26 February 2021
2. Opening of Offer Period	3 March 2021
3. Intermediaries' Offer date	17 March 2021
4. Closing of Offer Period	30 March 2021
5. Announcement of basis of acceptance through a company announcement	9 April 2021
6. Refund of unallocated monies, if any	16 April 2021
7. Dispatch of allotment letters	16 April 2021
8. Expected date of admission of the Preference Shares to listing	16 April 2021
9. Expected date of commencement of trading in the Preference Shares	19 April 2021

The Issuer reserves the right to close the Offer Period before 30 March 2021 in the event of over-subscription, in which case the remaining events set out above in 5 to 9 above will be brought forward and will keep the same chronological order set out above.

## 8 DILUTION

Ordinary Shareholders will, as a result of the Offer, suffer an immediate dilution of 12.9% in the share capital of the Company if the Offer is taken up in full. This level of dilution to each individual Ordinary Shareholder will be dependent on the level of participation in the Offer, if any, and to the respective number of Preference Shares being allotted by the Issuer in terms of section 7.4 above.

Preference Shareholders shall not, save for specific circumstances as documented in the Company's Memorandum and Articles of Association, have the right to vote at any general meeting of the Company and, as a result, the voting rights vested in the Ordinary Shareholders will not be diluted as a consequence of the Offer.

The net asset value of the Company as at 30 June 2020 was €10,535,696 or €0.055 per Ordinary Share based on 192,968,569 Ordinary Shares outstanding. The net asset value per Ordinary Share represents the amount of total assets less total liabilities as at 30 June 2020 divided by the total number of Ordinary Shares outstanding.

Net asset value dilution per Preference Share to new investors is calculated as the difference between the Offer Price and the net asset value per Preference Share immediately after successful completion of the Offer. Without taking into account any other changes in net asset value after 30 June 2020, other than the sale of the Preference Shares in terms of the Offer at a price of €1.75 per Preference Share and after deducting the estimated fees and expenses payable by the Company in relation to the Offer, the net asset value following successful completion of the Offer will be approximately €59,495,646 if the Offer is fully subscribed which is equivalent to approximately €0.269 per Preference Share. This represents an immediate increase in net asset value of approximately €0.214 per Ordinary Share and will result in an immediate dilution in net asset value of €1.481 per Preference Share. The following table illustrates the above:

Offer Price per Preference Share		€1.75
Net asset value per Ordinary Share as at 30 June 2020	€0.055	
Increase per Ordinary Share attributable to this Offer	€0.214	
Adjusted net asset value per Ordinary Share after the Offer		€0.269
<b>Dilution per Preference Share pursuant to this Offer</b>		<b>€1.481</b>

## 9 COMMISSIONS & EXPENSES RELATING TO THE OFFER OF THE PREFERENCE SHARES

The selling commissions and fees in connection with the Offer are estimated not to exceed €1,040,000 and will be borne by the Company. There is no particular order of priority with respect to such expenses.

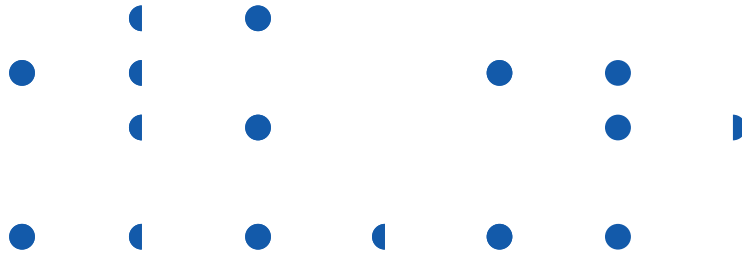
Each Financial Intermediary shall be entitled to a selling commission on the value of the Preference Shares allocated to Applicants applying through such Financial Intermediaries of 1.5%.

## 10 ADDITIONAL INFORMATION

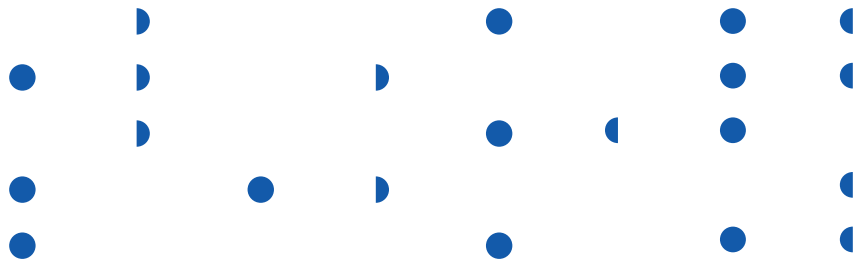
All the advisers to the Company named in the Registration Document under the heading "Advisers" in sub-section 5.1 thereof have acted and are acting exclusively for the Company in relation to this admission to listing and trading.







SECURITIES NOTE  
**ANNEXES**



# ANNEX I

## FINANCIAL INTERMEDIARIES

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
<b>APS Bank p.l.c.</b>	APS Centre, Tower Street, Birkirkara BKR 4012	+356 2560 3000
<b>Bank of Valletta p.l.c.</b>	BOV Centre, Cannon Road, Zone 4, Central Business District, St Venera CBD 4060	+356 2275 1732
<b>Calamatta Cuschieri Investment Services Ltd</b>	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	+356 2568 8688
<b>Curmi &amp; Partners Ltd</b>	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	+356 2134 7331
<b>FINCO Treasury Management Ltd</b>	The Bastions, Office No 2, Emvin Cremona Street, Floriana FRN 1281	+356 2122 0002
<b>Hogg Capital Investments Ltd</b>	Nu Bis Centre, Mosta Road, Lija LJA 9012	+356 2132 2872
<b>Jesmond Mizzi Financial Advisors Ltd</b>	67 Level 3, South Street, Valletta VLT 1105	+356 2326 5696
<b>Lombard Bank Malta p.l.c.</b>	67, Republic Street, Valletta VLT 1117	+356 2558 1806
<b>Medirect Bank (Malta) p.l.c.</b>	The Centre, Tigné Point, Sliema TPO 0001	+356 2557 4400
<b>Michael Grech Financial Investment Services Ltd</b>	The Brokerage, St Marta Street, Victoria, Gozo VCT 2550	+356 2155 4492
<b>MZ Investment Services Ltd</b>	61, St Rita Street, Rabat RBT 1523	+356 2145 3739
<b>Rizzo, Farrugia &amp; Co (Stockbrokers) Ltd</b>	Airways House, Fourth Floor, High Street, Sliema SLM 1551	+356 2258 3000
<b>Zenith Finance Ltd</b>	220, Immaculate Conception Street, Msida, MSD 1838	+356 2133 2200



# ANNEX II

## SPECIMEN APPLICATION FORMS & ADDENDUM



### RS2 SOFTWARE P.L.C. PREFERENCE SHARES APPLICATION FORM 'A' PREFERRED APPLICANTS

This application form is not transferable and entitles you to subscribe for Preference Shares in RS2 Software p.l.c. as either (i) shareholders of RS2 Software p.l.c. appearing on the share register as at 19 February 2021 (trading session of the 17 February 2021) ("RS2 Shareholders"); or (ii) those persons employed by RS2 Software p.l.c. or any of its subsidiaries as at 19 February 2021 ("RS2 Employees"); together referred to as "Preferred Applicants". Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

<b>APPLICANT</b> (see notes 2 to 6)			
<input type="checkbox"/> RS2 Shareholder <input type="checkbox"/> RS2 Employee			
		I.D. CARD / PASSPORT / CO REG NO <small>(mandatory)</small>	MSE A/C NO. <small>(mandatory)</small>
DOCUMENT TYPE <small>(mandatory)</small>	COUNTRY OF ISSUE <small>(mandatory)</small>	DATE OF BIRTH <small>(mandatory)</small>	NATIONALITY <small>(mandatory)</small>
LEI (Legal Entity Identifier) <small>(if applicant is NOT an Individual)</small>		PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/>	MOBILE NO. <small>(mandatory for e-portfolio)</small>
<b>ADDITIONAL (JOINT) APPLICANTS</b> (see note 3) <small>(please use Addendum to Application Form if space is not sufficient)</small>			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
<b>DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY</b> (see notes 4, 7 & 8) <small>(to be completed ONLY if applicable)</small>			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
<b>I/WE APPLY TO PURCHASE AND ACQUIRE</b> (see note 9):			
NUMBER OF PREFERENCE SHARES IN FIGURES		NUMBER OF PREFERENCE SHARES IN WORDS	
Preference Shares in RS2 Software p.l.c. (minimum 1,000 Preference Shares and in multiples of 100 Preference Shares thereafter) at a price of €1.75 per Preference Share (the "Offer Price") (as defined in the Prospectus dated 19 February 2021, (the "Prospectus") payable in full upon application and subject to the terms of (a) the Prospectus, including the terms and conditions of the Offer; and (b) the memorandum and articles of association of RS2 Software p.l.c.			
		AMOUNT PAYABLE €	
<b>DIVIDEND AND REFUND MANDATE</b> (see note 10 & 11) <small>(completion of this panel is MANDATORY)</small>			
BANK		IBAN	
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Preference Shares as contained therein which I/we fully accept.			
I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Preference Shares in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.			
Signature/s of Applicant/s <small>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application) (Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)</small>			Date
AUTHORISED INTERMEDIARY'S STAMP	AUTHORISED INTERMEDIARY'S CODE	APPLICATION NUMBER	

## Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 19 February 2021 regulating the Offer

1. This Application is governed by the Terms and Conditions of the Offer contained in Section 7 of the Securities Note dated 19 February 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B.
3. The MSE account pertaining to RS2 Shareholders has been pre-printed in Panel B and reflects the MSE account number on the Company's Register at the CSD as at 19 February 2021 (trading session of the 17 February 2021).

RS2 Employees are to insert the required personal details in Panel B including MSE account number which is mandatory. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Preference Shares (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.

Upon submission of an Application Form, Preference Shareholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Preference Shareholders' statement of holdings evidencing entitlement to Preference Shares held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account with the MSE. Any Preference Shares allocated pursuant to such an Application shall be registered in the name of the minor as Preference Shareholder, with dividend, if any, payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all dividends, if any, shall be payable directly to the registered holder, provided that the Malta Stock Exchange has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel D must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **PREFERRED APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE .**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel D.
8. Where an MSE account number is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. Applications must be for a minimum subscription of X Preference Shares and thereafter in multiples of X Preference Shares and must be accompanied by the relevant subscription amount equivalent in Euro.
10. The Offer Period will open at 08:30 hours on 3 March 2021 and will close at 12:00 hours on 30 March 2021, or earlier in the case of over subscription. Application for Preference Shares may be lodged with any Financial Intermediary listed in Annex I of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Preference Shares than those applied for, the monies equivalent to the number of Preference Shares not being accepted will be returned by direct credit into the IBAN specified in panel F.
11. Dividends, if any, will be paid by direct credit to the bank account (which must be in Euro and held with a local bank) bearing a valid IBAN as indicated by the Applicant in Panel F, or to any other bank account indicated by the Preference Shareholder to the MSE.
12. The Company reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Offer as contained in the Prospectus.
13. By completing and delivering an Application Form you, as the Applicant/s acknowledge that:
  - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Preference Shares applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. Prior to purchasing Preference Shares, an investor should consult an independent financial adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.**



**RS2 SOFTWARE P.L.C.  
PREFERENCE SHARES  
APPLICATION FORM 'B'  
GENERAL PUBLIC / INTERMEDIARIES' OFFER**

Please read the notes overleaf before completing this Application Form. **Complete in BLOCK LETTERS and Mark 'X' where applicable.**

<b>APPLICANT</b> (see notes 2 to 6)							
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund				
<b>A</b> TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME / REGISTERED NAME					
MSE A/C NO. (mandatory)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE (mandatory)	COUNTRY OF ISSUE (mandatory)				
LEI (Legal Entity Identifier) (if applicant is NOT an Individual)		DATE OF BIRTH (mandatory)	NATIONALITY (mandatory)				
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			MOBILE NO. (mandatory for e-portfolio)				
<b>C ADDITIONAL (JOINT) APPLICANTS</b> (see note 3) (please use Addendum to Application Form if space is not sufficient)							
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME					
DOCUMENT TYPE		COUNTRY OF ISSUE	DATE OF BIRTH				
I.D. CARD/PASSPORT NO.		NATIONALITY					
<b>D DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY</b> (see notes 4, 7 & 8) (to be completed ONLY if applicable)							
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME					
DOCUMENT TYPE		COUNTRY OF ISSUE	DATE OF BIRTH				
I.D. CARD/PASSPORT NO.		NATIONALITY					
TITLE (Mr/Mrs/Ms/...)		FULL NAME AND SURNAME					
DOCUMENT TYPE		COUNTRY OF ISSUE	DATE OF BIRTH				
I.D. CARD/PASSPORT NO.		NATIONALITY					
<b>E I/WE APPLY TO PURCHASE AND ACQUIRE</b> (see note 9 to 11):							
NUMBER OF PREFERENCE SHARES IN FIGURES		NUMBER OF PREFERENCE SHARES IN WORDS					
<p>Preference Shares in RS2 Software p.l.c. (minimum of: (i) 150,000 Preference Shares with respect to Applications in terms of the Intermediaries' Offer, or such lower minimum as may be communicated by the Registrar to the respective Financial Intermediaries in case of over-subscription; and (ii) 1,000 Preference Shares with respect to general public Applications; and in multiples of 100 Shares thereafter) at a price of €1.75 per Preference Share (the "Offer Price") as defined in the Prospectus dated 19 February 2021 (the "Prospectus"), payable in full upon application and subject to the terms of (a) the Prospectus, including the terms and conditions of the Offer; and (b) the memorandum and articles of association of RS2 Software p.l.c.</p>							
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AMOUNT PAYABLE							
€							
<b>F DIVIDEND AND REFUND MANDATE</b> (see note 11 & 12) (completion of this panel is MANDATORY)							
BANK		IBAN					
<p>I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Preference Shares as contained therein which I/we fully accept.</p> <p>I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Preference Shares in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.</p>							
Signature/s of Applicant/s		Date					
<small>(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application) (Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)</small>							
AUTHORISED INTERMEDIARY'S STAMP	AUTHORISED INTERMEDIARY'S CODE	APPLICATION NUMBER					
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## Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 19 February 2021 regulating the Offer

1. This Application is governed by the Terms and Conditions of the Offer contained in Section 7 of the Securities Note dated 19 February 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert the required personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C but **the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Preference Shares (vide note 6 below)**. Applications by more than two persons are to use the Addendum to the Application Form.

Upon submission of an Application Form, Applicants who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Preference Shareholders' statement of holdings evidencing entitlement to Preference Shares held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account with the MSE. Any Preference Shares allocated pursuant to such an Application shall be registered in the name of the minor as Preference Shareholder, with dividend, if any, payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all dividends, if any, shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel D must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **APPLICANTS ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL B, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE..**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel D.
8. Where an Applicant quotes an MSE account number which is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. Applications in terms of the Intermediaries' Offer, as further detailed in section 7.5 of the Securities Note must be for a minimum of 150,000 Preference Shares and in multiples of 100 Preference Shares thereafter. Applications with respect to the general public must be for a minimum subscription of 1,000 Preference Shares and in multiples of 100 Preference Shares thereafter.
10. In terms of the Intermediaries' Offer, Financial Intermediaries are to submit completed Application Forms representing the amount allocated, by not later than 14:00 hours on 23 March 2021. Financial Intermediaries, may at their sole discretion, not accept an Application or accept an Application for few Preference Shares than those applied for.
11. The Offer Period with respect to the general public, will open at 08:30 hours on 3 March 2021 and will close at 12:00 hours on 30 March 2021 or earlier in case of over-subscription. Completed Application Forms are to be delivered to any Financial Intermediary listed in Annex I of the Securities Note during normal office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Preference Shares than those applied for, the monies equivalent to the number of Preference Shares not being accepted will be returned by direct credit into the IBAN specified in panel F.
12. Dividends, if any, will be paid by direct credit to the bank account (which must be in Euro and held with a local bank) bearing a valid IBAN as indicated by the Applicant in panel F, or to such other bank account indicated by the Preference Shareholder to the MSE.
13. The Company reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Offer as contained in the Prospectus dated 19 February 2021.
14. By completing and delivering an Application Form you, as the Applicant/s acknowledge that:
  - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Shares applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. Prior to purchasing Preference Shares, an investor should consult an independent financial adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.**

**RS2 SOFTWARE P.L.C.**  
**28,571,400 PREFERENCE SHARES AT €1.75 PER PREFERENCE SHARE**  
**ADDENDUM TO APPLICATION FORM**

DETAILS OF ORIGINAL APPLICATION FORM
Name of Applicant
I.D. Card / Passport No.
Application No.

ADDITIONAL (JOINT) APPLICANTS <small>(see note 3)</small>			
FULL NAME & SURNAME			I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
FULL NAME & SURNAME			I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
FULL NAME & SURNAME			I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
FULL NAME & SURNAME			I.D. CARD / PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY

**I/We have fully understood the instructions for completing this Addendum to the Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions of the Preference Shares as contained therein which I/we fully accept.**

I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Preference Shares in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

\_\_\_\_\_  
**Signature/s**

\_\_\_\_\_  
 Date









RS2 Software p.l.c,  
RS2 Buildings, Triq Il-Fortizza,  
Il-Mosta MST 1859  
Malta

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[RS2.COM](https://rs2.com)