MerkantiHolding p.l.c

PROSPECTUS

DATED: 18 JULY 2019

Up to €25,000,000 4% Secured Bonds Due 2026

Sponsor, Manager & Registrar

CURMI & PARTNERS

Legal Counsel

GANADO ADVOCATES

PROSPECTUS

DATED: 18 JULY 2019

MerkantiHolding
p.l.c

a public limited liability company registered under the laws of Malta
with company registration number C 70823 and with its registered office at
The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta

Up to €25,000,000 4% Secured Bonds Due 2026

ISIN: MT0002291202

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS TO LISTING ON THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE, WHICH MEANS THAT THE BONDS ARE IN COMPLIANCE WITH THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE BONDS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN THE BONDS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS 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 THIS PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE BONDS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH THEIR OWN INDEPENDENT FINANCIAL ADVISERS.

Sponsor, Manager & Registrar

CURMI & PARTNERS

Legal Counsel

GANADO ADVOCATES

Approved by the directors of the Issuer

Mario Galea

As Director of the Issuer and on behalf of each of Silke Stenger, Sam Morrow, and Benjamin Muscat

Important Information

THIS PROSPECTUS CONTAINS INFORMATION ON THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE COMPANIES ACT AND THE PROSPECTUS REGULATION.

THIS PROSPECTUS HAS BEEN FILED WITH THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, WITH THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE COMPANIES ACT. THIS PROSPECTUS IS PUBLISHED IN ELECTRONIC FORM ON THE WEBSITE OF THE LISTING AUTHORITY AND IS ALSO AVAILABLE, IN PRINTED FORM, FREE OF CHARGE, FROM THE REGISTERED OFFICE OF THE ISSUER.

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

THIS PROSPECTUS IS TO BE READ IN ITS ENTIRETY AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT HERETO AND ANY DOCUMENTS THAT ARE INCORPORATED HEREIN BY REFERENCE.

THE ISSUER CONFIRMS THAT (I) THIS PROSPECTUS CONTAINS ALL INFORMATION WITH RESPECT TO THE ISSUER AND THE BONDS THAT IS MATERIAL IN THE CONTEXT OF THE ISSUE AND OFFERING OF THE BONDS; (II) THE INFORMATION CONTAINED HEREIN IN RESPECT OF THE ISSUER AND THE BONDS IS ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) ANY OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND BASED ON REASONABLE ASSUMPTIONS; (IV) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT, WHETHER FACT OR OPINION, IN THIS PROSPECTUS MISLEADING IN ANY MATERIAL RESPECT; AND (V) ALL REASONABLE ENQUIRIES HAVE BEEN MADE TO ASCERTAIN ALL FACTS AND TO VERIFY THE ACCURACY OF ALL STATEMENTS CONTAINED HEREIN.

NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION, ISSUE ANY ADVERTISEMENT OR MAKE ANY REPRESENTATION WHICH IS NOT CONTAINED OR CONSISTENT WITH THIS PROSPECTUS OR ANY OTHER DOCUMENT PRODUCED IN RELATION TO THE BONDS AND, IF GIVEN OR MADE, SUCH INFORMATION, ADVERTISEMENT OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER.

UNLESS OTHERWISE STATED THE CONTENTS OF THE ISSUER'S WEBSITE (OR ANY OTHER WEBSITE REFERRED TO HEREIN) OR ANY OTHER WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'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 WEBSITE AS A BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL OF THE DIRECTORS WHOSE NAMES APPEAR UNDER SECTION 3.1 OF THIS PROSPECTUS ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT ITS IMPORT, AND THE DIRECTORS HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT THIS IS THE CASE. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

NONE OF THE ADVISORS OR ANY PERSON MENTIONED IN THIS PROSPECTUS, OTHER THAN THE ISSUER AND ITS DIRECTORS, SHALL BE RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS, IN ANY SUPPLEMENT, AND IN ANY DOCUMENTS INCORPORATED BY REFERENCE, AND ACCORDINGLY, TO THE EXTENT PERMITTED BY THE LAWS OF ANY RELEVANT JURISDICTION, NONE OF THESE PERSONS ACCEPTS ANY RESPONSIBILITY AS TO THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OF THESE DOCUMENTS.

ALL THE ADVISORS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF AND ANY INFORMATION CONTAINED IN THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON ANY OF THE ADVISORS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION AND EACH PERSON MUST RELY ON ITS OWN EVALUATION OF THE ISSUER AND THE BONDS AND THE MERITS AND RISKS INVOLVED IN INVESTING IN THE BONDS.

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

THIS PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF AN OFFER, INVITATION OR SOLICITATION TO ANY PERSON (I) IN ANY JURISDICTION IN WHICH SUCH OFFER, INVITATION OR SOLICITATION IS NOT AUTHORISED, (II) IN ANY JURISDICTION IN WHICH ANY PERSON MAKING SUCH OFFER, INVITATION OR SOLICITATION IS NOT QUALIFIED TO DO SO OR (III) TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, INVITATION OR SOLICITATION. THE DISTRIBUTION OF THIS PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND THE ISSUER, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE BONDS, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH MALTESE LAW. THE COURTS OF MALTA SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTES THAT MAY ARISE OUT OF OR IN CONNECTION WITH THE BONDS, ALL THE RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS AND/OR THE ISSUER, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THE BONDS. STATEMENTS MADE IN THIS DOCUMENT ARE (EXCEPT WHERE OTHERWISE STATED) BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAW AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR THE BONDS SHOULD INFORM THEMSELVES AS TO THE LEGAL, TAX, FINANCIAL AND OTHER REQUIREMENTS OF APPLYING FOR ANY OF THE BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE. APPLICANTS MUST RELY ON THEIR OWN LEGAL ADVISORS, ACCOUNTANTS AND OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, FINANCIAL OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS.

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Definitions

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

Accountant's Report	the Accountant's Report dated 18 July 2019 on the pro forma financial information included in this Prospectus prepared by PricewaterhouseCoopers, a copy of which is set out as Annex D to this Prospectus;
Applicant	a person whose name, or persons whose names (in the case of joint applicants), appear in the registration details of an Application Form;
Application	the application to subscribe Bonds made by an Applicant/s by completing an Application Form and delivering the same to any of the Authorised Intermediaries (including the Sponsor) in accordance with the terms of this Prospectus;
Application Form	the form of application for subscription of the Bonds, a copy of which is attached as Annex E to this Prospectus;
Authorised Intermediaries or Authorised Intermediary	the licensed stockbrokers and financial intermediaries listed in Annex F to this Prospectus;
Board	the board of directors of the Issuer;
Bond/s	the 4% secured bonds due 2026 to be issued by the Issuer in terms of this Prospectus;
Bondholder/s	any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the CSD Register;
Bond Issue	the issue of the Bonds pursuant to this Prospectus;
BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 providing for the establishment of a European Union-wide framework for the recovery and resolution of credit institutions and investment firms, commonly known as Bank Recovery and Resolution Directive, as amended;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CRD IV	the CRD IV legislative package which transposes the standards of the Basel Committee on Banking Supervision (known as Basel III) in the European Union and consisting of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended;
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended;
CSD	the central registration system for dematerialised financial instruments in Malta operated by the MSE (of Garrison Chapel, Castille Place, Valletta VLT 1063, Malta) and authorised in terms of the Financial Markets Act;
CSD Register	the register of Bonds held and maintained by the CSD on behalf of the Issuer;
Companies Act	the Companies Act, Chapter 386 of the laws of Malta;

Corporate Governance Code	the Code of Principles of Good Corporate Governance set out as Appendix 5.1 to Chapter 5 of the Listing Rules;
Data Protection Act	the Data Protection Act (Chapter 586 of the laws of Malta);
Deposited Monies	cash and balances held in the Deposited Monies Accounts, which accounts shall be pledged in favour of the Trustee pursuant to the Pledge of Deposited Monies Agreements;
Deposited Monies Accounts	the bank accounts in the names of the Property Companies to be held with a credit institution licensed in Malta and designated as such by agreement between the Issuer and the Trustee in accordance with the terms of the Trust Deed;
Directors	the directors of the Issuer;
Duty on Documents and Transfers Act	the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta;
ECB	the European Central Bank;
Euro or €	the lawful currency of the Eurozone, being the region comprised of Member States of the European Union that have and continue to adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and by the Treaty of Amsterdam;
Event of Default	each event specified as an event of default in Section 8.15;
Financial Analysis Summary	the financial analysis summary dated 18 July 2018 prepared by the Sponsor in line with the applicable requirements of the Listing Authority policies and which is intended to summarise the key financial data set out in the Prospectus appertaining to the Issuer, a copy of which is set out as Annex B to this Prospectus;
Financial Markets Act	the Financial Markets Act, Chapter 345 of the laws of Malta;
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC;
German Law Mortgage	each first ranking (in section III of the German land register) uncertificated land charge *(Buchgrundschulden)* granted under German law on the relevant German Real Estate for the purpose of securing the parallel acknowledgement of indebtedness in terms of the Trust Deed (as described in Section 6.5.1 below);
German Real Estate	the German real estate owned by the Property Companies as described in further detail in Section 4.4.2;
Group	the group of companies of which the Issuer is the parent company and any subsidiary of the Issuer, including Merkanti Bank and the Property Companies;
Independent Valuation	an independent valuation of part or all of the German Real Estate made by such professional valuer in Germany approved by the Trustee;
Income Tax Act	the Income Tax Act, Chapter 123 of the laws of Malta;

Interest Commencement Date	[12 August] 2019 or such earlier date on which the Bonds are issued in the event that the Issuer closes the offer of Bonds prior to the end of the Offer Period as set out in Section 7.1;
Interest Payment Date	[12 August] of each year (including [12 August] 2020, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day);
Interim Bank Account	the bank account in the name of the Issuer to be held with Merkanti Bank, in which there shall be deposited the net proceeds from the Bond Issue immediately prior to or upon the issuance of the Bonds in accordance with the terms of the Trust Deed;
Interim Pledge of Bond Proceeds	the pledge on the Interim Bank Account constituted under the Interim Pledge of Bond Proceeds Agreement;
Interim Pledge of Bond Proceeds Agreement	the Maltese law pledge agreement to be entered into prior to or upon the issuance of the Bonds, pursuant to which the Issuer shall constitute a pledge over the Interim Bank Account in favour of the Trustee, subject to the terms and conditions contained therein, as the same may be amended, varied or supplemented from time to time;
Intermediaries' Offer	the offer of Bonds, pursuant to this Prospectus, by the Issuer to the Authorised Intermediaries, for their own account and/or for the purposes of allocating the Bonds to their own clients;
Investment Services Act	the Investment Services Act, Chapter 370 of the laws of Malta;
Issuer	Merkanti Holding p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 70823 and having its registered office situated The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta;
Issue Date	[12 August] 2019;
Issue Price	€100 per Bond;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority under the MFSA Act and established in terms of the Financial Markets Act;
Listing Rules	the listing rules issued by the Listing Authority in respect of the Official List, as amended from time to time;
Loans	The loans, in the amount of €6,750,000 and €2,750,000, that the Issuer intends to grant to the Merkanti (A) and Merkanti (D), respectively pursuant to each loan agreement to be entered into between the Issuer and each Property Company using part of the proceeds of the Bond Issue as described in Section 6.1 below;
Longstop Date	twelve (12) weeks from the date of the Trust Deed, extendable by the Trustee (in its sole discretion) by a further period of twelve (12) weeks;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted by the Financial Markets Act, bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Maturity Date	[12 August] 2026;
Memorandum and/or Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of this Prospectus;

Merkanti (A)	Merkanti (A) International Ltd, a private limited liability company registered under the laws of Malta with company registration number C[-] and having its registered office situated at The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta;
Merkanti (D)	Merkanti (D) International Ltd, a private limited liability company registered under the laws of Malta with company registration number C[-] and having its registered office situated at The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta;
Merkanti Bank	Merkanti Bank Limited, a credit institution licensed by the MFSA under Banking Act (Chapter 371 of the laws of Malta), registered under the laws of Malta with company registration number C 31608 and having its registered office situated at The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta;
Scully Royalty	Scully Royalty Ltd (formerly MFC Bancorp Ltd), a limited liability company registered under the laws of the Cayman Islands with registration number HS323455 and listed on the New York Stock Exchange under ticker SRL;
MFSA	Malta Financial Services Authority as established under the MFSA Act;
MFSA Act	the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta);
Mortgage Deed	the notarial deed pursuant to which each German Law Mortgage is granted;
MSE Bye-Laws	the bye-laws of and issued by the Malta Stock Exchange;
Nominal Value	€100 (in respect of each Bond);
Offer Period	the period between 09:00 hours CET on [29 July 2019] and 17:00 hours CET on [9 August 2019] (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Pledge Agreements	the Pledge of Shares Agreements and the Pledge of Deposited Monies Agreements;
Pledges of Deposited Monies	the pledges on the Deposited Monies Accounts constituted under the Pledge of Deposited Monies Agreements;
Pledge of Deposited Monies Agreements	the Maltese law pledge agreements to be entered into on or around the date of this Prospectus pursuant to which the Property Companies will constitute pledges on the Deposited Monies Accounts in favour of the Trustee, subject to the terms and conditions contained therein, as the same may be amended, varied or supplemented from time to time;
Pledges of Shares	the pledges of shares constituted under the Pledge of Shares Agreements;
Pledge of Shares Agreements	the Maltese law pledge agreements to be entered into on or around the date of this Prospectus pursuant to which the Issuer will constitute pledges on all of the Issuer's shares in each of the Property Companies in favour of the Trustee, subject to the terms and conditions contained therein, as the same may be amended, varied or supplemented from time to time;
Pledges	the Pledges of Deposited Monies and the Pledges of Shares;

PMLA	Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and all regulations issued thereunder;
Property Companies	collectively, Merkanti (A) and Merkanti (D);
Property Valuer	Sachverständigenbüro Katrin Zimmermann of Humboldtstraße 4, 39112 Magdeburg, Germany;
Prospectus	this Prospectus in its entirety together with any Supplements;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010;
Prospectus Regulation	Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive as amended by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012, Commission Regulation (EU) No 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015;
R&R Regulations	the Recovery and Resolution Regulations (Subsidiary Legislation 330.09 of the laws of Malta);
Security	the Pledges, the German Law Mortgages (and where the context so requires, the Interim Pledge of Bond Proceeds) and any security interest which the Trustee and the Issuer (and, if applicable, the Property Companies) acting jointly, may at any time agree to be granted to the Trustee (for the benefit of the Bondholders) and be comprised within this term pursuant to the Trust Deed;
Security Documents	means each document constituting Security, including but not limited to the Pledge Agreements, the Mortgage Deeds and where the context so requires, the Interim Pledge of Bond Proceeds Agreement;
Sponsor	Curmi & Partners Ltd, an MFSA authorised investment services firm (in terms of the Investment Services Act) registered under the laws of Malta with company registration number C 3909 and having its registered office at Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta, in its capacity as the Issuer's Sponsor, Manager and Registrar in respect of the Bonds;
Subordinated Loan	The subordinated loan in the amount of €4,500,000 that the Issuer intends to grant to Merkanti Bank, pursuant to a subordinated loan agreement to be entered into between the parties using part of the proceeds of the Bond Issue as described in Section 6.1 below;
Supplement	any supplement to this Prospectus that may be issued from time to time by the Issuer;
Terms and Conditions	the terms and conditions of the Bonds set out in Section 8;
Tier 2 Capital	the term used in the CRD and in the CRR to denote capital of Merkanti Bank maintained in terms of Article 71 of the CRR and consisting of Tier 2 items in terms of Article 62 of the CRR, or, if such term is no longer used, any equivalent or successor term, whether in the same law or regulations in any other law or regulation applicable to Merkanti Bank from time to time;

Trust Deed	the Merkanti Holding Bonds Trust Deed dated 26 June 2019 between the Issuer, the Property Companies and the Trustee, including its annexes, as the same may be amended, replaced or updated from time to time;
Trustee	Equity Wealth Solutions Limited, a private limited liability company registered under the laws of Malta with company registration number C 31987 and with registered office situated at 176 Old Bakery Street, Valletta, VLT 1455, duly authorised to act as a trustee in terms of Article 43(3) of the Trusts and Trustees Act (Chapter 331 of the laws of Malta);
Valuation Reports	the independent expert's reports commissioned by the Issuer in relation to the German Real Estate, prepared by Property Valuer and dated 13 June 2019, copies of which are attached as Annex A to this Prospectus.

Unless it otherwise required by the context:

a. *words in this Prospectus importing the singular shall include the plural and vice versa;*
b. *words in this Prospectus importing the masculine gender shall include the feminine gender and vice versa; and*
c. *the word "may" in this Prospectus shall be construed as permissive and the word "shall" in this Prospectus shall be construed as imperative*

SUMMARY NOTE

This Summary Note is issued in accordance with the provisions of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No 486/2012 of the 30 March 2012, Commission delegated Regulation (EU) No 862/2012 of 4 June 2012, Commission Delegated Regulation (EU) No 759/2013 of 30 April 2013, Commission Delegated Regulation (EU) No 382/2014 of 7 March 2014 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015.

This Summary Note should be read as an introduction to the Prospectus. Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E. This Summary Note contains all the Elements required to be included in a summary for the Bonds and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.

Section A – Introduction and Warnings

A.1 Prospective investors are hereby warned that:

i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;

ii. where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and

iii. 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 such securities.

A.2 Prospective investors are hereby informed that:

i. for the purposes of any subscription for Bonds through any of the Authorised Intermediaries and any subsequent resale, placement or other offering of Bonds by such Authorised Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of the Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement or other offering of Bonds, provided this is limited only: (a) in respect of Bonds subscribed for through Authorised Intermediaries during the Offer Period; (b) to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place in Malta; and (c) to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus;

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

Section B – Issuer

B.1 The Issuer's legal and commercial name is: Merkanti Holding p.l.c.

B.2 The Issuer was established in Malta on the 28 May 2015 in terms of the Companies Act as a private limited liability company and was converted to a public limited liability company on 30 May 2019.

B.4b The Issuer is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. The principal activities of the Group are comprised of the activities of Merkanti Bank and the activities of the Property Companies.

Merkanti Bank

Merkanti Bank is a credit institution licensed by the MFSA under Banking Act (Chapter 371 of the laws of Malta) that operates in the banking sector and provides trade finance and merchant banking services. In recent months Merkanti Bank has decided to re-focus its main strategy on accessing the trade finance market. The following are the most recent known trends affecting this industry:

The Global Economy and Trade Growth – The global economy is experiencing an upturn in investment, manufacturing activity and trade. Growth is particularly strong in emerging markets and developing economies. The majority of regions saw an increase in trade growth in 2017 with the largest contributors being East Asian countries and the Euro Area. The recent upturn in trade growth is primarily due to rising merchandise trade volumes. Cyclical factors played an important role in global merchandise trade performance, mainly investment growth, recovering prices of commodities and increasing exports and imports in China. Factors which might limit world trade growth going forward are the maturation of global value chains, and the relatively slow pace of further liberalisation. Another limiting factor is the possible intensification of protectionism, particularly in the United States (US), and the risk of a trade war.

The Trade Finance Gap – Notwithstanding the growing trade finance business volumes worldwide, a trade financing gap still exists. In fact, this financing gap has been widening since the financial crisis, given that major global banks have pulled back from developing markets, thereby restricting access to trade finance. Unmet demand for trade finance represents a loss of global trade and ultimately economic growth. While it is expected that the trade finance gap will be widening over the next twelve months due to an increase in unmet demand, it is believed that over the following three years, the trade finance gap will improve, particularly in developing regions.

Trade Finance in Africa, Asia and Latin America – As reported by the World Trade Organisation, unmet demand for trade finance is highest in Africa, Asia Pacific and Latin America. In 2017-18, as many major African economies continued to reel from the price depression of 2015 and 2016, a large number of financial institutions in Africa reported an increase in interest rates related to trade financing. Among the reasons for this are the high country risk and issuing bank ratings, scarcity of correspondent bank credit lines and the perceived high risk of small to medium enterprises (SMEs). In the medium to long term, the outlook for trade finance is positive but challenges still remain due to evolving macroeconomic and regulatory conditions. Still, demand for single transaction guarantees is increasing in Africa by African issuing banks and international confirming banks, making it more attractive for financial institutions to increase facilities provided in Africa.

Trade from and to Asian Pacific and Latin American countries has been impacted by constant macroeconomic and socio-political uncertainties, respectively. Trade sanctions between China and the United States have had a ripple effect on other countries within Asia, impacting trade and, as a result, trade finance. Likewise, political uncertainty in a number of South American countries over the past years, such as Brazil and Venezuela, has had a considerable impact on these countries' ability to import and export goods. In the long term, as these conflicts are progressively resolved, the outlook for trade finance in Asian Pacific and Latin American countries is generally positive, which makes the prospect of providing trade finance facilities in such regions more attractive for financial institutions.

Trade Finance Margins – The outlook of trade finance banks regarding improved trade finance is mixed. While trade banks in certain markets have boosted trade margins, other regions such as Asia have experienced a push down on their margins, mainly due to intense price competition and the difficulty of passing on higher compliance costs.

The Property Companies

The Property Companies are property holding companies that operate in the industrial real estate rental sector in Germany. The German Real Estate owned by the Property Companies is all located in the Saxony-Anhalt region in Germany. The following are the current and expected future trends in the property market in Germany, including some specific analysis on the property market in the Saxony-Anhalt region:

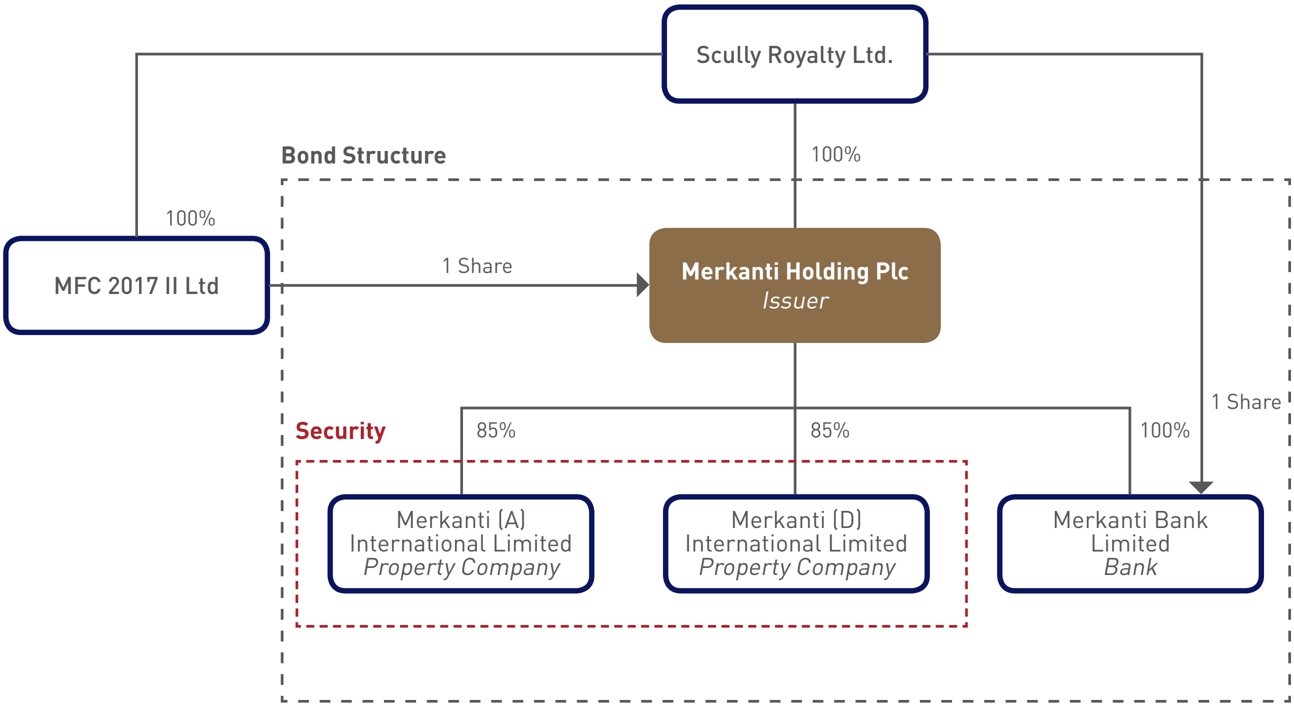
The manufacturing sector in Germany and rental prices – The Property Companies mainly lease out industrial space for storage and production facilities. Industrial production in Germany was forecasted by the German Federal Statistics Office to grow by 2.2% by the end of 2018, which presents an opportunity for the expansion of the market for rental of industrial space in all German states, including Saxony-Anhalt.

Projected rental market rates in Saxony-Anhalt – The annual market rent growth rate for office space of Saxony-Anhalt is estimated at 0.5%. A 2018 report by Savills (one of the world's largest real estate services firms) Germany, also noted that rents in the area are expected to rise over the long term. The Savills report also makes reference to the high demand for logistic assets, which is leading to an increase in demand for risky properties and for properties located in smaller regions, including Saxony-Anhalt.

Improved accessibility in Saxony-Anhalt – There are currently seven highways in Saxony-Anhalt following completion of works on a federal road at the end of 2018. A well-developed transportation network is an important location factor. It is thus expected that an additional highway will benefit the entire region by improving accessibility and increasing business and tourism. A new highway in the vicinity of Arneburg is also being constructed and is expected to be completed by 2030 while certain parts are expected to be completed before this date. The proposed highway will improve access to Stendal and to the Industrial and Commercial Park Altmark.

The 2014-2020 Rural Development Programme for Saxony-Anhalt – The European Commission adopted the Rural Development Programme outlining priorities for using public funds allocated to Saxony-Anhalt for the 7-year period 2014-2020. Amongst other initiatives, this programme aims to provide better rural infrastructure through actions such as investing in physical assets and in high-speed broadband, enhancing village development, and improving local basic services. Another important element of the programme is to tackle Saxony-Anhalt's vulnerability to flooding of the Elbe River. Following the implementation of the various initiatives outlined in this programme, it is expected that Saxony-Anhalt will enhance its investment desirability, increasing the likelihood of higher demand for industrial space and improved rental rates in the area.

B.5 The following diagram illustrates the organisational structure of the Group:



B.8 The following selected key pro forma financial information is indicated for illustrative purposes only. It addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

Merkanti Holding plc **Pro forma consolidated Income Statement** **Amounts in €000's**	**31 Dec 2018 Actual**	**31 Dec 2018 Pro forma**	**Change (+/-)**
Revenue	2,576	5,376	2,800
General and administrative expenses	(1,887)	(3,838)	(1,950)
Repairs and maintenance costs	-	(775)	(775)
Operating Profit	**689**	**763**	**75**
Financing costs and changes in expected credit losses	511	505	(6)
Profit before tax	**1,200**	**1,268**	**69**
Taxation	(1)	(22)	(22)
Profit after tax	**1,199**	**1,246**	**47**
Profits attributable to NCI	-	(15)	(15)
Profits attributable to Merkanti Holding	**1,199**	**1,231**	**32**

B.8 The following selected key pro forma financial information is indicated for illustrative purposes only. It addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

B.9 *Not Applicable* – This Prospectus does not contain any profit forecasts or estimates.

B.10 *Not Applicable* – There are no qualifications in the audit reports on historical financial information.

B.12 ***Results for the financial years ended 31 December 2016, 2017 and 2018***

Merkanti Holding plc **Statement of Financial Position as at 31 December** **Amounts in €000's**	**2016** **Audited**	**2017** **Audited**	**2018** **Audited**
Non-current assets			
Investments in subsidiaries	57,241	17,241	46,723
Current assets			
Loan and other receivables	40,100	35,075	5,569
Total assets	**97,342**	**52,316**	**52,292**
Equity and liabilities			
Equity	52,331	52,291	52,253
Liabilities	45,011	25	38
Total equity and liabilities	**97,342**	**52,316**	**52,292**

Merkanti Holding plc **Income Statement for the years ended 31 December** **Amounts in €000's**	**2016** **Audited**	**2017** **Audited**	**2018** **Audited**
Interest income net of interest expense	(194)	211	78
Administrative expenses	(10)	(250)	(16)
Changes in expected credit losses	-	-	517
Profit / (Loss) before tax	**(205)**	**(39)**	**578**
Taxation	-	(2)	(1)
Profit after tax	**(205)**	**(40)**	**578**

There has been no material adverse change in the prospects of the Issuer, nor has there been any significant change in the financial or trading position of the Issuer, since the last published audited financial statements of the Issuer in respect of the financial year ended 31 December 2018.

B.13 *Not Applicable* – The Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its solvency.

B.14 The Issuer is the holding and finance company of the Group. Accordingly, the Issuer is dependent on the business prospects, operations and performance of its subsidiaries: Merkanti Bank and the Property Companies.

B.15 The Issuer is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group.

B.16 All of the Ordinary A Shares of the Issuer are held by Scully Royalty. As holder of the Ordinary A Shares, Scully Royalty holds all of the voting rights in the Issuer, including the right to vote on any resolution appointing directors of the Issuer.

B.17 *Not Applicable* – The Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds.

Section C – Securities

C.1 The Issuer will issue Bonds up to a maximum aggregated principal amount of €25,000,000. The Bonds will be issued at their Nominal Value (€100 per Bond) subject to a minimum subscription amount of €2,000 in Nominal Value of Bonds. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the CSD Register. The Bonds will have the following ISIN: MT0002291202.

C.2 The Bonds are denominated in Euro (€)

C.5 *Not Applicable* – The Bonds are freely transferable

C.8 Bondholders will have such rights as are attached to the Bonds, including (i) the right to repayment of capital, (ii) the right to payment of interest, (iii) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds and (iv) such other rights attached to the Bonds arising from the Terms and Conditions.

The Bonds (their repayment, and the payment of interest thereon) shall constitute the general, direct, unconditional and unsecured obligations of the Issuer to the Bondholders, and shall at all times rank *pari passu*, without any priority or preference, among themselves and with other outstanding and unsecured debt of the Issuer, present and future.

C.9 Each Bond shall bear interest on its outstanding principal amount at a rate of 4% per annum from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date. Interest shall be payable in arrears in Euro on each Interest Payment Date (including the Maturity Date). The first payment of interest shall be made on the first Interest Payment Date. In the event that any Interest Payment Date falls on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day. The gross yield calculated on the basis of the interest rate of the Bonds, the Issue Price, and the redemption value (at Nominal Value) of the Bonds is 4%.

Equity Wealth Solutions Limited is the Trustee and representative of the Bondholders.

C.10 *Not Applicable* – There is no derivative component in the interest payments under the Bonds.

C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List. The Bonds are expected to be admitted to listing on 16 August 2019 and trading is expected to commence on 19 August 2019.

Section D – Risks

D.2 The holding of Bonds involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations, as well as all the other information contained in the Prospectus, before deciding to acquire Bonds. Prospective Investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may result in them losing a substantial part of all of their investment.

This document contains statements that are or may be deemed to be "forward-looking statements", which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its Directors. 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 Directors. No assurance is given that the future results or expectations will be achieved.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, Section 1 entitled "Risk Factors", for an assessment of the factors that could affect the Issuer's future performance.

The risk factors set out below are merely a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary.

Key information on the key risks that are specific to the Issuer, Merkanti Bank and the Property Companies:

i. Risks Relating to the Issuer and the Group:

Dependence on Subsidiaries **– The Issuer is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Issuer is economically dependent on the Group and, specifically, on the operating and financial performance of Merkanti Bank and the Property Companies.**

Concentration Risk **– Concentration risk, which may occur both at Group level and at the level of the Issuer's subsidiaries, may arise because of lack of diversification in business that may lead to excessive exposures or concentration in one counterparty or group of connected counterparties. Concentration risk may also arise in terms of geographies, regions, countries, industries, products, counterparties or for connectivity or inter-relationships that may exist between them.**

Risks relating to Major Shareholder **– Scully Royalty is the sole major shareholder of the Issuer, which could lead to a higher dependency on one large shareholder group, whether for capital or funding, creating a risk of 'contagion' if that shareholder were to find itself in financial difficulties. A controlling shareholder will**

also have control or significant influence over material matters affecting the Issuer and the controlling shareholders' interests may not always be aligned with those of the Bondholders.

Strategic and Business Risk – Strategic risk is the risk associated with the future business plans and strategies of the Group. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective financial results. As the Group is engaged in German property business, this risk category is intimately connected with the overall performance of the global and German economy. In addition, the Group is engaged in the trade finance and merchant banking business, which is intimately connected with the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

Risks Associated with the Group's Indebtedness – The Group may continue to fund its operations and future growth by incurring additional debt. A substantial deterioration in operating cash flows and profitability could make it difficult for the Group to service interest payments and principal repayments on its borrowings. The Group could be at risk of default on the occurrence of certain unexpected events. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements.

ii. Risks Relating to Merkanti Bank:

Regulatory Risk – Merkanti Bank is subject to a number of prudential and regulatory controls, including but not limited to CRD IV, CRR and BRRD, that are designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. Merkanti Bank therefore faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital resources and capital ratios at all times. Any legislative or regulatory actions and any resulting changes required to be made to Merkanti Bank's operations could adversely affect its business.

Risks Relating to the Subordinated Loan – €4,500,000 of the Bond Issue proceeds will be lent by the Issuer to Merkanti Bank pursuant to the Subordinated Loan. The R&R Regulations provide for various powers and tools of the Resolution Committee should it consider that all of the conditions set out in Regulation 32 of the R&R Regulations are met. As such, if Merkanti Bank is under resolution the Resolution Committee may exercise the bail-in tool in respect of Merkanti Bank and the Subordinated Loan and could write-down or convert the Subordinated Loan into equity, which may result in a loss in value of the Subordinated Loan.

Risks Relating to the Merchant Banking Business – Merkanti Bank's merchant banking business could experience significant periodic variations in revenues and results of operations in the future. The merchant banking business is also highly competitive and competitors have substantially greater capital and resources, including access to supply, than Merkanti Bank has. If Merkanti Bank is unable to compete effectively, its business and results of operations will be adversely affected.

Transaction Risk – The trade finance and merchant banking business is subject to certain transaction risks that may have a material adverse effect on Merkanti Bank's financial performance and condition, including market and credit risk arising from proprietary investing activities. An unsuccessful investment may, for example, result in the total loss of such investment and may have a material adverse effect on the business, results of operations, financial condition and cash flow of the Issuer

Country Risks – In conducting its business Merkanti Bank operates in various markets and is subject to political, economic, legal, operational and other risks that are inherent in operating in other countries. Merkanti Bank is expected to conduct a portion of its operations in emerging markets, which are often less economically, socially and politically stable than more developed markets, which create various country risks such as, for example, political, social and economic instability, government intervention in the market and lack of poor condition of infrastructure.

Systemic Risk – Due to the high level of interdependence between financial institutions, Merkanti Bank is and will continue to be subject to the risk of deterioration of the (actual or perceived) commercial and financial soundness of other financial services institutions, which is often referred to as "systemic risk". Even the perceived lack of creditworthiness of about a single counterparty may lead to market wide liquidity problems and losses or defaults by other institutions, including Merkanti Bank.

Litigation Risk – Merkanti Bank is exposed to various forms of legal risk arising from its trade finance, merchant banking and other banking activities. Legal risks arise from the possibility that unenforceable contracts, lawsuits, or adverse judgements can disrupt or otherwise negatively affect the operations or condition of Merkanti Bank. Merkanti Bank carries on business in various parts of the world and under different legal systems. Merkanti Bank is particularly susceptible to legal risks when entering into structured transactions in emerging markets, where its legal rights might be susceptible to non-enforcement because of uncertainties of the local legal and judicial system.

iii. Risks Relating to the Property Companies and the German Real Estate:

Real Estate Market Risks **– The Property Companies and in turn, the Issuer, are exposed to the real estate and property market. This market is, among other things, affected by shifts in demand and supply, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Changes in regulatory requirements and applicable laws (such as taxation and planning permits), political conditions, conditions of the financial markets, inflation, interest rate fluctuations, the availability of financing, yields of alternative investments and other factors may also have an adverse effect on the property market and, in turn, the capital values and income streams of the German Real Estate.**

Valuation Risk **– The valuations of the German Real Estate have been prepared by an independent real estate advisory firm which is experienced in the real estate industry and market in Germany. Valuation of property is inherently subjective due to the individual nature of each property and the assumptions upon which valuations are carried out. In providing a market value for German Real Estate, this independent real estate advisory firm has made certain assumptions which ultimately may be materially different from the actual or future values.**

Tenant and Rental Income Risk **– The Property Companies and in turn, the Issuer, are reliant on the rental income stream of the German Real Estate. This revenue is primarily dependent on tenants fulfilling their obligations under their lease agreements with Property Companies. The Property Companies are therefore subject to the risk that tenants may terminate or elect not to renew their respective lease/s. This risk increases where there is a significant concentration in a particular category of tenants. In case of early termination, there will be a risk of loss of rental income if the tenant is not replaced in a timely manner. This may jeopardise the Group's profitability, unless new tenants are sought and found. Increases in supply of and declines in demand for such property to be leased may also put downward pressure on the leases which the Group will be able to achieve, or even make it more difficult to lease the German Real Estate.**

Illiquidity of Real Estate **– Real estate is generally a relatively illiquid asset, and such illiquidity may affect the Group's ability to vary its portfolio or dispose of, or liquidate, part of the portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other circumstances. There is no assurance that valuations of the Group's properties and property-related assets will reflect actual market values that could be achieved upon an eventual sale.**

Exposure to the German Industrial Sector **– The German Real Estate consists of industrial parks that are exposed to industrial sector in Germany, which in turn is vulnerable to trends in the German economy. The industrial sector may be affected by a downturn in economic conditions or similar developments, which could negatively impact the Property Companies' ability to lease out part or all of the German Real Estate.**

D.3 Key information on the key risks that are specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus:

Perfection of the German Law Mortgages **– While the German Law Mortgages have been granted by the Property Companies in favour of the Trustee (for the benefit of the Bondholders) and the notary before whom the Mortgage Deeds were signed has submitted the application for their registration to the German land register, the German Law Mortgages have not yet been registered as at the date of this Prospectus, which means that the German Law Mortgages have not yet been perfected and will not secure the Issuer's obligations to Bondholders until the date on which they are eventually registered in the German land register. The Bonds will still be issued on the Issue Date even if the German Law Mortgages are not yet registered by then, presenting a risk that, in the case of an Event of Default prior to their registration, the Trustee will not be able to enforce the same and the Bondholders will have no prior ranking privilege over the German Real Estate. The Bondholders will instead be secured by the Interim Pledge of Bond Proceeds, although the value of the security in this case (the expected €24.5m net proceeds of the Bond Issue held in the Interim Bank Account) will be substantially lower than the value of the German Real Estate (approximately €35.1m). In addition, if the German Law Mortgages are not registered by the Longstop Date, the Bonds shall automatically be redeemed as of the Longstop Date.**

Risk relating to Security and Enforcement Rights **– Although the obligations of the Issuer to the Bondholders in respect of the Bonds will be secured by means of the Security granted in favour of the Trustee for the benefit of the Bondholders, there can be no guarantee that any other prior ranking privileges or security in specific situations will not arise by operation of law during the course of the Issuer's business which may rank with priority or preference to the Security. Moreover, the Security is granted to the Trustee (for the benefit of the Bondholders) pursuant to the terms of the Trust Deed and each of the Security Documents. The Bondholders**

cannot enforce their rights (as set out in the Trust Deed and Security Documents) against the Issuer (and/or the Property Companies, as applicable) without the involvement of the Trustee. The Trust Deed contains a number of provisions that prospective investors should be aware of prior to acquiring any Bonds.

***Suitability of Investment* – An investment in the Issuer may not be suitable for all recipients of this Prospectus and investors are urged to consult an independent investment adviser licensed under the Investment Services Act as to the suitability or otherwise of an investment in any of the Bonds before making an investment decision. In the event that the prospective investor does not seek independent financial advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her financial situation, investment objectives, knowledge and experience.**

***Liability for the Bonds* – The Bonds are an obligation of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Prospectus including but not limited to the Issuer's service providers.**

***No Prior Market* – Prior to the Bond Issue, there has been no public market nor any trading record of the Bonds in or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Issue Price will correspond to the price at which the Bonds will trade in the market following the Bond Issue.**

***No Assurance of Active Secondary Market for the Bonds* – The existence of a liquid market for the Bonds will depend on various factors over which the Issuer has no control and it is impossible to guarantee a liquid or any secondary market for the Bonds after their admission to trading or that such a market, should it develop, will subsist.**

***Interest Rate Risk* – Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates.**

***No Restriction on the Issuer Incurring Additional Indebtedness* – The Bonds do not restrict the Issuer's ability to incur additional debt or securing that indebtedness in the future, which actions may negatively affect the Issuer's financial position and its ability to make payments on the Bonds when due.**

***No Rating* – The Issuer does not intend to request any independent rating of the Bonds, whether by an internationally recognised rating agency or otherwise. The lack of a rating may adversely affect the transfer of the Bonds by the Bondholders.**

***Changes to the Terms and Conditions* – In the event that the Issuer wishes to amend any of the Terms and Conditions it shall call a meeting of Bondholders. The Terms and Conditions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.**

Section E – Offer

E.2b The net proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €24,500,000, will be utilised for the following purposes:

- €4,500,000 will be used to grant the Subordinated Loan to Merkanti Bank, with the intention that the Subordinated Loan will qualify as Tier 2 Capital and used by Merkanti Bank to increase its regulatory capital in anticipation of the expansion of its trade finance and merchant banking business.
- €10,500,000 will be deposited with Merkanti Bank by way of one or more term deposits, to be utilised by Merkanti Bank for the expansion of its trade finance and merchant banking business.
- €6,750,000 and €2,750,000 will used to grant the Loans to Merkanti (A) and Merkanti (D), respectively. Approximately €3,200,000 and €1,300,000 will be utilised by Merkanti (A) and Merkanti (D), respectively, for the purpose of maintaining sustainable income including, but not limited to, the financing of maintenance costs relating to the German Real Estate and may potentially also be utilised for the purpose of generating further sustainable income including, but not limited to, construction and other development costs relating to the German Real Estate, the acquisition of other industrial parks or similar immovable property or assets located in Germany. Approximately €3,550,000 and €1,450,000 will be utilised by Merkanti (A) and Merkanti (D), respectively, for general corporate funding purposes.

E.3 The key terms and conditions of the offer of the Bonds are the following:

Aggregate Nominal Amount:	Up to €25,000,000
Nominal Value:	€100 per Bond
Issue Price:	At Nominal Value (€100 per Bond)
Minimum Subscription Amount:	€2,000 and multiples of €100 thereafter
Minimum Aggregate Subscription:	€15,500,000
Plan of Distribution:	The Issuer has reserved the full amount of the Bond Issue (up to an aggregate amount of €25,000,000) for subscription by Authorised Intermediaries, either for their own account or for the account of their underlying customers.
Application Forms Available:	29 July 2019
Offer Period:	the period between 09:00 hours CET on 29 July 2019 and 17:00 hours CET on 9 August 2019 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription
Application Deadline:	9 August 2019
Issue Date:	12 August 2019

E.4 *Not Applicable* – Other than the possible subscription for Bonds by Authorised Intermediaries (including the Sponsor) and any fees payable to the Sponsor (in its capacity as Sponsor, Manager and Registrar) in connection the Bond Issue, the Issuer is not aware of any person involved in the Bond Issue that has a material interest in the Bond Issue.

E.7 *Not Applicable* – The Issuer will not charge any of its expenses to the Bondholders.

1. RISK FACTORS

1.1 General

AN INVESTMENT IN THE BONDS ISSUED BY THE ISSUER INVOLVES CERTAIN RISKS, INCLUDING BUT NOT LIMITED TO THOSE RISKS DESCRIBED IN THIS SECTION. THE FOLLOWING RISKS ARE THOSE IDENTIFIED BY THE ISSUER AS AT THE DATE OF THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, TOGETHER WITH THEIR INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS (NOT LISTED IN ORDER OF PRIORITY) AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE ISSUER AND THE BONDS.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES THAT MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PROBABILITY OF A PARTICULAR CAUSE OF LOSS ARISING OR OF THE EXTENT OF THAT LOSS SHOULD IT ARISE.

SHOULD ANY OF THE RISKS DESCRIBED BELOW MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE BONDS.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW MAY NOT BE THE ONLY ONES THAT THE ISSUER FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE THE DIRECTORS OF THE ISSUER MAY NOT CURRENTLY BE AWARE OF, COULD WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CAREFULLY READ, CONSIDER AND UNDERSTAND THE PROSPECTUS AS A WHOLE BEFORE INVESTING IN THE BONDS. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISK MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

1.2 Forward Looking Statements

This document includes statements that are or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements are based purely on the intentions, beliefs or current expectations of the Issuer and/or the Directors. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will occur.

Forward-looking statements, by their very nature, involve substantial uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the Issuer's control. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's actual results of operations and financial condition may, as a result of many different factors, differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations and financial condition of the Issuer are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Subject to its legal and regulatory obligations (including those under the Listing Rules), the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

1.3 Risks Relating to the Issuer and the Group

1.3.1 Dependence on Subsidiaries

The Issuer is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Issuer is economically dependent on the Group and, specifically, on the operating and financial performance of Merkanti Bank and the Property Companies. The risks associated with Merkanti Bank and the Property Companies as described in Sections 1.4 and 1.5 below, respectively, are therefore relevant to the Issuer and, the materialisation of any of these risks will have a direct impact on the performance and financial position of the Issuer as well as its ability to meet its obligations to Bondholders.

1.3.2 Concentration Risk

Concentration risk, which may occur both at Group level and at the level of the Issuer's subsidiaries (i.e. Merkanti Bank and the Property Companies), may arise because of lack of diversification in business that may lead to excessive exposures or concentration in one counterparty or group of connected counterparties. Furthermore, concentration risk may also arise in terms of geographies, regions, countries, industries, products, counterparties or for connectivity or inter-relationships that may exist between them.

1.3.3 Key Person Risk

The Group's future success depends to a significant degree on the skills, experience and efforts of its executives and the loss of their services may compromise its ability to effectively conduct business. The Group does not maintain "key person" insurance in relation to any employees.

1.3.4 Recruitment and Retention of Personnel

The Group is dependent upon the continued availability and commitment of management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Group's business operations. From time to time, the Group also needs to identify and retain additional skilled management and specialised technical personnel to efficiently operate the business. Recruiting and retaining qualified personnel is critical to the success of the Group's business and there can be no assurance of the Group's ability to attract and retain such personnel. If not successful in attracting and retaining qualified personnel, the Group's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on the financial performance and condition of the Issuer.

1.3.5 Information Technology Risks

The Group uses information technologies, including information systems and related infrastructure as well as cloud applications and services, to store, transmit, process and record sensitive information, including employee information and financial and operating data, communicate with employees and business partners and for many other activities related to the business. The Group's business partners, including operating partners, suppliers, customers and financial institutions, are also dependent on digital technology. Some of these business partners may be provided limited access to sensitive information or the Group's information systems and related infrastructure in the ordinary course of business.

Despite security design and controls, the Group's information technology systems, and those of its third party partners and providers, may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, the activities of hackers, unauthorised access attempts and other security issues or may be breached due to employee error, malfeasance or other disruptions. Any such interruption or breach could result in operational disruptions or the leaking of confidential or sensitive data.

The proper functioning of the Group's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. In addition, errors may be repeated or compounded before they are discovered and rectified. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.

1.3.6 Interest Rate Risk

The Group's operations are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or at different amounts. A mismatch in the timing of the maturity or re-pricing of interest-earning assets and liabilities may have a negative impact on the financial performance of the Group.

1.3.7 Risks relating to Major Shareholder

The Issuer's major shareholder is Scully Royalty. With Scully Royalty as the major shareholder of the Issuer, there could possibly be a higher dependency on one large shareholder group, whether for capital or funding, which always highlights the risk of 'contagion' if that shareholder were to find itself in financial difficulties. In addition, the controlling shareholders' interests may not always be aligned with those of the Bondholders and such controlling shareholders will have control or significant influence over material matters affecting the Issuer.

1.3.8 Operational Risk

Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. The Group's activities are subject to operational risk, including but not limited to weak or non-adherence to internal controls and corporate governance. Such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner and may cause the interests of the Group to be compromised particularly if risk mitigants in place, such as insurance and/or collateral fail.

1.3.9 Reputational Risk

Reputational risk is the risk that negative publicity regarding the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions, which could in turn could have a material adverse effect on the Group's operations, earnings and financial position. Reputational risk could be particularly damaging for the Group since the nature of its business requires maintaining the confidence of depositors, creditors, regulatory authorities and of the general marketplace. Reputational risk may arise, for example, as a result of operational failures or failure to comply with relevant local and international laws and regulations.

1.3.10 Strategic and Business Risk

Strategic risk is the risk associated with the future business plans and strategies of the Group. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective financial results. As the Group is engaged in German property business, this risk category is intimately connected with the overall performance of the global and German economy. In addition, the Group is engaged in the trade finance and merchant banking business, which is intimately connected with the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability. Closely linked with the above, business risk is the risk associated with the particular business and operating circumstances of the Group, and is more within the control of decisions taken by management but which nevertheless can have a significant impact on operating and business results.

1.3.11 Risks Associated with the Group's Indebtedness

The Group may continue to fund its operations and future growth by incurring additional debt. Borrowings under any bank credit facilities may be at variable interest rates, which may expose the Group to the risk of increases in interest rates. The agreements regulating the borrowings may impose certain operating restrictions and financial covenants on the Group. These restrictions and covenants could limit the Group's ability to obtain future financing, implement capital expenditures, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities. A portion of the cash flow generated from operations is utilised to repay the Group's debt obligations. This gives rise to a reduction in the amount of cash flows which would otherwise be available for funding of the Group's working capital, capital expenditure, development costs, and other general corporate purposes.

The use of borrowings presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its facility agreements. A substantial deterioration in operating cash flows and profitability could make it difficult for the Group to service interest payments and principal repayments on its borrowings. The Group could be at risk of default on the occurrence of certain unexpected events. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Group's financial profile. In such an event, the Group may be obliged to sell some of its assets to meet such obligations or seek alternative finance to repay such borrowings. Defaults may also lead to the enforcement of security over certain assets. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing.

1.3.12 Change of Control

A potential change in ownership or control of the Issuer may potentially have a negative impact on the Group's business operations and financial results, or its future prospects. New shareholders or a new majority shareholder may be in a position to change the business and financial strategy in way that has a negative impact on the operations, the financial performance or the financial profile of the Group, or in a way that ultimately conflicts with the interest of investor in the Bond Issue.

1.4 Risks Relating to Merkanti Bank and its Business

1.4.1 Bank Regulatory Risk

Merkanti Bank is subject to a number of prudential and regulatory controls, designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk, including but not limited to CRD IV, CRR and BRRD.

Merkanti Bank therefore faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. The interpretation and the application by regulators of existing laws and regulations to which Merkanti Bank is subject may also change from time to time. The manner in which those laws and related regulations are applied to the operations of credit institutions is therefore still evolving. Any legislative or regulatory actions and any required changes to Merkanti Bank's business operations resulting from such legislation and regulations could result in significant loss of revenue, limit the ability to pursue business opportunities in which Merkanti Bank 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. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect Merkanti Bank and its financial position.

CRD IV and CRR

CRD IV and CRR introduced significant changes in the prudential regulatory regime applicable to banks with effect from 1 January 2014, including: (i) increased minimum levels of capital and additional minimum capital buffers; (ii) enhanced quality standards for qualifying capital; (iii) increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and (iv) the future introduction of a minimum leverage ratio. CRD IV and CRR requirements adopted or applicable in Malta may change, whether as a result of further changes to CRD IV or CRR agreed by European Union legislators, binding regulatory technical standards to be developed by the European Banking Authority, changes to the way in which the Malta Financial Services Authority and/or the European Central Bank interprets and applies these requirements to banks under its supervision. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to Merkanti Bank's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

A perceived or actual shortage of capital held by Merkanti Bank could result in actions by regulatory authorities, including public censure and the imposition of sanctions, in case no action is taken by the Group to rectify its position. This may also affect Merkanti Bank's capacity to continue its business operations, generate a sufficient return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, affecting future growth potential. If, in response to any such shortage, Merkanti Bank raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their investment.

With respect to the payment of future dividends, the banking rule entitled The Supervisory Review Process of Credit Institutions authorised under Banking Act 1994 (BR/12/2014) transposes into Maltese law some of the provisions of the CRD IV. According to Paragraph 9 of this rule, the MFSA will review and evaluate credit institutions' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with own funds' requirements. The MFSA will take supervisory action if the result of this review process is considered inadequate. In line with Article 104(1)(i) of the CRD IV, one of the supervisory powers of the MFSA is to restrict or prohibit distributions or interest payments by an institution to shareholders, members or holders of Additional Tier 1 instruments where the prohibition does not constitute an event of default of the institution.

Additionally, the banking rule entitled Capital Buffers of Credit Institutions Authorised under Banking Act 1994 (BR/15/2015) also transposes into Maltese law some of the provisions of the CRD IV which might affect the payment of future dividends. Paragraph 40 of this rule prevents institutions that meet the combined buffer requirement from making distributions in connection with 'Common Equity Tier 1 Capital' to an extent that would decrease their Common Equity Tier 1 Capital to a level where the combined buffer requirement is no longer met. Moreover, according to Paragraphs 41 to 45 of this rule, institutions that fail to meet the combined buffer requirements are required to calculate the 'Maximum Distributable Amount' and are prohibited, before the calculation of the Maximum Distributable Amount, from, amongst others, making a distribution in connection with Common Equity Tier 1 Capital. As a result Merkanti Bank may therefore, along with other restrictions on distributions, be restricted from distributing dividend payments. On 23 November 2016, the European Commission released a proposal to revise CRD IV (COM (2016) 854 final) and CRR (COM (2016) 850 final). The legislative process to which these revisions will be subject creates significant uncertainties as to the final form of the proposed legislation, so it is not possible to properly assess their potentially impact on Merkanti Bank at this stage.

BRRD

On 6 May 2014, the Council of the European Union adopted the BRRD. The BRRD was published in the Official Journal of the European Union on 12 June 2014 and came into force on 2 July 2014. The powers provided to resolution authorities under the BRRD include write-down powers to ensure relevant capital instruments absorb losses upon, amongst other events, the occurrence of the non-viability of the relevant institution or its parent company, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. The BRRD as it relates to capital write-down was required to be implemented by European Union Member States not later than 1 January 2015 with a more general bail-in tool (applicable to a broader range of eligible liabilities) implemented from 1 January 2016.

On 23 November 2016, the European Commission released a proposal to revise BRRD (COM (2016) 852 final). The legislative process to which the proposed revisions will be subject creates significant uncertainties as to the final form of the proposed legislation, so it is not possible to properly assess their potentially impact on Merkanti Bank at this stage.

The R&R Regulations, transpose into Maltese law the provisions of the BRRD. Pursuant to Article 7B of the MFSA Act, the Board of Governors of the MFSA also acts as the 'Resolution Authority' for the purposes of Article 3 of the BRRD. The Resolution Authority has appointed a 'Resolution Committee' whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the R&R Regulations. The R&R Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the R&R Regulations are met. In certain instances, the Resolution Authority needs to work hand in hand with the Single Resolution Board being the European resolution authority within the Eurozone's banking union. The Single Resolution Board assesses, in cooperation with national resolution authorities, the resolvability of banks of Members States participating in the Eurozone's banking union and creates their resolution plans. Responsibilities for resolution are shared between the Single Resolution Board, the national resolution authorities of participating Member States, the European Commission and the ECB in particular.

In the case of institutions (primarily credit institutions and certain investment firms) that meet the applicable conditions for resolution, the Resolution Committee has the following tools available at its disposal: (i) the sale of business tool: enabling the Resolution Committee to affect a sale of the whole or part of the business; (ii) the bridge institution tool: providing for a new institution to continue to provide essential services to clients of the institution under resolution; (iii) the asset separation tool: enabling the transfer of 'bad' assets to a separate asset management vehicle; and (iv) the bail-in tool: ensuring that most unsecured creditors bear losses and bail-in the institution under resolution.

The Resolution Committee must exercise the power to write down and convert shares and other capital instruments immediately before or together with the application of a resolution tool. Any bail-in of capital instruments will mean that shareholders might have some or all of their shareholdings diluted or cancelled without compensation. The power to write down or convert capital instruments may be exercised by the Resolution Committee either: (i) independently of resolution action; or (ii) in combination with a resolution action, where the conditions for resolution are met.

Once the conditions for resolution are met, however, the bail-in of shares and other capital instruments must be exercised before any resolution action is taken. Regulation 34 of the R&R Regulations sets out a number of general principles which are applicable when applying such resolution tools and exercising such resolution powers, including that (i) the shareholders of the institution under resolution bear first losses and (ii) the creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims under normal insolvency proceedings, save as expressly provided otherwise in the R&R Regulations.

Pursuant to Regulation 63 of the R&R Regulations, the Resolution Committee has very wide powers as necessary to apply the resolution tools (which include the sale of business tool, the bridge institution tool, the asset separation tool and the bail-in tool described above), including, but not limited to: (i) the power to take control of an institution under resolution and exercise all the rights and powers conferred upon the shareholders, other owners and the board of directors of the institution under resolution; (ii) the power to transfer shares or other instruments of ownership issued by an institution under resolution; (iii) the power to transfer to another entity, rights, assets or liabilities of an institution under resolution; and (iv) the power to reduce, including to zero, the nominal amount of shares or other instruments of ownership of an institution under resolution and to cancel such shares or other instruments of ownership.

The BRRD (as transposed into Maltese law) may have a direct and significant impact on the Issuer's shareholding in Merkanti Bank. Should Merkanti Bank become subject to such write-down, conversion or resolution powers, it may adversely affect Merkanti Bank's business, financial condition, ability to pay dividends, results of operations and/or prospects. In addition, the Issuer's shareholding in Merkanti Bank may be diluted or cancelled by the Resolution Committee without any compensation.

1.4.2 Risks relating to the Subordinated Loan

As described below in Section 6.1 below, an amount of €4,500,000 of the Bond Issue proceeds will be lent by the Issuer to Merkanti Bank pursuant to the Subordinated Loan. It is intended that the Subordinated Loan will qualify as Tier 2 Capital for the purposes of Article 63 of the CRR and will be used by Merkanti Bank to increase its regulatory capital under the CRD IV in anticipation of the expansion of its trade finance and merchant banking business. The Subordinated Loan will have a maturity of seven (7) years, although prepayment is permitted subject to any regulatory approval and subject to the applicable provisions of the CRR.

In any event, the Issuer will be entitled, subject to the applicable provisions of the CRR, to demand the repayment of the Subordinated Loan at any time after the fifth (5th) anniversary of its issuance. The Subordinated Loan will constitute a direct, unsecured obligation of the Issuer. Subject to applicable law, in the event of the liquidation of Merkanti Bank, bankruptcy proceedings or any other similar proceedings affecting the Issuer's claims against Merkanti Bank in respect of the Subordinated Loan shall rank: (a) subordinated in right of payment to the claims of all depositors and other unsubordinated secured and unsecured creditors of Merkanti Bank; (b) *pari passu* with the claims of all subordinated creditors of Merkanti Bank which by law rank, or by their terms are expressed to rank, *pari passu* with the Subordinated Loan; and (c) senior to Merkanti Bank's ordinary shares, preference shares and any junior subordinated obligations or other securities of Merkanti Bank which by law rank, or by their terms are expressed to rank, junior to the Subordinated Loan.

Moreover, as described in Section 1.4.1 above, the R&R Regulations provide for various powers and tools of the Resolution Committee in the event that the Resolution Committee considers that all of the conditions set out in Regulation 32 of the R&R Regulations are met by Merkanti Bank. As such, the Resolution Committee may exercise the bail-in tool (in accordance with Regulation 43 of the R&R Regulations) in respect of Merkanti Bank and the Subordinated Loan if

Merkanti Bank is under resolution, which may result in a loss in value of the Subordinated Loan, whereby it may be subject to a write-down or conversion into equity, the extent of which depends on Regulation 36 of the R&R Regulations. Such a development could have an adverse impact on the financial performance and condition of the Issuer and its ability to meet its obligations to Bondholders.

1.4.3 Risks relating to the Global Economy and Financial Markets

Merkanti Bank's operations are affected by conditions in the global economy and financial markets. Changes in overall economic conditions, inflation, consumer and business spending, recession, unemployment and other such general factors, which are beyond Merkanti Bank's control, may affect in a negative way Merkanti Bank's overall performance and results. Furthermore, certain activities are particularly affected by the level of cross-border trade between countries at varying stages of their economic development, including countries which may not yet have achieved the level of political stability of countries members of the Organisation for Economic Cooperation and Development (OECD). A significant economic downturn may affect Merkanti Bank's financial performance and condition. Additionally, customers may also be adversely affected by an economic downturn. Depending on its severity and duration, the effects and consequences of a global economic downturn could also have a material adverse effect on liquidity and capital resources, including the ability to raise capital, if needed, and otherwise negatively impact business and financial results. In particular, Merkanti Bank may face, among others, the following specific risks related to any future economic downturn: increased regulation of banking operations; compliance with such regulation may increase the costs of banking operations, adverse pricing of products and services may limit the ability to pursue business opportunities; reduced demand for Merkanti Bank's products and services; inability of customers to comply fully or in a timely manner with their existing obligations; and the degree of uncertainty concerning economic conditions may adversely affect the accuracy of estimates, which, in turn, impact the reliability of the process and the sufficiency of credit loss allowances.

1.4.4 Data Protection Risk

Merkanti Bank is subject to significant regulation regarding the use of personal customer data. Merkanti Bank processes personal customer data (including but not limited to name, address and bank details) as part of its business, some of which may be sensitive personal data, and therefore must comply with strict data protection and privacy laws and regulations. Such laws restrict Merkanti Bank's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes.

Merkanti Bank is also at risk from cyber-crime. Notwithstanding Merkanti Bank's efforts to ensure compliance with the relevant data protection regulations and protection from cyber-crime, Merkanti Bank is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection and privacy laws and regulations. If Merkanti Bank or any of the third-party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, Merkanti Bank could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations. Merkanti Bank could also be targeted by other forms of fraudulent activity. Any of these events could also result in the loss of the goodwill of its customers and deter new customers that could have a material adverse effect on Merkanti Bank's business, financial condition, results of operation and prospects.

The GDPR (Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data) became effective on 25 May 2018. The GDPR introduced substantial changes to data protection law, including an increased emphasis on businesses being able to demonstrate compliance with their data protection obligations, which requires significant investment by Merkanti Bank in its compliance strategies. In addition, relevant supervisory authorities are given the power to impose fines of up to 4% of an undertaking's annual global group turnover or €20 million (whichever is the greater) for failure to comply with provisions of the GDPR.

1.4.5 Compliance with Anti-Money Laundering Laws; Failure of Systems and Controls

Ongoing amendments to sanctions, anti-money laundering and similar laws in countries in which Merkanti Bank operates impose significant compliance burdens on Merkanti Bank. Merkanti Bank has adopted policies and procedures to ensure compliance with anti-money laundering laws and international sanctions, including internal controls and "know-your-customer" procedures aimed at preventing money laundering and terrorist financing. Despite this, participation of multiple parties in any given transaction undertaken by Merkanti Bank can often make the process of due diligence difficult. Further, because trade finance can be more document-based than certain other banking activities, it is more susceptible to documentary fraud, which can be linked to money laundering, terrorism financing, illicit activities and/or the circumvention of sanctions or other restrictions (such as export prohibitions, licensing requirements or other trade controls). While Merkanti Bank will remain alert to high-risk transactions, illicit practices such as forgery, double invoicing, partial shipments of goods and use of fictitious goods, may be used to evade applicable laws and regulations. Should Merkanti Bank's policies and procedures prove to be ineffective in preventing third parties from using its finance operations as a conduit for money laundering or terrorism financing without its knowledge, Merkanti Bank's reputation could suffer and/or Merkanti Bank could become subject to fines, sanctions or legal action (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with Merkanti Bank), which could have an adverse effect on Merkanti Bank's business, financial condition and results of operations.

1.4.6 Risks relating to Merchant Banking Business

Merkanti Bank's merchant banking business could experience significant periodic variations in revenues and results of operations in the future. These variations may be attributed in part to the fact that such revenues are often earned upon the successful completion of a transaction, the timing of which is uncertain and beyond Merkanti Bank's control. In many cases, Merkanti Bank may receive little or no payment for engagements that do not result in the successful completion of a transaction.

All aspects of the merchant banking business are highly competitive, and are expected to remain so. Competitors include merchant and investment banks, brokerage firms, commercial banks, private equity firms, hedge funds, financial advisory firms and natural resource and mineral royalty companies. Many competitors have substantially greater capital and resources, including access to supply, than Merkanti Bank has. Principal factors affecting competition in this business include transaction execution, products and services, client relationships, reputation, innovations, credit worthiness and price. The scale of Merkanti Bank's competitors has also increased in recent years as a result of substantial consolidation. These firms have the ability to offer a wider range of products than Merkanti Bank, which may enhance their competitive position. If Merkanti Bank is unable to compete effectively with its competitors, its business and results of operations will be adversely affected.

1.4.7 Counterparty Risk

The trade finance and merchant banking business is subject to commercial risks, which include counterparty risk, such as failure of performance by counterparties. Merkanti Bank is exposed to the risk that parties owing it or its clients and other financial intermediaries may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. These counterparty obligations may arise, for example, from placing deposits, the extension of credit or guarantees in trading and investment activities and participation in payment, securities and supply chain transactions on Merkanti Bank's behalf and as an agent on behalf of Merkanti Bank's clients. If any such customers or counterparties default on their obligations, Merkanti Bank's business, results of operations, financial condition and cash flow could be adversely affected.

1.4.8 Risks relating to Large Capital Commitments

Merkanti Bank may enter into large transactions in which it commits its own capital as part of its merchant banking business. The number and size of these large transactions may materially affect Merkanti Bank's results of operations in a given period. To the extent that Merkanti Bank owns assets (i.e. long positions), a downturn in the value of those assets or in the markets in which those assets are traded or situated could result in losses. Conversely, to the extent that Merkanti Bank has sold assets it does not own (i.e. short positions) in any of those markets, an upturn in those markets could expose Merkanti Bank to potentially large losses as Merkanti Bank attempts to cover Merkanti Bank's short positions by acquiring assets in a rising market.

1.4.9 Transaction Risk

The trade finance and merchant banking business is subject to certain transaction risks that may have a material adverse effect on Merkanti Bank's financial performance and condition. Whilst transaction risks are managed by allocating and monitoring capital investments in circumstances where the risk to capital is minimal, carefully screening clients and transactions and engaging qualified personnel to manage transactions, transaction risks can arise from proprietary investing activities, and can include market and credit risks. Merkanti Bank intends to make investments in highly unstructured situations and in companies undergoing severe financial distress and such investments often involve severe time constraints. These investments may expose Merkanti Bank to significant transaction risks. An unsuccessful investment may result in the total loss of such investment and may have a material adverse effect on the business, results of operations, financial condition and cash flow of the Issuer.

1.4.10 Risks relating to Derivatives

Merkanti Bank may, from time to time, enter into derivative transactions that require it to deliver to the counterparty an underlying security, loan or other obligation in order to receive payment. Such derivative transactions may expose Merkanti Bank to unexpected market, credit and operational risks that could cause Merkanti Bank to suffer unexpected losses. Severe declines in asset values, unanticipated credit events or unforeseen circumstances may create losses from risks not appropriately taken into account in the structuring and/or pricing of a derivative transaction. In a number of cases, Merkanti Bank may not hold the underlying security, loan or other obligation and may have difficulty obtaining, or be unable to obtain, the underlying security, loan or other obligation through the physical settlement of other transactions. As a result, Merkanti Bank is subject to the risk that it may not be able to obtain the security, loan or other obligation within the required contractual time frame for delivery. This could cause Merkanti Bank to forfeit the payments due to it under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to Merkanti Bank.

1.4.11 Country risks

In conducting its business Merkanti Bank operates in various markets and is subject to political, economic, legal, operational and other risks that are inherent in operating in other countries. These risks range from difficulties in settling transactions in emerging markets to possible nationalization, expropriation, price controls, exchange rate controls and other restrictive governmental actions, and terrorism. If any of these risks materialise, Merkanti Bank's business, financial performance and condition could be negatively impacted. In particular, international lending and business with international counterparties includes country risk, which is the risk associated with the economic, social and political environment of the borrower's home country.

Merkanti Bank is expected to conduct a portion of its operations in emerging markets. Emerging markets are often less economically, socially and politically stable than more developed markets. Some emerging markets in which the Group is expected to operate are still in the process of evolving into market economies featuring the type of market-oriented economy generally associated with developed markets. Such country risks may have a material impact on Merkanti Bank's business, operating results, cash flows and financial condition including acts of warfare, civil clashes; political, social and economic instability; government intervention in the market, including tariffs, protectionism and subsidies; changes in regulatory, taxation and legal structure; difficulties and delays in obtaining permits and consents for operations and developments; inconsistent governmental action and/or lack of poor condition of infrastructure. An additional component of country risk is transfer risk, which arises when a borrower's obligation is not denominated in its local currency, in which case there is a risk that the currency in which the obligation is denominated may become unavailable to the borrower regardless of its particular financial condition.

The ineffectiveness of the legal and judicial systems in some of the emerging markets, including those in which Merkanti Bank may be carrying out activities, may pose difficulties or Merkanti Bank in preserving its legal rights. Since the success of Merkanti Bank depends on a good understanding of the markets and countries where it does (or proposes to develop) business, an inability to monitor those countries closely, whether because of lack of reliable market information, an interruption in communication flows, an incapacity to visit those countries regularly, or otherwise, raises the country risk to varying extents.

1.4.12 Brexit

On 29 March 2017 the United Kingdom gave formal notice under Article 50 of the Treaty on the European Union of its intention to leave the European Union. The terms of the UK's exit from the EU remain unclear and will be determined by ongoing negotiations between the UK and the EU. It is possible that the UK will leave the EU with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties within the allotted time.

If the UK Government leaves the EU with no withdrawal agreement, it is likely that a high degree of political, legal, economic, regulatory and other uncertainty will result in the UK and possibly the rest of the EU. According to the Brexit Sensitivity Index, a survey of 20 countries most exposed to a potential UK exit from the EU issued by Standard & Poors, Malta is in second place on the frontline of economies susceptible to trade and migratory repercussions from a decision by the UK to leave to the EU.

Merkanti Bank conducts business with counterparties in various jurisdictions and markets including various EU member states other than Malta. Brexit might have a direct or indirect impact on the business environment within which Merkanti Bank currently operates and any potential business that Merkanti Bank may wish to conduct in the UK in the future. As at the date of this Prospectus, in the absence of any defined plan, the full impact of Brexit cannot be assessed appropriately.

1.4.13 Credit risk

Credit risk is the risk that one party to a financial transaction might fail to discharge an obligation and cause the other party to incur a financial loss. Merkanti Bank finances international trade (inclusive of factoring and forfaiting) in many countries worldwide, especially emerging markets, which in turn entails an exposure to sovereign, bank and corporate credit risk respectively. Credit risk is not only akin to loans but also to other on- and off-balance sheet exposures such as letters of credit, guarantees, acceptances and money market operations. Credit risk can also arise from other business transactions offered by the Group, including but not limited to, local short and medium-term real estate facilities, ship financing and leasing.

1.4.14 Credit Rating Risk

Merkanti Bank relies on leading global credit rating agencies for its risk assessment purposes. Rating agencies publish their independent opinions on the creditworthiness of debt issuers, in terms of both their ability and willingness to honour financial commitments on a timely basis. Given its substantial international business, Merkanti Bank focuses primarily on the long-term ratings assigned by rating agencies to the obligations of Merkanti Bank's clients, which ratings indicate the probability of the debt repayments due to Merkanti Bank. Rating agencies do not assume any direct responsibility to lenders or investors for the ratings they assign to particular entities or obligations. Moreover, credit ratings are subject to downgrading or removal and foreign currency ratings tend to experience more volatility than those relating to obligations denominated in the rated entity's own currency.

1.4.15 Liquidity risk

Liquidity risk arises in the general funding of Merkanti Bank's activities and the management of positions. There is a risk that Merkanti Bank may be unable to meet its obligations as they become due because of an inability to liquidate assets or obtain adequate funding (referred to as 'funding liquidity risk') or that it cannot easily liquidate an asset or offset specific exposures in an appropriate time-frame without significantly lowering market prices because of inadequate market depth or market disruptions ('market liquidity risk'). Merkanti Bank could therefore be at risk of default on the occurrence of certain unexpected events. In such an event, Merkanti Bank may be forced to sell some of its assets to meet such obligations or seek alternative finance to repay its borrowings. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Group's financial condition.

1.4.16 Bank Funding Risks

Merkanti Bank obtains funding through corporate deposits, funding from related parties through deposits, capital funding and international interbank funding. In contrast to a number of other banks in Malta, Merkanti Bank does not rely on the retail deposit market. The availability of commercial deposits may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. Moreover, the utilisation of wholesale funding from the international interbank market could increase risks if funding from such markets were to become scarcer or more expensive. Any such decrease in Merkanti Bank's ability to obtain funding at attractive levels may adversely affect margins and profitability, potentially materially affecting the financial performance and condition of Bank.

1.4.17 Foreign Exchange Risk

Merkanti Bank is also exposed to foreign exchange risk. These exposures include the monetary assets and monetary liabilities of the Group, together with an element of income and expenses that are not denominated in the functional currency of Merkanti Bank. Transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement.

1.4.18 Settlement Risk

Merkanti Bank faces settlement risk due to the fact that few financial transactions are settled simultaneously or on a same day basis. Consequently, Merkanti Bank could suffer a loss if the counter-party fails to deliver on settlement date.

1.4.19 Litigation Risk

Merkanti Bank is exposed to various forms of legal risk arising from its trade finance, merchant banking and other banking activities. Legal risks arise from the possibility that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of Merkanti Bank. Merkanti Bank carries on business in various parts of the world and under different legal systems. Merkanti Bank is particularly susceptible to legal risks when entering into structured transactions in some of the emerging markets in which it is dealing and when its legal rights might be susceptible to non-enforcement because of uncertainties of the local legal and judicial system. These risks include potential liability for advice provided to participants in corporate transactions and disputes over the terms and conditions of complex arrangements. Merkanti Bank also faces the possibility that counterparties in transactions will claim that it improperly failed to inform them of the risks involved or that they were not authorised or permitted to enter into such transactions with Merkanti Bank, accordingly, that their obligations are not enforceable. During a prolonged market downturn, these types of claims could be expected to increase.

1.4.20 Systemic Risk

Due to the high level of interdependence between financial institutions, Merkanti Bank is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Even the perceived lack of creditworthiness of, or concerns about, a single counterparty may lead to market wide liquidity problems and losses or defaults by Merkanti Bank or by other institutions. This risk is often referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Such systemic risk could also have a material adverse effect on Merkanti Bank's ability to obtain new wholesale funding, which could affect its financial performance and condition.

1.4.21 Risk Management Limitations or Failures

Merkanti Bank may use a variety of instruments and strategies to manage exposure to various types of risks. Merkanti Bank may, for example, use derivative foreign exchange contracts to manage Merkanti Bank's exposure and its clients' exposure to foreign currency exchange rate risks. If any of the variety of instruments and strategies utilised to manage the exposure to various types of risk are not effective, the Group may incur losses. Many of such strategies are based on historical trading patterns and correlations. However, these strategies may not be fully effective in mitigating Merkanti Bank's risk exposure in all market environments or against all types of risk. Unexpected market developments may affect risk management strategies and unanticipated developments could impact risk management strategies in the future.

1.4.22 Risks relating to Projected Growth

Merkanti Bank's management intends to pursue growth in banking operations, particularly in trade finance and merchant banking activities, via both existing operations and through the introduction of new products and services. In order to expand market share Merkanti Bank may take on or increase its exposure to a variety of risks, including credit and counterparty risks, as it increases its asset portfolio. Whilst Merkanti Bank expects to maintain enhanced monitoring of lending policies and procedures, credit and other risk management policies, provisioning and collateral levels, the increase in lending and investing activities could further increase credit and other risks, potentially resulting in a deterioration in overall asset quality as well as higher levels of provisioning and non-performing loans.

1.5 Risks Relating to the Property Companies and the German Real Estate

1.5.1 Real Estate Market Risks

The Property Companies and in turn, the Issuer, are exposed to the real estate and property market. This market is, among other things, affected by shifts in demand and supply, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Changes in regulatory requirements and applicable laws (such as taxation and planning permits), political conditions, conditions of the financial markets, inflation, interest rate fluctuations, the availability of financing, yields of alternative investments and other factors may also have an adverse effect on the property market and, in turn, the capital values and income streams of the German Real Estate.

1.5.2 Valuation Risk

The valuations of the German Real Estate referred to in the Prospectus have been prepared by the Property Valuer, an independent real estate advisory firm which is experienced in the real estate industry and market in Germany. Valuation of property is inherently subjective due to the individual nature of each property and the assumptions upon which valuations are carried out. In providing a market value for German Real Estate held by each Property Company, this independent real estate advisory firm has made certain assumptions which ultimately may cause the actual value to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such valuations of the German Real Estate will reflect actual market values and the Property Companies may be negatively affected by a decline in capital and rental values of the German Real Estate, resulting in potential impairments in value.

1.5.3 Tenant and Rental Income Risk

The Property Companies and in turn, the Issuer, are reliant on the rental income stream of the German Real Estate as a fundamental source of income. The revenue generated from the Property Companies' leasing activities is primarily dependent on tenants fulfilling their obligations under their lease agreements with Property Companies. The Property Companies are therefore subject to the risk that tenants may terminate or elect not to renew their respective lease/s, either due to the expiration of the lease term or due to an early termination of the lease. This risk increases where there is a significant concentration in a particular category of tenants. There can be no assurance that the tenants will not fail to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Property Companies' control, which failure may have a material adverse effect on the financial condition of the Property Companies, and in turn of the Issuer, the results of their operations and their prospects. In case of early termination, there will be a risk of loss of rental income if the tenant is not replaced in a timely manner. This may jeopardise the Group's profitability, unless new tenants are sought and found. Increases in supply of and declines in demand for such property to be leased may put downward pressure on the leases which the Group will be able to achieve, or even make it more difficult to lease the German Real Estate. This may have an adverse impact on the financial performance and condition of the Group.

1.5.4 Illiquidity of Real Estate

Real estate is generally a relatively illiquid asset, and such illiquidity may affect the Group's ability to vary its portfolio or dispose of, or liquidate, part of the portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market, or other conditions or the exercise by tenants of their contractual rights such as those which enable them to vacate properties occupied by them prior to, or at, the expiration of the lease term. These factors could have an adverse effect on the Group's financial condition and results. There is no assurance that valuations of the Group's properties and property-related assets will reflect actual market values that could be achieved upon an eventual sale.

1.5.5 Exposure to Trends in the German Industrial Sector

The German Real Estate consists of industrial parks that are exposed to industrial sector in Germany, which in turn is vulnerable to trends in the German economy. The industrial sector may be affected by a downturn in economic conditions or similar developments, which could negatively impact the Property Companies' ability to lease out part or all of the German Real Estate.

1.5.6 Environmental Risk

The Property Companies and the German Real Estate present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of government laws and regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Compliance with such laws and regulations can require significant expenditures, and a breach may result in the imposition of fines and penalties, which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Any breach of environmental legislation by any tenant and operator of the German Real Estate or by the Property Companies, as owner of the German Real Estate, could have a material impact on the viability of the relevant property and impair the revenue derived from the owned property or applicable royalty or other interest, which could have a material adverse effect on the Group's operations and financial condition. Furthermore, environmental hazards may exist on the German Real Estate that are unknown to the Property Companies at present and have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations or permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in resource operations or in the exploration or development of resource properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Property Companies may not be fully insured against certain environmental risks, either because such insurance is not available or because of high premium costs. In particular, insurance against risks from environmental pollution occurring over time, as opposed to sudden and catastrophic damages, is generally not available on economically reasonable terms. Accordingly, the German Real Estate may be subject to liability due to hazards that cannot be insured against or that have not been insured against due to prohibitive premium costs or for other reasons.

1.5.7 Governing Law and Jurisdiction

The lease agreements to which the Property Companies are a party are governed by the laws of Germany and any disputes arising under such agreements are subject to the jurisdiction of the courts or arbitral tribunals in Germany. As the Issuer and the Property Companies are Maltese companies, this increases the complexity involved in any dispute or legal proceeding arising on the basis of these agreements, as a foreign legal element is involved.

1.6 Risks Relating to the Bonds

1.6.1 Suitability of Investment

An investment in the Issuer may not be suitable for all recipients of this Prospectus and investors are urged to consult an independent investment adviser licensed under the Investment Services Act as to the suitability or otherwise of an investment in any of the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that each prospective investor: (a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds and understand the merits and risks of investing in the Bonds and the information contained, or incorporated by reference, in the Prospectus or any Supplement; (b) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency; (c) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and (d) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. In the event that the prospective investor does not seek independent financial advice and/or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her financial situation, investment objectives, knowledge and experience.

1.6.2 Bond Issue subject to Satisfaction of Conditions Precedent

The issue and allotment of the Bonds is conditional upon: (a) approval by the Malta Stock Exchange of the Issuer's application for the Bonds to be admitted to the Official List; (b) a minimum aggregate subscription amount of €15,500,000; and (c) the Security being properly constituted and perfected in favour (and to the satisfaction) of the Trustee (with the exception of the perfection of the German Law Mortgages, which may take place after the issue of the Bonds as described in Section 6.5.1 below). No Bonds shall be issued and allotted until all of these conditions are satisfied. In the event that any of these conditions are not satisfied by the close of the Offer Period, the Bond Issue will be withdrawn or revoked unilaterally by the Issuer, and all application monies shall be returned in full without interest to Bondholders.

1.6.3 Perfection of the German Law Mortgages

While the German Law Mortgages have been granted by the Property Companies in favour of the Trustee (for the benefit of the Bondholders) upon the signing of the Mortgage Deeds by the Property Companies on 27 June 2019, and the notary before whom the Mortgage Deeds were signed has submitted the application for their registration to the German land register on 4 July 2019, the German Law Mortgages have not yet been registered in the land register as at the date of this Prospectus. This means that the German Law Mortgages have not yet been perfected and will not secure obligations of the Issuer to the Bondholders under the Bonds until the date on which they are eventually registered in the land register. The Issuer expects that the German Law Mortgages will be registered by the Issue Date. In the event that the German Law Mortgages are not registered by the Issue Date, the Bonds will nevertheless be issued on the Issue Date. This presents a risk that, in the case of an Event of Default prior to the registration of the German Law Mortgages, the Trustee will not be able to enforce the same and the Bondholders will have no prior ranking privilege over the German Real Estate. The Bondholders will instead be secured by the Interim Pledge of Bond Proceeds, although the value of the security in this case (i.e. the net proceeds of the Bond Issue held in the Interim Bank Account) will be substantially lower (expected to amount to approximately €24.5m) than the value of the German Real Estate (approximately €35.1m, on the basis of the Valuation Reports) that would secure the obligations of the Issuer to the Bondholders under the German Law Mortgages (if properly registered in the land register).

In addition, if the German Law Mortgages are not registered by the Longstop Date, this will constitute an Event of Default and, in accordance with Section 8.15.2 below, the Bonds shall automatically be redeemed as of the Longstop Date without the need for any notice to be given (or any other action taken) by the Trustee or the Bondholders. Bondholders will be entitled to, in respect of Bonds so redeemed, prompt repayment by the Issuer of their Nominal Value together with interest accrued until the Longstop Date, and once the Bonds are redeemed the Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If such an Event of Default were to materialise, a Bondholder would not receive the same return on investment that it would have received if they were redeemed on the Maturity Date. In addition, Bondholders may not be able to re-invest their redemption proceeds at yields that would have been received had they not been redeemed.

1.6.4 Risks relating to the Security and Enforcement Rights

The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct and unconditional obligations of the Issuer to the Bondholders, secured in the manner described in Section 8.4 below, and shall at all times rank *pari passu*, without any priority or preference among themselves. The Bonds shall rank subsequent to any other prior ranking indebtedness of the Issuer.

Although the obligations of the Issuer to the Bondholders in respect of the Bonds will be secured by means of the Security granted in favour of the Trustee for the benefit of the Bondholders, there can be no guarantee that any other prior ranking privileges or security in specific situations will not arise by operation of law during the course of the Issuer's business which may rank with priority or preference to the Security.

Moreover, the Security is granted to the Trustee (for the benefit of the Bondholders) pursuant to the terms of the Trust Deed and each of the Security Documents. By acquiring Bonds, each Bondholder is considered to be bound by the terms of the Trust Deed as if such Bondholder had been a party to it. The protection and exercise of the Bondholders' rights against the Issuer and the enforcement of the Security or other claims under the Bonds must be exercised exclusively through the Trustee as specified in the Trust Deed, which therefore limits the Bondholders from enforcing their rights against the Issuer (and/or the Property Companies, as applicable) directly, whether through individual or collective action, without the involvement of the Trustee.

The Trust Deed contains a number of provisions that prospective investors should be aware of prior to acquiring any Bonds. Accordingly, investors should read the entirety of the Trust Deed prior to acquiring any Bonds. For instance, in terms of the Trust Deed:

a. The Trustee shall not be liable for any default or breach of duty or trust committed by its act or omission or that of any of the former or current trustee or any of the Trustee's agents or advisers or for any loss or depreciation in value or loss of profits howsoever caused which may be suffered in respect of the capital or income of the Trust Property (as defined in the Trust Deed), unless such default or breach is, or such loss or depreciation in value or loss of profit is caused by (i) the fraud, wilful misconduct or gross negligence of the Trustee and/or (ii) an act or omission in respect of which that Trustee cannot under the Maltese law lawfully be exonerated from personal liability by the terms of the Trust Deed;

b. The Trustee shall not be liable for any error of judgment committed in good faith unless it shall be proved that it was grossly negligent in ascertaining the pertinent facts;

c. **The Trustee is not bound to declare the Bonds to have become immediately due and repayable in the case of an Event of Default unless requested to do so by a resolution passed by Bondholders holding not less than sixty-six and two-thirds percent (66 2/3%) of the outstanding Bonds in Nominal Value of the Bonds held by those Bondholders present at a meeting of the Bondholders or at any adjourned meeting thereof, as the case may be;**

d. **The Trustee is not bound and shall not be bound to take any proceedings and/or any other action to enforce the Security unless it has been (i) directed to do so by Bondholders holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at a meeting of the Bondholders called for that purpose or at any adjourned meeting thereof, as the case may be, and (ii) indemnified and, if it so requires, secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing;**

e. **The Trustee shall not be bound to take any steps to ascertain whether any Event of Default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such Event of Default or condition, event or circumstance has happened and that the Issuer and the Property Companies are observing and performing all applicable obligations, conditions and provisions contained in the Trust Deed, the Security Documents and the Prospectus;**

f. **The Trustee is required to accept allow the release of part/s of the Security proposed by the Issuer in accordance with the specific conditions set out in the Trust Deed (as described in Section 6.5.2 below); and**

g. **The Bondholders are entitled to require the Trustee to convene a meeting of the of Bondholders in accordance with the Terms of the Trust Deed.**

1.6.5 No Prior Market

Prior to the Bond Issue, there has been no public market, nor any trading record of the Bonds, within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the Issue Price will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue.

1.6.6 No Assurance of Active Secondary Market for the Bonds

The existence of an orderly and liquid market for the Bonds will depend on a number of factors, including the presence of willing buyers and sellers of the Bonds at any given time and over whom the Issuer has no control. Accordingly, it is impossible to guarantee a liquid or any secondary market for the Bonds after their admission to trading or that such a market, should it develop, will subsist. Illiquidity can have a severe adverse effect on the market value of the Bonds and the price quoted by Bondholders for Bonds already admitted to trading on the Official List may be at a significant discount to the original purchase price of those Bonds. There can be no assurance that Bondholders will be able to sell the Bonds at or above the price at which the Issuer issued the Bonds or at all.

1.6.7 No Assurance of Future Price Level of Bonds

The Issuer cannot provide any assurance as to the future price level of the Bonds. If any of the Bonds are traded following their issue, they may trade at a discount or premium from their initial issue price. In addition to the Issuer's creditworthiness, many other factors may affect the trading market for, and market value of, the Bonds. These factors include: general economic conditions; the performance and prospects of the Issuer; the time remaining to maturity; redemption or repayment features; and the level, direction and volatility of market interest rates generally.

1.6.8 Interest Rate Risk

The Bonds are fixed rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise. Moreover, fixed rate debt securities with a longer period to maturity will tend to reflect a greater degree of secondary market price volatility relative to movements in market interest rates when compared to fixed rate debt securities with a shorter remaining life.

1.6.9 Currency Risk

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

1.6.10 Changes in Circumstances

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

1.6.11 No Restriction on the Issuer Incurring Additional Indebtedness

The Bonds do not restrict the Issuer's or the Property Companies' ability to incur additional debt or securing that indebtedness in the future, which actions may negatively affect the Issuer's financial position and its ability to make payments on the Bonds when due.

1.6.12 No Rating

The Issuer does not intend to request any independent rating of the Bonds, whether by an internationally recognised rating agency or otherwise. The lack of a rating may adversely affect the transfer of the Bonds by the Bondholders.

1.6.13 Suspension of Trading or Discontinuation of Listing

Even after the Bonds are admitted to trading on the Official List, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it determines that such action is required for the protection of investors or of the integrity or reputation of the market. The Listing Authority may also discontinue the listing of the Bonds on the Official List. Any trading suspension or listing discontinuation described above could have a material adverse effect on the liquidity and value of the Bonds.

1.6.14 Change of Law

The Terms and Conditions of Bonds offered pursuant to this Prospectus are based on Maltese law in effect as at the date hereof. Any disclosure or information included in this Prospectus relating to German law are also based on German law in effect as of the date hereof. No assurance can be given as to the impact of any possible judicial decision or change in Maltese or German (as applicable) law or administrative practice after the date of this Prospectus or that such judicial decision or change will not result in any adverse effects on the rights of the Bondholders.

1.6.15 Changes to the Terms and Conditions

In the event that the Issuer wishes to amend any of the Terms and Conditions it shall call a meeting of Bondholders in accordance with the provisions of Section 8.13 below. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

1.6.16 Liability for the Bonds

The Bonds are an obligation of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Prospectus including but not limited to the Issuer's service providers.

THE FOREGOING RISK FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE LIST OF ALL OF THE RISKS AND CONSIDERATIONS INVOLVED IN INVESTING IN THE BONDS. IN PARTICULAR, THE ISSUER'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE ISSUER AND/OR THE BONDS.

2. PERSONS RESPONSIBLE AND CONSENT FOR USE OF PROSPECTUS

2.1 Persons Responsible

All of the Directors whose names appear under Section 3.1 of this Prospectus are the persons responsible for all of the information contained in this Prospectus. To the best of the knowledge and belief of the Directors the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

2.2 Consent for Use of Prospectus

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

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

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

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

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

Investors should enquire whether an intermediary is considered to be an Authorised 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 Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

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

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

Any new information with respect to any Authorised Intermediary unknown at the time of approval of this Prospectus will be made available through a company announcement which will be made available on the Issuer's website (www.merkantiholding.com).

3. DIRECTORS, ADVISORS AND STATUTORY AUDITORS

3.1 Directors and Officers

As at the date of this Prospectus, the Board is composed of the following persons:

Mario Galea	Independent Non-Executive Director and Chairman
Benjamin Muscat	Independent Non-Executive Director
Silke Stenger	Independent Non-Executive Director
Sam Morrow	Executive Director

The company secretary of the Issuer is GANADO Services Limited (C 10785).

The business address of the Directors is that of the Issuer. The *curriculum vitae* of each the Directors are set out in Section 5.2 below.

3.2 Advisors

Legal Counsel (Maltese law)	**GANADO Advocates** 171, Old Bakery Street Valletta, VLT 1455 Malta
Reporting Accountants	**PricewaterhouseCoopers** 78, Mill Street Qormi QRM 3101 Malta
Sponsor, Manager and Registrar	**Curmi & Partners Ltd** Finance House, Princess Elizabeth Street Ta' Xbiex XBX 1102 Malta

The services of the Issuer's legal counsel and other advisors in respect of this Prospectus are limited to the specific matters upon which they have been consulted. There may be other matters that would have a bearing on the Issuer or an investment in the Bonds upon which the Issuer's legal counsel and other advisors have not been consulted. The Issuer's legal counsel and other advisors do not undertake to monitor the compliance by the Issuer with its obligations as described in this Prospectus, nor do they monitor the Issuer's activities for compliance with applicable laws. Additionally the Issuer's legal counsel and other advisors have relied and continue to rely upon information furnished to it by the Issuer and the Directors, and have not investigated or verified nor will it investigate or verify the accuracy and completeness of information set out herein concerning the Issuer, the Issuer's service providers or any other parties involved in the issue of the Bonds (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Issuer's legal counsel accepts no responsibility for any description of matters in this Prospectus that relate to (and any issues arising from) any applicable law that is not Maltese law.

3.3 Statutory Auditors

PricewaterhouseCoopers of 78, Mill Street, Qormi QRM 3101, Malta, have been appointed as the Issuer's statutory auditors until the end of the next annual general meeting of the Issuer. PricewaterhouseCoopers is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta) with registration number AB/26/84/38.

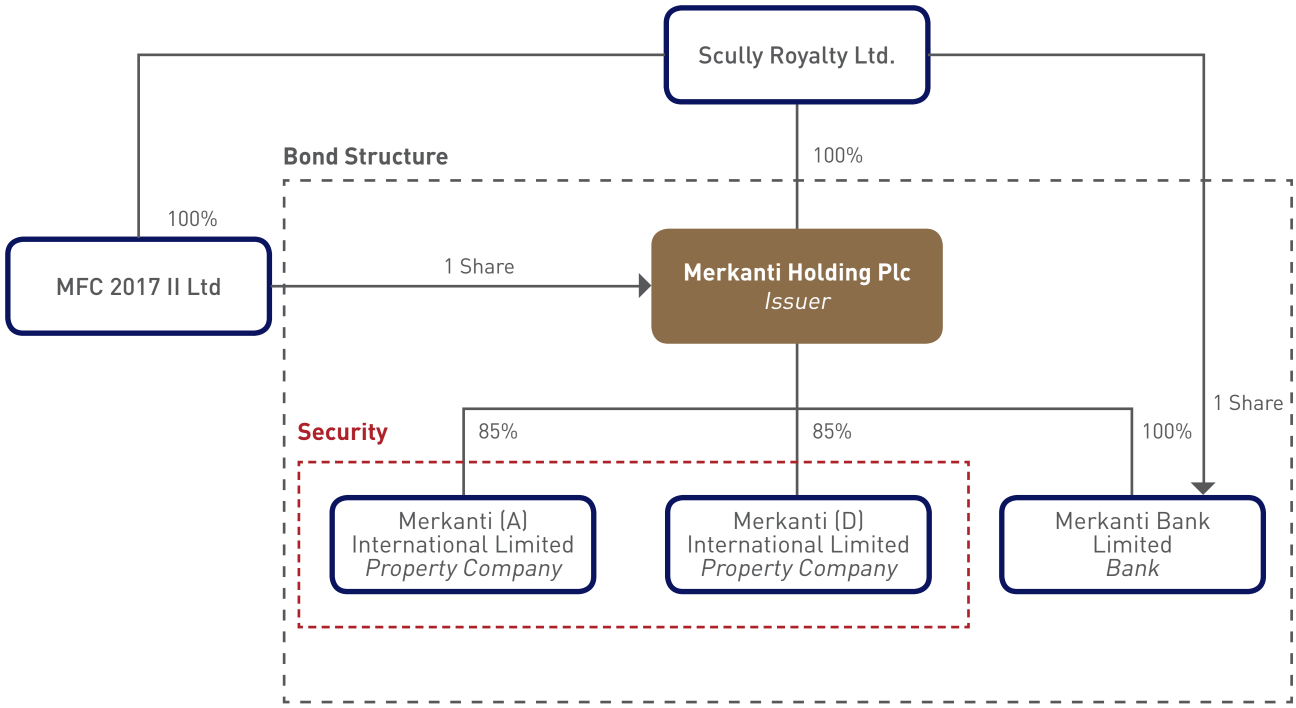
4. THE ISSUER

4.1 General Information

Legal & Commercial Name:	Merkanti Holding p.l.c.
Company Registration Number:	C 70823
Legal Form:	public limited liability company established under the Companies Act
Place of Registration & Domicile:	Malta
Date of Registration:	28 May 2015
Registered Office Address:	The Plaza Commercial Centre, Level 4, Suite 7, Bisazza Street, Sliema SLM 1640, Malta
Telephone Number:	+356 23 286 000
E-mail Address:	info@merkantiholding.com
Website:	www.merkantiholding.com

4.2 Group Organisational Structure

The following diagram illustrates the corporate structure of the Group as at 31 December 2018:



The principal activities of each company are described in further detail in Section 4 below.

4.3 Business Overview of the Issuer

4.3.1 Historical Development and Recent Events

The Issuer was incorporated as a private limited liability company on the date indicated above and was recently converted to a public limited liability company on 30 May 2019. The Issuer was originally incorporated in 2015 as a holding company for the purpose of the acquisition (and subsequent holding) of Merkanti Bank (at the time BAWAG Malta Bank Limited) from BAWAG P.S.K. (as described in Section 4.5.1 below).

In late 2018 the Issuer commenced a restructuring process in preparation for the Bond Issue. This restructuring comprised of (1) the acquisition of a majority of the shares (85%) in each of the Property Companies from an indirect subsidiary of Scully Royalty, on 27 December 2018 for a purchase price of €29,481,505 (pursuant to the Share Purchase Agreement described in Section 4.10 below) and (2) the redomiciliation of the Property Companies (that were originally incorporated in the Marshall Islands) to Malta. The redomiciliation process concluded on [-] 2019 when each of the Property Companies was issued a certificate of continuation by the Malta Business Registry confirming that each of them has been registered as continuing in Malta pursuant to the Continuation of Companies Regulations (Subsidiary Legislation 386.05 of the laws of Malta).

4.3.2 Principal Activities and Markets of the Issuer

The Issuer is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Issuer is economically dependent on the Group. The principal activities of the Group are comprised of the activities of the Property Companies and the activities of Merkanti Bank, as described in further detail in Sections 4.4 and 4.5 below.

4.3.3 Principal Investments of the Issuer

The Issuer has not entered into nor has it made firm commitments towards any principal investments subsequent to 31 December 2018, being the date of its last published financial statements.

4.4 Business Overview of the Property Companies

4.4.1 Principal Activities of the Property Companies

The Property Companies are property holding companies that operate in the industrial real estate rental sector in Germany, together holding assets recently valued at €35.1 million (see Section 4.4.3 below), yielding a combined rental income of approximately €2.3 million per annum. Each of the Property Companies will enter into a management services agreement with the Issuer (on or around the date of this Prospectus), pursuant to which the Issuer will provide management services in support the Property Companies rental operations, for a management fee (payable by each Property Company) of €150,000 per annum.

The German Real Estate owned by each of the Property Companies (further details on which are set out below) is currently rented out to a number of tenants. Rental agreements in place between the Property Companies and the respective tenants are either open-ended indefinite term contracts or definite term contracts (with a number of definite term rental agreements catering for the automatic renewal of the lease, and with renewal periods ranging from one to six years). In most cases the lessee has the option to terminate the contract by giving written notice a number of months prior the expiration of the contract, which notice period ranges between 3 to 18 months. For the year ending 31 December 2018, 96% of the combined rental income (€2.2 million) was generated from areas rented out to third party tenants, with the remaining 4% generated from rentals to related parties.

4.4.2 Description of the German Real Estate

Industrial and Commercial Park Altmark (Arneburg, Germany)

Merkanti (A) owns the Industrial and Commercial Park Altmark, located in Arneburg, Germany, a 1,864,256 m^2 piece of land that is the largest industrial and commercial park in the German State of Saxony-Anhalt. Merkanti (A) offers developed industrial and commercial land for greenfield investments as well as warehouses, production halls, workshops and offices. There are currently 36 buildings in Industrial and Commercial Park Altmark, which is traditionally a centre for the pulp and paper industry but that has recently made developments towards sustainable energy, with a large solar park built there in 2014. Industrial and Commercial Park Altmark is well connected via a railway system, a connection to its own harbour on the Elbe River which leads directly to the Hamburg International Harbour and a connection to modern roads for transportation by truck. Industrial and Commercial Park Altmark presently yields a rental income of approximately €1.18 million per annum.

A significant portion of Merkanti (A)'s rental income generated in 2018 (47%) was generated by tenants in the wood processing industry. Tenants within the construction industry account for an additional 30% of rental income. The remaining notable portions of rental income are made up of various tenants operating in the property management and transport industries, with an additional few small-scale tenants operating in industries such as telecommunications, manufacturing and agriculture. The main use of the Industrial and Commercial Park Altmark property is for storage purposes, with this activity making up 58% of total rental income during 2018. Approximately 22% of rental income is being generated from tenants using their space for manufacturing purposes, with the property also being used to a lesser extent for office space and agricultural purposes.

Merkanti (A)'s largest tenant by rental income has 8 rental agreements with Merkanti (A) that in total account for approximately 45% of Merkanti (A)'s total rental income in 2018. Five (5) of these rental agreements are for indefinite terms. The other three (3) rental agreements expire in 2020, although each of the relevant rental agreements is subject to automatic renewal for further terms if the lessee does not provide Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

Merkanti (A)'s second largest tenant by rental income has four (4) rental agreements with Merkanti (A) that in total account for approximately 30% of Merkanti (A)'s total rental income in 2018. These rental agreements have different terms. One (1) rental agreement expiring in 2021 is a fixed term agreement that will not be automatically renewed for further terms unless specifically agreed to by both parties. The other three (3) rental agreements expire in 2020, 2021 and 2022, respectively, although each of them is subject to automatic renewal for further terms if the lessee does not provide Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

Dessau-Mitte Industrial Park (Dessau, Germany)

Merkanti (D) owns the Dessau-Mitte Industrial Park, located in Dessau, Germany, a 111,688m^2 development property that offers office and administrative buildings, production halls and warehouses (there are currently 18 buildings in the Dessau-Mitte Industrial Park) and land for industrial investments. The Dessau-Mitte Industrial Park is ideally situated for hosting production, engineering, and servicing companies, currently housing traditional equipment for cement plants, mills, cooling apparatus, drums and rotary furnaces, as well as broad-based engineering services in the field of cement plants and medical technology. The Dessau-Mitte Industrial Park benefits from connections to the autobahn, the national railway and to the Elbe River and its current infrastructure includes two transformer stations, freshwater supply, effluent disposal, district heating lines and a telecommunications network. Dessau-Mitte Industrial Park presently yields a rental income of approximately €1.15 million per annum.

A total of 64% of Merkanti (D)'s revenue generated in 2018 relates to tenants that operate in the manufacturing industry, which proportion represents a significant concentration but which is also reflective of the nature of the property. A further 11% of rental revenue during the same period was generated from tenants operating in the construction industry, with 7% of rental revenue relating to the medical technology industry. Other smaller tenants operate in the security services, artisan advertising and communications industries. Similar to Merkanti (A), Merkanti (D)'s rental income is also highly dependent on the rental of storage space, comprising 51% of the company's rental income. Other uses of the Dessau-Mitte Industrial Park currently include office space, a garage, parking area and a rail system.

One particular tenant accounted for 56% of Merkanti (D)'s rental income in 2018, renting primarily for storage purposes. The rental agreement between this tenant and Merkanti (D) was terminated on 31 December 2018. The property previously rented by this tenant is being rented to Scully Royalty for the time being, although Merkanti (D) is currently looking for a long term tenant and is presently in discussions with multiple prospective tenants in this regard. Merkanti (D) also intends to divide the area in question into smaller spaces in order to increase the marketability of the area for rental.

4.4.3 Valuation of the German Real Estate

The Issuer has obtained an independent assessment of the current market value of the German Real Estate, which assessment is set out in the Valuation Reports prepared by the Property Valuer. The Valuation Reports provided the underlying basis for establishing the consideration for acquisition of the Property Companies referred to in Section 4.3.1 above.

The Property Valuer, Sachverständigenbüro Katrin Zimmermann, is a property valuation firm based in Germany specialising in the valuation of individual real estate as well as complex real estate portfolios property in Germany. Among other qualifications the Property Valuer is the publicly appointed and sworn expert for the valuation of developed and undeveloped land by the Magdeburg Chamber of Industry and Commerce, is a HypZert GmbH ISO / IEC 17024 certified real estate appraiser for financial purposes – CIS HypZert (F) and is a Professional Member of the Royal Institution of Chartered Surveyors (MRICS).

The Property Valuer estimated the aggregate value of the German Real Estate to be in the region of €35.1m as at 31 May 2019. The Valuation Reports were prepared in terms of the relevant German regulations, namely the German Building Code (Baugesetzbuch, BauGB) and ImmoWertV. ImmoWertV was published by the German authorities in order to provide a detailed framework for the determination of market values in terms of Article 194 of the BauGB.

In view of the German Real Estate's underlying characteristics, the valuation of the same was made up of three components: (a) the value of undeveloped land; (b) the value of developed land; and (c) the building value. The value of land, whether undeveloped or developed, is determined on the basis of the comparative value approach (in accordance with Article 15 of ImmoWertV). The application of this valuation methodology is dependent on the availability of comparable prices within the same market. A key consideration is that the comparative figures applied in the valuation are reflective of the real estate being valued. The building value of any developed land is based on the general capitalised value procedure (in accordance with Article 17 of ImmoWertV). In line with this valuation methodology, the value of the developed areas involves capitalising the current net income streams generated from the building at an appropriate discount rate.

The Valuation Reports are annexed to this Prospectus as Annex A.

4.4.4 Overview of the Real Estate Market in Germany (Saxony-Anhalt) and Trend Information

The German Real Estate owned by the Property Companies is all located in the Saxony-Anhalt region in Germany. Below is a brief review of the current and expected future trends in the property market in Germany, including some specific analysis on the property market in the Saxony-Anhalt region.

The Manufacturing Sector in Germany and Rental prices

The Property Companies mainly lease out industrial space for storage and production facilities. As reported by the German Federal Statistics Office, the manufacturing sector contributed to approximately 3% of Germany's Gross Value Added (GVA) in 2017, changing insignificantly from previous years. Industrial production in Germany was forecasted to grow by 2.2% by the end of 2018; this presents an opportunity for the expansion of the market for rental of industrial space in all German states, including Saxony-Anhalt. This notwithstanding, the prime rental locations for the manufacturing sector in Germany include Berlin, Hamburg, Frankfurt and Munich, due to their better connectivity with airports and highways.

As presented in the table below, rental rates for office space and properties used for the purposes of logistics and storage are higher in Dessau-Rosslau when compared to rates in Arneburg. On the other hand, properties used for production and storage purposes are higher in Arneburg *(Source: Market Research from Empirca, Thomas Daily).*

Classification	Min rent (€/sqm)	Max rent (€/sqm)	Median rent (€/sqm)
Arneburg			
Office	1.82	9.00	3.79
Production / Storage	2.00	2.19	2.00
Logistics	1.70	3.10	N/A
Dessau-Rosslau			
Office	4.00	9.60	5.88
Production / Storage	0.25	5.00	1.91
Logistics	1.95	3.30	N/A

Projected rental market rates in Saxony-Anhalt

Average rental growth for office space is expected to reach 2.2% for the top cities in Germany such as Berlin and Munich. As presented in the 'PwC Real Estate Investor Survey' in Germany, regional cities and regions are expected to average growth levels of 1.1% and 1% respectively. The annual market rent growth rate for office space of Saxony-Anhalt is estimated at 0.5%.

A 2018 report 'Germany logistics and industrial investment market' by Savills (one of the world's largest real estate services firms) Germany, also noted that rents in the area are expected to rise over the long term. The Savills report also makes reference to the high demand for logistic assets, which is leading to an increase in demand for risky properties and for properties located in smaller regions, including Saxony-Anhalt.

Improved accessibility in Saxony-Anhalt

There are currently seven highways in Saxony-Anhalt following completion of works on a federal road at the end of 2018. A well-developed transportation network is an important location factor. It is thus expected that an additional highway will benefit the entire region by improving accessibility and increasing business and tourism. A new highway in the vicinity of Arneburg is also being constructed and is expected to be completed by 2030 while certain parts are expected to be completed before this date. The proposed highway will improve access to Stendal and to the Industrial and Commercial Park Altmark.

The 2014-2020 Rural Development Programme for Saxony-Anhalt

The European Commission adopted the Rural Development Programme outlining priorities for using public funds allocated to Saxony-Anhalt for the 7-year period 2014-2020. Amongst other initiatives, this programme aims to provide better rural infrastructure through actions such as investing in physical assets and in high-speed broadband, enhancing village development, and improving local basic services. Another important element of the programme is to tackle Saxony-Anhalt's vulnerability to flooding of the Elbe River. This is intended to be implemented through the restoration of agricultural production potentially damaged by natural disasters and the implementation of a comprehensive flood protection strategy. Following the implementation of the various initiatives outlined in this programme, it is expected that Saxony-Anhalt will enhance its investment desirability, increasing the likelihood of higher demand for industrial space and improved rental rates in the area.

4.5 Business Overview of Merkanti Bank

4.5.1 Principal Activities of Merkanti Bank

Merkanti Bank is a credit institution licensed by the MFSA under Merkanti Banking Act (Chapter 371 of the laws of Malta) that provides merchant banking services, including trade finance, factoring, forfaiting, treasury and correspondent banking services as well as general lending and taking of corporate deposits. Merkanti Bank's operations began in February 2016 after the ECB and MFSA approval of the acquisition of Merkanti Bank from BAWAG P.S.K.

Following its acquisition in 2016, Merkanti Bank has undergone an internal reorganisation process under then Chief Executive Officer, Otto Karasek. During this period the main focus was to revamp Merkanti Bank's internal procedures, systems and corporate governance structures in order to align the organisation with Merkanti Bank's new business model.

Following this two-year period of involvement in a limited number of (primarily intra-group) factoring, loan, trade finance and merchant banking advisory transactions, Merkanti Bank is now investing in the expansion of its core trade finance and merchant banking activities on a larger scale. As described below in Section 6.1, €10,500,000 of the Bond Issue proceeds will be deposited with Merkanti Bank by means of one or more term deposits and €4,500,000 will be lent to Merkanti Bank pursuant to the Subordinated Loan, with these funds to be utilised by Merkanti Bank to finance the expansion of its trade finance and merchant banking business.

This investment in and growth of Merkanti Bank's merchant banking and trade finance activities will be overseen and led by Sam Morrow (one of the Issuer's Executive Directors), who has been appointed as Merkanti Bank's Chief Executive Officer. To further support these efforts, Merkanti Bank has hired additional personnel with experience in trade finance and merchant banking, revamped its procedures and structures, and updated its systems to accommodate the expected growth. Although the main focus of Merkanti Bank will be its trade finance business, Merkanti Bank expects that it will continue to generate fee and interest income from its merchant banking activities by providing credit and risk management, customised financial tools, structured financial solutions and corporate finance services, in addition to realising gains on its proprietary investments from time to time. Merkanti Bank plans to continue its recruiting staff to implement the expansion of its trade finance activities.

Merkanti Bank expects its balance sheet lending and deposit taking to grow at a moderate pace until the end of 2020, stabilising thereafter. In this respect, further to the current merchant banking services being provided, Merkanti Bank will seek to offer a range of financial solutions, including merchant banking and trade finance solutions such as bank guarantees, correspondent banking, international forfaiting services (e.g. purchase of bills of exchange) and treasury activities (e.g. forward contracts and factoring services), amongst others.

Further details on Merkanti Bank can be found at: http://www.merkantibank.com.

4.5.2 Overview of the Market and Trend Information

Although Merkanti Bank will continue to generate fee and interest income from its merchant banking activities Merkanti Bank has, in recent months, decided to re-focus its main strategy on accessing the trade finance market. Below is a brief overview of recent and expected future trends in the global trade finance market. Unless otherwise indicated, the information contained in this Section is sourced primarily from the International Chamber of Commerce (ICC) Global Survey on Trade Finance (2017) and the ICC 2018 Global Survey Report titled *'Global Trade – Securing Future Growth'*.

The Global Economy and Trade Growth

The global economy is experiencing an upturn in investment, manufacturing activity and trade. World Bank reported an estimated increase in global GDP of 3.0% in 2018, which is expected to continue increasing at slightly lower rates until 2020. Growth is particularly strong in emerging markets and developing economies, where growth rates are expected to reach 4.7% in 2020 *(Source: World Bank – Global Economic Prospects, 2018).*

As reported in the ICC 2018 Global Survey Report, world trade volumes in 2017 grew at the fastest rate since 2012. The majority of regions saw an increase in trade growth in 2017 with the largest contributors being East Asian countries and the Euro Area. The recent upturn in trade growth is primarily due to rising merchandise trade volumes. Cyclical factors played an important role in global merchandise trade performance, mainly investment growth, recovering prices of commodities and increasing exports and imports in China. Factors which might limit world trade growth going forward are the maturation of global value chains, and the relatively slow pace of further liberalisation. Another limiting factor is the possible intensification of protectionism, particularly in the United States (US), and the risk of a trade war.

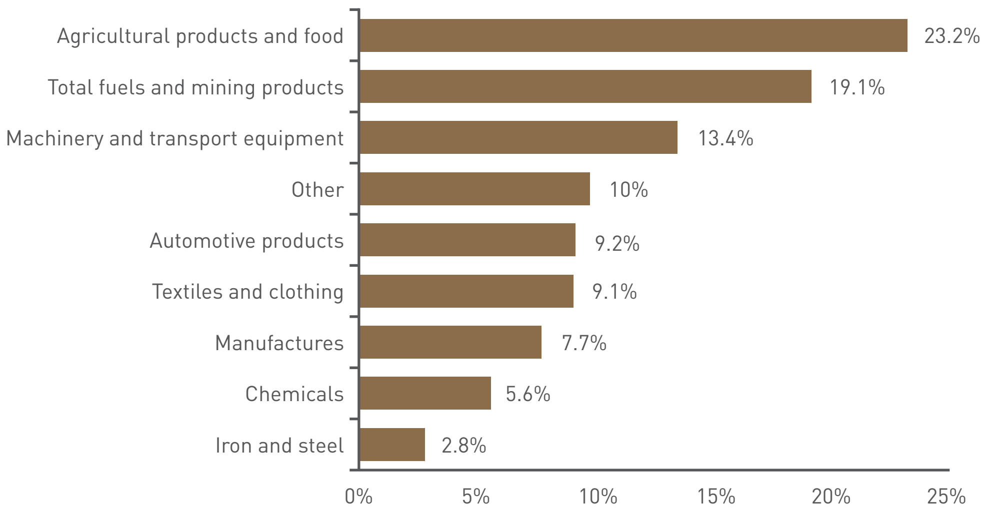
The Boston Consulting Group (a global management consulting firm) Trade Finance Model forecasts growth in trade flows of 4% per year, taking into consideration China's GDP growth as the world's largest exporter. This model also projects that an increase in demand will bring about increments in commodity prices of products such as copper, aluminium and crude oil. The Boston Consulting Group model reports a Compound Annual Growth Rate (CAGR) of 6.5% for the years 2017-2026, which is estimated based on a best-case scenario arising from: a more mature market, Chinese GDP growth, an assumption that there will be a quick recovery in commodity prices and an increase in policy actions encouraging open markets. At the other end, based on a worst-case scenario, a CAGR of 1.9% is estimated for the years 2017-2026 arising from lower mature market GDP growth, lower Chinese GDP growth, flat commodity prices and fewer supportive trade policies. *Source: World Trade Organisation, International Trade and Market Access Data, 2018.*

Trade Finance Worldwide

As set out in the ICC Global Survey on Trade Finance (2017), global trade finance revenues were projected at approximately $40 billion in 2018 as documented in the Boston Consulting Group model, representing a moderate decrease in global revenues when compared to prior years' average revenues. The most widely used traditional trade finance sources are commercial letters of credit, collections and guarantees. Common supply chain finance sources are payables and receivables finance and factoring.

The table below highlights that the three largest industries making use of trade finance facilities are agricultural products and food, fuels and mining, and the machinery and transport equipment sectors, which together accounted for approximately 55% of trade finance values in 2017.

Industry sectors receiving most trade finance



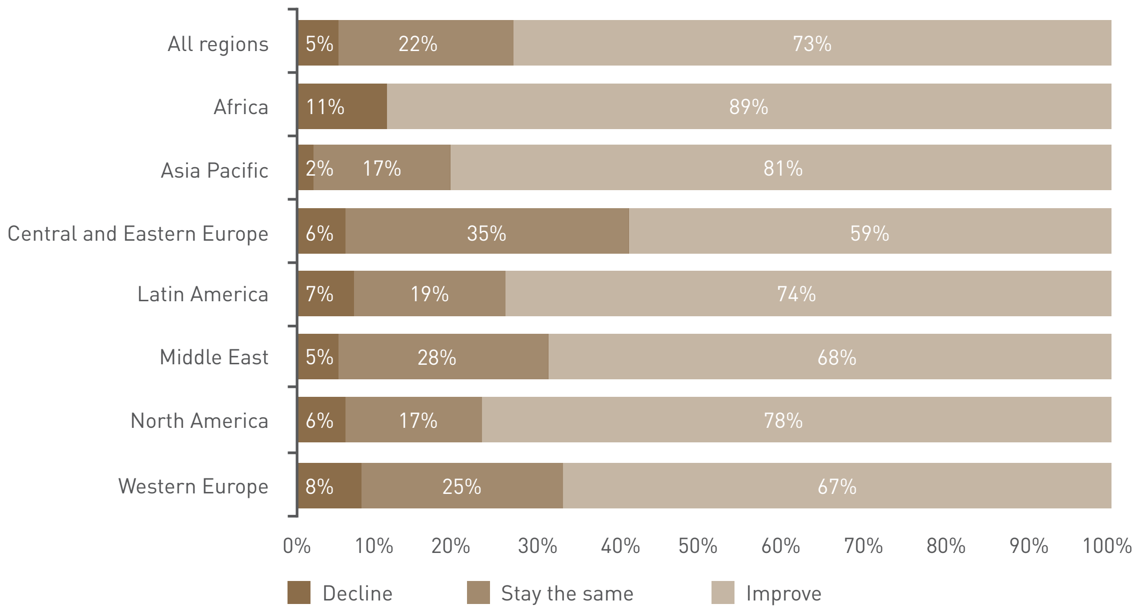
The total value of trade finance was highest in the Asia-Pacific region, contributing 47% of the total value of global trade finance. At the lower end of the spectrum Africa and Latin American countries each generated approximately 3% of global trade finance value. The provision of trade finance is expected to increase further in the coming years in all regions, particularly in Africa and Latin America. It is forecasted that global trade finance revenue will increase by approximately 4.1% a year reaching $45 billion in 2021, slightly outpacing trade growth. The capacity of trade banks to support trade finance could be expanded by increasing securitisation and the evolution of secondary markets for trade finance assets.

The Trade Finance Gap

Notwithstanding the growing trade finance business volumes worldwide, a trade financing gap still exists. In fact, this financing gap has been widening since the financial crisis, given that major global banks have pulled back from developing markets, thereby restricting access to trade finance. It is reported that globally, the financing gap is estimated to be around $1.5 trillion, with small companies being affected the most. Unmet demand for trade finance represents a loss of global trade and ultimately economic growth.

While it is expected that the trade finance gap will be widening over the next twelve months due to an increase in unmet demand, it is believed that over the following three years, the trade finance gap will improve, particularly in developing regions. As outlined in the ICC 2018 Global Survey Report, 2018 resulted in a healthy commodity finance market which is characterised by a rise in commodity demand thereby pushing up prices. Assuming a positive economic environment, this would increase the use of commodity trade finance facilities. The majority of banks participating in the ICC Global Survey on Trade Finance in fact believe that global trade finance growth is expected to improve. As indicated in the following diagram, banks headquartered in Africa and Asia-Pacific have the most positive outlook.

Outlook for trade finance growth in the year to come by region



Trade Finance in Africa, Asia and Latin America

As reported by the World Trade Organisation, unmet demand for trade finance is highest in Africa, Asia Pacific and Latin America.

In 2017-18 many major African economies continued to reel from the price depression of 2015 and 2016. As a result, a large number of financial institutions in Africa reported an increase in interest rates related to trade financing. Among the reasons for this are the high country risk and issuing bank ratings, scarcity of correspondent bank credit lines and the perceived high risk of small to medium enterprises (SMEs). In the medium to long term, the outlook for trade finance is positive. Yet, challenges still remain due to evolving macroeconomic and regulatory conditions. Despite this, demand for single transaction guarantees is increasing in Africa by African issuing banks and international confirming banks. This is making it more attractive for financial institutions to increase facilities provided in Africa.

On the other hand, trade from and to Asian Pacific and Latin American countries has been impacted by constant macroeconomic and socio-political uncertainties, respectively. Trade sanctions between China and the United States have had a ripple effect on other countries within Asia, impacting trade and, as a result, trade finance. Likewise, political uncertainty in a number of South American countries over the past years, such as Brazil and Venezuela, has had a considerable impact on these countries' ability to import and export goods. In the long term, as these conflicts are progressively resolved, the outlook for trade finance in Asian Pacific and Latin American countries is generally positive, which makes the prospect of providing trade finance facilities in such regions more attractive for financial institutions.

Trade Finance Margins

As set out in the ICC 2018 Global Survey Report, the outlook of trade finance banks regarding improved trade finance is mixed. While trade banks in certain markets have boosted trade margins, other regions such as Asia have experienced a push down on their margins, mainly due to intense price competition and the difficulty of passing on higher compliance costs.

4.6 Selected Financial Information

4.6.1 Consolidated Financial Statements

The key highlights taken from the consolidated financial statements of the Issuer for the years ended 31 December 2017 and 2018 are set out below:

Merkanti Holding plc **Consolidated Income Statement for the years ended 31 December** **Amounts in €000's**	**2017** **Audited**	**2018** **Audited**
Revenue	2,899	2,578
General and administrative expenses	(1,842)	(1,887)
Operating Profit	**1,057**	**689**
Finance costs	(133)	(6)
Changes in expected credit losses	-	517
Profit before tax	**923**	**1,200**
Taxation	(2)	(1)
Profit after tax	**922**	**1,199**

The Group reported a pre-tax profit of €1.2m in the financial year ended 31 December 2018 which largely reflects the performance of Merkanti Bank. The increase in the consolidated profitability of the Group is due to a change in expected credit losses following the combined effect of a reduction in amounts receivable from Scully Royalty and the implementation of IFRS 9 'Financial Instruments'. Excluding this change in expected credit losses, the profitability of the Group would have decreased, reflecting the shift in the income of Merkanti Bank over the last 2 years. The 85% equity stake transfer of Merkanti (A) and Merkanti (D) was effective on 27 December 2018 therefore the consolidated income statement for 2018 does not include any of Merkanti (A) and Merkanti (D)'s performance for the year.

Merkanti Holding plc **Consolidated Statement of Financial Position as at 31 December** **Amounts in €000's**	**2017** **Audited**	**2018** **Audited**
Assets		
Cash and cash equivalents	9,089	10,345
Loans and advances to customers	1,935	2,646
Investments	3,402	4,737
Property, plant and equipment	134	113
Investment property	-	33,071
Trade receivables	194	147
Other receivables and prepayments	241	750
Amounts due from Scully Royalty Group companies	34,832	7,722
Total assets	**49,828**	**59,531**
Equity & Liabilities		
Equity		
Share capital	50,000	50,000
Retained earnings and other reserves	(1,898)	(1,376)
Non-controlling interest	-	5,203
Total equity	**48,102**	**53,826**
Liabilities		
Amounts owed to customers	1,566	3,642
Trade payables	-	157
Other payables and accruals	160	235
Deferred tax liabilities	-	1,671
Total liabilities	**1,726**	**5,705**
Total equity and liabilities	**49,828**	**59,531**

The Group's financial position as at 31 December 2018 indicates total assets of €59.5m and total liabilities of €5.7m resulting in a net equity value of €53.8m as at this date.

The main components of the Group's assets include the investment property (€33.1m); cash and cash equivalents (€10.3m) and amounts due from Scully Royalty group companies (€7.7m). The investment property is mainly made up of investment property held by Merkanti (A) and Merkanti (D), whereas the majority of the cash balances included in the consolidated balance sheet consist of cash balances held by Merkanti Bank. The amounts due from Scully Royalty group companies comprise balances due from Scully Royalty of €5.5m and Scully Royalty subsidiary A of €2.2m. This balance decreased significantly in 2018 as a result of the equity transfer of Merkanti (A) and Merkanti (D), which was netted off against the Scully Royalty receivable.

As at 31 December 2018, the Group's financial position indicates total liabilities amounting to €5.7m, the main components of which being amounts owed to customers of €3.6m, representing deposits held by Merkanti Bank from third parties and related parties.

The Consolidated Statement of Financial Position indicates a total equity balance of €53.8m, which primarily consists of the Issuer's share capital of €50m and consolidated retained earnings and other reserves of negative €1.4m, comprising the equity position of Merkanti Bank, Merkanti (A) and Merkanti (D).

Due to the nature of the Issuer's holdings, the remaining part of this Section of the Prospectus sets out further analysis of financial information by individual group subsidiary.

4.6.2 The Issuer (Standalone Financial Information)

The Issuer's audited financial statements for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 were filed with the Malta Registry of Companies and the Listing Authority and shall be deemed to be incorporated by reference in, and form part of, this Prospectus. The aforementioned audited financial statements are also available for inspection as set out in Section 11 of this Prospectus.

The key highlights taken from the audited financial statements of the Issuer on a standalone basis for the years ended 31 December 2016, 2017 and 2018 are set out below:

Statements of Financial Position

Merkanti Holding plc Statement of Financial Position as at 31 December Amounts in €000's	2016 Audited	2017 Audited	2018 Audited
Non-current assets			
Investments in subsidiaries	57,241	17,241	46,723
Current assets			
Cash and cash equivalents	0	0	-
Loan receivables	40,000	35,052	5,472
Other receivables	100	23	97
Total current assets	**40,101**	**35,075**	**5,569**
Total assets	**97,342**	**52,316**	**52,292**
Equity and liabilities			
Equity			
Share capital	50,000	50,000	50,000
Contributed surplus	2,540	2,540	2,540
Retained earnings	(209)	(248)	(287)
Total equity	**52,331**	**52,291**	**52,253**
Liabilities			
Borrowings	44,714	-	-
Other payables	297	25	38
Total liabilities	**45,011**	**25**	**38**
Total equity and liabilities	**97,342**	**52,316**	**52,292**

The Issuer's Statement of Financial Position as at 31 December 2018 indicates a net asset value of €52.3m, which represents the total assets held by the Issuer. The Issuer's total assets include investments in subsidiaries at €46.7m and loans receivable carried at €5.5m.

Investments in subsidiaries, which are recognised at their historical cost, include: 100% shareholding in Merkanti Bank amounting to €17.2m; 85% shareholding in Merkanti (A) and Merkanti (D) which are carried at €21.6m and €7.8m respectively. The table below summarises the movements in the investment in subsidiaries between 2016 and 2018.

Merkanti Holding plc Statement of Financial Position as at 31 December Amounts in €000's	2016	2017	2018
Merkanti Bank	57,241	17,241	17,241
Merkanti (A)	-	-	21,647
Merkanti (D)	-	-	7,835
Total investment in subsidiaries	**57,241**	**17,241**	**46,723**

The Issuer acquired the shareholdings in Merkanti (A) and Merkanti (D) as at 31 December 2018 for a total consideration of €29.5m, which reflects the Net Asset Value as at the date of acquisition.

The other major movement in the period under review related to the reduction of €40m in the carrying amount of the investment in Merkanti Bank that took place during 2017. This reflected a reduction in the share capital of Merkanti Bank, which was offset by a reduction in amounts due by the Issuer to Merkanti Bank. The reduction in Merkanti Bank's share capital was approved by the MFSA during October 2016 and finalised in February 2017, following the expiry of the three-month statutory notice period.

Loan receivables of €5.5m, as at 31 December 2018, reflect amounts receivable from Scully Royalty. The decrease noted in this balance between 2017 and 2018 represents the consideration due for the acquisition of Merkanti (A) and Merkanti (D) (€29.5m) which was offset against amounts receivable from Scully Royalty. This receivable currently carries interest at 1% and does not have a fixed repayment date. As outlined in Section 4.10, the interest rate on this loan receivable increased to 6.0% as from 1 January 2019.

Income Statements

Merkanti Holding plc Income Statement for the years ended 31 December Amounts in €000's	2016 Audited	2017 Audited	2018 Audited
Interest income	97	321	78
Interest expense	(291)	(110)	-
Net interest income	**(194)**	**211**	**78**
Administrative expenses	(10)	(250)	(18)
Changes in expected credit losses	-	-	517
Profit / (Loss) before tax	**(205)**	**(39)**	**578**
Taxation	-	(2)	(1)
Profit after tax	**(205)**	**(40)**	**578**

The Issuer's main assets until 2018 consisted solely of its shareholding in Merkanti Bank and loans. The Issuer did not receive any dividends from Merkanti Bank and therefore its only source of income over the period 2016 to 2018 related to interest income generated on the loans.

The interest expense in 2016 and 2017 related to amounts due by the Issuer to Merkanti Bank, which balance was settled following the reduction in Merkanti Bank's share capital in February 2017.

Administrative expenses of €0.25m in 2017 primarily related to legal fees incurred in connection to the operations of the company.

During 2018, the Issuer's overall performance was influenced by a change in expected credit losses of €0.5m. The change in estimate arises as a result of the combined effect of a lower amount receivable from Scully Royalty and the implementation of IFRS 9.

4.6.3 Merkanti Bank

The audited financial statements of Merkanti Bank for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 were filed with the Malta Registry of Companies

The key highlights taken from the audited financial statements of Merkanti Bank for the years ended 31 December 2016, 2017 and 2018 are set out over the following pages.

Statement of Financial Position

Merkanti Bank Ltd Statement of Financial Position as at 31 December Amounts in €000's	2016 Audited	2017 Audited	2018 Audited
Assets			
Cash and cash equivalents	1	1	1
Derivative financial instruments	1	-	-
Loans and advances to banks	1,503	9,088	9,111
Loans and advances to customers	41,127	1,935	2,646
Investments	8,546	3,402	4,737
Property, plant and equipment	97	86	77
Intangible assets	44	48	36
Accrued income and other assets	1,307	218	750
Total assets	**52,625**	**14,778**	**17,358**
Equity & liabilities			
Equity			
Share capital	50,000	10,000	10,000
Revaluation reserve	216	150	103
Retained earnings	1,941	2,902	3,509
Total equity	52,157	13,053	13,612
Liabilities			
Amounts owed to customers	0	1,566	3,642
Other liabilities	468	160	104
Total liabilities	468	1,726	3,746
Total equity and liabilities	52,625	14,778	17,358

There has been a significant shift in the nature of Merkanti Bank's operations following to the takeover from BAWAG in 2016. BAWAG's operations primarily related to the provision of trade finance services, whereas following the acquisition of Merkanti Bank by the Issuer, Merkanti Bank's operations shifted towards the provision of traditional merchant banking services. This explains the limited on-balance sheet activity in the period under review. In recent months, Merkanti Bank decided to access the market for the provision of trade finance, an activity that is planned to take off in 2019.

Merkanti Bank's total assets as at 31 December 2018 amounted to €17.4m and included namely loans to banks (€9.1m), loans to customers (€2.7m) and investments (€4.7m). The balances held with other banks reflect funds that are expected to be redeployed trade finance facilities. The loans to customers relate entirely to overdraft facilities to Scully Royalty. Merkanti Bank's investments primarily include holdings in Malta Government Stocks, which are classified as available-for-sale, and Barbados Government Stocks, which are classified as fair value through Profit and loss.

Merkanti Bank's liabilities as at 31 December 2018 amounted to €3.7m and largely included customer deposits of €3.6m. The majority of Merkanti Bank's customer deposits are arising from other entities forming part of the broader Scully Royalty group.

Merkanti Bank's total equity as at 31 December 2018 amounted to €13.6m and included, share capital (€10m) and retained earnings (€3.6m). As explained in Section 4.6.2, Merkanti Bank's equity capital was reduced by €40m in 2017 following the reduction in capital which was offset against the amount advanced to its parent company.

Income Statement

Merkanti Bank Ltd **Income Statement for the years ended 31 December** **Amounts in €000's**	**2016** **Audited**	**2017** **Audited**	**2018** **Audited**
Interest income	1,111	307	212
Interest expense	(0)	(2)	(8)
Net interest income	**1,111**	**305**	**204**
Fee and commission income	862	2,096	2,249
Fee and commission expense	(22)	(73)	(7)
Net fee and commission income	**840**	**2,024**	**2,242**
Net trading gains / (losses)	(263)	(21)	(6)
Gains / (losses) on disposal of AFS financial assets	409	(0)	-
Other operating income / (expenditure)	(14)	35	34
Operating income	**2,082**	**2,342**	**2,474**
Net recoveries in respect of previously impaired loans	652	175	11
Administrative expenses	(1,308)	(1,555)	(1,864)
Profit for the year	**1,426**	**962**	**621**

The shift from trade finance to merchant banking resulted in a step-up in the operating income from €2.1m in 2016 to €2.3m in 2017, with a slight further increase to €2.5m in 2018.

The change from BAWAG Malta Bank Limited's business model and the related reduction in on-balance sheet activity resulted in a marked reduction in interest income, which decreased from €1.1m in 2016 to €0.3m in 2017 and to €0.2m in 2018.

Net fee and commission income increased significantly for the period under review, reaching €2.2m in 2018. The majority of this income was generated from merchant banking services provided to a number of related entities forming part of the Scully Royalty group.

The results in 2016 reflect the effect of one-off gains from the disposal of Available-for-Sale investments (€0.4m) and the reversal of impairment charges on loans and advances to customers (€0.65m).

Administrative expenses stepped up from €1.3m in 2016 to €1.9m in 2018 as Merkanti Bank invested in its staff complement during 2018, in order to support the planned launch of its trade finance services. This increase in Merkanti Bank's cost base results in a reduction in Merkanti Bank's profit for the year from €1.0m to €0.6m in 2018.

4.6.4 The Property Companies

The key highlights taken from the unaudited financial statements of the Property Companies for the years ended 31 December 2016, 2017 and 2018 are set out over the following pages.

Statements of Financial Position

The table below summarises the statements of financial position of the Property Companies as at 31 December 2018, in which the Issuer acquired an 85% shareholding on 27 December 2018.

Statement of Financial Position as at 31 December 2018 Amounts in €000's	Merkanti (A) Unaudited	Merkanti (D) Unaudited
Non-current assets		
Investment property	24,213	8,858
Amounts receivable from Scully Royalty Group	1,655	619
Total non-current assets	**25,868**	**9,477**
Current assets		
Loans and trade receivables	12	14
Cash and cash equivalents	368	865
Total current assets	**380**	**880**
Total assets	**26,248**	**10,356**
Equity		
Share capital	37	37
Other reserves	24,138	6,705
Retained earnings	1,293	2,475
Total equity	**25,467**	**9,217**
Non-current liabilities		
Deferred tax liabilities	732	977
Other non-current liabilities	6	-
Total non-current liabilities	**738**	**977**
Current liabilities		
Trade and other payables	37	92
Indirect taxes payable	7	70
Total current liabilities	**43**	**162**
Total equity and liabilities	**26,248**	**10,356**

The Statements of Financial Position of Merkanti (A) and Merkanti (D) as at 31 December 2018 indicate a Net Asset Value of €26.2m and €10.4m respectively. The principal asset of both companies relates to industrial property that is located in the Saxony-Anhalt region in East Germany. The remaining assets and liabilities primarily relate to amounts receivable from other entities within the Scully Royalty group entities (Merkanti (A) - €1.7m; Merkanti (D) - €0.6m). The Property Companies held deferred tax liabilities amounting to €0.7m and €1.0m for Merkanti (A) and Merkanti (D) respectively as at 31 December 2018.

The German Real Estate is carried at fair value in the books of Merkanti (A) and Merkanti (D), with the latest valuation as at 31 May 2019 resulting in a valuation of approximately €26.2m for the Altmark industrial park and approximately €8.9m for the Dessau-Mitte industrial park.

In view of the underlying characteristics of both properties, their valuation is made up of three components: (i) the value of undeveloped land; (ii) the value of developed land; and (iii) the building value. The value of land, whether undeveloped or developed, is determined on the basis of the comparative value approach, which makes reference to prices for recent transactions for comparative real estate in the market. The building value of any developed land is based on the capitalised value approach, which involves capitalising the current net income streams generated from the building at an appropriate discount rate.

The table below summarises the composition of the valuation of each industrial property:

Overview of property value (in 000's)	**Merkanti (A)**	**Merkanti (D)**
	sqm	*sqm*
Developed area	114	79
Undeveloped area	1,722	33
Total	**1,836**	**112**
% Developed	*6%*	*71%*
% Undeveloped	*94%*	*29%*
	€	*€*
Valuation as at 31 December 2018		
Value of capitalised buildings	6,731	7,182
Land value of build up areas	3,839	2,119
Land value of available area (€000's)	17,176	114
Object-specific deductions (€000's)	(1,072)	(457)
Total value of property	**26,173**	**8,959**

Income Statement

The table below summarises the financial results of Merkanti (A) and Merkanti (D) for the financial years ended 31 December 2016, 2017 and 2018. Given that the Issuer acquired the subsidiaries on 27 December 2018, their results are not captured within the Consolidated Income Statement of the Issuer as set out in Section 4.6.1.

Merkanti (A) Ltd **Income Statement for the year ended 31 December** **Amounts in €000's**	**2016** **Unaudited**	**2017** **Unaudited**	**2018** **Unaudited**
Net rental income	1,113	1,182	1,210
General and administrative expenses	(243)	(228)	(223)
Repairs and maintenance costs	(54)	(202)	(353)
Other selling, general and administrative costs	(209)	(278)	(743)
EBITDA	**607**	**474**	**(108)**
Finance income / (costs)	(147)	(118)	(4)
Profit before tax	**460**	**356**	**(112)**
Taxation	(75)	(58)	17
Profit after tax	**385**	**298**	**(95)**

Merkanti (A) generated total net rental income of €1.1m in 2016, increasing to €1.2m in 2018, equivalent to a compound annual growth rate of 4% during this period. The increase in revenue primarily reflects the impact of rental agreements concluded with new tenants at improved terms.

Operating expenses increased from €0.5m in 2016 to €1.3m in 2018. The principal operating expenses in 2018 include a fixed property management fee (€0.2m), maintenance costs (€0.4m) and other general administrative expenses (€0.7m) which included an uncharacteristically high number of bad debts written off. The results for 2017 and 2018 reflect the effect of extraordinary repairs following damages caused by a storm, which amounted to €0.2m in 2017 and €0.4m in 2018. The company recovered part of these expenses (€0.1m) through its insurance.

On the basis of the above movements, Merkanti (A) reported an average pre-tax profit of €0.4m per annum between 2016 and 2017, whilst incurring a loss of €0.1m during 2018.

Merkanti (D) Ltd Income Statement for the year ended 31 December Amounts in €000's	2016 Unaudited	2017 Unaudited	2018 Unaudited
Net rental income	1,302	1,155	1,189
General and administrative expenses	(237)	(237)	(243)
Repairs and maintenance costs	(208)	(112)	(422)
Utilities	(112)	(110)	(116)
Other selling, general and administrative costs	(177)	(127)	(170)
EBITDA	**568**	**569**	**239**
Finance income / (costs)	(38)	(25)	(2)
Profit before tax	**530**	**544**	**236**
Taxation	(86)	(88)	(38)
Profit after tax	**444**	**456**	**198**

Merkanti (D) generated total net rental income of €1.3m in 2016, which contracted slightly to €1.2m in 2018. The reduction in rental income reflects the effect of the churn in tenants, which is partly related to the inauguration of a new business park in the Dessau-Rosslau region.

Operating expenses increased from €0.7m in 2016 to €1.0m in 2018. The principal operating expenses in 2018 include a fixed property service management fee (€0.2m), maintenance costs (€0.4m), utilities of €0.1m and other general administrative expenses (€0.2m). The results for 2018 reflect the effect of extraordinary repairs of €0.4m incurred by the company following damages caused by a storm. The company recovered part of these expenses (€0.1m) through its insurance.

Merkanti (D) reported a pre-tax profit of €0.4m in 2016 and €0.5m in 2017, which decreased to €0.2m in 2018 due to the extraordinary repairs expensed in that financial year.

4.6.5 Pro Forma Financial Information

This section sets out an illustration of the key financial implications of the acquisition of Merkanti (A) and Merkanti (D) on the consolidated financial performance of the Issuer. The illustration is based on the Pro Forma Consolidated Income Statement of the Issuer. The acquisition of these subsidiaries was effective on 27 December 2018, hence the transaction is already integrated in the Consolidated Statement of Financial Position of the Issuer as at that date.

The pro forma financial information has been prepared for illustrative purposes only. It addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial results.

Pro forma financial information for the financial year ended 2018 is attached to this Prospectus Annex C. An Accountant's Report on the pro forma financial information included in this document has been prepared by PricewaterhouseCoopers in compliance with the requirements of the Listing Rules. The Accountant's Report is attached to this Prospectus as Annex D.

Basis for pro forma financial information

The pro forma financial information has been prepared using the audited consolidated results for the Issuer for the financial year ended 31 December 2018 and hypothetically assumes that:

i. The Issuer would have acquired an 85% shareholding in Merkanti (A) as at 1 January 2018;
ii. The Issuer would have acquired an 85% shareholding in Merkanti (D) as at 1 January 2018;
iii. The amounts due for these acquisitions would have been offset against the amounts due to the Issuer from Scully Royalty. The latter balances were generating minimal interest and therefore their settlement will decrease proportionately the interest income generated by the Issuer on the balance.

In addition to the above transactions, the pro forma financial information also assumes the effect of the following transactions that were extracted from the financial statements for Merkanti (A) and Merkanti (D) for the financial year ended 31 December 2018.

i. Total incremental revenue of €2.8m in the form of rental income generated by Merkanti (A) and Merkanti (D), net of a decrease in interest income receivable by the Issuer as a result of the transfer of the Property Companies as at 1 January 2018;
ii. Total incremental annual operating costs amounting to €2.7m, which include fixed property service management fees, maintenance costs, utilities and other general administrative expenses. As set out in Section 4.6.4, these expenses include the effect of extraordinary repairs of €0.8m incurred in connection with the storm and uncharacteristically high bad debts written off of €0.6m;

iii. Total incremental net finance costs of €6k;
iv. Total incremental taxation of €22k based on the actual tax charge included in the financial statements of Merkanti (A) and Merkanti (D); and
v. Adjustment for the share of profits attributable to non-controlling interest that own the remaining 15% shareholding in Merkanti (A) and Merkanti (D).

The pro forma adjustments indicated reflect the impact of the performance of Merkanti (A) and Merkanti (D) for the financial year ended 31 December 2018. Going forward, the results of the operations of Merkanti (A) and Merkanti (D) will continue to be reflected in the consolidated financial statements of the Issuer.

Illustrating the effect of the transaction on the Issuer's operating results

The table below sets out a comparison between the Issuer's results for the year ended 31 December 2018 and the pro forma consolidated results that would have resulted assuming the transaction was effective on 1 January 2018.

Merkanti Holding plc Pro forma consolidated Income Statement Amounts in €000's	**31 Dec 2018 Actual**	**31 Dec 2018 Pro forma**	**Change (+/-)**
Revenue	2,576	5,376	2,800
General and administrative expenses	(1,887)	(3,838)	(1,950)
Repairs and maintenance costs	-	(775)	(775)
Operating Profit	**689**	**763**	**75**
Finance costs	(6)	(12)	(6)
Changes in expected credit losses	517	517	-
Profit before tax	**1,200**	**1,268**	**69**
Taxation	(1)	(22)	(22)
Profit after tax	**1,199**	**1,246**	**47**
Profits attributable to NCI	-	(15)	(15)
Profits attributable to Merkanti Holding	**1,199**	**1,231**	**32**

The pro forma financial information indicates that the transfer of the property companies on 1 January 2018 would increase the Issuer's consolidated operating profit by €75k (+10.7%) to €0.8m. As a result of the same transfer the profits attributable to the Issuer would increase by €32k (+2.7%) to €1.2m.

There has been no significant change in the financial or trading position of the Issuer, nor has there been any material adverse change in the prospects of the Issuer, since the publication of its last audited financial statements of the Issuer in respect of the financial year ended 31 December 2018.

4.7 Share Capital Structure and Major Shareholder

As at the date of this Prospectus, the Issuer's authorised share capital is €100,000,000, divided into ninety-nine million, nine hundred ninety-nine thousand, nine hundred and ninety-nine (99,999,999) Ordinary "A" Shares of €1 each and one (1) Ordinary "B" Share of €1 each. The Issuer's issued share capital is forty-nine million, nine hundred ninety-nine thousand, and nine hundred and ninety-nine (49,999,999) Ordinary "A" Shares of €1 each, all fully paid up and one (1) Ordinary "B" Share of €1, fully paid up.

The holders of the Ordinary "A" Shares shall be entitled to one (1) vote in General Meetings for each such Ordinary "A" Share held including the right to vote on any resolution appointing directors of the Issuer and to participate in any dividend or other distributions of profits of the Issuer and, upon liquidation, to a return of the nominal value of such Ordinary "A" Shares upon liquidation and to participate in the distribution of any surplus; and

Only the holders of the Ordinary "A" Shares shall be entitled to receive notice of, attend and vote at general meetings. Holders of Shares in any other class shall not be entitled to receive notice of, attend and vote at general meetings. For the election of Directors every Member holding at least twenty thousand (20,000) Shares having voting rights shall be entitled to nominate one person to stand for the election of Directors.

The holder of the Ordinary "B" Share shall not have any voting rights in the Issuer and shall not be entitled to receive notice of or be counted in the quorum of any General Meetings of the Issuer or to appoint directors. The holder of the Ordinary "B" Share shall not be entitled to participate in any dividend or other distributions of profits of the Issuer. Upon liquidation, the holders of the Ordinary "B" Share shall be entitled to the return of the nominal value of the Ordinary "B" Share but shall not be entitled to participate in the distribution of any surplus. The Ordinary "B" Share of the Issuer is held by MFC 2017 II Ltd (a wholly owned subsidiary of Scully Royalty incorporated in the Cayman Islands with company registration number HS323455).

The Issuer's majority shareholder is Scully Royalty (formerly MFC Bancorp Ltd), which holds all of the Ordinary "A" Shares of the Issuer. Scully Royalty is a public company listed on the New York Stock Exchange with ticker symbol 'SRL'. It is a holding company with several investments across a wide range of industries and provides financial services and proprietary capital to enterprises, seeking businesses and assets which offer the potential to increase or unlock value. Scully Royalty specialises in markets that are not adequately addressed by traditional sources of supply and finance, operating in multiple geographies and industries, including financial services, real estate, manufacturing, natural resources and medical equipment and services. Further details on Scully Royalty can be found at: http://www.scullyroyalty.com or on the website of the U.S. Securities and Exchange Commission at https://www.sec.gov/edgar/searchedgar/companysearch.html.

The Issuer adopts measures in line with the Corporate Governance Code with a view to ensuring that the relationship with its major shareholder and the rest of the Group remains at arm's length, including adherence to rules on related party transactions that require the sanction of the Issuer's Audit Committee, which is constituted in its majority by independent, non-executive Directors. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer. The composition of the Board, including the presence of three (3) independent non-executive Directors, also minimises the possibility of any abuse of control by any major shareholder. With particular reference to the relationship between the Issuer and the ultimate shareholders, the Memorandum and Articles of Association of the Issuer require any Director of the Issuer who in any way, whether directly or indirectly, has an interest in a contract, arrangement, transaction or proposal with the Issuer, to declare the nature of his interest to the Board of Directors of the Issuer. Furthermore, said Director shall not be permitted to vote at that meeting in respect of any contract, arrangement, transaction or any other proposal in which he has, either directly or indirectly, a personal material interest.

4.8 Memorandum and Articles of Association of the Issuer

Objects

The principal objects of the Issuer are set out in clause 4 of the Memorandum of Association, which are, in summary, to carry on the business of a holding and finance company. A copy of the Memorandum and Articles of Association is available for inspection as set out in Section 11 of this Prospectus.

Appointment of Directors

Directors are appointed by means of an ordinary resolution of the shareholders of the Issuer in general meeting. Unless elected for a longer or shorter period or unless they resign or are removed, Directors shall hold office from the close of the general meeting at which they are appointed until the next following annual general meeting, but shall be automatically nominated for re election. A Director may also be removed by an ordinary resolution of the shareholders in accordance with Article 140 of the Companies Act.

Powers of Directors

The business of the Issuer shall be managed by or under the direction of the Board who may exercise all such powers of the Issuer that are not required by the Companies Act or by the Memorandum and Articles of Association to be exercised or done by a special quorum of Directors or by the Issuer in general meeting. In particular, the Directors may exercise all powers of the Issuer to borrow money and to guarantee the obligations of any third party and, for such purpose, to hypothecate or charge its undertakings, property and uncalled capital or any part thereof, including as security for its obligations or for those of any third party, and to issue debt and other securities whether outright or as security for its liabilities or obligations or for those of any third party.

4.9 Legal and arbitration proceedings

There have not been any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) during the period since the Issuer's incorporation which may have or have had significant effects on the Issuer's financial position or profitability.

4.10 Material Contracts

Credit Facility Agreement

The Issuer and Scully Royalty are parties to a Maltese law governed amended and restated credit facility agreement dated 20 June 2019 (the **"Credit Facility Agreement"**) in terms of which the Issuer (as lender) makes available to Scully Royalty (as borrower) a revolving credit facility of up to €40,000,000 (the **"Facility"**). The Facility has a term ending on 31 December 2019, which is automatically extended for one more calendar year if not terminated by either party with 3 months' notice prior to the end of the relevant term. The Credit Facility Agreement was (prior to its amendment and restatement) originally entered into on 3 November 2016, and as at 27 December 2018 the amount due to the Issuer under this Facility amounted to €5,570,033. The effective interest rate in respect of the Facility up to 31 December 2018 was approximately one percent (1%) per annum, payable to the Issuer upon maturity of the Facility. Pursuant to an amendment and restatement agreement dated 20 June 2019, the Issuer and Scully Royalty agreed that as of 1 January 2019 the interest rate payable on outstanding amounts due to the Issuer under the Facility from time to time would be increased to six percent (6%).

Share Purchase Agreement

On 27 December 2018, the Issuer entered into a share purchase agreement, as amended on 10 April 2019 (the **"Share Purchase Agreement"**) with an indirect subsidiary of Scully Royalty (the **"Seller"**). By means of the Share Purchase Agreement, the Seller sold and transferred to the Issuer 85% of the shares in each of the Property Companies for a purchase price of €29,481,505.

Option Deed

The Issuer has entered into an agreement with Merchants Employees Incentive Corp. Of Room 2409, 2299 Shanghai Mart Tower Yan An Road West, Changning District, Shanghai, China 200336 (the **"Option Holder"**) dated 20 June 2018 (the **"Option Deed"**) in terms of which the Issuer granted the Option Holder an option to subscribe for shares in the Issuer up to 10% of the total issued share capital of the Issuer and the related voting rights (the **"Option"**) at the option price, which option price shall be the higher of the (a) net tangible asset value per share of the Issuer in the last quarter preceding the exercise of the Option after eliminating, among other things all intercompany receivables and (b) nominal value per share of the Issuer (the **"Option Price"**). The Option, which may be exercised in full or in part, subject to approval by the relevant authorities, will expire automatically on 20 June 2028 (the **"Expiry Date"**). Any shares issued pursuant to the exercise of the Option will be issued without any encumbrance but subject to the Memorandum and Articles of Association and to any shareholders rights plan agreement in force from time to time. The Option Holder may assign or transfer the Option (provided that the Option will not be further assignable or transferable by the assignee or transferee).

Deed of Covenants

Jointly with its shareholders Scully Royalty and MFC 2017 II Ltd, the Issuer also entered into a Deed of Covenants in favour of the Option Holder on 20 June 2018 (the **"Deed of Covenants"**). Until the Expiry Date (and whether the Option has been exercised or not) any actions in relation to the capital of the Issuer which have the effect of diluting the shareholders' holding in the Issuer (including the Option Holder's holding if it becomes a shareholder) and any changes to the composition of the Board are subject to the consent of the Option Holder.

The shareholders of the Issuer and the Issuer have also undertaken that if certain 'Change of Control' events (as listed in the Deed of Covenants) occur or are likely to occur prior to the Expiry Date, each will consent to and will implement without any delay any measures proposed by the Option Holder (such as changes in the Issuer's share capital or to the Issuer's share classification or the adoption of a new, or the execution of an existing, shareholder rights plan) to safeguard or protect the interests of the Issuer's shareholders and the Option Holder from the effect of the Change of Control event.

The 'Change of Control' events listed in the Deed of Covenants broadly relate to changes in control of the Issuer and the Issuer's shareholders (such as, for example, through a change in majority voting power as a result of an acquisition of shares or a merger) or events that effectively result in or have a similar effect to a change of control.

Shareholders Rights Plan

The Issuer entered into a shareholders rights plan agreement on the 20 June 2018 with Bond and Share Administrators Limited of Unit 1301, 13/F, Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong SAR, China (the **"Rights Plan"**), with the latter appointed to act as an agent for the Issuer as holders of the 'Rights' in accordance with the terms of the Rights Plan.

In terms of the Rights Plan, one right has been issued in respect of each ordinary share of the Issuer issued and each Option granted on 20 June 2018 (the **"Record Time"**) upon exercise (each, a **"Right"**). The Issuer also authorised the issuance of one Right in respect of each ordinary share issued (including for conversion of a convertible security) after the Separation Time and prior to the Expiration Time.

After the Separation Time but prior to the Expiration Time, each Right will be exercisable to purchase one ordinary share in the Issuer at the Exercise Price. Upon the occurrence of a Flip-In Event, each Right will be exercisable to purchase, for the Exercise Price, that number of ordinary shares having an aggregate market price (to be calculated as set out in the Rights Plan) equal to four times the Exercise Price.

The Rights are redeemable by the Board, with shareholder approval, at any time prior to the occurrence of a Flip-in Event at a redemption price per Right as set out in the Rights Plan. Prior to the occurrence of a Flip-in Event, the Board is entitled to waive the application of the "flip-in" provisions of the Rights Plan to any prospective Flip-in Event that would occur by reason of a Take-Over Bid pursuant to a take-over bid circular. The Board will also be entitled to waive the "flip-in" provisions of the Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and the Acquiring Person has, at the time of the waiver, reduced its ownership to such a level that it is no longer an Acquiring Person. The waiver provisions may apply analogously if a Change of Control Event shall occur which is or would constitute a Flip-in Event.

For the purposes of this Section the following capitalised terms shall have the following meanings:

"Separation Time" shall occur on the tenth Business Day after the earlier of certain events specified in the Rights Plan including but not limited the day that any person commences or publicly announces an intention to commence a Take-over Bid (other than a Permitted Bid or Competing Permitted Bid or the date upon which one director or officer of the Issuer becomes aware of a Change of Control Event.

"Expiration Time" shall occur on the date of the 2026 annual general meeting of the Issuer.

The **"Exercise Price"** will be the higher of the market price for the ordinary shares (to be calculated as set out in the Rights Plan) at the date of the Rights Plan or the date of the Flip-In Event.

A **"Flip-in Event"** shall occur when a person becomes an Acquiring Person or upon the occurrence of a Change of Control Event in respect of the Issuer or a beneficial owner (a beneficial owner being, broadly, any person whose affiliates or associates (including spouses, partners and relatives) own ordinary shares in the Issuer or have the right to acquire or vote such ordinary shares).

A person becomes an **"Acquiring Person"** when it and its affiliates and/or associates acquire beneficial ownership of 15% or more of the issued ordinary shares of the Issuer, with certain exclusions for persons who become the beneficial owners of ordinary shares pursuant to a Permitted Bid or Competing Permitted Bid or pursuant to certain exempt acquisitions initiated or approved by the Issuer.

A **"Permitted Bid"** is one that complies with all statutory requirements under applicable laws and in addition satisfies certain conditions set out in the Rights Plan. A "Competing Permitted Bid" is one that, amongst others, is made after a Permitted Bid and satisfies all conditions of a Permitted Bid.

"Take-Over Bid" means any, whether in form of a regulated take-over bid or in an unregulated private transaction, offer to acquiring voting shares or securities convertible into voting shares, where the voting shares are subject to the offer to acquire, together with the voting shares into which the securities subject to the offer to acquire are convertible, together with the voting shares already held by the offeror (and any person acting jointly or in concert with the offeror) constitute in the aggregate 15% or more of the issued voting shares at the date of the offer to acquire.

5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1 The Board of Directors

The Memorandum of Association of the Issuer provides that the business and affairs of the Issuer shall be managed and administered by a Board of not less than three (3) and not more than seven (7) Directors. Directors of the Issuer are appointed by means of an ordinary resolution taken in general meeting.

The Issuer is currently managed by a Board of five (5) Directors who are responsible for the overall direction, management and strategy of the Issuer, each of which is listed in Section 3.1 above. The Board currently consists of two (2) executive Directors, who are entrusted with the Issuer's day-to-day management, and three (3) non-executive Directors, all of whom are also independent of the Issuer and the Group.

The main functions of the non-executive Directors are to monitor the operations and performance of the executive Directors, as well as to review any proposals tabled by the executive Directors. In their capacity as members of the Audit Committee (as described in Section 5.4 below), the non-executive Directors sitting on the Audit Committee also have a crucial role in monitoring the activities and financial performance of the Issuer.

None of the Directors have been: (a) convicted in relation to fraud or fraudulent conduct; (b) made bankrupt or associated with any liquidation or insolvency caused by action of creditors; (c) the subject of any official public incrimination or sanction by any statutory or regulatory authority; or (d) disqualified by a court from acting as director or manager.

5.2 Curriculum Vitae of the Directors

Benjamin Muscat

Mr. Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – FCCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors, including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast food with franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. In his capacity as Chief Executive Officer of MIDI plc, a Maltese listed company, Mr Muscat was key in the development of the Tigne' Point Project. Mr Muscat was also instrumental in the promotion of the re- generation of part of Malta's historical Grand Harbour, including the development of a cruise ship porting facility locally known as the Valletta Waterfront project. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Mr Muscat is a founder council member of the Junior Achievement (Young Enterprise) Malta Foundation (JA-YE Malta), the local affiliate of an international voluntary and non-profit organisation which seeks to inspire and equip young people to learn and succeed through enterprise. Today Mr Muscat provides professional services as a freelance consultant and independent directorship services.

Mario Galea

Mr Galea is a certified public accountant and auditor holding a warrant to practice both as an accountant and an auditor, Mr Mario P. Galea currently practises as a business adviser providing oversight and advisory services to businesses and corporations, and serves on the board of directors of various companies in the financial and commercial sectors, namely Chester Investment (Malta) Limited (C 84014), Globalcapital Life Insurance Limited (C 29086), Palm City Limited (C 34113), Palm Waterfront Limited (C 57155), Reed Global Limited (C 45367) and Reed Insurance Limited (C 38345). Mr Galea also sits on the board of directors of a number of listed companies that is, Mediterranean Investments Holding p.l.c. (C 37513), in respect of which he also acts as chairman of its audit committee, Corinthia Finance p.lc. (C 25104) and Santumas Shareholdings p.l.c (C 35). Mr Galea was founder, managing partner and chairman of Ernst & Young in Malta for more than ten years and saw the successful introduction and growth of the local firm into a recognised and respected presence in the market. Amongst a number of other appointments, he served as president of the Malta Institute of Accountants, chairman of the Malta Resources Authority, and sat on various professional committees in Malta and abroad, such as the Council of the Federation des Experts-Comptables Européens (FEE) in Brussels. He continues to form part of the Ethics and Regulatory committees of the Malta Institute of Accountants and the Accountancy Board, the accountancy professional regulator in Malta. Mr Galea has also lectured in auditing, assurance and professional and business ethics, led several training courses and spoke at various business and professional conferences in Malta and abroad.

Sam Morrow

Mr. Morrow was appointed Chief Financial Officer and Deputy Chief Executive Officer of Scully Royalty in July 2017. He is also the Chief Executive Officer of Merkanti Bank. Mr. Morrow is a Chartered Financial Analyst and was formerly Vice President of Tanaka Capital Management and Treasurer, Chief Financial Officer and Chief Operating Officer of the Tanaka Growth Fund. Mr. Morrow is a graduate of St. Lawrence University and has completed credits towards a Masters in Business Administration (Langone Program) at the Leonard N. Stern School of Business at New York University.

Silke Stenger

Ms. Stenger is an independent business consultant and business coach with experiences beyond others in automotive industry, plant engineering and cement industry, franchise, and consultancy. She is a director of Scully Royalty Ltd. Ms. Stenger was the vice chairperson of KHD Humboldt Wedag International AG and sat on the boards of several other international corporations, acting as chairperson of Audit and the Corporate Governance Committees. Ms. Stenger was the Chief Financial Officer of Management One Human Capital Consultants Limited and Head of Investor Relations and authorized representative (Prokurist) with Koidl & Cie. Holding AG. She holds an MSc degree in Industrial and Communications Psychology from FHWien University of Applied Sciences of WKW in Vienna, Austria, is a certified controller and IFRS accountant, specializing in corporate governance and Sarbanes-Oxley Act of 2002 compliance.

5.3 Conflicts of Interest

Sam Morrow is the Chief Financial Officer and Deputy Chief Executive Officer of Scully Royalty and is also the sole director of each of the Property Companies. Mr. Morrow is also a director of Merkanti Bank and is Merkanti Bank's Chief Executive Officer. Accordingly there is a potential conflict of interest between the aforementioned Directors' duties (as Directors) to the Issuer and their interests in and/or duties to Scully Royalty, Merkanti Bank and the Property Companies (as applicable).

The Audit Committee of the Issuer has the task of ensuring that any potential conflicts of interest that might arise pursuant to these different roles held by the directors are handled in the best interest of the Issuer and according to law. The fact that the Audit Committee is constituted in its entirety by independent, non-executive Directors provides an effective measure to ensure that related party transactions (that will be vetted by the Audit Committee) have been entered into on an arms-length basis. Potential conflicts of interest situations regarding Board members are specifically regulated by the Companies Act and by Articles 119 and 120 of the Articles of Association, pursuant to which a Director is required to declare his interest in and shall be precluded from voting on any such contract, arrangement, transaction or proposal that is being discussed by the Board.

Other than as stated in this Section 5.3, there are no potential conflicts of interest between the duties to the Issuer of its directors and their private interests and/or other duties.

5.4 Audit Committee

The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference that reflect the requirements of the Listing Rules as well as current good corporate governance best practices. The terms of reference of the Audit Committee established by the Board establish its composition, role, and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with.

The Audit Committee, which meets at least four times a year, is a sub-committee of the Board and is directly responsible and accountable to the Board.

The primary purpose of the audit committee is to assist the Directors in conducting their role effectively so that the Issuer's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times. The terms of reference of the Audit Committee set out the main responsibilities of the Audit Committee, which include (but are not limited to) the following:

a. Informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
b. Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
c. Monitoring of the effectiveness of the Issuer's internal quality control and risk managements system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence;
d. Reviewing and monitoring the external auditor`s independence, objectivity and effectiveness, in particular in relation to the appropriateness of the engagement of the external auditor to the supply non-audit services.
e. Assuming responsibility for the selection procedure of, and making recommendations to the Board in relation to the appointment of, the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting; and
f. Evaluating the arm's length nature of any proposed transactions to be entered into by the Issuer and a related party, given the role and position of the Issuer within the Group, to ensure that the execution of any such transaction is indeed at arm's length, conducted on a sound commercial basis and in the best interests of the Issuer.

The members of the Audit Committee as the date of this Prospectus are the following:

Mario Galea (Chairman)
Benjamin Muscat (Member)
Silke Stenger (Member)

The Audit Committee is constituted in its entirety by independent non-executive Directors (each of whom satisfies the independence criteria set out in the Listing Rules). In accordance with the Listing Rules, the all of the members of the Audit Committee are designated as competent in auditing and/or accounting. Mr. Mario P. Galea has been appointed as Audit Committee Chairman.

5.5 Compliance with Corporate Governance Requirements

Prior to the Bond Issue, the Issuer was not regulated by the Listing Rules and accordingly was not required to comply with the Corporate Governance Code. As a result of the Bond Issue and pursuant to the terms of the Listing Rules, the Issuer is now required to comply with the provisions of the Corporate Governance Code. The Issuer declares its full support of the Corporate Governance Code and undertakes to fully comply with the Corporate Governance Code to the extent that this is considered complementary to the size, nature, and operations of the Issuer. The Issuer shall also, on an annual basis in its annual report, detail the level of the Issuer's compliance with the principles of the Corporate Governance Code, explaining the reasons for non-compliance, if any. As at the date of this Prospectus, the Board considers the Issuer to be in compliance with the Corporate Governance Code, save for the following exceptions:

Principle 7 *(Evaluation of the Board's Performance):* The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of the Board itself (half of which is composed by independent non-executive Directors), the Issuer's shareholders, the market and all of the rules and regulations to which the Issuer is subject as a company with its securities listed on a regulated market.

Principle 8 *(Committees):* The Board considers that the size and operations of the Issuer do not warrant the setting up of remuneration and nomination committees. Given that the Issuer does not have any employees or officers other than the Directors and the company secretary, it is not considered necessary for the Issuer to maintain a remuneration committee. The Issuer does not believe it is necessary to establish a nomination committee as appointments to the Board are determined by the shareholders of the Issuer in accordance with nomination and appointment process set out in the Issuer's Memorandum and Articles of Association. The Issuer considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

6. USE OF PROCEEDS AND OTHER KEY INFORMATION

6.1 Use of Proceeds

The net proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €24,500,000, will be utilised for the purposes set out below:

- €4,500,000 will be used to grant the Subordinated Loan to Merkanti Bank, with the intention that the Subordinated Loan will qualify as Tier 2 Capital and used by Merkanti Bank to increase its regulatory capital in anticipation of the expansion of its trade finance and merchant banking business. The Subordinated Loan will bear interest at a rate of 5% and will have a maturity of approximately seven (7) years, subject to the right of the Issuer to demand repayment at any time after the fifth (5th) anniversary of its issuance and the right of Merkanti Bank to prepay (in each case, subject further to the applicable provisions of the CRR). Repayment of the principal under the Subordinated Loan shall be due and payable in a single bullet payment to the Issuer prior to the Maturity Date of the Bonds.

- €10,500,000 will be deposited with Merkanti Bank by way of one or more term deposits, to be utilised by Merkanti Bank for the expansion of its trade finance and merchant banking business. The interest rate on each deposit will be formalised at the time of the relevant deposits and expected to be in line with market interest rates.

- €6,750,000 and €2,750,000 will used to grant the Loans to Merkanti (A) and Merkanti (D), respectively, for the following purposes:
    - Approximately €3,200,000 and €1,300,000 will be utilised by Merkanti (A) and Merkanti (D), respectively, for the purpose of maintaining sustainable income including, but not limited to, the financing of maintenance costs relating to the German Real Estate and may potentially also be utilised for the purpose of generating further sustainable income including, but not limited to, construction and other development costs relating to the German Real Estate, the acquisition of other industrial parks or similar immovable property or assets located in Germany; and
    - Approximately €3,550,000 and €1,450,000 will be utilised by Merkanti (A) and Merkanti (D), respectively, for general corporate funding purposes.

The Loans will each have a maturity of approximately 7 years and will bear interest at a rate of 6.5%. Repayment of the principal under the Loans shall be due and payable in a single bullet payment to the Issuer prior to the Maturity Date of the Bonds.

The issue and allotment of the Bonds is, among other things, subject to a minimum aggregate subscription amount of €15,500,000. If the net proceeds of the Bond Issue are less than €24,500,000, the amounts set out above for each use of proceeds will be reduced proportionately.

6.2 Estimated Expenses and Proceeds of the Bond Issue

The Bond Issue will involve expenses, including professional fees and costs related to publicity, advertising, printing, listing, registration, sponsor, management, selling commission and other miscellaneous costs incurred in connection with this Bond Issue. Such expenses are estimated not to exceed €500,000 and shall be borne by the Issuer. The amount of the expenses will be deducted from the proceeds of the Issue, which, accordingly, will bring the estimated net proceeds from the Bond Issue to €24,500,000. There is no particular order of priority with respect to such expenses.

6.3 Overview of the Bond Issue

The following is a brief overview of certain terms and conditions of the Bond Issue and of the Bonds. For a full description of the terms and conditions of the Bond Issue and of the Bonds this Section 6 should be read in conjunction with the rest of this Prospectus, particularly Section 7 *(Terms and Conditions of the Issue)* and Section 8 *(Terms and Conditions of the Bonds)*. Any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole.

Securities:	Bonds;
Amount:	Up to €25,000,000;
Nominal Value:	€100 per Bond;
Denomination:	Euro (€);
ISIN:	ISIN: MT0002291202;

Issue Price:	At Nominal Value (€100 per Bond);
Minimum Subscription Amount:	€2,000 and multiples of €100 thereafter;
Minimum Aggregate Subscription:	€15,500,000;
Application Forms Made Available:	[29 July] 2019;
Offer Period:	The period between 09:00 hours CET on [29 July 2019] and 17:00 hours CET on [9 August 2019] (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;
Plan of Distribution:	The Bonds are open for subscription by Authorised Intermediaries, either for their own account or for the account of their underlying customers;
Issue Date:	[12 August] 2019;
Interest:	4% per annum;
Interest Payment Dates:	[12 August] of each year (including [12 August] 2020, being the first interest payment date) and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day);
Maturity Date:	[12 August] 2026;
Listing:	Application has been made to the Listing Authority for admissibility of the Bonds to listing and to the Malta Stock Exchange for the bonds to be listed and traded on the Official List;
Form:	The Bonds will be issued in fully registered and dematerialised form and represented in uncertificated form by the appropriate entry in the CSD Register;
Status:	The Bonds (their repayment, and the payment of interest thereon) shall constitute the general, direct, unconditional obligations of the Issuer to the Bondholders, secured by the Security as described below, and shall at all times rank *pari passu*, without any priority or preference among themselves. They shall rank subsequent to any other prior ranking indebtedness of the Issuer;
Security	The Bonds will be secured by means of the Pledges and the German Law Mortgages. Until the German Law Mortgages are registered in the German land register the Bonds will (in addition to the Pledges) also be secured by the Interim Pledge of Bond Proceeds;
Underwriting:	The Bond Issue is not underwritten;
Governing Law of Bonds:	Maltese law;
Jurisdiction:	The Maltese Courts.

6.4 Interests of Persons involved in the Issue

Other than the possible subscription for Bonds by Authorised Intermediaries (including the Sponsor) and any fees payable to the Sponsor (in its capacity as Sponsor, Manager and Registrar) in connection the Bond Issue, the Issuer is not aware of any person involved in the Bond Issue that has a material interest in the Bond Issue.

6.5 Security

6.5.1 Description of Security

The obligations of the Issuer to the Bondholders under the Bonds will be secured in favour of the Trustee for the benefit of the Bondholders, in accordance with the terms of the Trust Deed and the relevant Security Documents, by means of the security interests described below:

a. ***German Law Mortgages:*** the first ranking (in section III of the German land register) uncertificated land charges (Buchgrundschulden) granted under German law on the relevant German Real Estate by each of the Property Companies in favour of the Trustee (for the benefit of the Bondholders). The German Law Mortgages will secure the irrevocable and unconditional acknowledgment of indebtedness granted by the Issuer to the Trustee in terms of the Trust Deed (required for the purposes of German law), which acknowledgement provides the Trustee its own independent right to demand payment of the amounts owed by the Issuer to the Bondholders in respect of the Bonds, but decreased to the extent that the Bondholders have received (and are able to retain) payment in full of the corresponding amounts owed to them under the Bonds. The Issuer's obligations to Bondholders in respect of the Bonds will therefore be secured by linking them to, and granting the German Law Mortgages to secure, this 'parallel' acknowledgement of indebtedness.

A German land charge is a so-called right in rem, i.e. it must be registered in the German land register to be effective and is deemed to be valid against any person (including legal successors) once registered (except the third party has positive knowledge). A land charge can be registered as a certified land charge (Briefgrundschuld) or an uncertified land charge (Buchgrundschuld). In case of a certified land charge a certificate is issued in addition to the registration of the land charge in the land register of the encumbered property. In the event of assignment of an uncertificated land charge the new beneficiary has to be registered in the land register, whereas only an assignment agreement and handover of the land charge certificate is required in case of assignment of a certificated land charge. In addition to the encumbered property, a land charge also constitutes security over (i) equipment/accessories and essential components (Zubehör und wesentliche Bestandteile) of a property (sec. 1120 German Civil Code), (ii) rental income as well as (iii) a pledge over claims against building insurers for payment in case of an insured damage (sec. 1127 German Civil Law).

In general, according to German statutory law, enforcement in real estate can take place in two ways ((i) forced sale and (ii) forced administration), from which the land charge beneficiary may choose. Regardless of the type of enforcement, it is a formal procedure that usually ends with distribution of proceeds of the sale of the encumbered property (forced sale) or of the current income of the encumbered property (forced administration) due to a waterfall model established by law. Therefore, the rank of the registered land charge in the land register is substantial for the percentage of proceeds that would be allocated to the beneficiary. Any third party rights registered prior to the land charge may reduce the percentage of proceeds, since these prior-ranked rights are first taken into account.

While the German Law Mortgages have been granted by the Property Companies in favour of the Trustee (for the benefit of the Bondholders) upon the signing of the Mortgage Deeds by the Property Companies on 27 June 2019, and the notary before whom the Mortgage Deeds were signed has submitted the application for their registration to the German land register on 4 July 2019, the German Law Mortgages have not yet been registered in the land register as at the date of this Prospectus. This means that the German Law Mortgages have not yet been perfected and will not secure the obligations of the Issuer to the Bondholders under the Bonds until the date on which they are eventually registered in the land register. The Issuer expects that the German Law Mortgages will be registered by the Issue Date. In the event that the German Law Mortgages are not registered by the Issue Date, the Bonds will nevertheless be issued on the Issue Date. Until the German Law Mortgages are registered in the German land register, the Bondholders will instead be secured by the Interim Pledge of Bond Proceeds described below. Upon the eventual registration of the German Law Mortgages (provided that this takes place by the Longstop Date), the Issuer will be make a company announcement to this effect on its website (www.merkantiholding.com). If the German Law Mortgages are not registered by the Longstop Date, this will constitute an Event of Default and, in accordance with Section 8.15.2 below, the Bonds shall automatically be redeemed as of the Longstop Date without the need for any notice to be given (or any other action taken) by the Trustee or the Bondholders. Bondholders will be entitled to, in respect of Bonds so redeemed, prompt repayment by the Issuer of their Nominal Value together with interest accrued until the Longstop Date, and once the Bonds are redeemed the Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds.

b. ***Interim Pledge of Bond Proceeds:*** Until the German Law Mortgages are registered in the German land register, the Bondholders will instead be secured by the Interim Pledge of Bond Proceeds. This will be a pledge on the Interim Bank Account constituted by the Issuer in favour of the Trustee (for the benefit of the Bondholders) pursuant to the Interim Pledge of Bond Proceeds Agreement. During the term of the Interim Pledge of Bond Proceeds Agreement all rights to give instructions to Merkanti Bank relating to or connected with withdrawals or payments from the Interim Bank Account, including without limitation payments of interest and re-payment of principal and/or any balances, shall vest exclusively in the Trustee. The Interim Pledge of Bond Proceeds vests the Trustee with the right, in the event that the German Law Mortgages are not registered in the German land register by the Longstop Date, to apply the balances held in the Interim Bank Account (and to give instructions to Merkanti Bank) in satisfaction of the Issuer's obligations to Bondholders. Provided that the Trustee receives confirmation in writing issued by its German legal counsel that the

German Law Mortgages have been properly perfected in accordance with German law (by no later than the Longstop Date), the Trustee shall release the Interim Pledge of Bond Proceeds.

The general rule under civil law is that the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless, amongst others, there exist between them a lawful cause of preference (such as a privilege or a hypothec). A pledge is one of the lawful causes of preference set out at law. A pledge is a contract created as a security for an obligation and confers upon the creditor the right to obtain payment out of the thing pledged with privilege over other creditors as provided by the Civil Code (in virtue of the special privilege accorded by law under Article 2009(a) of the said Code). This description of the institute of pledge under Maltese law applies equally to the Pledges of Shares and Pledges of Deposited Monies described below.

c. ***Pledges of Shares:*** the Maltese law pledges to be constituted over eighty-five (85%) percent of the shares in the Property Companies by the Issuer in favour of the Trustee (for the benefit of the Bondholders) pursuant to the Pledge of Shares Agreements. The Pledges of Shares vest the Trustee with the right, in the case of a breach by the Issuer or any one of the Property Companies, as applicable, of the conditions of the Pledge of Shares Agreements (which conditions are also linked to the Events of Default set out in Section 8.15 of this Prospectus), the other Security Documents, the Trust Deed and/or the Terms and Conditions, to assume all rights associated with the shares in the Property Companies, including the right to exercise voting rights and the right to obtain payment out of the pledged shares (whether through a sale, disposal or appropriation thereof or otherwise) with preference over other creditors.

d. ***Pledges of Deposited Monies:*** the Maltese law pledges to be constituted on the Deposited Monies Accounts by the Property Companies in favour of the Trustee (for the benefit of the Bondholders) pursuant to the Pledge of Deposited Monies Agreements. As part of the conditions for the release of part/s of the German Real Estate from the relevant German Law Mortgage/s in connection with a sale to third party purchasers for cash consideration, the Property Companies are required, pursuant to the terms of the Trust Deed, to deposit such cash consideration into the relevant Deposited Monies Account/s (as described in Section 6.5.2 below). The Pledges of Deposited Monies vest the Trustee with the right, in the case of a breach by the Issuer or any one of the Property Companies, as applicable, of the conditions of the Pledge of Deposited Monies Agreements (which conditions are also linked to the Events of Default set out in Section 8.15 of this Prospectus), the other Security Documents, the Trust Deed and/or the Terms and Conditions, to apply the balances held in each of the Deposited Monies Accounts (and to give instructions to the bank with which the Deposited Monies Accounts are held) in satisfaction of the Issuer's obligations to Bondholders.

6.5.2 Release of Security

In accordance with the terms of the Trust Deed, each of the Property Companies shall have the right, upon a written request to the Trustee, to have all or part/s of the German Real Estate released from the effects of the relevant German Law Mortgage/s, including during the interim period between the date of the Prospectus and the Issue Date, provided that at least one of the following conditions is satisfied:

a. all the Bonds have been purchased and cancelled by the Issuer or all the Bonds have been redeemed (upon maturity) by the Issuer; or

b. part/s of the German Real Estate has/have been sold to a third party purchaser for cash consideration and it is warranted under the terms of the respective notarial sale and purchase agreement that the cash consideration will be deposited in the relevant Deposited Monies Account/s that are pledged under the relevant Pledge of Deposited Monies Agreement/s; provided that the aggregate value of the German Real Estate (as determined by an Independent Valuation dated not more than twelve (12) months earlier) that will remain subject to the relevant German Law Mortgage/s together with the cash consideration to be deposited in the relevant Deposited Monies Account/s, exceeds (i) one point two five (1.25) times the aggregate Nominal Value of all outstanding Bonds or (ii) in the event that the Bonds have not yet been issued, €31,250,000; or

c. the aggregate value of the German Real Estate (as determined by an Independent Valuation dated not more than 12 months earlier) that will remain subject to the German Law Mortgages together with the Deposited Monies subject to the relevant Pledge/s of Deposited Monies (if any), both prior to and immediately following the release of the relevant part/s of the German Real Estate from the relevant German Law Mortgage/s, exceeds (i) one point two five (1.25) times the aggregate Nominal Value of all outstanding Bonds or (ii) in the event that the Bonds have not yet been issued, €31,250,000.

In accordance with the terms of the Trust Deed, each of the Property Companies also has the right (where applicable, on a pro rata basis between them), upon a written request to the Trustee (both in connection with a sale of part/s of the German Real Estate as set out under (b) above or otherwise), to have all or part of the Deposited Monies pledged under the relevant Pledge of Deposited Monies Agreement/s released to them provided that the aggregate value of the German Real Estate (as determined by an Independent Valuation dated not more than twelve (12) months earlier) that remains subject to the German Law Mortgages together with the Deposited Monies that remain subject to the relevant Pledge/s of Deposited Monies (if any), immediately following the aforementioned release of the Deposited Monies, exceeds (i) one point two five (1.25) times the aggregate Nominal Value of all outstanding Bonds or (ii) in the event that the Bonds have not yet been issued, €31,250,000.

Each of the Issuer, the Property Companies or the Trustee shall have the right at any time acting reasonably to require, at the Issuer's expense, an Independent Valuation to be made of the whole or any part of the German Real Estate in connection with any request to the Trustee for the release of Security as described above.

7. TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 Expected Timetable of the Bond Issue

1. Application Forms made available	[29 July] 2019
2. Offer Period	[29 July] 2019 to [9 August] 2019
3. Announcement of Intermediaries' Offer results	[12 August] 2019
4. Issue Date	[12 August] 2019
5. Commencement of interest on the Bonds	[12 August] 2019
6. Expected date of admission of the Bonds to listing	[16 August] 2019
7. Expected date of commencement of trading of the Bonds	[19 August] 2019

The Issuer reserves the right to close the offer of Bonds prior to the end of the Offer Period in the event that the Bonds are fully subscribed prior to such date and time, in which case the events set out in steps 3 to 7 above shall be brought forward (although the number of Business Days between each of these events is not expected to be varied).

7.2 General Terms and Conditions

The publication of this Prospectus and of the Bond Issue were authorised by a resolution of the Board passed on 4 July 2019. The Bonds are being issued at their Nominal Value (€100 per Bond) subject to a maximum aggregate principal amount of the Bonds that may be issued will not exceed €25,000,000. Application has been made to the Malta Stock Exchange for the bonds to be listed and traded on the Official List.

The issue and allotment of the Bonds is conditional upon: (a) approval by the Malta Stock Exchange of the Issuer's application for the Bonds to be admitted to the Official List; (b) a minimum aggregate subscription amount of €15,500,000; and (c) the Security being properly constituted and perfected in favour of the Trustee (with the exception of the perfection of the German Law Mortgages, which may take place after the issue of the Bonds as described in Section 6.5.1 above). No Bonds shall be issued and allotted until all of these conditions are satisfied. In the event that any of these conditions is not satisfied by the close of the Offer Period, the Bond Issue will be withdrawn or revoked unilaterally by the Issuer.

The Issuer also reserves the right to withdraw the offer of Bonds prior to the Issue Date 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 Issuer and/or other relevant events that in the reasonable discretion of the Issuer may be prejudicial to the offer.

In the event of a revocation of the Bond Issue or withdrawal of the offer of the Bonds as aforesaid, any application monies received by or on behalf of the Issuer will be returned without interest (through the Sponsor and/or the Authorised Intermediaries) by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such returns will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.

The Bond Issue is not underwritten. In the event that the Bond Issue is not fully subscribed the Issuer will, subject to a minimum aggregate subscription amount of €15,500,000, proceed with the listing of the amount of Bonds subscribed for.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the Malta Stock Exchange.

7.3 Terms and Conditions of Application

7.3.1 Applications for subscriptions to the Bonds may be made through the Authorised Intermediaries (including the Sponsor) during the Offer Period. The Offer Period shall close immediately upon attaining full subscription or at the end of the Offer Period, whichever is the earliest. Subscription to the Bonds must be accompanied by full price of the Bonds applied for in Euro and in cleared funds at the Issue Price. If the Application Form(s) and proof of payment of cleared funds do not reach the Sponsor by the close of the Offer Period, the Application will be deemed to have been declined.

7.3.2 Applications shall be subject to a minimum subscription amount of €2,000 in Nominal Value of Bonds (and in multiples of €100 thereafter) in relation to each underlying client to which an Application relates.

7.3.3 The contract created by the Issuer's acceptance of an Application shall be subject to the terms and conditions set out in this Prospectus and the Memorandum and Articles of Association of the Issuer.

7.3.4 If the subscription is made on behalf of another person, legal or natural, the person making such subscription will be deemed to have bound that person and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such Applicant may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Sponsor or the relevant Authorised Intermediary.

7.3.5 In the case of joint Applicants, reference to the Bondholder in the Application and in this Prospectus is a reference to each Bondholder, and liability therefor is joint and several. In respect of a Bond held jointly by several persons, the joint holders shall nominate one of their numbers as their representative and his/her name will be entered in the CSD Register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held. In the absence of such nomination and until such nomination is made, the person first named in the CSD Register in respect of such Bond shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held.

7.3.6 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the CSD Register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of the Bondholder, but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

7.3.7 Any Bonds held by minors shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents/legal guardian/s until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder. This is provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.

7.3.8 No person receiving a copy of the Prospectus in any territory other than Malta may treat the same as constituting an invitation or offer to such person, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to subscribe for the Bonds to satisfy himself/herself 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 issue, transfer or other taxes required to be paid in such territory.

7.3.9 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Subsidiary Legislation 373.01 of the laws of Malta), as amended from time to time, all appointed Authorised Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 to Chapter 3 of the MSE Bye-Laws. Furthermore, such information shall be held and controlled by the MSE in terms of the Data Protection Act and/or the GDPR, each as amended from time to time, for the purposes, and within the terms of the MSE's Data Protection Policy as published from time to time.

7.3.10 Subject to all other terms and conditions set out in this Prospectus, the Issuer or the Registrar (acting on the Registrar's behalf) reserves the right to reject, in whole or in part, or to scale down, any Application, for any reason whatsoever, including but not limited to multiple or suspected multiple Applications or any Application which in the opinion of the Issuer the Registrar (acting on the Registrar's behalf) is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

7.3.11 By completing and signing an Application Form, any Applicant:

a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;

b. acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Issuer, which is available on the Issuer's website at www.merkantiholding.com. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant's consent, in the circumstances set out in the GDPR and the Data Protection Act and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that he/she/it has been provided with and read the privacy notice;

c. warrants that the information submitted by the Applicant when subscribing for the Bonds is true and correct in all respects. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) provided by the Applicant and those held by the MSE in relation to the MSE account number indicated by the Applicant, the details held by the MSE shall be deemed to be the correct details of the Applicant;

d. authorises the Issuer (or its service providers, including the CSD and/or the Registrar) and/or the relevant Authorised Intermediary, as applicable, to process the personal data provided by the Applicant, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act and the GDPR. The Applicant has the right to request access to and rectification of the personal data relating to him/her in relation to the Bond Issue. Any such requests must be made in writing and addressed to the Issuer and sent to the CSD at the MSE. The requests must be signed by the Applicant to whom the personal data relates;

e. confirms that in making such application, no reliance was placed on any information or representation in relation to the Issuer or the Bond Issue other than what is contained in this Prospectus and accordingly agree/s that no person responsible solely or jointly for this Prospectus or any part thereof will have any liability for any such other information or representation;

f. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the PMLA, and that such monies will not bear interest;

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

h. warrants, in connection with the application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her application for the Bonds in any territory, and that the Applicant has not taken any action which will or may result in the Issuer, Authorised Intermediary or the Sponsor, as applicable, acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond and/or his/her Application;

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

j. represents that s/he is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;

k. agrees that the advisers to the Issuer in relation to the Bond Issue will owe the Applicant no duties or responsibilities concerning the Bonds or their suitability for the Applicant;

l. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk to the address indicated by the Applicant on the Application Form; and

m. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.4 Plan of Distribution and Allotment

The Bond Issue will be distributed by the Authorised Intermediaries participating in the Intermediaries' Offer. Accordingly, the Issuer has reserved the full amount of the Bond Issue for subscription by Authorised Intermediaries. In this regard, the Issuer has entered into conditional subscription agreements with a number of Authorised Intermediaries for the subscription of Bonds, whereby it has bound itself to allocate the Bonds to the Authorised Intermediaries in accordance with the terms of such subscription agreements.

In terms of each subscription agreement entered into with an Authorised Intermediary, the Issuer is conditionally bound to issue, and each Authorised Intermediary is conditionally bound to subscribe for, such number of Bonds specified in the relevant subscription agreement subject to the Bonds being admitted to listing and trading on the Official List. Each subscription agreement became binding on each of the Issuer and the relevant Authorised Intermediary upon signing, subject to receipt by the Sponsor of all subscription proceeds in cleared funds on delivery of the signed subscription agreement. The subscription agreements shall become unconditional upon approval by the MSE of the Issuer's application for the Bonds to be admitted to the Official List.

Authorised Intermediaries subscribing for Bonds may do so for their own account or for the account of their underlying clients, including retail clients, and shall, in addition, be entitled to distribute any portion of the Bonds subscribed to their underlying clients upon commencement of trading or instruct the Sponsor to issue a portion of the Bonds subscribed by them directly to their underlying clients.

7.5 Allocation Policy

The Issuer shall allocate the entirety of the Bonds, up to an aggregate amount of €25,000,000, to Authorised Intermediaries participating in the Intermediaries' Offer as described above, without priority or preference and in accordance with the allocation policy determined by the Issuer and the Sponsor. Within five (5) Business Days from closing of the Offer Period, the Issuer shall announce the results of the Bond Issue and shall determine and announce the basis of acceptance of Applications and the allocation policy to be adopted through a company announcement.

It is expected that an allotment advice will be made available to Applicants by the CSD shortly after listing of the Bonds. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the PMLA. Such monies will not bear interest while retained as aforesaid.

8. TERMS AND CONDITIONS OF THE BONDS

8.1 General

The Bonds (ISIN: MT0002291202) will be issued on the Terms and Conditions as set out below, and all subscribers (or purchasers from time to time) of the Bonds are deemed to have knowledge, accept and be bound by the Terms and Conditions.

8.2 Currency and Denomination, Form and Title

8.2.1 Currency and Denomination

The Bonds will be issued in Euro. The Nominal Value of each Bond (denomination per unit) will be €100. The aggregate principal amount of Bonds that the Issuer may issue pursuant to this Prospectus is €25,000,000, divided into 250,000 Bonds of €100 each.

8.2.2 Form and Title

The Bonds are to be issued in fully registered and dematerialised form without coupons and are represented in uncertificated form by the appropriate entry in the CSD Register. There will be entered in the CSD Register, the names, addresses, identity card numbers (or details of some other official document in the case of natural persons), registration numbers (or details of some other official document in the case of companies), and account details of the Bondholders and the particulars of the Bonds held by them respectively. Bondholders will also have, at all reasonable times during business hours, access to the CSD Register for purposes of inspecting information held on their respective accounts. Each Bondholder consents to the Issuer having a right to obtain, from the CSD Register, any available information on the Bondholders including contact details and their holdings of Bonds.

Title to the Bonds shall be evidenced by an electronic entry in the CSD Register. The CSD will issue, upon a request by a Bondholder, a statement of holdings to a Bondholder evidencing that Bondholder's entitlement to Bonds held in the register CSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer shall be entitled to treat the person in whose name a Bond shall be registered in the CSD Register as the absolute owner thereof for the purpose of making payment and for all other purposes, regardless of any notice of any nominee relationship or trust.

8.3 Status

The Bonds (their repayment and the payment of interest thereon) shall constitute the general, direct, unconditional and obligations of the Issuer to the Bondholders, secured in the manner described in Section 8.4 below, and shall at all times rank *pari passu*, without any priority or preference among themselves. The Bonds shall rank subsequent to any other prior ranking indebtedness of the Issuer.

8.4 Security

8.4.1 Pledges and German Law Mortgages

The obligations of the Issuer to the Bondholders under the Bonds will be secured by means of the Security in favour of the Trustee for the benefit of the Bondholders, in accordance with the terms of the Trust Deed and the relevant Security Documents. Specifically, the Bonds will be secured by means of the Pledges and the German Law Mortgages. Until the German Law Mortgages are registered in the German land register, the Bondholders will instead be secured by the Interim Pledge of Bond Proceeds. Provided that the Trustee receives confirmation in writing issued by its German legal counsel that the German Law Mortgages have been properly perfected in accordance with German law (by no later than the Longstop Date), the Trustee shall release the Interim Pledge of Bond Proceeds.

8.4.2 Release of Security

In accordance with the terms of the Trust Deed, each of the Property Companies shall have the right, upon a written request to the Trustee, to have all or part/s of the German Real Estate released from the effects of the relevant German Law Mortgage and/or to have all or part of the Deposited Monies pledged under the relevant Pledge of Deposited Monies Agreement/s released to them, in the specific circumstances set out in the Trust Deed (as described in Section 6.5.2 above).

8.4.3 Enforcement of Security

The Security may be enforced by the Trustee upon the Bonds becoming immediately due and payable upon an Event of Default as described in Section 8.15 below.

8.5 Restrictive Covenants

8.5.1 Restriction on Dividends

The Issuer covenants not to declare or pay any dividend, purchase or redeem any of its own shares except if from the proceeds of a new issue of shares made for such purpose (each, a **"Restricted Payments"**), unless:

a. The 'Interest Cover Ratio' (i.e. the Issuer's profit before tax income and before interest expense divided by the Issuer's interest expense for the same period) calculated on the basis of the Issuer's most recent financial statements, after adjusting to take into consideration the impact of the proposed Restricted Payment, is above 3.0x; and

b. Debt-to-Total Capital Ratio' (i.e. the Issuer's interest-bearing borrowings by the Issuer's total capital, with total capital being the sum of interest-bearing borrowings plus total equity) calculated on the basis of the Issuer's most recent financial statements, after adjusting to take into consideration the impact of the proposed Restricted Payment, is below 60%.

8.5.2 Negative Pledge by the Property Companies

The Property Companies have, pursuant to the Trust Deed, covenanted to the Trustee (for the benefit of the Bondholders) that neither of them shall, for as long as any principal or interest under the Bonds or any of them remains outstanding, create any other mortgage or security interest ranking *pari passu* with or subsequent to the German Law Mortgages on all or any part of the German Real Estate, except where (a) such mortgage or security interest arises in virtue of any law or (b) a release of security has occurred in accordance with Section 8.4.2 above, with respect to the part of the German Real Estate so released from the German Law Mortgage.

8.6 Interest

8.6.1 Interest Rate and Interest Payment Dates

Each Bond shall bear interest on its outstanding principal amount at a rate of four percent (4%) per annum from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date. Interest shall be payable in arrears in Euro on each Interest Payment Date and on the Maturity Date. The first payment of interest shall be made on the first Interest Payment Date. In the event that any Interest Payment Date falls on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day.

8.6.2 Accrual of Interest

Interest on the Bonds will accrue on a daily basis from the date of issue on the basis of a three hundred and sixty (360) day year divided into twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed. Interest shall cease to accrue on each Bond on the day preceding the Maturity Date unless payment of principal is improperly withheld or refused or unless the Issuer defaults in respect of payment, in which event, interest shall continue to accrue at a rate of four percent (4%) per annum until the date of payment thereof.

8.7 Yield

The gross yield, calculated on the basis of the interest rate of the Bonds, the Issue Price, and the redemption value (at Nominal Value) of the Bonds on the Maturity Date, is four percent (4%).

8.8 Payments

8.8.1 The Issuer will discharge all of its payment obligations under the Bonds by making payments to the accounts of the respective Bondholders indicated in the CSD Register. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, holdings of Bonds through the CSD.

8.8.2 Repayment of the principal amount of the Bonds will be made in Euro on the Maturity Date by the Issuer to the person in whose name such Bonds are registered as at the close of business on the Maturity Date, together with interest accrued up to (but excluding) the Maturity Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon repayment of the principal the Bonds shall be redeemed and the appropriate entry made in the CSD Register.

8.8.3 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

8.8.4 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business on the relevant Interest Payment Date.

8.8.5 All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Issuer in respect of the Bonds may be made gross of any amount to be deducted or withheld for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed or levied by or on behalf of the Government of Malta or any other authority thereof or therein having power to tax.

8.8.6 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

8.8.7 Any claim against the Issuer by Bondholders in connection with all payments due to them in respect of the Bonds shall be prescribed (time-barred) upon the lapse of five (5) years from the day on which an action in relation to the same can be exercised.

8.9 Redemption

8.9.1 Unless previously redeemed in accordance with the terms of this Section (or purchased and cancelled in accordance with Section 8.10 below), the Bonds shall be redeemed at their Nominal Value on the Maturity Date.

8.9.2 If the German Law Mortgages are not registered by the Longstop Date, this will constitute an Event of Default and (in accordance with Section 8.15 below) the Bonds shall automatically be redeemed as of the Longstop Date and the Trustee shall notify the Issuer of the Event of Default in accordance with the provisions of the Interim Pledge of Bond Proceeds Agreement without the need for a meeting of the Bondholders or any other action to be taken by the Trustee or the Bondholders. The Issuer shall, promptly following any such notice from the Trustee, pay to Bondholders the Nominal Value of their Bonds together with interest accrued and unpaid on the Bonds until the Longstop Date, and the funds held in the Interim Bank Account (in addition to any further amounts required to be paid by the Issuer in order to meet its obligations to Bondholders in full) shall be applied by Merkanti Bank (on the instructions of the Trustee) for this purpose.

8.10 Purchase and Cancellation

To the extent allowed by law, the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. All Bonds purchased by or on behalf of the Issuer will be cancelled and may not be re-issued or re-sold. Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

8.11 Transferability

8.11.1 The Bonds are freely transferable in accordance with applicable laws and the rules and regulations of the MSE.

8.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the Bond.

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

8.11.4 The cost and expenses of effecting any trading or transfer in the Bonds on the MSE shall be at the charge of the Bondholder or at the charge of such person as the rules and regulations of the MSE may from time to time determine.

8.11.5 As the Bonds will be held at the CSD, investors will have to rely on its procedures for transfers. The CSD will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of principal or interest on the Bonds.

8.12 Further Issues

The Issuer may from time to time, without the consent of the Bondholders, incur further debt or issue further bonds or other securities. Although the amount of Bonds that may be issued under this Prospectus is limited to €25,000,000, there is no other restriction on the amount of debt that the Issuer may incur (whether through the issuance of securities or otherwise). Accordingly, the Issuer may incur additional indebtedness (other than the indebtedness incurred in relation to the issue of the Bonds) without the consent of the Bondholders.

8.13 Meetings of the Bondholders

For all intents and purposes any meeting of Bondholders, including but not limited to meetings held for the purposes set out in Section 8.14 below, shall be held in accordance with the provisions of the Trust Deed (as described in this Section 8.13). In the event of any inconsistency between the provisions of these Terms and Conditions and the Trust Deed (whether in relation to Meetings of Bondholders or otherwise), the provisions of the Trust Deed shall prevail.

8.13.1 The Trustee, in accordance with the provisions set out in the Trust Deed, may at any time and at the cost of the Issuer, prior to exercising any power or discretion hereunder, may:

a. call a meeting of the Bondholders; or
b. write to all Bondholders requesting their instructions or directions;

Provided that the Trustee shall not be liable for any action it may deem necessary to take prior to acting in accordance with this paragraph 8.13.1 and the Trustee shall not be bound to act on behalf of the Bondholders under the Trust Deed unless it receives duly authorised instructions or directions as stipulated in the Trust Deed.

8.13.2 A meeting of the bondholders may also be convened, at any time, by the Issuer.

8.13.3 A meeting of the Bondholders shall also be convened by the Trustee on the requisition of one (1) or more Bondholders holding in aggregate, at the date of the deposit of the requisition, not less than ten percent (10%) of the Nominal Value of Bonds, for the time being outstanding.

8.13.4 In case of a requisition of a meeting, the requisition shall state the objects of the meeting and shall be signed by the requisitionist/s and deposited at the registered office of the Trustee and may consist of several documents in like form each signed by the requisitionist, or if there is more than one (1) requisitionist, in any one document by all of them.

8.13.5 If the Trustee does not, within twenty-one (21) days from the date of the deposit of the requisition, proceed duly to convene a meeting, the requisitionist/s may convene a meeting in the same manner, as nearly as possible, as that in which meetings are to be convened by the Trustee, but a meeting so convened shall not be held after the expiration of three (3) months from the date of the deposit of the requisition.

8.13.6 At least fourteen (14) days' notice (exclusive of the day on which the notice is given and of the day of the meeting) of the meeting shall be given to the Bondholders. The notice shall specify the date, time and place of the meeting as well as the general nature of the resolution/s being proposed and to be tabled at the meeting. The notice shall also explain how Bondholders may appoint proxies.

8.13.7 Notice of every meeting of the Bondholders shall be given to:

a. every Bondholder;
b. the Issuer;
c. each of the Property Companies;
d. the Trustee; and
e. the auditor/s for the time being of the Issuer.

8.13.8 No person other than those listed in paragraph 8.13.7 shall be entitled to receive notice.

8.13.9 The accidental omission to give notice of a meeting to or the non-receipt of notice of a meeting, by any person entitled to receive notice shall not invalidate the proceedings of a meeting.

8.13.10 A meeting of the Bondholders shall have power, with the approval of a majority of Bondholders, holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at the meeting or at any adjourned meeting thereof, as the case may be, to do any of the following:

a. to assent to any proposal for modification of the Trust Deed and/or any of the Security Documents and/or the Terms and Conditions, as put forward by the Issuer and/or the Trustee;

b. to authorise any person or persons to concur in and execute all such documents and do all such acts and things as may be necessary to carry out and give effect to any resolution passed with the approval of a majority of Bondholders, holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at the meeting or at the adjourned meeting, as the case may be;

c. to remove the Trustee or any subsequent trustee and to approve a person to be appointed as trustee in its stead;

d. to authorise the Trustee and/or any of its directors, officers, delegates or appointees to concur in and execute and do all such documents, instruments, acts and things as may be necessary to carry out and give effect to any resolution passed with the approval of a majority of Bondholders, holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at the meeting or at the adjourned meeting, as the case may be;

e. to discharge or exonerate the Trustee and/or any of its directors, officers, delegates or appointees from all liability in respect of any act or omission for which the Trustee and/or any of its directors, officers, delegate or appointees may have become responsible under the Trust Deed provided that it shall not be permissible for the Trustee and/or any of its directors, officers, delegates or appointees to be exonerated from the effects of their own fraud, wilful misconduct or gross negligence; and

f. to appoint any persons (whether or not Bondholders) as a committee/s to represent the interest of the Bondholders and to confer upon such committee/s any powers or discretions which the Bondholders could themselves exercise.

8.13.11 No business shall be transacted at a meeting of the Bondholders unless a quorum is present, in person or by proxy, at the commencement of the meeting.

8.13.12 At any such meeting, three (3) or more Bondholders present in person or by proxy and holding or representing not less than fifty percent (50%) of the aggregate principal amount of the Bonds outstanding at the time will form a quorum for the transaction of business. If within half an hour (30 minutes) from the time appointed for the commencement of the meeting, a quorum is not present, the meeting, howsoever called, shall stand adjourned to the same day in the next week, at the same time and place or to such other day and place as the chairman of the meeting may decide and if at the adjourned meeting a quorum is not yet present within half an hour (30 minutes) from the time appointed for the meeting, the Bondholders present shall constitute a quorum.

8.13.13 For the purpose of an adjourned meeting, it shall not be required to send notices anew, provided that all persons entitled to receive notice for the original meeting shall be informed of the adjournment and the time and place of the adjourned meeting.

8.13.14 The chairman of a meeting of the Bondholders shall be a director of the Trustee or such other person as the Trustee may nominate in writing from time to time. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting. At the commencement of any meeting, the chairman may lay down the procedures which shall be adopted for the proceedings of that meeting. Such procedure shall be binding on the meeting.

8.13.15 Each matter submitted to a meeting shall be decided by a show of hands unless a poll is (before or following the result of the show of hands) demanded by the chairman or three (3) Bondholders in person or by proxy. On a show of hands, every Bondholder shall have one (1) vote and on a poll every Bondholder shall have one (1) vote for each Bond held and any fractional interests shall be disregarded. Voting, whether on a show of hands or on a poll, shall be taken in such manner as the chairman of the meeting shall direct.

8.13.16 Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minute book is made, it shall be conclusive evidence of the fact without need for the proof of the number of proportion of the votes recorded in favour of or against such resolution.

8.13.17 Any vote to be taken at a meeting (except for choosing a chairman) shall only be decided upon by means of an resolution passed with the approval of a majority of Bondholders holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at the meeting or at any adjourned meeting thereof, as the case may be.

8.13.18 Any resolution passed with the required majority at any meeting shall be binding on all Beneficiaries, whether or not present at the meeting, and whether or not voting, and each of them shall be bound to give effect to it accordingly.

8.13.19 Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them.

8.13.20 A resolution in writing signed by or on behalf of all the Bondholders who for the time being are entitled to receive notice of a meeting, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one (1) or more of the Bondholders, shall be valid and effectual as if it had been passed at a meeting of the Bondholders duly convened and held.

8.13.21 The instrument appointing a proxy shall be deposited at least seventy-two (72) hours before the time fixed for the meeting at such place as the Trustee shall designate or approve and, in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. The instrument appointing a proxy must be in writing signed by the appointer or the appointer's attorney. A proxy holder need not be a Bondholder.

8.14 Amendments to Terms and Conditions

8.14.1 The provisions of the Terms and Conditions of the Bonds may be amended by the Issuer with the approval of a majority of Bondholders, holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at a meeting of the Bondholders called for that purpose or at any adjourned meeting thereof, as the case may be.

8.14.2 In the event that the Issuer wishes to amend any of the provisions set out in these Terms and Conditions, it must call a meeting of the Bondholders for this purpose. Subject to having obtained the necessary approval by the said Bondholders at a meeting of the Bondholders as set out above, any such proposed amendment or amendments to the provisions of the Terms and Conditions shall subsequently be given effect to by the Issuer.

8.15 Events of Default and Enforcement

8.15.1 Without prejudice to Section 8.15.2 below, the Trustee may, in its discretion, and shall, upon the request by Bondholders holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at a meeting of the Bondholders or at any adjourned meeting thereof, as the case may be, give notice to the Issuer that the Bonds are, and shall accordingly immediately become, due and payable at their Nominal Value together with interest accrued on the occurrence of any of the following events (each, an 'Event of Default') and without the need of any authorisation and/or confirmation from a competent court in the event that:

a. the Issuer fails to pay any interest on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders; or

b. the Issuer fails to repay any principal on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders; or

c. the Issuer and/or any of the Property Companies, as applicable, fail to perform or observe any material covenant, material condition or material obligation contained in these Terms and Conditions, the Prospectus, the Trust Deed or any of the Security Documents (other than any obligation for the payment of principal or interest in respect of the Bonds) and such failure is incapable of remedy or is not remedied within sixty (60) days after notice of such default shall have been given to the Issuer; or

d. the Issuer and/or any of the Property Companies is deemed unable or admits its inability to pay its debts as they fall due or otherwise becomes insolvent; or

e. the Issuer and/or any of the Property Companies stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or

f. the Issuer and/or any of the Property Companies is adjudicated or found bankrupt or insolvent, or an order is made by any competent court, or a resolution is passed by the Issuer or any other action is taken for the dissolution, liquidation, or winding-up of the Issuer; or

g. (the German Law Mortgages are not duly registered in the German land register by the Longstop Date.

8.15.2 Notwithstanding the provisions of Section 18.5.1 above, should an Event of Default arise under paragraph (g) of Section 8.15.1, the Bonds shall (in accordance with Section 8.9 above) automatically be redeemed as of the Longstop Date and the Trustee shall notify the Issuer of the Event of Default in accordance with the provisions of the Interim Pledge of Bond Proceeds Agreement without the need for a meeting of the Bondholders or any other action to be taken by the Trustee or the Bondholders. The Issuer shall, promptly following any such notice from the Trustee, pay to Bondholders the Nominal Value of their Bonds together with interest accrued and unpaid on the Bonds until the Longstop Date, and the funds held in the Interim Bank Account (in addition to any further amounts required to be paid by the Issuer in order to meet its obligations to Bondholders in full) shall be applied by Merkanti Bank (on the instructions of the Trustee) for this purpose.

8.15.3 Any notice, including any notice declaring Bonds due shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer.

8.15.4 At any time after notice has been given to the Issuer by the Trustee that the Bonds shall have become immediately due and payable in accordance with Section 8.15.1 above, the Trustee may, in its sole discretion, institute such proceedings as it may think fit against the Issuer to enforce repayment of the principal together with accrued but unpaid interest, including the enforcement of any or all of the Security, provided that the Trustee shall not be bound to do so unless it shall have been (a) so requested by Bondholders holding not less than sixty-six and two-thirds percent (66 2/3%) in Nominal Value of the Bonds held by those Bondholders present at a meeting of the Bondholders called for that purpose or at any adjourned meeting thereof, as the case may be, and (b) indemnified by the Bondholders to its satisfaction.

8.15.5 Only the Trustee may enforce the provisions of the Trust Deed and of the Terms and Conditions set out in this Prospectus, and no Bondholder shall be entitled to enforce performance of any such provisions unless the Trustee, having become bound to proceed as described in Section 8.15.3 above, fails to do so within a period of sixty (60) days after becoming so bound.

8.16 Notices

Notices to the Bondholder shall be mailed to them at their respective addresses contained in the CSD Register and shall be deemed to have been served at the expiration of three (3) calendar days after the date of mailing. In proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at the address contained in the CSD Register.

8.17 Governing Law and Jurisdiction

8.17.1 Governing Law

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

8.17.2 Jurisdiction

The Courts of Malta shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, all the rights and obligations of the Bondholder and/or the Issuer, and any non-contractual obligations arising out of or in connection with the Bonds. The Issuer and the Bondholders hereby irrevocably submit to the exclusive jurisdiction of the Courts of Malta to hear and determine any proceedings and to settle any dispute which may arise out of, or in connection with the Bonds.

Each of the Issuer and the Bondholder waives any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agrees that a judgment or order of such a Court shall be conclusive and binding on it and may be enforced against it in the Courts of any other jurisdiction.

9. TAXATION

9.1 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 Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

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

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

9.2 Malta Tax on Interest

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

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

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

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

9.3 Exchange of Information

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

9.4 Maltese Taxation on Capital Gains on a Transfer of the Bonds

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

9.5 Duty on Documents and Transfers

In terms of the Duty on Documents and Transfers Act (Chapter 364 of the laws of Malta), duty is chargeable *inter alia* on the transfer or transmission *causa mortis* of marketable securities. A marketable security is defined in the said legislation as "a holding of share capital in any company and any document representing the same".

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

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

10. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

Save for the Financial Analysis Summary, the Valuation Reports and the Accountant's Report, this Prospectus does not contain any statement or report attributed to any person as an expert.

The Valuation Reports have been included as Annex A to this Prospectus in the form and context in which they appear with the authorisation of the Property Valuer, which has given and has not withdrawn its consent to its inclusion herein.

The Financial Analysis Summary has been included as Annex B to this Prospectus in the form and context in which it appears with the authorisation of the Sponsor, which has given and has not withdrawn its consent to its inclusion herein.

The Accountant's Report has been included as Annex D to this Prospectus in the form and context in which it appears with the authorisation of PricewaterhouseCoopers, which has given and has not withdrawn its consent to its inclusion herein.

None of the foregoing experts have any beneficial interest in the Issuer. The Issuer confirms that the Financial Analysis summary, the Valuation Reports, the Accountant's Report and any other information sourced from third parties and contained and referred to in this Prospectus have been accurately reproduced in this Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents (or copies of the same) are available for physical inspection at the Issuer's registered office and on the Issuer's website (www.merkantiholding.com) for the duration of the validity of the Prospectus:

a. The Memorandum and Articles of Association of the Issuer;
b. The Trust Deed;
c. The Mortgage Deeds;
d. The Pledge of Shares Agreements;
e. The Pledge of Deposited Monies Agreements;
f. Audited financial information of the Issuer for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, together with the auditors' reports thereon;
g. Pro forma financial statements for the year ending 31 December 2018 together with the Accountants' Report thereon;
h. The Financial Analysis Summary; and
i. Letter of confirmation of PricewaterhouseCoopers' dated [-].

MerkantiHolding
p.l.c

ANNEXES

ANNEX A
GERMAN REAL ESTATE VALUATION REPORTS

V A L U A T I O N
on the Market Value (Fair Value)

for the developed and undeveloped plots of land in

39596 Arneburg, Sanner Strasse 2 and others

Land register of:	Arneburg, sheets 4055, 3924, 1179
Boundary:	Arneburg, Altenzaun, Ellingen
Plot:	1, 11, 18, 19, 21 and 22
Land parcels:	a total of 68 land parcels
Plot of land area:	in total 1,836,253 m²
Principal:	Merkanti (A) International Ltd. Represented by Altmark Immobilien Management GmbH

The **Market Value / Fair Value** for the **Section of the Altmark Industrial and Commercial Park** was ascertained as on the **fixed appraisal date on 31/05/2019**

ascertained with: **EUR 26,173,000.00**

This valuation consists of 90 pages without cover page and 13 annexes of 60 pages in total. The valuation was made out in 2 copies as ordered.

Table of Contents

1.0. General Information

1.1. Information on the Valuation Object

Kind of the valuation object: Sections of the Altmark Industrial and Commercial Park consisting of various production and storage buildings and office and administration buildings

Address: 39596 Arneburg, Germany
Sanner Strasse 2 and others

Real estate register details:

Stendal local court,
Arneburg land register, **sheet 4055**

	Local subdistrict	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1	21	230	21,852 m²
2	Arneburg	2	21	228	1,349 m²
3	Arneburg	2	21	232	34,796 m²
Total:					**57,997 m²**

Stendal local court,
Arneburg land register, **sheet 3924**

	Local subdistrict	Serial No.	Plot	Parcel of land	Area
4	Arneburg	1	21	1/40	49,987 m²
Total:					**49,987 m²**

Stendal local court,
Arneburg land register, **sheet 1179**

	Local subdistrict	Serial No.	Plot	Parcel of land	Area
5	Arneburg	2	18	121	1,745 m²
6	Arneburg	4	21	147	152 m²
7	Arneburg	4	21	158	6,659 m²
8	Arneburg	5	18	95	5,200 m²
9	Arneburg	5	18	111	318,842 m²
10	Arneburg	5	18	115	43,300 m²
11	Arneburg	5	18	116	58,815 m²
12	Arneburg	8	18	12/6	38 m²
13	Arneburg	9	18	91	15,834 m²
14	Arneburg	10	18	100	3,998 m²
15	Arneburg	11	18	104	18 m²
16	Arneburg	12	18	106	21,854 m²
17	Arneburg	13	19	3/2	45,400 m²
18	Arneburg	14	19	65	3,808 m²

	Local subdistrict	Serial No.	Plot	Parcel of land	Area
19	Arneburg	15	19	67	36,042 m²
20	Arneburg	16	21	1/52	19,662 m²
21	Arneburg	17	21	31/2	26,800 m²
22	Arneburg	18	21	31/5	25,114 m²
23	Arneburg	19	21	31/6	30,986 m²
24	Arneburg	20	21	54	4,586 m²
25	Arneburg	22	21	143	15,529 m²
26	Arneburg	24	21	150	28,305 m²
27	Arneburg	25	22	6	7,674 m²
28	Ellingen	31	11	281	264 m²
29	Ellingen	31	11	290	5,681 m²
30	Ellingen	33	11	299	312 m²
31	Ellingen	34	11	306	407 m²
32	Ellingen	35	11	309	83,721 m²
33	Arneburg	56	21	166	71,248 m²
34	Arneburg	57	21	169	3,402 m²
35	Arneburg	58	21	182	10,956 m²
36	Arneburg	58	21	183	2,787 m²
37	Arneburg	64	21	192	6,014 m²
38	Ellingen	66	11	319	195,158 m²
39	Ellingen	66	11	320	19,086 m²
40	Ellingen	66	11	322	39,046 m²
41	Arneburg	67	18	127	2,658 m²
42	Arneburg	67	18	128	4,681 m²
43	Arneburg	68	18	122	22,336 m²
44	Altenzaun	68	1	437	131,012 m²
45	Ellingen	71	11	329	2,522 m²
46	Ellingen	71	11	330	12,669 m²
47	Ellingen	71	11	331	14,432 m²
48	Ellingen	71	11	333	13,852 m²
49	Arneburg	73	21	206	24,167 m²
50	Arneburg	73	21	207	7,050 m²
51	Arneburg	73	21	220	13,007 m²
52	Arneburg	76	21	200	33,533 m²
53	Arneburg	76	21	203	138 m²
54	Arneburg	76	21	212	2,618 m²
55	Arneburg	76	21	213	14,845 m²
56	Arneburg	76	21	224	152,308 m²
57	Arneburg	77	21	1/46	3,213 m²
58	Arneburg	77	21	46	14,843 m²
59	Arneburg	77	21	55	1,162 m²
60	Arneburg	77	21	226	6,525 m²
61	Arneburg	77	21	227	824 m²

	Local subdistrict	Serial No.	Plot	Parcel of land	Area
62	Arneburg	77	21	231	22,051 m²
63	Arneburg	77	21	71	35,388 m²
64	Arneburg	77	21	75	7,048 m²
65	Arneburg	77	21	92	15,610 m²
66	Arneburg	77	21	114	648 m²
67	Arneburg	77	21	136	5,151 m²
68	Arneburg	78	21	229	5,535 m²
total:					**1,728,269 m²**
Total area according to land register:					**1,836,253 m²**

The above state of the land register includes a partial section of about 12,910 m^2 not yet officially surveyed, which had been sold according to no. 1591/2017. This has been taken into consideration in the market value appraisal accordingly.

The barter agreement of the plot of land no. F 352/2018 concluded on 2018/11/21 concerning the parcels of land of plot 21, parcel of land 31/2 and 31/5 was cancelled by mutual agreement. The cancellation of the priority notice of the property transfer has been applied for with the real estate registry by the notary public, but has not been effected, yet. The plots of land continue to be relevant for the evaluation.

1.2. Details concerning the Order and its Execution

Order:	A valuation shall be prepared on the market value of the above object as stipulated in the order dated 2019/05/13 / 05/15.
Purpose of the valuation:	The purpose of the valuation is to ascertain the market value (fair value) according to IFRS. The fixed appraisal date is the date of 31/05/2019.
Principal:	Merkanti (A) International Ltd. Registered office: 96960 Majuro, Marshall Islands Postal address: Sanner Strasse 2, 39596 Arneburg Represented by Altmark Immobilien Management GmbH Sanner Strasse 2, 39596 Arneburg
Owner:	Merkanti (A) International Ltd.
Fixed appraisal date:	31/05/2019
Fixed quality date:	31/05/2019
Site survey:	15/05/2019

Persons participating in the site survey:

Client representative
Ms. Katrin Zimmermann (MRICS), from IHK Magdeburg, expert for the valuation of developed and undeveloped real estate, officially appointed and sworn in

Documents and information:

Documents submitted by the principal:

- Excerpt from the real estate map with a scale of 1: 5000, dated 10/12/2018
- Excerpt from the real estate map with a scale of 1: 2500, dated 10/12/2018
- Business plan
- List of buildings for the business plan
- Survey of the existing real estate dated 31/05/2019
- 3 certificates of title dated 29/05/2019
- Overview of the rights in Section II of the land registers
- Occupancy rate and rental fees as of 31/05/2019
- Overview of lease agreement-related particularities as of 31/05/2019
- Survey of over-/under rent rates as on 31/05/2019
- Building descriptions
- Approval certificate no. 1453/2003 dated 08/12/2003
- Approval certificate no. 1296/2004 dated 23/07/2004
- Approval certificate no. 2183/2013 dated 17/12/2013
- Approval certificate no. 270/2014, dated 12/2/2014 partially,
- Approval certificate no. 726/2015 dated 29/5/2015
- Approval certificate no. 727/2015 dated 29/5/2015
- Approval certificate no. 1591/2017 dated 27/11/2017
- Approval certificate no. F 352/2018 dated 21/11/2018
- Report of the contaminated areas dated 17/12/1999
- Map of the examined contamination areas scale 1:5000 dated 12/1999
- Construction plan "Industrie- und Gewerbepark Altmark, 5th amendment dated 15/06/2017
- Proof of up-to-dateness for the written information concerning the planning law dated 9/1/2019, Verbands-gemeinde (local authority association) Arneburg-Goldbeck
- Written information from the public easement register dated 23/04/2019, District of Stendal
- Written information from the contaminated site cadaster dated 17/04/2019, District of Stendal
- Written information about development and building connection costs dated 08/05/2019, Avacon AG
- Proof of up-to-dateness for the written Information about grid connections dated 15/01/2019, Wasserverband Stendal- Osterburg

Documents provided by the Contractor:

- Current property market overview for the State of Saxony-Anhalt 2019
- Market report industrial immovable properties of TÜV Sued 2016 (Technical Inspection Agency South) ImmoWert GmbH

- Ground value information from State Office for Surveying and Geographic Information online

Completion of the inquiries: 03/06/2019

1.3. Basic Information of the Order

The valuation has been prepared on the basis of the documents and information indicated under 1.2. The undersigned did not gather further information with authorities and offices beyond this as said in the order.

The methodical indications of the IFRS/IAS provisions for ascertaining the fair value correspond to the principles of the ImmoWertV (Regulation for ascertaining the Value of Real Property) concerning § 194 BauGB (Code of Building Law), which is materially identical and more substantial with the regulations of the IAS provisions.

The terms of "fair value", "market value", and "fair market value" are used synonymously, since their definitions are materially identical (see Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 457).

The fair value is ascertained on the basis of the fair market value (market value). The fair market value (market value) is ascertained on the basis of § 194 Federal Building Code and thus according to the legal regulations of the Federal Building Code (BauGB), the Regulation for ascertaining the Value of Real Property (ImmoWertV), the Appraisal Regulation ((WertR06), Comparative Value Regulation (VW-RL), Real Value Regulation (SW-RL) and the Earnings Value Regulation (EW-RL)).

The comparative value procedure, the capitalized value procedure and the real value procedure according to ImmoWertV fulfil the prerequisites, in order to guarantee a determination of the real property value within the meaning of the fair value conception of IFRS.

Furthermore, the valuation is performed in accordance with the global RICS valuation standards, the assessment shall drafted in an impartial, independent, neutral manner, free of instructions.

1.4. Assumptions and Nonliability

The present valuation is a fair market value expertise and not a structural damage valuation.

The premises were not re-measured. It is taken for granted that the areas indicated in the real estate register correspond to the real ones.

As per the order, based on the size and with respect to the spatial coherence, the subject of the valuation was divided and amalgamated into clusters/groups which would likely apply in the event of an actual sale.

The division and amalgamation is as follows.

Cluster 1 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	71	35,388 m²
Total:						**35,388 m²**

Cluster 2 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	136	5,151 m²
2	Arneburg	1179	77	21	226	6,525 m²
Total:						**11,676 m²**

Cluster 3 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	3924	1	21	1/40	49,987 m²
2	Arneburg	1179	77	21	1/46	3,213 m²
3	Arneburg	1179	77	21	114	648 m²
4	Arneburg	1179	73	21	220	13,007 m²
Total:						**66,855 m²**

Cluster 4 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	73	21	206	24,167 m²
Total:						**24,167 m²**

Cluster 5 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	73	21	207	7,050 m²
Total:						**7,050 m²**

Cluster 6 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	227	824 m²
2	Arneburg	4055	2	21	228	1,349 m²
3	Arneburg	1179	78	21	229	5,535 m²
4	Arneburg	4055	1	21	230	21,852 m²
5	Arneburg	1179	77	21	231	22,051 m²
6	Arneburg	4055	2	21	232	34,796 m²
7	Arneburg	1179	76	21	203	138 m²
Total:						**86,545 m²**

Cluster 7 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	76	21	213	14,845 m²
Total:						**14,845 m²**

Cluster 8 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	64	21	192	6,014 m²
2	Arneburg	1179	58	21	182	10,956 m²
Total:						**16,970 m²**

Cluster 9 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	8	18	12/6	38 m²
2	Arneburg	1179	10	18	100	3,998 m²
3	Arneburg	1179	11	18	104	18 m²
4	Arneburg	1179	5	18	116	58,815 m²
5	Arneburg	1179	77	21	55	1,162 m²
6	Arneburg	1179	16	21	1/52	19,662 m²
7	Arneburg	1179	20	21	54	4,586 m²
Total:						**88,279 m²**

This includes a sale of non-surveyed partial sections of the parcel of land 116 (4,040 m^2) as said in no. 1591/2017.

Cluster 10 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Ellingen	1179	66	11	320	19,086 m²
2	Ellingen	1179	31	11	281	264 m²
Total:						**19,350 m²**

This includes a sale of non-surveyed partial sections of the parcel of land 281 (30 m^2) and the parcel of land 320 (1,540 m^2) as said in no. 1591/2017.

Cluster 11 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	67	18	127	2,658 m²
2	Arneburg	1179	76	21	200	33,533 m²
Total:						**36,191 m²**

Cluster 12 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	5	18	95	5,200 m²
2	Arneburg	1179	67	18	128	4,681 m²
3	Arneburg	1179	76	21	224	152,308 m²
4	Ellingen	1179	66	11	319	195,158 m²
5	Ellingen	1179	33	11	299	312 m²
Total:						**357,659 m²**

This includes a sale of non-surveyed partial sections of the parcel of land 224 (3,750 m^2) and the parcel of land 319 (3,550 m^2) as said in no. 1591/2017.

Cluster 13 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	76	21	212	2,618 m²
Total:						**2,618 m²**

Cluster 14 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	75	7,048 m²
Total:						**7,048 m²**

Cluster 15 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	58	21	183	2,787 m²
Total:						**2,787 m²**

Cluster 16 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Ellingen	1179	71	11	331	14,432 m²
Total:						**14,432 m²**

Cluster 17 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Ellingen	1179	66	11	322	39,046 m²
2	Ellingen	1179	71	11	330	12,669 m²
3	Ellingen	1179	71	11	333	13,852 m²
4	Ellingen	1179	71	11	329	2,522 m²
Total:						**68,089 m²**

Cluster 18 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Ellingen	1179	31	11	290	5,681 m²
2	Ellingen	1179	12	18	106	21,854 m²
3	Arneburg	1179	5	18	115	43,300 m²
Total:						**70,835 m²**

Cluster 19 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	9	18	91	15,834 m²
2	Arneburg	1179	5	18	111	318,842 m²
3	Arneburg	1179	2	18	121	1,745 m²
4	Arneburg	1179	68	18	122	22,336 m²
Total:						**358,757 m²**

Cluster 20 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Altenzaun	1179	68	1	437	131,012 m²
Total:						**131,012 m²**

Cluster 21 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	14	19	65	3,808 m²
2	Arneburg	1179	56	21	166	71,248 m²
3	Arneburg	1179	57	21	169	3,402 m²
4	Ellingen	1179	34	11	306	407 m²
5	Ellingen	1179	35	11	309	83,721 m²
Total:						**162,586 m²**

Cluster 22 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	15	19	67	36,042 m²
2	Arneburg	1179	13	19	3/2	45,400 m²
3	Arneburg	1179	24	21	150	28,305 m²
4	Arneburg	1179	4	21	147	152 m²
5	Arneburg	1179	4	21	158	6,659 m²
Total:						**116,558 m²**

Cluster 23 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	22	21	143	15,529 m²
Total:						**15,529 m²**

Cluster 24 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	92	15,610 m²
2	Arneburg	1179	17	21	31/2	26,800 m²
3	Arneburg	1179	18	21	31/5	25,114 m²
4	Arneburg	1179	19	21	31/6	30,986 m²
Total:						**98,510 m²**

Cluster 25 – 39596 Arneburg, Industrie- und Gewerbepark Altmark:

	Local subdistrict	Land register	Serial No.	Plot	Parcel of land	Area
1	Arneburg	1179	77	21	46	14,843 m²
2	Arneburg	1179	25	22	6	7,674 m²
Total:						**22,517 m²**

As said by the client there are some building permits already available, but the submission of the complete documents by the building archive is further pending, yet.

Compliance of the existing structures and use with the building permit was not reviewed. The formal and material legality of the existing structures and use is required.

The buildings were inspected, in an adequate scope, inside and outside and assessed as non-destructive. The following has not been inspected: building permissions, public law regulations including approvals, taking over, stipulations and likewise, structural safety, noise and heat insulation properties, animal and vegetable vermin, polluted building material and the serviceability of the domestic engineering.

The expert does not have any layouts for the valuation object. The gross floor space of the buildings and the usable areas were checked for plausibility by means of the real estate map and the usable area factors. The exactness of the areas shall be excluded from liability.

Liability for unrecognizable or concealed defects in the buildings and other property characteristics not determined during the site inspection is excluded. Liability for information provided by a third-party (see Documents and Information) to experts is excluded.

2.0. Real Estate Features

2.1. Description of the location

Federal land:	Saxony-Anhalt
Administrative district:	Stendal
City and inhabitants:	Arneburg, approx. 1,512 inhabitants (as of: 31/12/2017)
Connection:	Nearest larger cities:

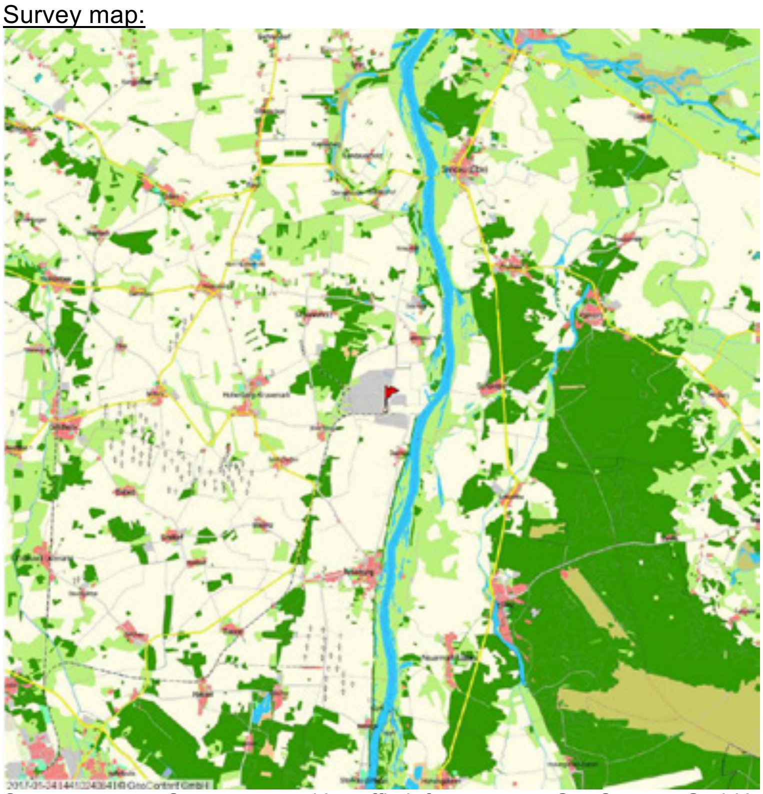
Stendal	approx. 17 km,
Havelberg	approx. 17 km,
Osterburg	approx. 24 km,
Rathenow	approx. 45 km,
State capital city of Magdeburg	approx. 85 km

Federal motorways:	B 107, B 189
Nearest motorway:	A 24 about 68 km A 2 about 78 km

Nearest railway station: Stendal main station about 20 km

Nearest airport:	Berlin-Tegel about 140 km

Survey map:



Source: Survey map with traffic infrastructure, GeoContent GmbH
Year: 2016

Location: The valuation areas are located in the Altmark Industrial and Commercial Estate, about 6.0 km north of Arneburg. The Industrial and Commercial Estate is developed by the K 1070 normally travelled district road and through several less travelled side roads. The Industrial and Commercial Estate has several railway sidings and a port of the Elbe river. The course of the Elbe river is the eastern border of the Industrial and Commercial Estate.

The center of Arneburg is about 6.0 km far away, the B 107 about 11 km and the B 189 about 15 km. The distance to the Stendal railway station is about 20 km. There is bus connection in the Goldbecker Strasse of the Industrial and Commercial Estate.

The Stendal Nuclear Power Plant was built on the area of the Industrial and Commercial Park between 1974 and 1991, but not put into operation. Beginning from the 1990s the nuclear power plant and some buildings were demolished. Most of the buildings have been reused and used as they were, respectively.

The Industrial and Commercial Park now houses a pulp mill, a paper mill, a bio-methane refinery and several smaller craft businesses and service providers. Shops and facilities for daily needs are more or less available in Arneburg and Stendal.

Commercial location: Average

Type of structure and use on the street: most of them have one or two floors and are used commercially.

Immissions: no relevant adverse effects

Topography: nearly flat

General economic situation: The unemployment rate in the District of Stendal is 8.5% (as of: May 2019, source: Bundesagentur für Arbeit, Statistik). The population development is going down. The district of Stendal is characterized by stable up to slightly increasing purchasing power rates. The retail relevant purchasing power level increased to 80.7 in the year of 2018 (source: mb-research, 2018 purchasing power in Germany).

Demographic development: As indicated in the 6th Regional Population Forecast for 2014 - 2030, issued by the Saxony-Anhalt Census Bureau in July of 2016, the city of Arneburg will keep its development and the population will remain declining up to 2030 by 14.9%.

The population of Saxony-Anhalt will be probably reduced by 11%, with the main reason being the unfavorable age structure, the remaining birth deficit and thus the decreasing number of children and youth. The percentage of the working population will decrease, the percentage of those being older than 65 years will increase due to the increased life expectancy. The average age will generally go up. The strong suburbanization process has stopped, so that especially the cities of Halle and Magdeburg will benefit from the relocation of younger people in the cities.

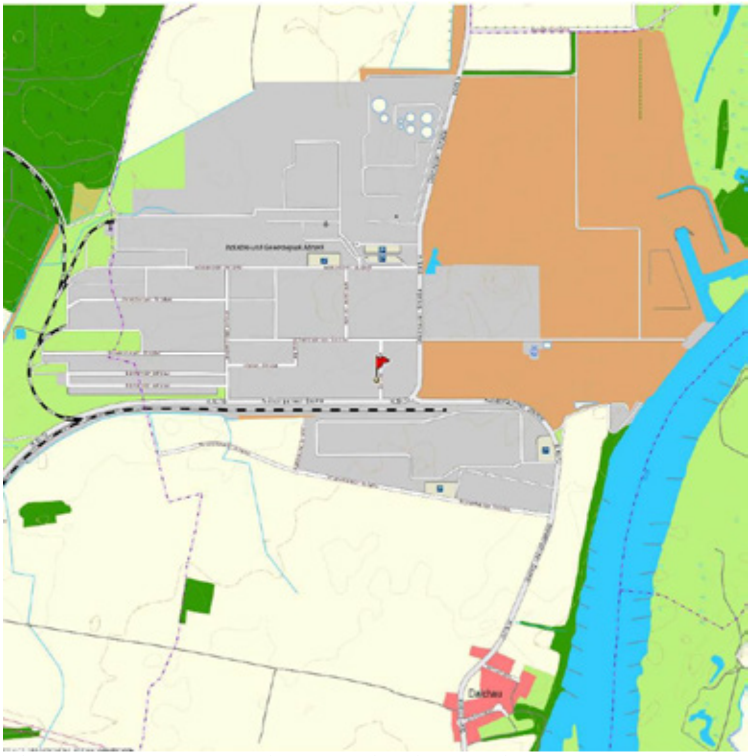
General market situation:

As per the property market report for Saxony-Anhalt 2019, the demand for building properties for commercial use has remained constant overall; the price rates increased by approx. 16% on average in the state. In the District of Stendal, the number of the traded commercial plots of land ready for building and exempt from development charges decreased by 8.3%, the respective surface area decreased by 4.7% and the purchase prices increased by 92.7%.

The industrial and commercial space rental market in Arneburg is stable. The rental prices for commercial spaces are stable overall and are good for demand. There is currently little demand for investment objects or investment properties on the local market. Arneburg is not currently relevant as an investment location.

In addition to the extent of the municipality the commercial building land is considerably influenced by its connection to the local and supra-local road network, to the railway network or waterways in certain industries. Having these general requirements there will also be an accordingly greater demand in the countryside.

Surroundings Map:



Source:	City map, GeoContent GmbH
Year:	2016

2.2. Real estate (see Annexes 1 and 2)

Cluster 1

Real estate area according to the land register:	35,388 m²
Shape of the plot:	irregular
Developed building area:	about 5,560 m²

Cluster 2

Real estate area according to the land register:	11,676 m²
Shape of the plot:	irregular
Developed building area:	approx. 1.090 m²

Cluster 3

Real estate area according to the land register:	66,855 m²
Shape of the plot:	irregular
Developed building area:	approx. 5,775 m²

Cluster 4

Real estate area according to the land register:	24,167 m²
Shape of the plot:	irregular

Developed building area:	undeveloped

Cluster 5

Real estate area according to the land register:	7,050 m²
Shape of the plot:	almost regular
Developed building area:	undeveloped

Cluster 6

Real estate area according to the land register:	86,545 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 7

Real estate area according to the land register:	14,845 m²
Shape of the plot:	irregular
Developed building area:	approx. 10,030 m²

Cluster 8

Real estate area according to the land register:	16,970 m²
Shape of the plot:	irregular
Developed building area:	approx. 4,509 m²

Cluster 9

Real estate area according to the land register:	88,279 m²
Shape of the plot:	irregular
Developed building area:	approx. 11,760 m²

Cluster 10

Real estate area according to the land register:	19,350 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 11

Real estate area according to the land register:	36,191m²
Shape of the plot:	irregular
Developed building area:	approx. 15,408 m²

Cluster 12

Real estate area according to the land register:	357,659 m²
Shape of the plot:	irregular
Developed building area:	approx. 10,694 m²

Cluster 13

Real estate area according to the land register:	2,618 m²
Shape of the plot:	ventilate
Developed building area:	undeveloped

Cluster 14

Real estate area according to the land register:	7,048 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 15

Real estate area according to the land register:	2,787 m²
Shape of the plot:	ventilate
Developed building area:	undeveloped

Cluster 16

Real estate area according to the land register:	14,432 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 17

Real estate area according to the land register:	68,089 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 18

Real estate area according to the land register:	70,835 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 19

Real estate area according to the land register:	358,757 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 20

Real estate area according to the land register:	131,012 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 21

Real estate area according to the land register:	162,586 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 22

Real estate area according to the land register:	116,558 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 23

Real estate area according to the land register:	15,529 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 24

Real estate area according to the land register:	98,510 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

Cluster 25

Real estate area according to the land register:	22,517 m²
Shape of the plot:	irregular
Developed building area:	undeveloped

2.3. Development, Subsoil

Kind of roads:

Cluster 1-15, 19-24	normally travelled side roads
Cluster 16-18, 25	unpaved access routes

Road upgrading:

Cluster 1-15, 19-24	generally improved roadway of bitumen, partially of concrete plates, sidewalk on both sides
Cluster 16-18, 25	unpaved

Height with respect to the road:

Cluster 1-25	normal

Supply lines:

Cluster 1-15	Water supply via waterworks (see Annex 7), Power supply via substation (see Annex 8), Gas supply via gas pressure control station
Cluster 16-25	no connections

Waste disposal:

Cluster 1-15	Wastewater supply in a separating system (see Annex 7)
Cluster 16-25	no connections

Boundaries:

Cluster 1-25 generally without enclosure

Ground water:
Cluster 1-25 Normal load-bearing subsoil and normal ground water level are assumed.

2.4. Legal Situation

2.4.1. Private-Law Situation

Cluster 1 - 25

The appraiser has three certificates of title printed on 29/05/2019.

On the basis of these Section II of the Real Estate Registers contains some entries for land servitudes and for limited personal easements (cable line rights, overhead line rights, telecommunications system right, drinking water pipeline rights, rights of way, way leave and travel rights, self-obligation for preventing waste combustion plants). The rights in section II of the land registers are presented in detail in Annex 12.

Only those rights and encumbrances shall be taken into consideration which can have influence on the value. The rights stated under Section II are evaluated in the valuation as reducing the value (see item 4.5).

Mortgages and land charges (Section III of the real estate register) are no rights and encumbrances affecting the value, they regularly influence the amount of the purchase price only. (see WertR 2006, item 2.2.3, para 4). There are no entries in Section III of the real estate registers.

Since no corresponding note was entered in Section II of the real estate register, the expert proceeds from the fact that the valuation object has not been included into any proceeding for the reorganization of land holdings or land consolidation and is not located in a redevelopment area.

The above real estate is not included within a redevelopment and development area, respectively, as stated in a written information of the association of municipalities of Arneburg-Goldbeck (see annex 5).

As given in a written information of the administrative district of Stendal, land parcels 1/40, 1/52, 54, 55, 71, 75, 114, 136, 182, 183, 192, 206, 207, 220, 200, 203, 212, 213, 222, 224, 226, 227, 228, 229, 230, 231, 232 of plot 21 of the local sub-district of Arneburg and land parcels 12/6, 95, 116, 100, 104, 127, 128 of plot 18 of the local sub-district of Arneburg as well as land parcels 281, 299, 319, 320 of plot 11 of the local sub-district of Ellingen have been included as area of suspected contamination (see Annex 6) into the contaminated site cadastre of the Nature and Environment Agency of the District of Stendal under the ALVF no. 00289 “former nuclear power plant of Stendal-Arneburg”.

In 1992 there were 55 areas of suspected contamination registered under a risk assessment. A follow-up examination in 1999 showed that most of the areas of suspected contamination were eliminated by building measures and local soil replacement. Since these were smaller suspected areas near to the surface, a natural reduction of the mineral carbon hydrides took place. Contaminations were found on the suspected area VF 36 of the former patrol filling station (plot 21, land parcel 222). But there are no further examinations required.

The information given makes no further actions necessary at present. However, possible removal processes and new buildings could show contaminations in the existing building stock or in the subsoil which could require further actions. The value relevance due to the existing entries is taken into consideration in the valuation as a decrease in the market value. But this reduction does not include removal costs possibly incurring in addition (see item 4.5).

No other entries concerning other rights and encumbrances known, such as especially flat and rental commitments.

2.4.2. Public-law Situation

Public easements: The public easement register of the administrative district of Stendal contains the following entry with regard to the valuation object (see Annex 4):

Cluster 2

- Public easement sheet no. Arneburg 126: Clearance easement to the detriment of land parcel 226 and to the benefit of land parcel 225, entered on 6/12/2018

- Public easement sheet no. Arneburg 127: Clearance easement to the detriment of land parcel 136 and to the benefit of land parcel 225, entered on 6/12/2018

Cluster 7

- Public easement sheet no. Arneburg 075: Line easement (securing lines) to the detriment of land parcel 213 (new 204) and to the benefit of land parcel 174, entered on 3/6/2016

Cluster 22

- Public easement sheet no. Arneburg 112: Unification easement for land parcels 147, 20/7, 20/10, 20/11, 20/18, 87, 110/20, 112/20, 145 and 146, entered on 29/3/2017

The above public easements do not have any value reducing influence on the valuation object, since the present building development and use are not limited.

Cluster 1, 3 - 6, 8 - 21 and 23 - 25

The public easement register for the District of Stendal contains no entries for clusters 1, 3 to 6, 8 to 21 and 23 to 25.

Cluster 1 -25

Protection of historical monuments: Based on a statement from the client, the relevant properties are not subject to protection of historical monuments.

Construction engineering right:

Cluster 1 - 25 The legally binding land use plan indicates different utilisations for the valuation object (see Annex 5).

Apart from land parcel 333, the valuation object is within the scope of validity of the legally binding development plan of the "Altmark Industrial and Commercial Park", 5th. amendment. The admissibility of projects is regulated by § 30 BauGB. The 2nd draft of the 6th amendment of the B plan is publicly available for inspection at present.

Existing type of building use:	commercial use
Existing scope of the building use:	mostly one and two storys

State of Development:

Cluster 1 - 9, 11 - 16	Land ready for building
Cluster 10, 19 - 24	Raw building land
Cluster 17, 18, 25	Areas of agriculture and forestry

Tax-related Status:

Cluster 1 - 25 The traffic engineering development is guaranteed through the K 1070 district road and through various side roads.
As informed by the principal, the valuation object is exempted from contributions and fees for development facilities according to the German Federal Building Code (BauGB) and Local Rates Law (KAG).

2.5. Present Use

The valuation object is a section of the Altmark Industrial and Commercial Park (former Nuclear Power Plant), consisting of 22 production and store houses, 4 office and administration buildings and 9 adjacent buildings. In total, there is usable space of about 45,844 m², this including about 40,113 m² production and storage space, about 5,089 m² office and archive facility space and about 642 m² basement space. Furthermore, the valuation object comprises about 71,705 m² open-air storage area. This corresponds to a total rental space surface area of approx. 117,549 m² of usable area.

17 buildings, including 2 production and store houses, 3 office and administration buildings and 12 adjacent buildings are in a shut-down and non-rentable condition.

Cluster 2

In total, there is approx. 3,897 m² of usable space, which includes approx. 3,255 m² of office and archive facility space and about 642 m² of basement space. Of that, approx. 253 m² of office space and approx. 38 m² of basement space are rented. The remaining spaces are shut-down.

Cluster 6

Cluster 6 has approx. 6.200 m² of open-air storage space.

Cluster 7

In total, there is approx. 9,651 m² of usable space, which includes approx. 8,000 m² of production and storage space and about 1,651 m² of office and archive facility space. Furthermore, Cluster 7 comprises approx. 1,540 m² open-air storage area.

Cluster 8

In total, there is approx. 3,297 m² of usable space, which includes approx. 3,114 m² of production and storage space and about 183 m² of office and archive facility space. Furthermore, Cluster 8 comprises approx. 460 m² open-air storage area.

Cluster 9

In total, there is approx. 10,830 m² of usable space, which includes approx. 10,830 m² of production and storage space.

Cluster 11

In total, there is approx. 14,176 m² of usable space, which includes approx. 14,176 m² of production and storage space.

Cluster 12

In total, there is approx. 3,993 m² of usable space, which includes approx. 3,993 m² of production and storage space. Furthermore, Cluster 12 comprises approx. 63,505 m² open-air storage area.

3.0. Description of the Buildings

3.1. Preliminary Remarks

The ascertainments and information of the site survey are the basis for the building descriptions. The buildings could mostly been inspected from inside and outside. There are no planning documents for the objects.

The description comprises the executions found, but these can deviate in detail with regard to the building. The specification only includes the essential parts.
The current condition on the day of the site survey is described. No liability shall be assumed.

Overview of the location of the buildings described hereafter:

3.2. Description of the Buildings - **Cluster 1**

3.2.1. Building no. 1 - Former multi-purpose hall

Multi-purpose hall in reinforced steel skeleton construction, built around 1988. It is a 1-story building, without basement and with a flat roof. Connections: none The state of repair is bad.

The building has been shut down.

3.2.2. Building no. 2 - Former telecommunication building

Telecommunication building in reinforced concrete skeleton construction, built around 1988. It is a 2-story building, without basement and with a flat roof. Connections: none The state of repair is moderate.

The building has been shut down.

3.2.3. Building no. 3 - Former social facilities

Social facilities building in reinforced concrete skeleton construction, built around 1988. It is a 2-story building, without basement and with a flat roof. Connections: none The state of repair is moderate.

The building has been shut down.

3.3. Description of the Buildings - **Cluster 2**

3.3.1. Building no. 4 - Office building no. 6

Office building no. 6 in reinforced concrete skeleton construction, built around 1988, partially improved from 1990, heating system around 2016. It is a six-story building with a complete basement and with a flat roof. Connections: power, drinking water/waste water, gas. The state of repair is slightly below average.

The building has been largely shut down.

3.4. Description of the Buildings - **Cluster 3**

3.4.1. Building no. 5 - Former gatehouse

Gatehouse in solid construction, built around 1982. It is a 1-story building, without basement and with a flat roof. Connections: none The state of repair is bad.

The building has been shut down.

3.4.2. Building no. 6 - Former social facilities

Social facilities building in reinforced concrete skeleton construction, built around 1982. It is a 2-story building, without basement and with a flat roof. Connections: none The state of repair is bad.

The building has been shut down.

3.4.3. Building no. 7 - Former office building

Office building in reinforced concrete skeleton construction, built around 1982. It is a four-story building with a complete basement and a flat roof. Connections: none The state of repair is bad.

The building has been shut down.

3.4.4. Building no. 8 - former residential barracks

2 residential barracks in lightweight construction, built around 1988. The buildings have two storys without basement and a slightly inclined gable end roof. Connections: none The state of repair is bad.

The building has been shut down.

3.4.5. Building no. 9 - former workshop

Workshop in solid construction, built around 1982. It is a single-story building without basement and with a slightly inclined gable end roof. Connections: none The state of repair is bad.

The building has been shut down.

3.5. Description of the Buildings - **Cluster 7**

3.5.1. Building no. 10 - Factory building no. 4

Factory building no. 4, consisting of 4 aisles, in reinforced concrete skeleton construction, built around 1987. It is a single-story building, without basement and flat roofs. The clear height is about 11 m. The building is equipped with 3 craneways (2 x 8 t, 1 x 20/5 t). Connections: power, drinking water/waste water. The state of repair is average.

3.5.2. Building no. 11 - Factory building no. 5

Factory building no. 5, consisting of 3 aisles in reinforced concrete skeleton construction, built around 1987 and roof improvement around 2013. It is a single-story building, without basement and flat roofs. The clear height is about 5 m. The building is equipped with a hydraulic platform. Connections: Power. Cold hall. The state of repair is average.

3.5.3. Building no. 12 - High-rise warehouse

High-rise warehouse in steel skeleton and solid construction, built around 1988. The rack construction is the supporting element for the skin. It is a 1-story building, without basement and with a flat roof. The clear height is about 15 m, equipped with storage space for 9,000 pallets. Connections: power shut down. Cold hall. The state of repair is slightly below average.
The building has been shut down.

3.5.4. Building no. 13 - Office building no. 2

Office building no. 2 in steel skeleton and solid construction, built around 1987 and windows and roof improvement around 2013. It is a 5-story building, without basement and with a flat roof. Equipped with an elevator. There are partially rooms without windows because of adjacent buildings. Connections: power, drinking water/waste water, gas. The state of repair is average.

3.6. Description of the Buildings - **Cluster 8**

3.6.1. Building no. 14 - Vehicle pool

Vehicle pool in reinforced concrete skeleton construction, built around 1979. It is a 1-story building, without basement and with a flat roof. The clear height is about 7 m. Connections: none. Cold hall. The state of repair is bad.

The building has been shut down.

3.6.2. Building no. 15 - Building yard

Building yard with office and archive area in steel skeleton and solid construction, built around 1979. It is a single- to two-story building, without basement and a flat roof. The clear height is about 7 m. Connections: power, drinking water/waste water, gas. Cold hall. Office and social facilities heated. The state of repair is average.

3.7. Description of the Buildings - **Cluster 9**

3.7.1. Building no. 16 - Plate frame hall no. 8

Plate frame hall no. 8 with office and archive area in steel skeleton and solid construction, built around 1990 and extended in about 2009/2010. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. The hall is equipped with a craneway (1 x 8 t). Connections: power, drinking water/waste water and gas. Cold hall, heating installation prepared. The state of repair is average up to good.

3.7.2. Building no. 17 - Plate frame hall no. 7

Plate frame hall no. 7 in steel skeleton and solid construction, built around 1990 and partially rehabilitated around 2017 (roofing). It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. Connections: Power. Cold hall. The state of repair is average.

3.7.3. Building no. 18 - Factory building no. 3

Factory building no. 3 in steel skeleton solid construction, built around 1990. It is a 1-story building, without basement and with a flat roof. The clear height is about 10 m. The building is equipped with a craneway (1 x 5 t, 1 x 20 t). Connections: power, drinking water/waste water. Cold hall. The state of repair is average.

3.7.4. Building no. 19 - Plate frame hall no. 5

Plate frame hall no. 5 in steel skeleton and solid construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. The hall is equipped with a craneway (1 x 8 t). Connections: power, drinking water/waste water. Cold hall. The state of repair is average.

3.7.5. Building no. 20 - Office building no. 1/ Laboratory building

Office building no. 1 / laboratory building in solid construction, built around 1980. It is a 2-story building, without basement and with a flat roof. The state of repair is bad.

The building has been shut down.

3.7.6. Building no. 21 - Plate frame hall no. 3

Plate frame hall no. 3 in steel skeleton and solid construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. Connections: power, drinking water/waste water. Cold hall. The state of repair is average.

3.7.7. Building no. 22 - Plate frame hall no. 2

Plate frame hall no. 2 in steel skeleton and solid construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. Connections: power, drinking water/waste water. Cold hall. The state of repair is average.

3.8. Description of the Buildings - **Cluster 11**

3.8.1. Building no. 23 - Plate frame hall no. 4

Plate frame hall no. 7 in steel skeleton and solid construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 7 m. The hall is equipped with a craneway (1 x 5 t). Connections: Power. Cold hall. The state of repair is average.

3.8.2. Building no. 24 - Factory building no. 2

Factory building no. 2, consisting of 2 aisles, in steel skeleton construction, built around 1976, roof improvement around 2013. It is a single-story building, without basement and slightly inclined gable end roofs. The clear height is about 7 m. The hall is equipped with a craneway (1 x 8 t). Connections: power, drinking water/waste water shut-down. The state of repair is average.

3.8.3. Building no. 25 - Workshop complex no. 1

Workshop complex no. 1, consisting of 4 aisles in steel skeleton construction, built around 1989 and roof improvement around 2013. It is a single-story building, without basement and slightly inclined gable end roofs. The clear height is about 7 m. The building is equipped with 9 craneways (1 x 3 t, 2 x 3.2 t, 6 x 5 t). Connections: power, gas, drinking water/waste water. Cold hall. The state of repair is average.

3.9. Description of the Buildings - **Cluster 12**

3.9.1. Building no. 26 - Factory building no. 6

Factory building no. 6 with extensions in steel skeleton construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof and pitch roofs. The clear height is about 7 m, the clear height of the extensions is about 5 m. Connections: power shut down. Cold hall. The state of repair is average.

The building has been shut down.

3.9.2. Building no. 27 - Warehouse no. 1

Warehouse no. 1 in steel skeleton and solid construction, built around 1979. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 3.5 m. Connections: shut down. Cold hall. The state of repair is slightly below average.

The building has been shut down.

3.9.3. Building no. 28 - Semicircular hall

Semicircular hall in steel skeleton construction, built around 1988. It is a single-story building without basement and with a barrel-shaped roof. The clear height is about 4 m. Connections: none Cold hall. The state of repair is bad.

The building has been shut down.

3.9.4. Building no. 29 - Plate frame hall no. 1

Plate frame hall no. 1 in reinforced concrete skeleton construction, built around 1988. It is a single-story building without basement and with a slightly inclined gable end roof. The clear height is about 8 m. Electrically driven hall gate built in 2019.
Connections: power, drinking water/waste water, gas. Cold hall. The state of repair is average.

3.9.5. Building no. 30 - Workshop no. 3

Workshop no. 3 in solid construction, built around 1981. It is a 1-story building, without basement and with a flat roof. The clear height is about 3 m. Connections: Power. The state of repair is slightly below average. There is an adjacent roofed storehouse of about 105 m2 on the southern side.

3.9.6. Building no. 31 - Factory building no. 9

Factory building no. 9, consisting of 3 sections, in steel skeleton and solid construction, built around 1980. It is a single-story building without basement and with a slightly inclined gable end roof or flat roofs. The clear height is between about 4 to 6 m. Connections: shut down. Cold hall. The state of repair is slightly below average.

The building has been shut down.

3.9.7. Building no. 32 - Factory building no. 10

Factory building no. 10 in steel skeleton solid construction, built around 1979. It is a one- to two-story building without basement and with a slightly inclined gable end roof. The clear height is about 7 m. The hall is equipped with a craneway (1 x 5 t). Connections: power, drinking water/waste water. Cold hall. The state of repair is slightly below average.

3.9.8. Building no. 33 - Warehouse no. 3

Warehouse no. 3 consisting of 21 garages in solid construction, built around 1979. It is a 1-story building, without basement and with a flat roof. The clear height is about 3.5 m. Connections: shut down. Cold hall. The state of repair is slightly below average.

The building has been shut down.

3.9.9. Building no. 34 - former engine shed

Engine shed in solid construction, built around 1980. It is a single-story building without basement and with a slightly inclined gable end roof. Connections: none The state of repair is bad.

The building has been shut down.

3.10. undeveloped estates

Supply and drainage facilities from the house service connections to the public network, ways, access roads partially covered with concrete, open space with broken stone lawn or dirt roads, railway connections, green space, agricultural crop land

Cluster 4
View from the east

Cluster 6,
View from the northwester

Cluster 17,
View from the east


Cluster 18,
View from the southwest


Cluster 19,
View from the northeast


Cluster 20,
View from the west


Cluster 21,
View from the east

Cluster 22,
View from the northwest

Clusters 24 and 25,
View from the southwest

3.11. Area Details

The following area details are based on the calculations of the documents available. Buildings shut down are not contained.

Cluster 2

Gross surface area (GSA):	total	approx.. 7,630.00 m^2
Usable area (UA)	Office/archive	approx.. 3,897.00 m^2
	Total	approx.. 3,897.00 m^2
Usable area factors:	UA/GSA	0.50
	GSA/UA	1.95

Cluster 7

Gross surface area (GSA):	total	approx. 11,515.00 m^2
Usable area (UA)	Production/storage space	approx. 8,000.00 m^2
	Office/archive area	approx.. 1.650,91 m^2
	total	approx. 9,650.91 m^2
Usable area factors:	UA/GSA	0.84
	GSA/UA	1.19

Cluster 8

Gross surface area (GSA):	total	approx.	3,456.00 m²
Usable area (UA)	Production/storage space	approx.	3,114.00 m²
	Office/archive area	approx.	183,00 m²
	total	approx.	3,297.00 m²
Usable area factors:	UA/GSA	0.95	
	GSA/UA	1.05	

Cluster 9

Gross surface area (GSA):	total	approx.	11,088.00 m²
Usable area (UA)	Production/storage space	approx.	10,830.00 m²
	total	approx.	10,830.00 m²
Usable area factors:	UA/GSA	0.98	
	GSA/UA	1.02	

Cluster 11

Gross surface area (GSA):	total	approx.	15,408.00 m²
Usable area (UA)	Production/storage space	approx.	14,176.00 m²
	total	approx.	14,176.00 m²
Usable area factors:	UA/GSA	0.92	
	GSA/UA	1.09	

Cluster 12

Bruttogrundfläche (BGF):	total	approx.	4.073,00 m²
Usable area (UA)	Production/storage space	approx.	3,993.25 m²
	total	approx.	3,993.25 m²
Usable area factors:	UA/GSA	0,98	
	GSA/UA	1.02	

4.0. Appraisal of the Fair Market Value

4.1. Definition of the fair market value and fair value

"The standarised market value is defined as the price which would be achieved in an ordinary transaction at the time when the assessment is made, taking into account the existing legal circumstances and the actual characteristics, general condition and location of the property or other object of assessment, without consideration being given to any extraordinary or personal circumstances." (§ 194 BauGB)

The fair value of a property value or a liability is defined as that price which would be received in an ordinary transaction between market participants on the fixed valuation date when selling a property asset or which would have to be paid when transferring a liability (IFRS 13 valid from 1/1/2013). This definition replaces the former definition from IAS 16 and refers to the so-called exit price of a property value on the basis of the current market conditions. The market method, the cost method and the capitalised method are considered as essential valuation procedures.

Up to 31/12/2012 the fair value according to IAS 16 was defined as the amount, at which a property value could be exchanged between competent business partners being independent from each other and willing to conclude a contract.

Based on this, the fair value is determined as the market value, which is defined as materially identical to the fair market value pursuant to Sec. 194 of the BauGB.

The definition was amended by the special regulation that the appraisal of the fair value of real estates and buildings is generally effected on the basis of the market data (IAS 16.32). If there is no market based evidence for the fair value due to the special kind of the real property and if such real property is only rarely sold, with the exception of being part of an ongoing business, it may be that the legal person will have to appraise the current fair value by means of the capitalised value method or by means of the real value procedure. (IAS 16.33)

In accordance to “Red Book”, the fair value is “the price at which one would sell an asset or settle a liability on the fixed valuation date” in the framework of a proper transaction between market participants (see Red Book p. 83).

4.2. Appraisal of the fair market value and selection of the appraisal procedure

The appraisal is based on the Regulations for ascertaining the Value of Real Property (ImmoWertV) in its version of 07/05/2010.

The appraisal of the fair market value of real estate is based on the

- comparative value procedure (§ 15 ImmoWertV)
  including the land value appraisal procedure (§ 16)
- capitalised value procedure (§§ 15 to 20 ImmoWertV)
- real value procedure (§§ 21 to 23 ImmoWertV)

or several of these procedures (§ 8 (1) ImmoWertV). The procedures shall be chosen according the kind of the valuation object with taking into consideration the customs of the ordinary course of business and the other circumstances of the individual case, especially the data available. The selection shall be justified. In principle, the procedures are equally ranking.

As stipulated under § 8 (2) ImmoWertV the general value ratios on the real estate market (market adjustment) and the special object specific real estate features of the real estate to be evaluated shall be taken into consideration in the appraisal procedures according to (8 (1) ImmoWertV. Object specific real estate features can be provided for by market-driven surcharges or deductions or as appropriate, as far as this corresponds to the ordinary course of business. (§ 8 (3) ImmoWertV). Circumstances affecting the value and not taken into consideration shall be provided for in addition.

Using the comparative value procedure the comparative value is ascertained from a sufficient number of comparative prices (§15 (1) ImmoWertV). Those purchase prices of such real estate shall be referred to, the features of which sufficiently conform to the plot of land to be evaluated. It should be possible to compare the premises with the valuation object directly, and the sales should have been effected around the same fixed appraisal date.
Changes of the general value ratios on the real estate market or deviations of individual real estate features shall generally be taken into consideration on the basis of index series or conversion factors.

The procedure is mainly used for undeveloped real estate and marketable immovable property such as condominiums or detached house premises, if the real estate market is geared to the comparative prices.

Concerning the valuation object the comparative value procedure is only used for ascertaining the land value, i.e. in the indirect price comparison with using appropriate standard land values (see § 16 (1) ImmoWertV), since there is no sufficient number of comparable purchase cases available for ascertaining the fair market value.

Applying the capitalised value procedure the fair market value of the valuation object shall be ascertained by a rate-of-return calculation. The capitalised value procedure shall especially be applied for real estate, which is usually negotiated for making profit (income property) and where the proceeds usually realizable in the market are of main importance for the valuation on the market. These comprise residential estates, office and business estates, real estate of mixed use and garage estates.

The capitalised value is the economic value component in the appraisal of the fair market value. The capitalised value appraisal is a financial-mathematical rate-of-return calculation, where the cash value of those proceeds constantly supposed and annually realizable with subsequent payment is capitalised. Any capitalised value procedure aims at ascertaining the cash value referred to the fixed appraisal date.

Using the real value procedure the fair market value of the valuation object shall be ascertained on the basis of the costs of real estate and setting up buildings.

The real value procedure shall generally be used for real estate where the future proceeds do not count. It is therefore appropriate for real estate being negotiated on the market with regard to the substance values. These are mostly objects with self-interest being the important thing, such as premises for detached and semidetached houses.

The real value is the technical value component in the appraisal of the fair market value. The real value procedure is a valuation method where the value of the real estate substance is ascertained with considering the general value ratios on the real estate market. The general value ratios shall especially be taken into consideration by applying real value factors.

The undersigned uses the capitalised value procedure for ascertaining the fair market value of the developed real estate of Sanner Strasse 2 and others in 39596 Arneburg.

The real value procedure can be used as supporting and plausibility checking procedure. The actual value is of minor importance in case of income property, but decisive for future proceeds with regard to the quality of the building material used, the economic and technical obsolescence of the building. Due to the missing derived market adjustment factors for comparable objects the real value procedure is not used as supporting procedure.

The fair market value is derived according to § 8 (1) ImmoWertV from the result of the procedures used with taking their informative value into consideration.

4.3. Land Value Appraisal

As stipulated in the Regulation for ascertaining the Value of Real Property the land value shall be mainly ascertained by the comparative value procedure (direct price comparison) (§16 (1) ImmoWertV) without considering the buildings and structures on the plot of land.

The land value can also be ascertained on the basis of appropriate standard land values (indirect price comparison), if the features of the reference real estate mainly conform to the real estate features of the valuation object.

If there are not enough comparative prices according to § 15 (1) ImmoWertV, it is also possible to refer to comparative prices of other comparable regions. Referring to comparative prices has priority, since the direct price comparison is more reliable.

Prices of comparable real estate were not available to the undersigned, so that the land value of the real estate is ascertained from the standard land value.

The standard land value is the average local ground value of the property per square meter of developed or undeveloped land area in a region with mostly the same location and utilization conditions.

The standard land values shall be ascertained according to § 196 (1) clause 1 by the Committees of Valuation Experts on the basis of the purchase prices compiled region-wide with taking the different state of development into consideration. Standard value zones shall be formed and the value influencing features of the standard land value real estate shall be illustrated. The standard land values shall be ascertained at the end of every second calendar year each.

The standard land value refers to a fictitious standard land value real estate with the average properties of the premises located in the limited standard land value zone, which indicate a nearly similar price level at the time of the standard land value appraisal. The standard land value refers to the typical conditions in the standard land value zone and does not take the special properties of individual premises into consideration.

Changes of the general value ratios on the real estate market or deviations of the individual real estate to be evaluated from the standard land value real estate with regard to the decisive value properties shall be generally taken into consideration on the basis of index series or conversion coefficients according to § 15 (1) ImmoWertV.

When applying the comparative value procedure

a) the inter-qualitative price comparison, i.e. the consideration of the differences in the real estate features (see § 12 ImmoWertV) and
b) the inter-temporary price comparison, i.e. the consideration of the differences in the general value ratios on the real estate market (see § 11 ImmoWertV) shall be effected.

The Saxony-Anhalt State Office for Survey and Geographic Information indicate the following standard land values for the valuation object on the fixed date of 2018/12/31.

The features of the standard land value real estate are defined as follows:

a) Building site

(18)
BGI

(18) - Standard land value in EUR/m² exempt from development charges
B - Land ready for building
GI - Industrial area

b) Farming land

1.60 -Standard land value in EUR/m²
A45 - ground points

c) Greenland eastern standard land value zone

1.05 -Standard land value in EUR/m²
Gr45 - rate of productivity

d) Greenland western standard land value zone
0.95 - standard land value in EUR/m^2
Gr45 - rate of productivity

Inter-qualitative price comparison:

Inspection of the existing conditions:

According to the present use and the indications in the local development plan of the "Altmark Industrial and Commercial Park" the valuation object is fictitiously classified in building land I (in total about 254,506 m² - **cluster 2, 6 - 9, 11**), in building land II (in total about 518,004 m² - **cluster 1, 3 - 5, 12 - 16**), in raw building site (in total about 902,302 m² - **cluster 10, 19 - 24**) and in greenland (in total about 161,441 m² - **cluster 17, 18, 25**).

Building site I:
The areas are located in the core area, they are mostly built on and developed. Concerning the parameters of kind and scope of building coverage, soil properties, real estate area and shape, state of development of the buildings and structures the valuation object is assigned the same quality of the standard land value real estate for building site. The building land includes profitable partial areas. These were roughly determined as surrounding areas due to the developed buildings and profitable use, they are shown separately in the income value calculations and form the basis for the return on land value.

Building site II:
The areas are located in the core area, are developed, partially built on and differ from building site I insofar as they include abandoned buildings and buildings intended for demolition. Furthermore, various land areas must still be cleared of foundation remnants. This qualitative difference to building site I is taken into account with a lump-sum deduction from the land value of 30%. The result is a land value of €/m² 12.60 real estate area. The building land includes profitable partial areas. These were roughly determined as surrounding areas due to the developed buildings and profitable use, they are shown separately in the income value calculations and form the basis for the return on land value.

Raw building site
The areas are without buildings at present or are used as farmland. As indicated in the local development plan the areas are provided for building use according to the legal project planning regulations, however, their development has not been assured, yet, or the location, form and size are still mainly insufficient for building use. Thus these areas are classified as raw building site because of their state of development.

Raw building site areas with an effective local development plan and missing development are indicated in the literature with a rate between 50% and 80% of the land value of land ready for building.

The raw building site is evaluated at a rate of 60% of the land value indicated, which results in a land value of about €/m² 10.8
0 for the raw building site areas of the valuation object.

Greenland/Compensating area
The local development plan indicates these areas as greenland or compensating space.

Concerning the parameters of soil type, soil properties, location, size, real estate layout, water situation the valuation objects are considered to have the same quality of the standard land value real estate as for greenland.

According to Kleiber the location of the property is decisive for deriving the land value. § 6 (4) ImmoWertV emphasizes the transport connection, the neighborhood, the environmental influences as well as the residential and business locations as special location features. The expert evaluates the location features mentioned as being same in their quality and as typical for the location with regard to the standard land value real estate.

Inter-temporary price comparison

The inter-temporary price comparison can be effected by means of land price index series. According to the 2019 Real Estate Market Report of the Land of Saxony-Anhalt a building site price index for commercial building site for the district of Stendal is not indicated. Deviations of the reference fixed date of the standard land value from the valuation fixed date are not known.

In summary, the following categorisation of the building site qualities results.
The following land values per cluster include the total inventory of the plots of land according to the land register, thus also the partial sections non-surveyed and not sold, yet. This matter is explained under item 4.5 Particular object specific real estate features.

a) Building site I

Cluster 2

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area total	11,676 m²	
of which profitable areas	5,151 m²	
of which independently usable sections	6,525 m²	
Land value building site I (Cluster 2):		**€ 210,168.00**

Cluster 6

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area total	86,545 m²	
of which profitable areas	9,500 m²	
of which independently usable sections	77,045 m²	
Land value building site I (Cluster 6):		**€ 1,557,810.00**

Cluster 7

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area	14,845 m²	
Land value building site I (Cluster 7):		**€ 267,210.00**

Cluster 8

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area total	16,970 m²	
of which profitable areas	6,014 m²	
of which independently usable sections	10,956 m²	
Land value building site I (Cluster 8):		**€ 305,460.00**

Cluster 9

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area total	88,279 m²	
of which profitable areas	75,599 m²	
of which independently usable sections	12,680 m²	
Land value building site I (Cluster 9):		**€ 1,589,022.00**

Cluster 11

Initial value:	18.00 € /m²	
Adjustments:	none	
Adjusted land value:	18.00 € /m²	
x Real estate area	36,191 m²	
Land value building site I (Cluster 11):		**€ 651,438.00**

b) Building site II

Cluster 1

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	35,388 m²	
Land value building site II (Cluster 1):		**€ 445,888.80**

Cluster 3

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	66,855 m²	
Land value building site II (Cluster 3):		**€ 842,373.00**

Cluster 4

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	24,167 m²	
Land value building site II (Cluster 4):		**€ 304,504.20**

Cluster 5

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	7,050 m²	
Land value building site II (Cluster 5):		**€ 88,830.00**

Cluster 12

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area total	357,659 m²	
of which profitable areas	94,225 m²	
of which independently usable sections	263,434 m²	
Land value building site II (Cluster 12):		**€ 4,506,503.40**

Cluster 13

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	2,618 m²	
Land value building site II (Cluster 13):		**€ 32,986.80**

Cluster 14

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	7,048 m²	
Land value building site II (Cluster 14):		**€ 88,804.80**

Cluster 15

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	2,787 m²	
Land value building site II (Cluster 15):		**€ 35,116.20**

Cluster 16

Initial value:	18.00 € /m²	
Adjustments:	- 5.40 € /m²	
Adjusted land value:	12.60 € /m²	
x Real estate area	14,432 m²	
Land value building site II (Cluster 16):		**€ 181,843.20**

c) Raw building site

Cluster 10

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	19,350 m²	
Land value raw building site (Cluster 10):		**€ 208,980.00**

Cluster 19

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	358,757 m²	
Land value raw building site (Cluster 19):		**€ 3,874,575.60**

Cluster 20

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	131,012 m²	
Land value raw building site (Cluster 20):		**€ 1,414,929.60**

Cluster 21

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	162,586 m²	
Land value raw building site (Cluster 21):		**€ 1,755,928.80**

Cluster 22

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	116,558 m²	
Land value raw building site (Cluster 22):		**€ 1,258,826.40**

Cluster 23

Initial value:	18,00 € /m²	
Adjustments:	- 7,20 € /m²	
Adjusted land value:	10,80 € /m²	
x Real estate area	15,529 m²	
Land value raw building site (Cluster 23):		**€ 167,713.20**

<u>Cluster 24</u>

Initial value:	18,00 € /m²
Adjustments:	- 7,20 € /m²
Adjusted land value:	10,80 € /m²
x Real estate area	98,510 m²

Land value raw building site (Cluster 24): **€ 1,063,908.00**

<u>d) Greenland</u>

<u>Cluster 17</u>

Initial value:	0.95 € / m²
Adjustments:	none
Adjusted land value:	0.95 € /m²
x Real estate area	68,089 m²

Land value greenland (Cluster 17): **€ 64,684.55**

<u>Cluster 18</u>

Initial value:	1.05 € / m²
Adjustments:	none
Adjusted land value:	1.05 € /m²
x Real estate area	65,154 m²

Land value greenland (Cluster 18): **€ 68,411.70**

Initial value:	0.95 € / m²
Adjustments:	none
Adjusted land value:	0.95 € /m²
x Real estate area	5,681 m²

Land value greenland (Cluster 18): **€ 5,396.95**

<u>Cluster 25</u>

Initial value:	1.05 € / m²
Adjustments:	none
Adjusted land value:	1.05 € /m²
x Real estate area	22,517 m²

Land value greenland (Cluster 25): **€ 23,642.85**

Land value building site I total	**€ 4,581,108.00**
Land value building site II total	**€ 6,526,850.40**
Land value raw building site total	**€ 9,744,861.60**
Land value greenland total	**€ 162,136.05**

4.4. Capitalized Value Appraisal

The capitalised value procedure is legally regulated in §§ 17-20 ImmoWertV. The capitalised value is ascertained on the basis of the amounts which can be usually realized in the market (§ 17 (2) ImmoWertV). If it can be foreseen that the revenue ratios are subject to essential changes or essentially deviate from the amounts realizable in the customary market, the capitalised value can also be ascertained on the basis of periodically different proceeds (§ 17 (3) ImmoWertV).

Thus, three versions of one and the same procedure are regulated.

a) the "general capitalised value procedure" with splitting up into a land value and building value portion (§ 17 (2) para 1 ImmoWertV);

Applying the general capitalised value procedure the capitalised value is ascertained from the land value according to § 16 and the capitalised net income (§ 18 para 1) reduced by the amount of the appropriate rate of interest of the land value. The appraisal of the land value rate of interest shall be based on the real estate interest rate relevant for the capitalization according to § 20. Independently usable partial sections will not be taken into consideration for ascertaining the land value rate of interest.

b) the "simplified capitalised value procedure" without splitting up into a land value and building value portion (§ 17 (2) para 2 ImmoWertV);

Applying the simplified capitalised value procedure the capitalised value is ascertained from the net income (§ 18 para 1) capitalised according to § 20 and from the land value ascertained according to § 16, which shall be discounted on the fixed appraisal date according to § 20, but this with the exception of the value of the independently usable partial sections.

Here, an independently usable partial section is that part of an estate which is not required for the appropriate use of the buildings and structures and which can be used independently.

c) the "more-periodical capitalised value procedure" according to the general cash value formula;

Applying the more-periodical capitalised value procedure the capitalised value is ascertained from the net yields realizable periodically (§ 18 para 1) within a consideration period and derived from secured data and the residual value of an estate at the end of the consideration period. The periodical net yields and the residual value of the estate shall be discounted on the fixed appraisal date according to § 20.

When ascertaining the capitalised value it is assumed that the buildings and structures are kept properly and that there are proceeds for a certain remaining useful life. This cash value will go down to zero with the reducing remaining useful life.

a) Net income, gross profit (§ 18 ImmoWertV)

The net income results from the annual gross profit reduced by the running costs. (§ 19 (1) ImmoWertV). The management costs to be considered include the running costs, maintenance costs, rental loss risk and the operation costs (§ 19 (2) ImmoWertV).

The gross profit results from the amounts which can be realized customarily in the market with proper management and admissible use. When applying the more-periodical capitalised value procedure the gross profit especially results from the contractual agreements.

When ascertaining the capitalised yield it is of essential importance that the yields usually realizable in the market are the basis, so that the development of the return for the remaining useful life of the building and structures can be considered.

Actual rental situation (see Annex 10)

The valuation object is characterised by a medium commercial location, a normal transport connection, an average up to moderate state of repair, mainly proper layouts and average equipment, sometimes slightly below average. A plain up to medium value of benefit is scheduled. The possibility of being used in a different way is limited. The circle of users is limited for this kind of commercial property. There is a slightly below average demand for production, storage and open-air spaces and a slightly below average demand for office and archive spaces.

The following list of net basic rent is building-specific. The vacancy, overrent and underrent and other earnings are listed separately in the special object-specific property specifications (see Point 4.5).

Cluster 2

The actual net basic rent for the office and archive spaces is, on average € 3.60/m² of usable area.

The actual net basic rent for basement space is, on average € 3.76/m² of usable area.

Currently, 3,605.80 m² of usable area (approx. 92.5 %) are empty. Due to the continuous structural vacancy, the building has been largely shut down. When determining the capitalised value, it is assumed that the actually rented spaces are rented for standard market terms for the estimated waiting period until the building is demolished (10 years).

Cluster 6

The actual net basic rent for open-air storage spaces is, on a monthly average € 0.30/m² of usable area.

There are currently no vacancies.

Cluster 7

The actual net basic rents for the production and storage spaces are on a monthly average € 2.00/m² of usable area.

The actual net basic rent for the office and archive spaces is on a monthly average € 3.98/m² of usable area.

The actual net basic rents for the open-air storage spaces are between € 0.20 and € 0.50/m² of usable area, on average at €0.48/m² of usable area.

There are currently no vacancies.

Cluster 8

The actual net basic rent for the production and storage spaces is on a monthly average € 2.33/m² of usable area.

The actual net basic rent for the office and archive spaces is on a monthly average € 4.20/m² of usable area.

The actual net basic rents for open-air storage spaces is on a monthly average € 0.50/m² of usable area.

Currently, 2,800.60 m² of usable area (approx. 84.9%) is temporarily vacant, which includes approx. 2,687.60 m² of production and storage spaces and about 113.00 m² of office and archive facility space (see Point 4.5).

Cluster 9

The actual net basic rents for production and storage spaces are between € 1.50 and € 2.00/m² of usable area, on average at € 1.87/m² of usable area.

There are currently no vacancies.

Cluster 11

The actual net basic rents for the production and storage spaces are at between € 1.25 and € 2.00/m² of usable area, on average at € 1.83/m² of usable area.

There are currently no vacancies.

Cluster 12

The actual net basic rents for production and storage spaces are at between € 2.00 and € 2.50/m² of usable area, on average at € 2.03/m² of usable area.

The actual net basic rents of the open-air storage space are at between € 0.19 and € 0.32/m² of usable area, on average at € 0.19/m² of usable area.
Currently, approx. 1,728 m² of production and storage spaces (approx. 43.3 %) are temporarily vacant (see Point 4.5).

Cluster 3, 17-24

Furthermore, there are other monthly proceeds (telephone line, storm sewer network, road use, hunt rent, and rent for agricultural crop land) to the amount of about € 97,576.80 (see Point 4.5).

Rental contract particularities (see Annex 11)

The commercial rental contracts have mostly been concluded for an unlimited period or still include a remaining validity of up to 6 years with their respective extension options between 1 and 5 years. The terms of notice are between 1 and 18 months.

Determination of standard market and sustainably achievable earnings

The 2019 Real Estate Market Report of Saxony-Anhalt (Annex 9) and the 2016 Market Report Industrial Immovable Properties of TÜV Süd ImmoWert GmbH are available for ascertaining the yields usually realizable in the market. The rents mentioned in the following are net rents exclusive of heating.

Production and storage rents
The 2019 Real Estate Market Report of Saxony-Anhalt does not release any net basic rents for production and storage space on the fixed appraisal date.

The 2016 Market Report Industrial Immovable Properties of TÜV Süd ImmoWert GmbH in cooperation with IndustrialPort indicates for the district of Stendal average net basic rents (exclusive of heating) of €/m² 2.00 BGF for production buildings and of €/m² 2.20 BGF for storage buildings.

Office/archive/basement rents
As indicated in the 2019 Real Estate Market Report of Saxony-Anhalt the office rents in the basic centers of the district of Stendal are between €/m² 3.00 and 4.00 usable space for office space of simple value of benefit and between €/m² 4.00 and 6.00 for office space of average value of benefit.

Rents of open-air storage space
The 2019 Real Estate Market Report of Saxony-Anhalt and other immovable property price comparison lists do not release any net basic rents for open-air storage space and railway system space on the fixed appraisal date.

Cluster 2, 6 - 9, 11, 12

Production and storage rents
The actual average net basic rents for production and storage spaces in the building are in the standard market average for comparable areas. € 1.90/m² of usable space is estimated as the standard and sustainably achievable net basic rents based on the location, size, quality and equipment.

Office/archive/basement rents
The actual average net basic rents for office/archive and basement spaces in the building are in the standard market average for comparable areas. € 3.90/m² of usable space is estimated as the standard and sustainably achievable net basic rents for office and archive spaces and € 2.50/m² of usable space for basement spaces based on the location, size, quality and equipment.

Rents of open-air storage space
The actual average net basic rents for open-air storage spaces are in the standard market average for comparable areas. € 0.20/m² of usable space is estimated as the standard and sustainably achievable net basic rents based on the location and quality.

b) Running costs (§ 19 (1) and (2) ImmoWertV)

The running costs shall be considered as the annual expenditure incurring for proper management and admissible use as usual in the market, which are not covered by allocations or other cost assumptions. If it is not possible to ascertain the running costs, empirical values shall be the basis.

The administration costs, maintenance costs and the rental loss risk shall be deducted from the gross profit for ascertaining the net yield of the valuation object. In accordance with the yields usually realizable in the market, the running costs to be deducted shall also be customary in the market, i.e. the basis shall be the running costs usually incurring on the fixed appraisal date. The running costs shall be ascertained through detailed amounts.

Administration costs § 19 (2) No. 1 ImmoWertV)

The administration costs comprise the costs for the manpower and equipment required for the administration of the premises, the costs of supervision, the value of the administration work personally effected by the owner as well as the business management costs.

Kleiber recommends between 3.0 and 5.0% of the gross yield for commercial properties. Fair market value determination of real estate, 8th Edition, p. 1954), whereby it is actually in the lower range.

The expert takes into consideration annual administration costs in the amount of 2.0% of the gross profit for the production and storage space, for the office and social facility space as well as for the open-air storage space and the buildings and structures (railway system).

Maintenance costs (§ 19 (2) No. 2 ImmoWertV)

As stipulated under § 19 (2) no. 2 ImmoWertV the maintenance costs comprise the costs which due to wear and tear or aging shall be spent for keeping the yield level of the buildings and structures during the remaining useful life as indicated in the appraisal. They comprise the costs for running maintenance as well as for replacement of individual structural parts (e.g. flat roofs, facades, window frames including insulating glazing).
The maintenance costs also include the costs for repairs.

Cosmetic repairs belong to the maintenance costs. As said under § 535 BGB (German Civil Code) they are the lessor's concern, but in practice they are generally borne by the tenant.

It is distinguished between minor and major maintenance jobs.

Minor maintenance preliminarily refers to eliminating minor damage of the installation objects for power, water and gas, the heating installation and cooking devices, the window and door locks as well as the closing devices of window shutters.

Major maintenance (e.g. facade renewal, renewal of building sections) shall be planned on a long-term basis and accumulated as repair reserves by the lessor. Older buildings normally have higher maintenance need.
As said under WertR 06 the maintenance costs shall be considered on the basis of experience. Accumulated repair need shall be proved especially.

According to Kleiber the maintenance cost lump sum for trade premises can amount to about €/m² 15.00 up to 20.00 usable area depending on their use and with considering their age and equipment. If the lessor only bears the costs for the maintenance of the roof and building carcass according to the stipulations in the rental agreement, the maintenance cost lump sum to be taken as a basis for the appraisal is mostly between €/m² 5.00 and 7.50 usable area.

Furthermore, especially the manufacturing value on the fixed appraisal date is the calculation basis for the maintenance costs per square meter usable area (without outside facilities and additional construction costs). The percentage of plain commercial objects amounts to between 0.8 up to 1.2% (see Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 1972).

Considering the age and equipment of the valuation object the average rates applied are € 5.50/m² usable area p.a. for the production, storage and basement spaces, € 7.50/m² usable area p.a. for the office and archive facility spaces and € 0.25/m² usable area p.a. for the open-air storage space.

Rental loss risk (§19 (2) No. 3 ImmoWertV)

The rental loss risk comprises the risk of yield reductions resulting from irrecoverable receivables of rents or other proceeds or temporary vacancy of space determined for being let or for other use; it also includes the risk of irrecoverable costs of a prosecution for payment, cancellation of a tenancy or eviction.

The risk of loss of rent depends on the tenant's solvency on the one hand, but also on the opportunity of renting due to the limited usability of the valuation object by third parties on the other hand. It is either possible that a competitor takes over such an object or it must be restructured for different use. As stated by Kleiber the rental loss risk of exclusively commercial objects shall be provided for with 4.0 up to 8.0% of the annual gross yield (see Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 1979).

Taking into account the above and based on the statements of Kleiber, who recommends 4.0 to 8.0% of the annual gross yield for exclusively commercially used objects, the undersigned takes 5.0% of the annual gross yield into account.

Management costs (§ 19 (2) No. 4 ImmoWertV)

The management costs are those costs which continuously incur due to the property on the plot of land or due to the corresponding use of the plot land or its buildings and structures. (§ 556 Abs. 1 clause 2 BGB)

They are included in the management costs regulation and are generally borne by the tenants. If they are passed on to the tenants, they are not taken into consideration in the appraisal.

The expert presumes that the management costs are borne by the tenants and, therefore, they have not to be taken into consideration.

c) Capitalization and discounting (§ 20 ImmoWertV)

As stated under § 20 ImmoWertV the capitalization and discounting shall be based on cash value factors. The respective present-value factor shall be found in the Annexes 1 or 2 or shall be determined according to the calculation provision given there, this with considering the remaining useful life (§ 6 para 6 clause 1) and the respective real estate interest rate (§14 para 3).

d) Remaining useful life (§ 6 (6) ImmoWertV)

According to § 6 (6) ImmoWertV, the remaining useful life is the number of years during which the buildings and structures can preliminarily be used economically under proper management, yet; repairs or refurbishments effected or maintenance not made or other facts can extend or shorten the remaining useful life.

Recommendations for the usual total service life of buildings are stated in the regulations of SW-RL (Real Value Directive), WertR (Appraisal Directive), BelWertV (Hypothecary Value Rating Regulation) and BewG (Valuation Law). Following these recommendations the usual total service life shall be ascertained on one's own responsibility with taking the location of the object, its properties and possible economic utilization into consideration.

WertR recommends an average economic total service life of 60 years for office and administration buildings and of 40 years for production and storage buildings under proper maintenance.

The expert evaluates the usual total service life of the office and administration buildings at 60 years and of the production and storage buildings at 40 years, which results in a weighted total service life of 42 years for the valuation object.

The remaining useful life is evaluated on the fixed appraisal date at 30 years for the office and administration buildings and at 20 years for the production and storage buildings with considering the location, the state of construction and maintenance as well as the possible economic utilization. This results in a yield-oriented weighted remaining useful life of about 20 years.

Taking the location, the state of construction and maintenance as well as the possible economic utilization of the object into consideration, the remaining useful life is evaluated on the fixed appraisal date at 20 years.

e) Real estate interest rate (§ 14 (3) ImmoWertV)

As stated in § 14 ImmoWertV the real estate interest rates shall comprise the general value ratios on the real estate market as far as these are not to be taken into consideration in a different way.

In § 14 (3) ImmoWertV the real estate interest rates are defined as interest rates at which fair market values of real estate yield interest on average usually in the market and depending on the type of the real estate. They shall be ascertained on the basis of appropriate purchase prices and their corresponding net yields for premises of the same buildings and use with considering the remaining useful life of the buildings according to the principles of the capitalised value procedure §§ 17 up to 20).

When having been properly ascertained the property interest rate takes the future development of the property in its general yields into account. It is the measured value for the profitability of a real estate investment decision (see Kleiber: Fair Market Value Appraisal of Real Estate, 7th edition, page 1205).

Furthermore, the property interest rate has the function of a market adjustment factor within the framework of the capitalised value appraisal and of a correction factor with regard to possible shortages of the capitalised value appraisal model, which is the basis for the capitalised value appraisal, and of its generalization.

The amount of the real estate interest rate depends on the type of the real estate, the changing real estate industry frame conditions, but also on the location and condition of the real property.

Factors influencing the property interest rate can be classified into economic and political factors, such as general tax conditions, into market depending factors, as for instance supply and demand of office space, rental value increases, rental value decreases and into object depending factors, such as type of real estate, location, remaining useful life, development of the management costs.

It is the job of the Committees of Valuation Experts to derive the real estate interest rates. The 2019 Real Estate Market Report of Saxony-Anhalt does not state any real estate interest rates for similar objects.

In determining the real estate interest rate, the expert follows the proposals for real estate interest rates to be applied in accordance with the introduction to WertR 06 as well as the nationwide property interest rates published by the expert committees for property values (cf. Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 1815). These state a real estate interest rate for office and business premises between 6.0% and 7.0%, for storage buildings between 6.0% and 8.0% and for industrial objects between 6.5% and 8.5%.

Cluster 2, 6, 7, 8 and 12

A property interest rate of 7.0% for production, storage, office, archive and open-air spaces shall be selected as the baseline value for the assessed object. This rate shall be decreased or increased according to the special situations in the individual case. There will be no further adjustments.

The property rate for the assessed object is 7.0%.

Cluster 9 and 11

Due to an increased demand for production and storage spaces, a property interest rate of 6.75% shall be selected as the baseline value for production and storage. This rate shall be decreased or increased according to the special situations in the individual case. There will be no further adjustments.

The property rate for the assessed object is 6.75 %.

4.5. Particular object specific real estate features

As stated under § 8 (3) ImmoWertV particular object specific features of the real estate such as economic obsolescence, state of repair above average, constructional defects or constructional damage as well as proceeds considerably deviating from those usually realizable in the market can be taken into consideration by market-driven increases or decreases or in a different way, if this corresponds to the ordinary course of business.

Furthermore, as stated under § 8 (4) circumstances influencing the value and not being considered in the appraisal procedures applied shall be additionally taken into account.

a) Consideration of the rights in section II

The reduction in value of the real estate encumbered shall be measured according to its economic disadvantage, with the degree of impairment being the most decisive thing. The degree of impairment is measured by the limitation of serviceability.

The literature indicates percentages in dependence of the degree of impairment as reference points for possible impairment. The percentages are between 1 and 100%.

Having a minor limitation of serviceability the range is between 1 and 5%. The percentage refers to the land value not encumbered.

Due to the rights in Section II of the land registers for the priority notice of the property transfer concerning the non-surveyed partial sections sold under no. 1591/2017 the expert assesses the encumbrance at 100%.

The other rights are estimated as a minor limitation of the options for use of the properties and the depreciation is set at 1% of the land value. The relevance to the value must be reviewed in the event of structural changes.

Cluster 1

Calculation:
35,388 m² x 12.60 €/m² x 1 % = rounded € 4,459.00

Cluster 2

Calculation:
5,151 m² x 18,00 €/m² x 1 % = rounded € 927.00

Cluster 3

Calculation:
50,635 m² x 12.60 €/m² x 1 % = rounded € 6,380.00

Cluster 6

Calculation:
86,407 m² x 18.00 €/m² x 1 % = rounded € 15,553.00

Cluster 9

Calculation:
4,040 m² x 18.00 €/m² x 100 % = rounded € 72,720.00
54,775 m² x 18.00 €/m² x 1 % = rounded € 9,860.00

Cluster 10

Calculation:
1,570 m² x 10.80 €/m² x 100 % = rounded € 16,956.00
17,780 m² x 10.80 €/m² x 1 % = rounded € 1,920.00

Cluster 11

Calculation:
33,533 m² x 18.00 €/m² x 1 % = rounded € 6,036.00.

Cluster 12

Calculation:
7,300 m² x 12.60 €/m² x 100 % = rounded € 91,980.00.
340,478 m² x 12.60 €/m² x 1 % = rounded € 42,900.00.

Cluster 16

Calculation:
14,432 m² x 12.60 €/m² x 1 % = rounded € 1,818.00.

Cluster 17

Calculation:
39,046 m² x 0.95 €/m² x 1 % = rounded € 371.00.

Cluster 18

Calculation:
43,300 m² x 1.05 €/m² x 1 % = rounded € 455.00.
5,681 m² x 0.95 €/m² x 1 % = rounded € 54.00.

Cluster 19

Calculation:
318,842 m² x 10.80 €/m² x 1 % = rounded € 34,435.00.

Cluster 24

Calculation:
98,510 m² x 10.80 €/m² x 1 % = rounded € 10,639.00.

The encumbrance bey the rights in Section II of the land registers is taken into account in the market value appraisal as decrease in value.

b) Consideration of the mercantile undervalue

Due to the registration of land parcels 1/40, 1/52, 54, 55, 71, 75, 1114, 136, 182, 192, 206, 207, 220, 200, 203, 212, 213, 222, 224, 226, 227, 228, 229, 230, 231, 232 in local sub-district 21 of Arneburg and land parcels 12/6, 95, 116, 12/6, 100, 104, 127, 128 on plot 18 in local sub-district Arneburg and land parcels 281, 299, 319, 320 on plot 11 in local sub-district Ellingen as an area suspected of being contaminated and the inability to exclude ground contamination, a decrease in the market value is taken into consideration. Usually, the mercantile undervalue considers a deduction of 5 to 20% of the land value. Since, according to the information, these were smaller suspected areas near to the surface, a natural reduction of the mineral carbon hydrides took place. Encumbrances on the land were found for land parcel 224 before updating land parcel 222 (KF 36 - formerly a gas station). But there are no further examinations required.

The valuation includes a deduction of 5% (see Simon, Consideration of environmental pollutants in the valuation in GUG 5/2001) of the land value of the respective contaminated site. The encumbered area is located in cluster 12 and is approx. 78,000 m².

Calculation:

Building site
78,000 m² x 12.60 €/m² x 5 % = rounded € 49,140.00

The mercantile undervalue is taken into consideration in the market value determination with a depreciating effect.

c) Consideration of constructional defects and constructional damage

Cluster 7

According to information from the client, the construction defects and damage will cost approx. € 35,000 to repair the elevator.

Cluster 8

According to the information from the client, the constructional defects and damage will cost approx. € 65,000 to repair the building yard. This includes renovating the office areas with respect to the windows, heating system and painting and flooring work, renovating the electrical distribution systems and preparing the exterior facilities.

Cluster 9

According to the information from the client, the construction defects and damage will cost approx. € 10,000 to repair the electrical system in factory hall 3.

Cluster 11

According to the information from the client, the structural defects and damage will cost approx. € 160,000 to repair the electrical system in factory hall 2, workshop complex 1 and plate-frame hall 4. This includes renovating the roof, gates, electrical systems and preparing the exterior facilities.

Cluster 12

According to the information from the client, the constructional defects and damage will cost approx. € 349,500 to repair the factory hall 10, the workshop complex 3 and a variety of properties. This includes renovating the equipment built-in, the electric installations and preparing the exterior facilities.

The damage repair costs indicated by the principal are evaluated as feasible and taken into account in the market value appraisal as decreasing the value.

d) Consideration of vacancy

including management costs of the vacant space for a corresponding marketing period of the object of 1 year:

Cluster 8

Use	Usable area in m²	Actual rent in EUR/sqm p.m.	Actual rent in EUR p.m.	Usual market rent realizable EUR/sqm p.m.	Usual market rent realizable EUR p.m.	Vacancy cost p.a.
Prod./ storages	2,687.60	0.00	0.00	1.90 €	5,106.44 €	61,277.28 €
Offices/ archive	113.00	0.00	0.00	3.90 €	440.70 €	5,288.40 €
Cellar	-	0.00	0.00	2.50 €	0.00 €	0.00 €
Vacancy	**2,800.60**			**1.98 €**	**5,547.14 €**	66,565.68 €
in per cent	84.94%					
Operating costs	2,800.60			0.50 €	1,400.30 €	16,803.60 €
Vacancy costs p.a.						83,369.28 €
Present-value factor (RND remaining useful life 1y., p = 7,00%)						0.93
Vacancy costs over the marketing period rounded						**77,533.00 €**

Cluster 12

Use	Usable area in m²	Actual rent in EUR/sqm p.m.	Actual rent in EUR p.m.	Usual market rent realizable EUR/sqm p.m.	Usual market rent realizable EUR p.m.	Vacancy cost p.a.
Prod./ storages	1,728.00	0.00	0.00	1.90 €	3,283.20 €	39,398.40 €
Offices/ archive	-	0.00	0.00	3.90 €	0.00 €	0.00 €
Cellar	-	0.00	0.00	2.50 €	0.00 €	0.00 €
Vacancy	**1,728.00**				**3,283.20 €**	39,398.40 €
in per cent	43.27%					
Operating costs	1,728.00			0.50 €	864.00 €	10,368.00 €
Vacancy costs p.a.						49,766.40 €
Present-value factor (RND remaining useful life 1y., p = 7,00%)						0.93
Vacancy costs over the marketing period rounded						**46,283.00 €**

The vacancy costs are taken into consideration in the market value determination with a depreciating effect.

e) Consideration of overrent and underrent amounts

The overview of overrent and underrent amounts can be found in Annex 13. The amounts are taken into consideration in the market value determination as a surcharge or deduction.

f) Consideration of management-costs

Managing the rain water system (cluster 17) €/m^2 0.10 of the plot of land area are taken into consideration in a capitalized form for a validity of 2 years.

g) Consideration of surveying, cadaster and land register costs

The surveying, cadaster and land register costs incurring in case of real parcelling out are roughly taken into consideration in the clusters 6 and 12.

h) Consideration of the other incomes

According to the present list the other incomes (among other things telephone line, storm sewer network, hunt rent and lease for arable land) yearly amount to about € 97,577.00. The rental and leasing contracts have been concluded for an unlimited period.

The valuation considers a remaining contract validity of 2 years for the other incomes.

The stipulated contract validity (2 years) results in a capitalized value (real estate interest rate 7.0%) to the amount of round € 176,614.00. This includes incomes from the internal group rents.

The other incomes are taken into consideration as extra amount in the market value appraisal.

TOTAL

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation		Other incomes monthly	Other incomes yearly	Present value
Telephone lines	Cluster 3	511.29 €	6,135.48 €	11,105.22 €
Rain water system	Cluster 17	6,000.00 €	72,000.00 €	130,320.00 €
Lease for farmland, hunting lease	Cluster 18	95.87 €	1,150.44 €	2,082.30 €
Lease for farmland	Cluster 19	601.33 €	7,215.96 €	13,060.89 €
Lease for farmland	Cluster 20	230.91 €	2,770.92 €	5,015.37 €
Lease for farmland	Cluster 21	285.84 €	3,430.08 €	6,208.44 €
Lease for farmland	Cluster 22	205.17 €	2,462.04 €	4,456.29 €
Lease for farmland	Cluster 23	27.37 €	328.44 €	594.48 €
Lease for farmland	Cluster 24	173.62 €	2,083.44 €	3,771.03 €
Total:			97,576.80 €	176,614.01 €
Other incomes rounded:				**176,614.00 €**

Cluster 3

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Telephone lines	511.29 €	6,135.48 €	11,105.22 €
Other incomes rounded:			**11,105.00 €**

Cluster 17

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Rain water system	6,000.00 €	72,000.00 €	130,320.00 €
Other incomes rounded:			**130,320.00 €**

Cluster 18

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland, hunting lease	95.87 €	1,150.44 €	2,082.30 €
Other incomes rounded:			**2,082.00 €**

Cluster 19

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	601.33 €	7,215.96 €	13,060.89 €
Other incomes rounded:			**13,061.00 €**

Cluster 20

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	230.91 €	2,770.92 €	5,015.37 €
Other incomes rounded:			**5,015.00 €**

Cluster 21

Average contract validity	Property interest rate	Present value factor
2.0 years	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	285.84 €	3,430.08 €	6,208.44 €
Other incomes rounded:			**6,208.00 €**

Cluster 22

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	205.17 €	2,462.04 €	4,456.29 €
Other incomes rounded:			**4,456.00 €**

Cluster 23

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	27.37 €	328.44 €	594.48 €
Other incomes rounded:			**594.00 €**

Cluster 24

Contract validity	Property interest rate	Present value factor
2.0 Jahre	7.00 %	1.81

Designation	Other incomes monthly	Other incomes yearly	Present value
Lease for farmland	173.62 €	2,083.44 €	3,771.03 €
Other incomes rounded:			**3,771.00 €**

5.0. Appraisal of the Fair Market Value

5.1. Capitalized value and land value calculation for each cluster

Cluster | **1** |

Object type		**m²**	**Standard land value in EUR/m²**		**EUR**
Plots of land		35,388.00	12.60		445,888.80
Preliminary land value				**=**	**445,888.80**
Object-specific features				-	**4,459.00**
Rights section II of land register, public easements	1 % of	445,888.80 €		-	4,459.00
Land value of this plot of land cluster				=	441,429.80
Land value of this plot of land cluster (rounded)				=	**441,000.00**

Cluster | **2**

Object type	**Usage**	**m² Usable area**	**Usual market rent EUR/m²**	**Annual amount EUR**
Production halls, storage halls	Prod./storage	-	1.90	0.00
Office buildings	Office/archive	253.20	3.90	11,849.76
Cellar	Storage/archive	38.00	2.50	1,140.00
Outdoor areas	Open area	-	0.20	0.00
Installations on the plot	Railway tracks	-	0.00	0.00
Gross profit				**12,989.76**

Running costs		**Valuation rate**		
a) Administration costs	Prod./storage	2% of Gross profit		0.00
	Office/archive	2% of Gross profit		237.00
	Storage/archive	2% of Gross profit		22.80
	Open area	2% of Gross profit		0.00
	Installations on the plot	2% of Gross profit		0.00
		EUR/m² usable area		
b) Maintenance costs	Prod./storage	5.50		0.00
	Office/archive	7.50		1,899.00
	Storage/archive	5.50		209.00
	Open area	0.25		0.00
	Installations on the plot	0.25		0.00
c) Rental loss risk	total	5% of Gross profit		649.49
Running costs	**total**		-	**3,017.29**
% of usual market rent/ Gross profit				23.23%
Net income of this plot of land cluster			=	**9,972.47**
Return on land value	of	92,718.00 €	-	6,490.26
Land value x property interest rate		7.00 %		
Net income of buildings and structures			=	**3,482.21**
Present-value factor			x	7.02
Remaining useful life (years)	10	7.00 %		
Captalized value of buildings and structures			=	**24,445.11**
Land value			+	**92,718.00**
Preliminary capitalzed value			=	**117,163.11**
Land value of independently usable partail areas			+	**117,450.00**
Object-specific features			-	**160,515.00**
Rights section II of land register, public easements	1 % of	92,718.00 €	-	927.18
Demolition costs			-	160,752.00
Over-/Underrent			+	1,164.00
Capitalized value of this plot of land cluster			=	74,098.11
Capitalized value of this plot of land cluster (rounded)			=	**74,000.00**
x-factor (related to the preliminary capitalized value)				*9.00*

Cluster | **3**

Object type		**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land		66,855.00	12.60		842,373.00
Preliminary land value				=	**842,373.00**
Object-specific features				+	**4,725.00**
Rights section II of land register, public easements	1 % of	638,001.00 €		-	6,380.00
Other income				+	11,105.00
Land value of this plot of land cluster				=	847,098.00
Land value of this plot of land cluster (rounded)				=	**847,000.00**

Cluster | **4**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	24,167.00	12.60		304,504.20
Preliminary land value			=	**304,504.20**
Object-specific features			-	**0.00**
Land value of this plot of land cluster			=	304,504.20
Land value of this plot of land cluster (rounded)			=	**305,000.00**

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Cluster **5**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	7,050.00	12.60		88,830.00
Preliminary land value			=	**88,830.00**
Object-specific features			-	**0.00**
Land value of this plot of land cluster			=	88,830.00
Land value of this plot of land cluster (rounded)			=	**89,000.00**

Cluster | **6**

Object type	**Usage**	**m² Usable area**	**Usual market rent EUR/m²**		**Annual amount EUR**
Production halls, storage halls	Prod./storage	-	1.90		0.00
Office buildings	Office/archive	-	3.90		0.00
Cellar	Storage/archive	-	2.50		0.00
Outdoor areas	Open area	6,200.00	0.20		14,880.00
Installations on the plot	Railway tracks	-	0.00		0.00
Gross profit					**14,880.00**
Running costs		**Valuation rate**			
a) Administration costs	Prod./storage	2% of Gross profit			0.00
	Office/archive	2% of Gross profit			0.00
	Storage/archive	2% of Gross profit			0.00
	Open area	2% of Gross profit			297.60
	Installations on the plot	2% of Gross profit			0.00
		EUR/m² usable area			
b) Maintenance costs	Prod./storage	5.50			0.00
	Office/archive	7.50			0.00
	Storage/archive	5.50			0.00
	Open area	0.25			1,550.00
	Installations on the plot	0.25			0.00
c) Rental loss risk	total	5% of Gross profit			744.00
Running costs	**total**			-	**2,591.60**
% of usual market rent / Gross profit					17.42%
Net income of this plot of land cluster				=	**12,288.40**
Return on land value	of	171,000.00 €		-	11,970.00
Land value x property interest rate		7.00 %			
Net income of buildings and structures				=	**318.40**
Present-value factor				x	10.59
Remaining useful life (years)	20	7.00 %			
Captalized value of buildings and structures				=	**3,371.86**
Land value of the profitable areas				+	**171,000.00**
Preliminary capitalzed value				=	**174,371.86**
Land value of independently usable partial areas				+	**1,386,810.00**
Object-specific features				-	**19,053.00**
Rights section II of land register, public easements	1 % of	1,555,326.00 €		-	15,553.26
Costs of survey, cadastre costs				-	3,500.00
Capitalized value of this property cluster				=	1,542,128.86
Capitalized value of this property cluster (rounded)				=	**1,542,000.00**
x-factor (related to the preliminary capitalized value)					*11.70*

Cluster | **7**

Object type	Usage	m² Usable area	Usual market rent EUR/m²	Annual amount EUR
Production halls, storage halls	Prod./storage	8,000.00	1.90	182,400.00
Office buildings	Office/archive	1,650.91	3.90	77,262.59
Cellar	Storage/archive	-	2.50	0.00
Outdoor areas	Open area	1,540.00	0.20	3,696.00
Installations on the plot	Railway tracks	-	0.00	0.00
Gross profit				**263,358.59**
Running costs		**Valuation rate**		
a) Administration costs	Prod./storage	2% of Gross profit		3,648.00
	Office/archive	2% of Gross profit		1,545.25
	Storage/archive	2% of Gross profit		0.00
	Open area	2% of Gross profit		73.92
	Installations on the plot	2% of Gross profit		0.00
		EUR/m² usable area		
b) Maintenance costs	Prod./storage	5.50		44,000.00
	Office/archive	7.50		12,381.83
	Storage/archive	5.50		0.00
	Open area	0.25		385.00
	Installations on the plot	0.25		0.00
c) Rental loss risk	total	5% of Gross profit		13,167.93

Running costs	**total**		-	**75,201.93**
% of usual market rent / Gross profit				28.55%
Net income of this plot of land cluster			=	**188,156.66**
Return on land value	of	267,210.00 €	-	18,704.70
Land value x property interest rate		7.00 %		
Net income of buildings and structures			=	**169,451.96**
Present-value factor			x	10.59
Remaining useful life (years)	20	7.00 %		
Captalized value of buildings and structures			=	**1,794,496.26**
Land value			+	**267,210.00**
Preliminary capitalzed value			=	**2,061,706.26**
Object-specific features			-	**25,362.00**
Construction defects			-	35,000.00
Over-/Underrent			+	9,638.00
Capitalized value of this property cluster			**=**	2,036,344.26
Capitalized value of this property cluster (rounded)			=	**2,036,000.00**
x-factor (related to the preliminary capitalized value)				*7.80*

Cluster	8			
Object type	**Usage**	**m² Usable area**	**Usual market rent EUR/m²**	**Annual amount EUR**
Production halls, storage halls	Prod./storage	3,114.00	1.90	70,999.20
Office buildings	Office/archive	183.00	3.90	8,564.40
Cellar	Storage/archive	-	2.50	0.00
Outdoor areas	Open area	460.00	0.20	1,104.00
Installations on the plot	Railway tracks	-	0.00	0.00
Gross profit				**80,667.60**
Running costs		**Valuation rate**		
a) Administration costs	Prod./storage	2% of Gross profit		1,419.98
	Office/archive	2% of Gross profit		171.29
	Storage/archive	2% of Gross profit		0.00
	Open area	2% of Gross profit		22.08
	Installations on the plot	2% of Gross profit		0.00
		EUR/m² usable area		
b) Maintenance costs	Prod./storage	5.50		17,127.00
	Office/archive	7.50		1,372.50
	Storage/archive	5.50		0.00
	Open area	0.25		115.00
	Installations on the plot	0.25		0.00
c) Rental loss risk	total	5% of Gross profit		4,033.38

Running costs	**total**		-	**24,261.23**
% of usual market rent / Gross profit				30.08%
Net income of this plot of land cluster			=	**56,406.37**
Return on land value	of	108,252.00 €	-	7,577.64
Land value x property interest rate		7.00 %		
Net income of buildings and structures			=	**48,828.73**
Present-value factor			x	10.59
Remaining useful life (years)	20	7.00 %		
Captalized value of buildings and structures			=	**517,096.25**
Land value of the profitable areas			+	108,252.00
Preliminary capitalzed value			=	**625,348.25**
Land value of independently usable partial areas			+	197,208.00
Object-specific features			-	**127,425.00**
Construction defects			-	65,000.00
Vacancy costs			-	77,533.00
Over-/Underrent			+	15,108.00
Capitalized value of this property cluster			**=**	695,131.25
Capitalized value of this property cluster (rounded)			=	**695,000.00**
x-factor (related to the preliminary capitalized value)				*7.80*

Cluster	9			
Object type	**Usage**	**m² Usable area**	**Usual market rent EUR/m²**	**Annual amount EUR**
Production halls, storage halls	Prod./storage	10,830.00	1.90	246,924.00
Office buildings	Office/archive	-	3.90	0.00
Cellar	Storage/archive	-	2.50	0.00
Outdoor areas	Open area	-	0.20	0.00
Installations on the plot	Railway tracks	-	0.00	0.00
Gross profit				**246,924.00**
Running costs		**Valuation rate**		
a) Administration costs	Prod./storage	2% of Gross profit		4,938.48
	Office/archive	2% of Gross profit		0.00
	Storage/archive	2% of Gross profit		0.00
	Open area	2% of Gross profit		0.00
	Installations on the plot	2% of Gross profit		0.00
		EUR/m² usable area		
b) Maintenance costs	Prod./storage	5.50		59,565.00
	Office/archive	7.50		0.00
	Storage/archive	5.50		0.00
	Open area	0.25		0.00
	Installations on the plot	0.25		0.00
c) Rental loss risk	total	5% of Gross profit		12,346.20
Running costs	**total**		-	**76,849.68**
% of usual market rent / Gross profit				31.12%
Net income of this plot of land cluster			=	**170,074.32**
Return on land value	of	1,360,782.00 €	-	91,852.79
Land value x property interest rate		6.75 %		
Net income of buildings and structures			=	**78,221.53**
Present-value factor			x	10.80
Remaining useful life (years)	20	6.75 %		
Captalized value of buildings and structures			=	**844,792.52**
Land value of the profitable areas			+	1,360,782.00
Preliminary capitalzed value			=	**2,205,574.52**
Land value of independently usable partial areas			+	228,240.00
Object-specific features			-	**87,811.00**
Rights section II of land register, priority notices of conveyances	100 % von	72,720.00 €	-	72,720.00
Rights section II of land register, public easements	1 % von	985,950.00 €	-	9,859.50
Construction defects			-	10,000.00
Over-/Underrent			+	4,769.00
Capitalized value of this property cluster			**=**	2,346,003.52
Capitalized value of this property cluster (rounded)			=	**2,346,000.00**
x-factor (related to the preliminary capitalized value)				*8.90*

Cluster		10		
Object type		**m²**	**Standard land value EUR/m²**	**EUR**
Plots of land		19,350.00	10.80	208,980.00
Preliminary land value				= **208,980.00**
Object-specific features				- **18,876.00**
Rights section II of land register, priority notices of conveyances	100 % von	16,956.00 €		- 16,956.00
Rights section II of land register, public easements	1 % von	192,024.00 €		- 1,920.00
Land value of this plot of land cluster				= 190,104.00
Land value of this plot of land cluster (rounded)				= **190,000.00**

Cluster | **11**

Object type	**Usage**	**m²** **Usable area**	**Usual market rent EUR/m²**		**Annual amount EUR**
Production halls, storage halls	Prod./storage	14,176.00	1.90		323,212.80
Office buildings	Office/archive	-	3.90		0.00
Cellar	Storage/archive	-	2.50		0.00
Outdoor areas	Open area	-	0.20		0.00
Installations on the plot	Railway tracks	-	0.00		0.00
Gross profit					**323,212.80**
Running costs		**Valuation rate**			
a) Administration costs	Prod./storage	2% of Gross profit			6,464.26
	Office/archive	2% of Gross profit			0.00
	Storage/archive	2% of Gross profit			0.00
	Open area	2% of Gross profit			0.00
	Installations on the plot	2% of Gross profit			0.00
		EUR/m² usable area			
b) Maintenance costs	Prod./storage	5.50			77,968.00
	Office/archive	7.50			0.00
	Storage/archive	5.50			0.00
	Open area	0.25			0.00
	Installations on the plot	0.25			0.00
c) Rental loss risk	total	5% of Gross profit			16,160.64
Running costs	**total**			-	**100,592.90**
% of usual market rent / Gross profit					31.12%
Net income of this plot of land cluster				=	**222,619.90**
Return on land value	of	651,438.00 €		-	43,972.07
Land value x property interest rate		6.75 %			
Net income of buildings and structures				=	**178,647.83**
Present-value factor				x	10.80
Remaining useful life (years)	20	6.75 %			
Captalized value of buildings and structures				=	**1,929,396.56**
Land value				+	651,438.00
Preliminary capitalzed value				=	**2,580,834.56**
Object-specific features				-	**153,761.00**
Rights section II of land register, public easements	1 % von	603,594.00 €		-	6,035.94
Construction defects				-	160,000.00
Over-/Underrent				+	12,275.00
Capitalized value of this property cluster				**=**	2,427,073.56
Capitalized value of this property cluster (rounded)				=	**2,427,000.00**
x-factor (related to the preliminary capitalized value)					*8.00*

Cluster	12				
Object type	**Usage**	**m² Usable area**	**Usual market rent EUR/m²**		**Annual amount EUR**
Production halls, storage halls	Prod./storage	3,993.25	1.90		91,046.10
Office buildings	Office/archive	-	3.90		0.00
Cellar	Storage/archive	-	2.50		0.00
Outdoor areas	Open area	63,505.00	0.20		152,412.00
Installations on the plot	Railway tracks	-	0.00		0.00
Gross profit					**243,458.10**
Running costs		**Valuation rate**			
a) Administration costs	Prod./storage	2% of Gross profit			1,820.92
	Office/archive	2% of Gross profit			0.00
	Storage/archive	2% of Gross profit			0.00
	Open area	2% of Gross profit			3,048.24
	Installations on the plot	2% of Gross profit			0.00
		EUR/sqm usable area			
b) Maintenance costs	Prod./storage	5.50			21,962.88
	Office/archive	7.50			0.00
	Storage/archive	5.50			0.00
	Open area	0.25			15,876.25
	Installations on the plot	0.25			0.00
c) Rental loss risk	total	5% of Gross profit			12,172.91
Running costs	**total**			-	**54,881.20**
% of usual market rent / Gross profit					22.54%
Net income of this plot of land cluster				=	**188,576.90**
Return on land value	of	1,187,235.00 €		-	83,106.45
Land value x property interest rate		7.00 %			
Net income of buildings and structures				=	**105,470.45**
Present-value factor				x	10.59
Remaining useful life (years)	20	7.00 %			
Captalized value of buildings and structures				=	**1,116,932.07**
Land value of the profitable areas				+	1,187,235.00
Preliminary capitalzed value				=	**2,304,167.07**
Land value of independently usable partial areas				+	3,319,268.40
Object-specific features				-	**583,327.00**
Rights section II of land register, priority notices of conveyances	100 % of	91,980.00 €		-	91,980.00
Rights section II of land register, public easements	1 % of	4,290,022.80 €		-	42,900.23
Decrease in the market value (contaminated sites)	5 % of	982,800.00 €		-	49,140.00
Construction defects				-	349,500.00
Costs of survey, cadastre costs				-	28,000.00
Vacancy costs				-	46,283.00
Over-/Underrent				+	24,476.00
Capitalized value of this property cluster				=	5,040,108.47
Capitalized value of this property cluster (rounded)				=	**5,040,000.00**
x-factor (related to the preliminary capitalized value)					*9.50*

Cluster **13**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	2,618.00	12.60		32,986.80
Preliminary land value			**=**	**32,986.80**
Object-specific features			+	**0.00**
Land value of this plot of land cluster			=	32,986.80
Land value of this plot of land cluster (rounded)			=	**33,000.00**

Cluster **14**

Object type	**m²**	**Standard land value EUR/m²**	**EUR**
Plots of land	7,048.00	12.60	88,804.80
Preliminary land value		**=**	**88,804.80**
Object-specific features		+	**0.00**
Land value of this plot of land cluster		=	88,804.80
Land value of this plot of land cluster (rounded)		=	**89,000.00**

Cluster **15**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	2,787.00	12.60		35,116.20
Preliminary land value			**=**	**35,116.20**
Object-specific features			+	**0.00**
Land value of this plot of land cluster			=	35,116.20
Land value of this plot of land cluster (rounded)			=	**35,000.00**

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Cluster 16

Object type		m²	Standard land value EUR/m²	EUR
Plots of land		14,432.00	12.60	181,843.20
Reliminary land value			=	**181,843.20**
Object-specific features			-	**1,818.00**
Rights section II of land register, public easements	1 % of	181,843.20 €	-	1,818.00
Land value of this plot of land cluster			=	180,025.20
Land value of this plot of land cluster (rounded)			=	**180,000.00**

Cluster **17**

Object type		m²	Standard land value EUR/m²		EUR
Plots of land		68,089.00	0.95		64,684.55
Reliminary land value				=	**64,684.55**
Object-specific features				+	**117,625.00**
Rights section II of land register, public easements	1 % of	37,093.70 €		-	371.00
Decrease in the market value	5 % of	- €		-	0.00
Demolition costs				-	0.00
Running costs				-	12,324.11
Other income				+	130,320.00
Bodenwert des Grundstücks				=	182,309.55
Bodenwert des Grundstücks gerundet				=	**182,000.00**

Cluster | **18**

Object type		m²	Standard land value EUR/m²		EUR
Plots of land		65,154.00	1.05		68,411.70
		5,681.00	0.95		5,396.95
Preliminary land value				**=**	**73,808.65**
Object-specific features				+	**1,573.00**
Rights section II of land register, public easements	1 % of	50,861.95 €		-	509.00
Other income				+	2,082.00
Land value of this plot of land cluster				=	75,381.65
Land value of this plot of land cluster (rounded)				=	**75,000.00**

Cluster | **19**

Object type		**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land		358,757.00	10.80		3,874,575.60
Reliminary land value				=	**3,874,575.60**
Object-specific features				-	**21,374.00**
Rights section II of land register, public easements	1 % of	3,443,493.60 €		-	34,435.00
Other income				+	13,061.00
Land value of this plot of land cluster				=	3,853,201.60
Land value of this plot of land cluster (rounded)				=	**3,853,000.00**

Cluster	20			
Object type		**m²**	**Standard land value EUR/m²**	**EUR**
Plots of land		131,012.00	10.80	1,414,929.60
Reliminary land value			=	**1,414,929.60**
Object-specific features			+	**5,015.00**
Rights section II of land register, public easements	1 % of	- €	-	0.00
Other income			+	5,015.00
Land value of this plot of land cluster			=	1,419,944.60
Land value of this plot of land cluster (rounded)			=	**1,420,000.00**

Cluster **21**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	162,586.00	10.80		1,755,928.80
Reliminary land value			=	**1,755,928.80**
Object-specific features			+	**6,208.00**
Other income			+	6,208.00
Land value of this plot of land cluster			=	1,762,136.80
Land value of this plot of land cluster (rounded)			=	**1,762,000.00**

Cluster **22**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	116,558.00	10.80		1,258,826.40
Reliminary land value			=	**1,258,826.40**
Object-specific features			+	**4,456.00**
Other income			+	4,456.00
Land value of this plot of land cluster			=	1,263,282.40
Land value of this plot of land cluster (rounded)			=	**1,263,000.00**

Cluster **23**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	15,529.00	10.80		167,713.20
Reliminary land value			=	**167,713.20**
Object-specific features			+	**594.00**
Other income			+	594.00
Land value of this plot of land cluster			=	168,307.20
Land value of this plot of land cluster (rounded)			=	**168,000.00**

Cluster **24**

Object type		**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land		98,510.00	10.80		1,063,908.00
Reliminary land value				=	**1,063,908.00**
Object-specific features				-	**6,868.00**
Rights section II of land register, priority notices of conveyances	100 % of	- €		-	0.00
Rights section II of land register, public easements	1 % of	1,063,908.00 €		-	10,639.00
Other income				+	3,771.00
Land value of this plot of land cluster				=	1,057,040.00
Land value of this plot of land cluster (rounded)				=	**1,057,000.00**

Cluster **25**

Object type	**m²**	**Standard land value EUR/m²**		**EUR**
Plots of land	22,517.00	1.05		23,642.85
Reliminary land value			=	**23,642.85**
Object-specific features			-	**0.00**
Land value of this plot of land cluster			=	23,642.85
Land value of this plot of land cluster (rounded)			=	**24,000.00**

5.2. Derivation of the Fair Market Value

The adjustment of the initial value ascertained to the market situation constitutes the focal point of the appraisal.

§ 8 (1) ImmoWertV stipulates that the fair market value shall be ascertained from the result of the procedure(s) applied with considering its or their informative value.

The procedures shall be chosen according to the type of the valuation object with taking into account the customs existing in the ordinary course of business and the other circumstances of the individual case, especially with regard to the details available; the selection shall be justified.

The procedure resulted in the following:

Land value of the property	Cluster 1	EUR 441,000.00
Capitalized value of the property	Cluster 2	EUR 74,000.00
Land value of the property	Cluster 3	EUR 847,000.00
Land value of the property	Cluster 4	EUR 305,000.00
Land value of the property	Cluster 5	EUR 89,000.00
Capitalized value of the property	Cluster 6	EUR 1,542,000.00
Capitalized value of the property	Cluster 7	EUR 2,036,000.00
Capitalized value of the property	Cluster 8	EUR 695,000.00
Capitalized value of the property	Cluster 9	EUR 2,346,000.00
Land value of the property	Cluster 10	EUR 190,000.00
Capitalized value of the property	Cluster 11	EUR 2,427,000.00
Capitalized value of the property	Cluster 12	EUR 5,040,000.00
Land value of the property	Cluster 13	EUR 33,000.00
Land value of the property	Cluster 14	EUR 89,000.00
Land value of the property	Cluster 15	EUR 35,000.00
Land value of the property	Cluster 16	EUR 180,000.00
Land value of the property	Cluster 17	EUR 182,000.00
Land value of the property	Cluster 18	EUR 75,000.00
Land value of the property	Cluster 19	EUR 3,853,000.00
Land value of the property	Cluster 20	EUR 1,420,000.00

Land value of the property	Cluster 21	EUR 1,762,000.00
Land value of the property	Cluster 22	EUR 1,263,000.00
Land value of the property	Cluster 23	EUR 168,000.00
Land value of the property	Cluster 24	EUR 1,057,000.00
Land value of the property	Cluster 25	EUR 24,000.00
Total property value		**EUR 26,173,000.00**

The fair market value shall be especially understood as prediction of the price possibly to be realized.

Concerning the valuation object the expert derives the fair market value of the real estate from the capitalised value according to the usual market customs of a general yield orientated use of the office and business premises. The capitalised value was ascertained by means of market-driven value rates for real estate, so that special consideration on the real estate market is not required. The real value procedure was not applied as supporting procedure due to missing market adjustment factors. Due to the appraisal procedures applied the expert does not make any further adjustments to the market situation

I evaluate the **fair market value / current market value** of the partial section of the Altmark Industrial and Commercial Park

in 39596 Arneburg, Sanner Strasse and others

on the **fixed appraisal date** of **31/05/2019**

at **EUR 26,173,000.00**
(in words: twenty-six million, one hundred and seventy-three thousand euros).

6.0. Final Clause / Declaration of the Undersigned

The valuation object was personally surveyed by me on 15/05/2019; the valuation was prepared under my personal responsibility.

Magdeburg, 13/06/2019

Katrin Zimmermann (MRICS)

7.0. List of References

- Building Code with Ordinance on principles for determining the fair market value of properties, Land Usage Ordinance, Planning Design Regulation, Spatial Planning Law, Spatial Planning Ordinance, printed issue, 50th edition, dated: January 1 2018,

Deutscher Taschenbuch Verlag. ISBN 978-3-406-72331-5

- Bürgerliches Gesetzbuch (Civil Code), printed issue, 83rd edition, dated: January 15 2019 Deutscher Taschenbuch Verlag. ISBN 978-3-423-05001-2

- Land law, printed issue, 8th revised and expanded edition, dated: 24/5/2017 Deutscher Taschenbuch Verlag. ISBN 978-3-406-70929-6

- Kleiber – Simon: Determining the fair market value of properties. Comment and manual for determining the fair market, insurance and lending values taking the WertV and BauGB into account. 5th, fully revised and expanded edition 2007. Bundesanzeiger Verlag Köln. ISBN-13: 978-3-89817-604-0

- Kleiber: Determining the fair market value of properties. Comments and manual for determining market values (fair market values), insurance values and lending values taking the ImmoWertV into account. 6th, fully revised edition 2010. Bundesanzeiger Verlag Köln. ISBN-13: 978-3-89817-808-2

- Kleiber: Determining the fair market value of properties. Comments and manual for determining market values (fair market values), insurance values and lending values taking the ImmoWertV into account. 7th, fully revised edition 2014. Bundesanzeiger Verlag Köln. ISBN: 978-3-8462-0218-0

- Kleiber: Determining the fair market value of properties. Comments and manual for determining market values (fair market values), insurance values and lending values taking the ImmoWertV into account. 8th, fully revised edition 2017. Bundesanzeiger Verlag Köln. ISBN: 978-3-8462-0680-5

- Sprengnetter: Property appraisal Work Materials Vol. I-III, version: December 2018, WertermittlungsForum, Sinzig

- Rössler / Langner: Estimating and determining property values. 8th edition: Luchterhand, 2004. ISBN 3-472-05173-6

- Kröll, Hausmann: Rights and encumbrances when determining the fair market value of properties, 4th edition: Werner Verlag 2011. ISBN 978-3-8041-5203-8

- Schmitz / Krings / Dahlhaus / Meisel: Construction costs 2018. Repairs/renovation/ modernization/ conversion, 23rd edition: Essen; Verlag für Wirtschaft und Verwaltung Hubert Wingen. ISBN 978-3-8028-0605-6

- European Appraisal Standards 2016, 8th edition, Tegova

- RICS appraisal– Global Standards 2017 – “Red Book”, effective from 1/7/2017

- RICS guidelines, 1st edition September 2015

8.0. Annexes

Anlage 1	Excerpt from the real estate map dated 10/12/2018, Total area
Annex 2	Excerpt from the real estate map dated 10/12/2018, Central area
Annex 3	Business plan
Annex 4	Information concerning entries from the public easement register
Annex 5	Information concerning the planning law
Annex 6	Information from the contaminated site cadastre
Annex 7	Information concerning the network connections of the Stendal-Osterburg Water Management Company
Annex 8	Information concerning the network connections of AVACON AG
Annex 9	Real Estate Market Report of Saxony-Anhalt 2019 Office rents
Annex 10	Renting status and rents as on 31/05/2019
Annex 11	Specific Features of the rental contracts as on 31/05/2019
Anlage 12	Overview of the rights in section II of the land registers
Annex 13	Overview of overrent and underrent amounts as on 31/05/2019

V A L U A T I O N
on the Market Value (Fair Value)

for the developed and undeveloped Plots of Land in

06847 Dessau-Rosslau, Brauereistrasse 10 A, 13 and Robert-Bosch-Strasse 60

Land register of:	Dessau, sheets 9902, 13790, 13910
Local subdistrict:	Dessau
Plot:	11, 24, 25, 26 und 30
Parcels of land:	9905/0, 12005, 4538/5, 4538/6, 3882/1, 3810/1, 1361/1, 3824/9, 3824/17, 3835, 12000, 12006, 12007, 12008, 12009
Area:	in total 111,688 m²
Principal:	Merkanti (D) International Ltd. Represented by Altmark Immobilien Management GmbH

The **Market Value / Fair Value** for the **Commercial Property** was ascertained as on the **fixed appraisal date on 2019/05/31**

with: **EUR 8,959,000.00**

This valuation consists of 47 pages without cover page and 12 Annexes of 58 pages in total.
The valuation was made out in 2 copies as ordered.

Table of Contents

1.0. General Information

1.1. Information on the Valuation Object

Kind of the valuation object: Commercial property consisting of 4 production and storage halls, 5 factory buildings with adjacent office, archive and storage space, 4 workshop and storage buildings and 4 office and administration buildings

Address: 06847 Dessau-Rosslau,
Brauereistrasse 10 A, Brauereistrasse 13,
Robert-Bosch-Strasse 60

Land register details:

Dessau-Rosslau local court,
Dessau land register, **sheet 9902**

	Local subdistrict	**Serial no.**	**Plot**	**Parcel of land**	**Area**
1	Dessau	1	30	4538/5	7,652 m^2
2	Dessau	2	30	4538/6	205 m^2
3	Dessau	3	26	3882/1	1,192 m^2
4	Dessau	4	24	3810/1	8 m^2
5	Dessau	5	11	1361/1	538 m^2
6	Dessau	7	25	3824/9	5,101 m^2
7	Dessau	8	25	3824/17	10,826 m^2
8	Dessau	10	25	3835	458 m^2
9	Dessau	11	11	12000	1,774 m^2
10	Dessau	13	25	12006	7 m^2
11	Dessau	13	25	12007	3,058 m^2
12	Dessau	14	25	12008	8 m^2
13	Dessau	14	25	12009	5,714 m^2
In total					**36,541 m^2**

Dessau-Rosslau local court,
Dessau land register, **sheet 13790**

	Local subdistrict	**Serial no.**	**Plot**	**Parcel of land**	**Area**
14	Dessau	6	25	12005	73,553 m^2
In total					**73,553 m^2**

Dessau-Rosslau local court,
Dessau land register, **sheet 13910**

	Local subdistrict	**Serial no.**	**Plot**	**Parcel of land**	**Area**
15	Dessau	1	11	9905/0	1,594 m^2
In total					**1,594 m^2**

Total area according to land register:		**111,688 m^2**

1.2. Details concerning the Order and its Execution

Order:	A valuation shall be prepared on the market value of the above object as stipulated in the order of 2019/05/13.
Purpose of the valuation:	The purpose of the valuation is to ascertain the market value (fair value) according to IFRS. The fixed appraisal date is the date of 2019/05/31.
Principal:	Merkanti (D) International Ltd. Registered office: 96960 Majuro, Marshall Islands Postal address: Sanner Strasse 2, 39596 Arneburg Represented by Altmark Immobilien Management GmbH Sanner Strasse 2, 39596 Arneburg
Owner:	Merkanti (D) International Ltd.
Fixed appraisal date:	2019/05/31
Fixed quality date:	2019/05/31
Site survey :	2019/05/23

Persons participating in the site survey:

Principal's representative,
Mrs. Katrin Zimmermann (MRICS), Magdeburg Chamber of Industry and Commerce,
Expert for the valuation of developed and undeveloped plots of land, officially appointed and sworn in

Documents and information:

Documents submitted by the principal

- Excerpt from the property map on a scale of 1:2500 dated 2018/12/13
- Business plan
- Survey of the existing plot of land as on 2019/05/31
- 3 extracts from the land register dated 2019/05/22
- Renting status and rents as on 2019/05/31
- Summary of the rights in Section II of the land registers
- Summary of the specific features of the rental contracts as on 2019/05/31
- Survey of over-/under rent rates as on 2019/05/31
- List of areas dated 2017/03/17
- Building description
- Excerpt from the certificate of cable and pipeline and installation rights AZ 106-2-2-32345-12-101-05
- Excerpt from the certificate of cable and pipeline and installation rights AZ 19-2010
- Approval certificate UR-No. 1253/2010, 939/2011 dated 2010/06/17 / 2011/04/12

- Approval certificate URNo. 1287/2009 dated 2009/06/24 and 2393/2009 dated 2009/11/18
- Approval certificate URNo. 673/2011 (partially) dated 2011/03/16 and 1821/2011 dated 2011/07/07
- Approval certificate URNo. 2934/2011 dated 2011/11/03
- Approval certificate URNo. 464/2013 (partially) dated 2013/02/21 and 1151/2013 dated 2013/05/07
- Approval certificate URNo. 2076/2014 (partially) dated 2014/09/04
- Final technical report of soil clean-up dated 1997/03/04
- Up-to-dateness certificate for the written information from the public easements register dated 2018/12/17 as update of the information dated 2018/01/08, city of Dessau-Rosslau
- Up-to-dateness certificate for the written information for the planning law dated 2018/12/21, city of Dessau-Rosslau
- Up-to-dateness certificate dated 2019/05/06 for the written information from the contaminated sites cadastre dated 2018/12/21, city of Dessau-Rosslau
- Up-to-dateness certificate for the written information for development and road construction contributions dated 2018/12/17, city of Dessau-Rosslau
- Information for network connections dated 2019/05/06, Stadtwerke *(energy supplier)* Dessau

Documents provided by the Contractor:

- Current Real Estate Market Report of the Land of Saxony-Anhalt of 2019
- 2016 Market Report Industrial Immovable Properties of TÜV Süd ImmoWert GmbH *(Technical Inspection Agency South)*
- Standard land value information with the State Office for Surveying and Geo-Information through internet

Completion of the enquiries: 2019/05/23

1.3. Basics of the Order

The valuation has been prepared on the basis of the documents and information indicated under 1.2. The undersigned did not gather further information with authorities and offices beyond those indicated in the order.

The methodical indications of the IFRS/IAS provisions for ascertaining the fair value correspond to the principles of the ImmoWertV (Regulation for ascertaining the Value of Real Property) concerning § 194 BauGB (Code of Building Law), which is materially identical and more substantial with the regulations of the IAS provisions.

The terms of "fair value", "market value", and "fair market value" are used synonymously, since their definitions are materially identical (see Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 457).

The fair value is ascertained on the basis of the fair market value (market value). The fair market value (market value) is ascertained on the basis of § 194 Federal Building Code and thus according to the legal regulations of the Federal Building Code (BauGB), the Regulation for ascertaining the Value of Real Property (ImmoWertV), the Appraisal

Regulation (WertR 06), the Comparative Value Regulations (VW-RL), the Real Value Regulations (SW-RL) and the Capitalized Value Regulations (EW-RL).

The comparative value procedure, the capitalized value procedure and the real value procedure according to ImmoWertV fulfil the prerequisites, in order to guarantee a determination of the real property value within the meaning of the fair value conception of IFRS.

Furthermore, the valuation is effected according to the global RICS Valuation Standards as well as objectively, impartially, independently, neutrally and free from instructions.

1.4. Assumptions and Nonliability

The valuation is a fair market value expertise and not a structural damage valuation.

The plots of land were not re-measured. It is taken for granted that the areas indicated in the land registers correspond to the real ones.

As stipulated in the order the valuation object was divided into and summarized in clusters / groups, which would probably be used in a real sale, this because of the extent and with regard to the regional connection.

The division and summary is as follows:

Cluster 1 – 06847 Dessau-Rosslau, Brauereistrasse 13:

	Land Register	Serial No.	Local subdistrict	Plot	Parcel of land	Area
1	13910	1	Dessau	11	9905/0	1.594 m²
2	12790	6	Dessau	25	12005	73,553 m²
3	9902	1	Dessau	30	4538/5	7,652 m²
4	9902	2	Dessau	30	4538/6	205 m²
5	9902	3	Dessau	26	3882/1	1,192 m²
6	9902	4	Dessau	24	3810/1	8 m²
7	9902	5	Dessau	11	1361/1	538 m²
8	9902	8	Dessau	25	3824/17	10,826 m²
9	9902	10	Dessau	25	3835	458 m²
10	9902	11	Dessau	11	12000	1,774 m²
11	9902	13	Dessau	25	12006	7 m²
12	9902	13	Dessau	25	12007	3,058 m²
in total						**100,865 m²**

Cluster 2 – 06847 Dessau-Rosslau, Robert-Bosch-Strasse 60:

	Land Register	Serial No.	Local subdistrict	Plot	Parcel of land	Area
1	9902	7	Dessau	25	3824/9	5,101 m²
in total						**5,101 m²**

Cluster 3 – 06847 Dessau-Rosslau, Brauereistrasse 10 A:

	Land Register	Serial No.	Local subdistrict	Plot	Parcel of land	Area
1	9902	14	Dessau	25	12008	8 m^2
2	9902	14	Dessau	25	12009	5,714 m^2
in total						**5,722 m^2**

As said by the principal the relevant building permits have been applied for in the Archive for Building Structures, but they cannot be completely submitted as informed by the Archive. It has not been checked, if the existing buildings and their use are in accordance with the building permits. The legal and material legality of the existing building development is taken for granted.

The buildings were inspected inside and outside to an appropriate extent and examined in a nondestructive procedure. The following has not been inspected: building permissions, public law regulations including approvals, taking over, stipulations and likewise, structural safety, noise and heat insulation properties, animal and vegetable vermin, polluted building material and the serviceability of the domestic engineering.

The expert does not have any layouts for the valuation object. The gross floor area of the buildings and the usable areas were checked for plausibility by means of the property map and the usable area factors. The exactness of the areas shall be excluded from liability.

Non-liability shall also refer to shortcomings of the buildings which cannot be recognized or are covered and for other conditions of the plot of land not found during the site survey as well as for information given by third parties (see documents and information) to the appraising expert.

2.0. Features of the Plot of Land

2.1. Description of the Location

Federal Land: Saxony-Anhalt

City and inhabitants: Dessau-Rosslau, urban municipality
about 81,809 inhabitants (as on: 2018/12/31)

Connection:

Nearest larger cities:

Koethen	about 20 km
Wittenberg	about 35 km
Halle (Saale)	about 50 km
Capital city of Magdeburg	about 60 km
Leipzig	about 70 km

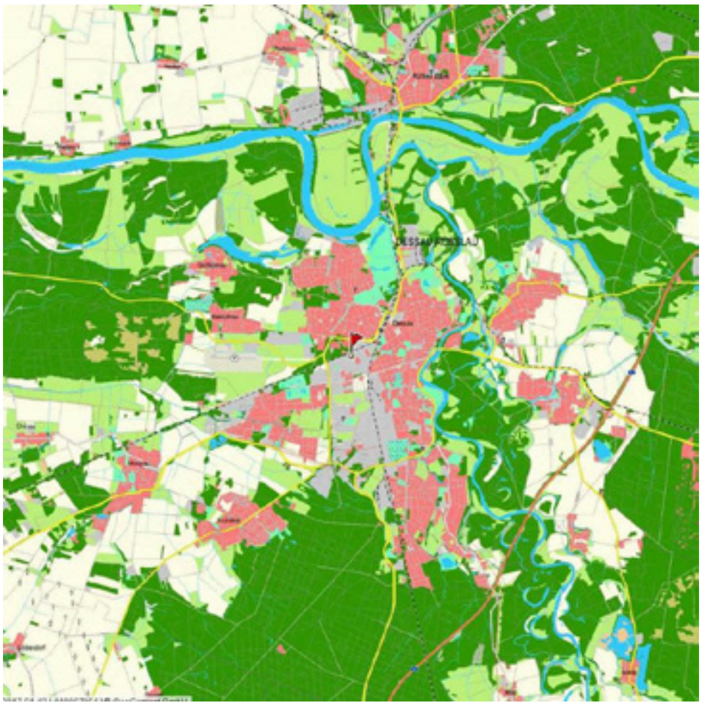
Federal motorways: B 107, B 184, B 185, B 187

High-way: A 9

Nearest railway station: Main station about 1.7 km

Nearest airport: Halle-Leipzig about 55 km

Survey map:



Source: Survey map with traffic infrastructure, GeoContent GmbH
Year: 2016

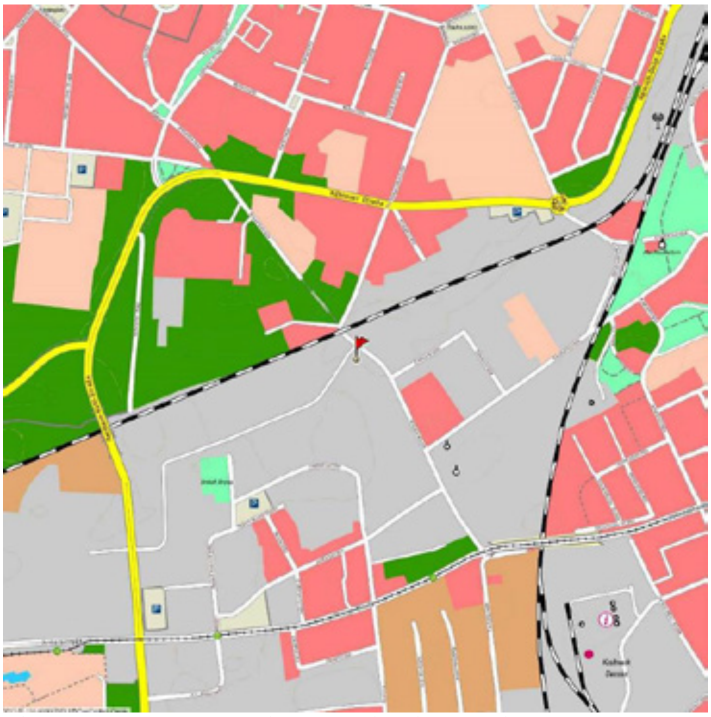
Location:

The valuation object is located in the western city centre of Dessau in the commercial estate of Dessau Mitte between the Brauereistrasse located in the east, the Robert-Bosch-Strasse located in the south and the Hermann-Koehl-Strasse loacted in the west. The Brauereistrasse is a normally travelled through road, the Robert-Bosch-Strasse is a normally travelled side road and the Hermann-Koehl-Strasse is a normally travelled through road, the B 184.
The railway line of Deutsche Bundesbahn (Dessau-Koethen) is the direct border in the north.

The city centre is about 2.0 km far away, the B 185 about 2.0 km, the B 107 about 7.0 km, the B 187 about 6.5 km and the A 9 about 7.0 km. The distance to the railway station is about 2.0 km. There is bus connection in the Oechelhaeuser Strasse at a distance of about 300 m.

The commercial estate is mainly characterized by companies of the metal processing industries and by numerous craft businesses and service providers. Shops and facilities for daily needs are available in the nearer surroundings.

Surroundings map:



Source: City map, GeoContent GmbH
Year: 2016

Commercial location:	Average
Kind of buildings and their use In the road:	Most of them have one to five floors and are used commercially
Immissions:	no relevant adverse effects
Topography:	nearly flat
General economic situation:	The unemployment rate of Dessau-Rosslau is at 7.6% (in April 2019, source: Federal Employment Office, statistics). The population development is going down. The city of Dessau-Rosslau is characterized by stable up to slightly increasing purchasing power rates. The relevant retail purchasing power level increased to 88.5 in the year of 2018 (source: mb-research, 2018 purchasing power in Germany).
Demographic development:	As indicated in the 6th Regional Population Forecast (RBP) for 2014 - 2030, issued by the Saxony-Anhalt Census Bureau in July of 2016, the city of Dessau-Rosslau will keep its development and the population will remain declining up to 2030 by 14.7%.
	The population of Saxony-Anhalt will be probably reduced by 11%, with the main reason being the

unfavourable age structure, the remaining birth deficit and thus the decreasing number of children and youth. The percentage of the working population will decrease, the percentage of those being older than 65 years will increase due to the increased life expectancy.

The average age will generally go up. The strong suburbanization process has stopped, so that especially the cities of Halle and Magdeburg will benefit from the relocation of younger people in the cities.

General market conditions:

As said in the 2019 Saxony-Anhalt Land Market Report the demand for building site for commercial use has increased altogether.

As far as the city of Dessau is concerned, the number of the business and administration buildings negotiated has gone up by 34.5%, the area negotiated increased by 111% and the money turnover increased by 133%.

With regard to the other buildings (e.g. storage and production immovable property) the number of acquisition processes decreased by 13.6%, the area decreased by 19.7% and the money turnover increased by 22.7%.

The industrial and commercial area rental market in Dessau is stable. The rental prices for commercially usable area are stable overall, thus favourable for the existing demand. There is an average demand for investment objects or income property on the local market. Dessau as investment location mainly has regional importance at present.

2.2. Conditions of the plot of land (see Annex 1)

Cluster 1

Plot of land area according to the land registers:	100,865 m²
Plot of land layout:	irregular
Built-up ground area of the buildings:	about 24,819 m²

Cluster 2

Plot of land area according to the land registers:	about 5,101 m²
Plot of land layout:	irregular

Built-up ground area of the buildings:	about 2,000 m²

Cluster 3

Plot of land area according to the land registers:	5,722 m²
Plot of land layout:	irregular
Built-up ground area of the buildings:	none

2.3. Development, Subsoil

Kind of roads:

Cluster 1	Brauereistrasse Normally travelled through road Hermann-Koehl-Strasse Normally travelled federal motorway Within the commercial area (cluster 1) there is a "works road" as non-public through road from the Brauereistrasse to the Hermann-Koehl-Strasse. A private railway siding is located in the northern area of the plot of land, which is connected to the network of Deutsche Bahn.
Cluster 2	Robert-Bosch-Strasse Normally travelled side road
Cluster 3	Brauereistrasse Normally travelled through road

Cluster 1 - 3

Road upgrading:	Brauereistrasse Improved, cobbled or asphalt road, sidewalk on both sides Robert-Bosch-Strasse Improved, mainly asphalt road, partially sidewalk on one side Hermann-Koehl-Strasse Improved, asphalt road, sidewalk on both sides

Cluster 1 - 3

Height with respect to the road:	normal
Supply lines:	Water, power, gas, long-distance heating
Waste disposal:	sewer duct

Boundaries:	mostly fencing
Ground water:	It is assumed to have normally bearing subsoil and normal ground water level.

2.4. Legal Situation

2.4.1. Private-Law Situation

Cluster 1 - 3

The appraiser has three land register certificates printed on 2019/05/22. These indicate in Section II of the Land Registers some entries for land servitudes and for limited personal easements (right for long-distance heating supply, drinking and waste water pipeline rights, cable rights, rights of way, way leave and travel rights, crane system right, bridge building right) and a priority notice of re-conveyance for the city of Dessau-Rosslau. The rights in Section II of the land registers are stated in Annex 11 in detail.

Only those rights and encumbrances shall be taken into consideration which can have influence on the value. The rights stated under Section II are evaluated in the valuation as reducing the value (see item 4.5).

Mortgages and land charges (Section III of the land register) are no rights and encumbrances affecting the value, they regularly influence the amount of the purchase price only (see WertR 2006, item 2.2.3, para 4). There are no entries in Section III of the land registers.

Since no corresponding note was entered in Section II of the land register, the expert proceeds from the fact that the valuation object has not been included into any proceeding for the reorganization of land holdings or plot realignment and is not located in a redevelopment area.

As stated in a written information given by the city of Dessau-Rosslau the above parcels of land, apart from the parcel 9905/0(cluster 1), are a partial section of the former site of the "Zementanlagen- und Maschinenbau GmbH Dessau (ZAB)" (cement plant and engineering company). The parcel of land 9905/0 is a partial section of the former gas appliances factory "Dessauer Gasgeraete GmbH - Werk II" (see Annex 5).

Inspections in the beginning of the 1990ies resulted in local soil and ground water contaminations on the areas of the ZAB parcels of land, which were successfully remediated in the year of 1996. Due to the fact that partial sections of a whole site cannot be released from the contaminated site under suspicion and that a re-inspection of the whole site has not been effected, yet, it is not possible to release the site from being suspected for contamination.

The parcel of land 9905/0 (cluster 1) was used as sports ground at that time, so that harmful soil changes are considered to be improbable. Due to the fact that minor local soil contaminations and ground water contaminations by heavy metals were found on the whole site and remained unexplained up to now, it is not possible to release the parcel of land from the contaminated site cadastre. It is planned to re-inspect this site, so that it may be released from being suspected and can be filed.

Based on the present information there is no current need for action. However, possible removal processes and new buildings could show contaminations in the existing building stock or in the subsoil which could make further actions necessary. The value relevance due to the existing entries is taken into consideration in the valuation as mercantile undervalue. But this reduction does not include removal costs possibly incurring in addition (see item 4.5).

There are no entries concerning other rights and encumbrances known, such as especially flat and rental commitments.

2.4.2. Public-law Situation

Building easements: The public easement register of the city of Dessau-Rosslau contains the following entries for the valuation object (see Annex 3):

Cluster 1

- Public easement sheet no. 32: Access and distance space public easements for the account of the parcels 3824/24 and 12005 and in favour of parcel 10468, recorded on 1993/08/11
- Public easement sheet no. 54: Access easement for account of parcel 12005 and in favour of the parcels 12002, 3824/13, recorded on 1993/07/12
- Public easement sheet no. 201: pipeline easement for the account of the parcels 4538/5 and 4538/6 and in favour of the city of Dessau, recorded on 1996/06/24

The above public easements for the account of the valuation object are considered as value reducing because of their degree of impairment. The degree of impairment has already been taken into consideration in the rate of value reduction (see item 4.5) in the rights of Section II.

Cluster 2 and 3

The public easement register of the city of Dessau-Rosslau does not contain any entries for the clusters 2 and 3.

Cluster 1 - 3

Preservation order: As stated by the city of Dessau-Rosslau parts of the buildings of the respective plot of land - the brick hall erected in 1898 along the rail track of the railway line from Dessau to Koethen, the assembly hall finished in 1910 with curved gables (cluster 1), the gatehouse near the street (cluster 1), the administration building erected around 1930 (cluster 1) and the social facilities building (cluster 1) erected in 1952/53 - have been recorded as historical buildings of cultural-artistic, technical-economic and urbanistic importance, bearing the building name "Maschinenfabrik Polysius/ZAB" (machine factory), recorded under number 094 40206 in the monument list of the Land of Saxony-Anhalt with regard to the city of Dessau-Rosslau (see Annex 4).

Construction engineering right: The valuation object is located in an area indicated as commercial building area as said in the legally binding land use plan of the city of Dessau-Rosslau, but apart from the parcels of land 9905/0 (cluster 1) and 1361/1 (cluster 1). Parcel 9905/0 (cluster 1) is indicated as grassland and parcel 1361/1 (cluster 1) is indicated as railway system.

The valuation object is located within the scope of application of the simple development plan no. 216 "Preservation and development of central service areas" legally binding since 2013/12/21 as well as within the scope of application of the qualified development plan no. 101-A2 "Commercial estate of Dessau-Mitte, partial section A 2" being under preparation There is an interior area not planned. The admissibility of projects within the simple development plan is regulated by § 34 BauGB.

The parcels of land 12008 and 12009 (cluster 3) are located within the scope of application of the legally binding qualified development plan no. 101-A3 of the city of Dessau-Rosslau. The admissibility of projects is regulated according to § 30 BauGB (see Annex 4), as far as the parcels of land 12008 and 12009 are concerned.

Existing type of Land use: Commercial use

Use: Mostly one to five storeys

State of Development: Building site

Contribution and fees:

Cluster 1
The traffic engineering development is guaranteed through the Brauereistrasse from the eastern and north eastern direction and through the Hermann-Koehl-Strasse from the western direction.

Cluster 2
The traffic engineering development is guaranteed through the Robert-Bosch-Strasse from the eastern direction.

Cluster 3
The traffic engineering development is guaranteed through the Brauereistrasse from the south western direction.

As stated in a written information by the city of Dessau-Rosslau, there are no pending claims in form of road upgrading and development contributions (see Annex 6).

2.5. Present Use

The valuation object is an industrial site (former heavy machinery building factory) consisting of 4 production and storage halls, 5 factory buildings with adjacent office, archive and storage facilities, 4 workshop and storage buildings and 4 office and administration buildings.

In total, there is usable space of about 33,168 m², this including about 23,766 m² production and storage space, about 8,315 m² office and archive space and about 1,087m² basement space. Furthermore, the valuation object includes more than 38,300 m² open depot space and about 7,429 m² railway system area. Thus, the total area to be rented amounts to a usable area of 78,897 m^2

Cluster 1

In total, there is usable space of about 30,868 m², this including about 21,742 m² production and storage space, about 8,039 m² office and archive space and about 1,087m² basement space. Furthermore, cluster 1 includes about 38,234 m² open depot space and about 7,429 m² railway system area.

Cluster 2

In total, there is usable space of about 2,300 m², this including about 2,024 m² production and storage space and about 276 m² office and archive space. Furthermore, cluster 2 includes about 66 m² open depot space.

Cluster 3

There are no buildings on the parcels of land and they are unused.

3.0. Description of the Buildings

3.1. Preliminary Remarks

The ascertainments and information of the site survey are the basis for the building descriptions. The buildings could mostly been inspected from inside and outside. There are no planning documents for the objects.

The description comprises the executions found, but these can deviate in detail with regard to the building. The specification only includes the essential parts. The current condition on the day of the site survey is described. No liability shall be assumed.

3.2. Description of the Buildings - **Cluster 1**

3.2.1. Building no. 301

Office and administration building in solid construction, built around 1920, rehabilitated between about 1994 and 1997, roof insulation and roofing around 2016. It is a three-storey building with complete basement and a slightly inclined gable end roof. Connections: power, drinking/waste water and gas. The state of repair is average.

Front view

Heating installation

Corridor

Office room

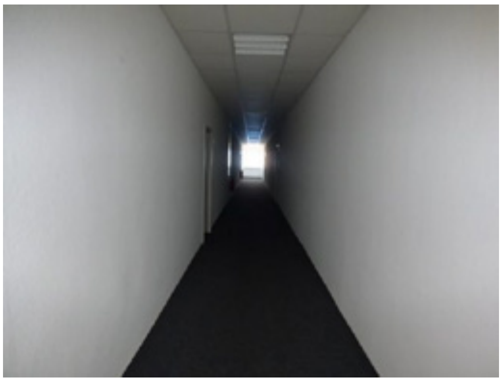
3.2.2. Building no. 305

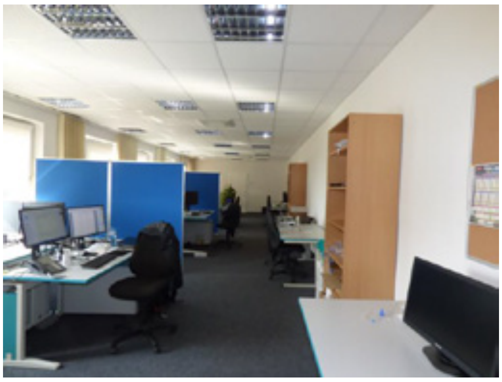
Administration building in solid construction, built around 1956, rehabilitated between about 1994 and 1997, roof improvement around 2005. It is a two-storey building with complete basement and a flat roof. Connections: power, drinking/waste water and gas. The state of repair is average.


Front view


Heating installation


Staircase


Corridor


Office room


WC installation

3.2.3. Building no. 333

Administration building with extension in reinforced concrete construction, built around 1971, rehabilitated between about 1994 and 1997, windows around 2013/2014, basement rehabilitation in 2016, sanitary installation partially around 2017, roof rehabilitation around 2018. It is a five-storey building with complete basement and flat roof. The extension has only one floor, no basement and a flat roof. Connections: power, drinking/waste water and gas. The state of repair is average.


Rear view


Road view


Staircase


Current meter cabinet


Conference room


WC installation

<u>3.2.4. Building no. 336</u>

Administration building in solid and reinforced steel skeleton construction, built around 1979, rehabilitated between about 1994 and 1997, facade improvement around 2010. It is a three-storey building with complete basement and flat roof. Connections: power, drinking/waste water and gas. The state of repair is average.

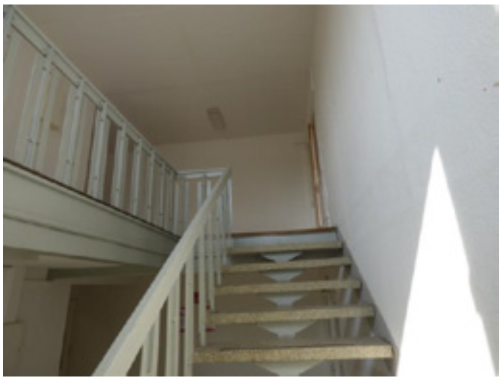

Front view


Rear view


Office room


WC installation


Current meter cabinet


Staircase

3.2.5. Building no. 008

Factory building (historic monument) in solid construction, built around 1911, continuously maintained, roof improved around 2013 (southern part). It is a single-storey building, without basement and a curb roof. The clear height is between about 14 m and 22 m, equipped with 2 crane-ways (1 x 60 t and 1 x 32 t). Connections: power, drinking/waste water, separate oil heating. The state of repair is slightly below average.


Front view


Interior view

3.2.6. Building no. 009 and 010

Two factory buildings (historic monument) in solid construction, built around 1921 and 1927, continuously maintained, roof improved around 2013 (southern part). These are single-storey buildings without basement and with curb roof. The clear height is between about 14 m and 17 m, equipped with 4 crane-ways (3 x 32 t and 1 x 20 t). Connections: power, drinking/waste water, separate oil heating. The state of repair is slightly below average.


Front view


Interior view

3.2.7. Building no. 101 and 102

Production building with adjacent office, archive and storage facilities in solid construction, built around 1950, rehabilitated between about 1993 and 1997, about 2015 drinking water piping, warm water treatment and shower facilities replaced. It is a single-storey building without basement and with a slightly inclined gable end roof. The clear height is about 16 m. There are 6 crane-ways (5 x 40 t and 1 x 20 t) and railway siding. The office, archive and storage facilities have two storeys, without basement and have a flat roof. Connections: power, drinking/waste water and long-distance heating. The state of repair is slightly below average.

Front view

Interior view

3.2.8. Building no. 104

Workshop and storage building (former transformer station building) in solid construction, built around 1950, new medium-voltage station around 2011, around 2018 new transformer station. It is a single-storey building without basement and with a flat roof. The clear height is about 4 m and about 6 m, respectively. The state of repair is moderate.

Front view

3.2.8. Building no. no. 106 and 107

2 workshop and storage buildings in solid construction, built around 1950. These are single-storey buildings without basement and with a slightly inclined gable end roof. The clear height is about 4 m and about 6 m, respectively. Connections: power. The state of repair is moderate.

Front view

3.2.9. Building no. 112

Storage building in solid and reinforced concrete skeleton construction, built around 1950, new facade cladding about 2008. It is a single-storey building without basement and a slightly inclined gable end roof. The clear height is about 8 m. Connections: power. The state of repair is slightly below average.

Front view

3.2.10. Building no. 227 and 231

Production building with adjacent office, archive and storage area in solid and reinforced concrete skeleton construction, built around 1969. It is a single-storey building without basement and a slightly inclined gable end roof.
The clear height is about 9 m. There is 1 crane-way (1 x 5 t). The office, archive and storage facilities have three storeys, no basement and a flat roof. Connections: power, drinking/waste water and gas. The state of repair is slightly below average.

Building no. 227 - Front view

Building no. 227 - Interior view

Building no. 231 - Rear view

Building no. 231 - Recreation room

3.2.11. Building no. 206 and 207

2 production buildings with adjacent office, archive and storage facilities in solid and reinforced concrete skeleton construction, built around 1941 and 1954 respectively, partially rehabilitated around 2017, partial roofing. . These are single-storey buildings, without basement and a slightly inclined gable end roof. The clear height is about 10 m. There are 2 crane-ways (2 x 8 t und 1 x 5 t). Connections: power, drinking/waste water. The state of repair is slightly below average


Building no. 206 - Front view


Building no. 207 - Front view


Building no. 207 - Rear view


Building no. 207 - Interior view

3.2.12. Building no. 208 and 230

Storage building (no. 208) and office, archive and storage building (no. 230) in solid construction, built around 1950 and 1975, respectively. The buildings have one and two storeys, no basement and a flat roof. Connections: power, drinking/waste water. The state of repair is moderate.

Front view

3.2.13. Building no. 233

Storage building in solid construction, built around 1970, roof improvement about 2016. It is a single-storey building without basement and a flat roof. Connections: power. The state of repair is moderate.

Front view

3.2.14. Buildings and structures and outside facilities

Supply and drainage facilities from the house service connections to the public network, ways, access roads partially covered with concrete and asphalt or cobblestone, sufficient car parking lots, partially fenced, open space with broken stone lawn or dirt road, railway siding, 2 access roads, 2 crane-ways and transformer station.

Crane system outside building no. 008-010

Crane system in the western plot of land

Access (Hermann-Koehl-Strasse)

Railway siding

3.3. Description of the buildings - **Cluster 2**

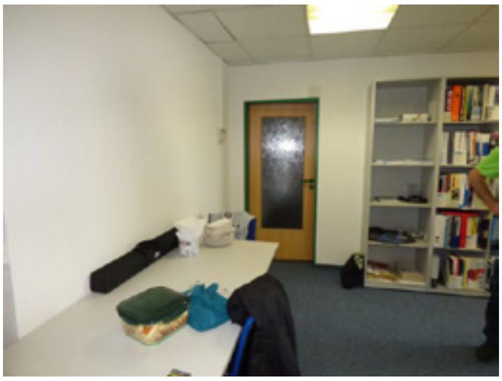
3.3.1. Building no. 215

Production building with adjacent office, archive and storage facilities in solid and reinforced concrete skeleton construction, built around 1969, rehabilitated from 2000 onwards, partial facade painting around 2015, partial roofing about 2018. The building has 1 to 2 storeys, no basement and a flat roof. The clear height is about 7 m. The office, archive and storage facilities have 3 storeys, no basement and a flat roof. Connections: power, drinking/waste water and gas. The state of repair is average.


Front view


Rear view


Sales area


Office room


Storage space


WC installation

3.4. Description of the buildings - **Cluster 3**

3.4.1. Non-built-up plot of land


Road view


View of Brauereistrasse

3.5. Area details

The following area details are based on the calculations of the documents available:

Cluster 1

Gross ground area (BGF):	in total	about 33,534.00 m²
Usable area (Nfl.):	Production/storage space	about 21,742.00 m^2
	basement	about 1,087.00 m²
	Office/archive area	about 8,039.00 m²
	In total	about 30,868.00 m²
Usable area factors:	Usable area//BGF	0.92
	BGF/Usable area	1.09

Cluster 2

Gross ground area (BGF):	in total	about 2,500.00 m²
Usable area (Nfl.):	Production/storage space	about 2,024.00 m^2
	Office/archive area	about 276.00 m²
	In total	about 2,300.00 m²
Usable area factors:	Usable area//BGF	0.92
	BGF/Usable area	1.09

4.0. Appraisal of the Fair Market Value

4.1. Definition of the fair market value and fair value

"The fair market value is defined as the price which would be achieved in an ordinary transaction at the time when the assessment is made, taking into account the existing legal circumstances and the actual characteristics, general condition and location of the plot of land or other object of assessment, without consideration being given to any extraordinary or personal circumstances." (§ 194 BauGB)

The fair value of a property value or a liability is defined as that price which would be received in an ordinary transaction between market participants on the fixed valuation date when selling a property asset or which would have to be paid when transferring a liability (IFRS 13, 2013/01/01). This definition replaces the former definition from IAS 16 and refers to the so-called exit price of a property value on the basis of the current market conditions. The market method, the cost method and the capitalized value method are considered as essential valuation procedures.

Up to 2012/12/31 the fair value according to IAS 16 was defined as the amount, at which a property value could be exchanged between competent business partners being independent from each other and willing to conclude a contract.

Thus the fair value is determined as market value, which is materially defined identical to the fair market value according to § 194 BauGB.

The definition was amended by the special regulation that the appraisal of the fair value of plots of land and buildings is generally effected on the basis of the market data (IAS 16.32). If there is no market based evidence for the fair value due the special kind of the real property and if such real property is only rarely sold, with the exception of being part of an ongoing business, it may be that the legal person will have to appraise the current fair value by means of the capitalized value method or by means of the real value procedure. (IAS 16.33

According to the "Red Book" the fair value is the price at which a property value would be sold or a liability would be settled between market participants in an ordinary transaction on the fixed valuation date (see Red Book p. 83)

4.2. Appraisal of the fair market value and selection of the appraisal procedure

The appraisal is based on the Regulations for ascertaining the Value of Real Property (ImmoWertV) in their version of 2010/05/07.

The appraisal of the fair market value of plots of land is based on the

- Comparative value procedure (§ 15 ImmoWertV) including the land value appraisal procedure (§ 16)
- Capitalized value procedure (§§ 15 to 20 ImmoWertV)
- Real value procedure (§§ 21 to 23 ImmoWertV)

or several of these procedures (§ 8 (1) ImmoWertV). The procedures shall be chosen according the kind of the valuation object with taking into consideration the customs of the ordinary course of business and the other circumstances of the individual case, especially the data available. The selection shall be justified. In principle, the procedures are equally ranking.

As stipulated under § 8 (2) ImmoWertV the general value ratios on the real estate market (market adjustment) and the special object specific real estate features of the plot of land to be evaluated shall be taken into consideration in the appraisal procedures according to (8 (1) ImmoWertV. Object specific real estate features can be provided for by market-driven surcharges or deductions or as appropriate, as far as this corresponds to the ordinary course of business (§ 8 (3) ImmoWertV). Circumstances affecting the value and not taken into consideration shall be provided for in addition.

Applying the comparative value procedure the comparative value is ascertained from a sufficient number of comparative prices (§15 (1) ImmoWertV). Those purchase prices of such plots of land shall be referred to, the features of which sufficiently conform to the plot of land to be evaluated. It should be possible to compare the plots of land with the valuation object directly, and the sales should have been effected around the same fixed appraisal date.
Changes of the general value ratios on the real estate market or deviations of individual features of the plots of land shall generally be taken into consideration on the basis of index series or conversion factors.

The procedure is mainly used for undeveloped plots of land and marketable immovable property such as condominiums or detached house premises, if the real estate market is geared to the comparative prices.

Concerning the valuation object the comparative value procedure is only applied for ascertaining the land value, i.e. in the indirect price comparison with using appropriate standard land values (see § 16 (1) ImmoWertV), since there is no sufficient number of comparable purchase cases available for ascertaining the fair market value.

Applying the capitalized value procedure the fair market value of the valuation object shall be ascertained by a rate-of-return calculation. The capitalized value procedure shall especially be applied for plots of land, which are usually negotiated for making profit (income property) and where the proceeds usually realizable in the market are of main importance for the valuation on the market. These comprise residential estates, office and business estates, real estate of mixed use and garage estates.

The capitalized value is the economic value component in the appraisal of the fair market value. The capitalized value appraisal is a financial-mathematical rate-of-return calculation, where the present value of those proceeds constantly supposed and annually realizable with subsequent payment is capitalized. Any capitalized value procedure aims at ascertaining the present value of all future proceeds referred to the fixed appraisal date.

Using the real value procedure the fair market value of the valuation object shall be ascertained on the basis of the costs of plots of land and setting up buildings.

The real value procedure shall generally be used for plots of land where the future proceeds do not count. It is therefore appropriate for plots of land being negotiated on the market with regard to their actual values. These are mostly objects with self-interest being the important thing, such as plots of land for detached and semidetached houses.

The real value is the technical value component in the appraisal of the fair market value. The real value procedure is a valuation method where the value of the plot of land substance is ascertained with considering the general value ratios on the real estate market. The general value ratios shall especially be taken into consideration by applying real value factors.

The undersigned uses the capitalized value procedure for ascertaining the fair market value of the developed plots of land of Brauereistrasse 10 a, Brauereistrasse 13 und Robert-Bosch-Strasse 60 in 06847 Dessau-Rosslau.

The real value procedure can be used as supporting and plausibility checking procedure. The actual value is of minor importance in case of income property, but decisive for future proceeds with regard to the quality of the building material used, the economic and technical obsolescence of the building. Due to the missing derived market adjustment factors for comparable objects the real value procedure is not used as supporting procedure.

The fair market value is derived according to § 8 (1) ImmoWertV from the result of the procedures used with taking their informative value into consideration.

4.3. Land Value Appraisal

As stipulated in the Regulation for ascertaining the Value of Real Property the land value shall be mainly ascertained by the comparative value procedure (direct price comparison) (§16 (1) ImmoWertV) without considering the installations on the plot of land.

The land value can also be ascertained on the basis of appropriate standard land values (indirect price comparison), if the features of the reference plot of land mainly conform to the plot of land features of the valuation object.

If there are not enough comparative prices according to § 15 (1) ImmoWertV, it is also possible to refer to comparative prices of other comparable regions. Referring to comparative prices has priority, since the direct price comparison is more reliable.

Prices of comparable plots of land were not available to the undersigned, so that the land value of the plot of land is ascertained from the standard land value.

The standard land value is the average local ground value of the property per square meter of developed or undeveloped land area in a region with mostly the same location and utilization conditions.

The standard land values shall be ascertained according to § 196 (1) clause 1 by the Committees of Valuation Experts on the basis of the purchase prices compiled region-wide with taking the different state of development into consideration. Standard value zones shall be formed and the value influencing features of the standard land value plot of land shall be illustrated. The standard land values shall be ascertained at the end of every second calendar year each.

The standard land value refers to a fictitious standard land value plot of land with the average properties of the plot of land located in the limited standard land value zone, which indicate a nearly similar price level at the time of the standard land value appraisal. The standard land value refers to the typical conditions in the standard land value zone and does not take the special properties of individual plots of land into consideration.

Changes of the general value ratios on the real estate market or deviations of the individual plot of land to be evaluated from the standard land value plot of land with regard to the decisive value properties shall be generally taken into consideration on the basis of index series or conversion coefficients according to § 15 (1) ImmoWertV.

When applying the comparative value procedure

a) the inter-qualitative price comparison, i.e. the consideration of the differences in the plot of land features (see § 12 ImmoWertV) and
b) the inter-temporary price comparison, i.e. the consideration of the differences in the general value ratios on the plot of land market (see § 11 ImmoWertV)

shall be effected.

Concerning the valuation object in the standard value zone the Regional Authorities for Survey and Geoinformation of Saxony-Anhalt indicate a standard land value of EUR/m² 20.00 for plots of land exempt from development charges on the fixed date of 2018/12/31.

The features of the standard land value plot of land are defined as follows:

$$\frac{(20)}{\text{B GE o 100}}$$

(20)	- Standard land value in EUR / m² exempt from development charges
B	- Land ready for building
GE	- Commercial estate
O	- buildings with space in between
100	- Depth of the plot of land 100 m

Inter-qualitative price comparison:

Inspection of the existing conditions:

Concerning the parameters of kind and scope of building coverage, soil conditions, plot of land area and shape, state of development of the installations on the plot the valuation object is assigned the same quality of the standard land value plot of land for building site.

According to Kleiber the location of the property is decisive for deriving the land value. § 6 (4) ImmoWertV emphasizes the transport connection, the neighbourhood, the environmental influences as well as the residential and business locations as special location features. The expert evaluates the location features mentioned as being qualitatively the same, as typical for the location with regard to the standard land value plot of land.

Inter-temporary price comparison

The inter-temporary price comparison can be effected by means of land price index series. According to the 2019 Real Estate Market Report the building site price index is as follows: for residential estate in the city of Dessau-Rosslau and in the administrative districts of Anhalt-Bitterfeld, Wittenberg and Jerichower Land in infrastructural middle centres with a basis year of 2010 = 100 it is 109 in the year of 2018 and thus it shows an overall upward development of the general value ratios and of the purchase price level, but a stagnant development from the year of 2016. A building site price index for commercial building site is not indicated. Deviations of the reference fixed date of the standard land value from the valuation fixed date are not known.

In summary the result is as follows:

Cluster 1

Initial value:	20.00 € / m²	
Adjustments:	none	
Adjusted land value:	20.00 € /m²	
x Area of the plot of land:	100,865 m²	
Land value of the building site (cluster 1):		**€ 2,017,300.00**

Cluster 2

Initial value:	20.00 € / m²	
Adjustments:	none	
Adjusted land value:	20.00 € /m²	
x Area of the plot of land:	5,101 m²	
Land value of the building site (cluster 2):		**€ 102,020.00**

Cluster 3

Initial value:	20.00 € / m²	
Adjustments:	none	
Adjusted land value:	20.00 € /m²	
x Area of the plot of land:	5,722 m²	
Land value of the building site (cluster 3):		**€ 114,440.00**

4.4. Capitalized Value Appraisal

The capitalized value procedure is legally regulated in §§ 17-20 ImmoWertV. The capitalized value is ascertained on the basis of the amounts which can be usually realized in the market (§ 17 (2) ImmoWertV). If it can be foreseen that the revenue ratios are subject to essential changes or essentially deviate from the amounts realizable in the customary market, the capitalized value can also be ascertained on the basis of periodically different proceeds (§ 17 (3) ImmoWertV).

Thus, three versions of one and the same procedure are regulated.

a) the "general capitalized value procedure" with splitting up into a land value and building value portion (§ 17 (2) para 1 ImmoWertV);

Applying the general capitalized value procedure the capitalized value is ascertained from the land value according to § 16 and the capitalized net yield (§ 18 para 1) reduced by the amount of the appropriate interest rate of the land value. The appraisal of the land value interest rate amount shall be based on the property interest rate relevant for the capitalization according to § 20. Independently usable partial sections will not be taken into consideration for ascertaining the land value interest rate amount.

b) the "simplified capitalized value procedure" without splitting up into a land value and building value portion (§ 17 (2) para 2 ImmoWertV);

Applying the simplified capitalized value procedure the capitalized value is ascertained from the net yield (§ 18 para 1) capitalized according to § 20 and from the land value ascertained according to § 16, which shall be discounted on the fixed appraisal date according to § 20, but this with the exception of the value of the independently usable partial sections.

Here, an independently usable partial section is that part of a plot of land state which is not required for the appropriate use of the buildings and structures and which can be used independently.

c) the "more-periodical capitalized value procedure" according to the general present-value formula;

Applying the more-periodical capitalized value procedure the capitalized value is ascertained from the net income realizable periodically (§ 18 para 1) within a consideration period and derived from secured data and the residual value of a plot of land at the end of the consideration period. The periodical net income amounts and the residual value of the plot of land shall be discounted on the fixed appraisal date according to § 20.

When ascertaining the capitalized value it is assumed that the buildings and structures are kept properly and that there are proceeds for a certain remaining useful life. This present value will go down to zero with the reducing remaining useful life.

a) Net income, gross profit (§ 18 ImmoWertV)

The net income results from the annual gross profit reduced by the running costs. (§ 19 (1) ImmoWertV). The running costs to be considered include the administration costs, maintenance costs, rental failure rate and the operating costs (§ 19 (2) ImmoWertV).

The gross profit results from the amounts which can be realized customarily in the market with proper running and admissible use. When applying the more-periodical capitalized value procedure the gross profit especially results from the contractual agreements.

When ascertaining the capitalized value it is of essential importance that the profits usually realizable in the market are the basis, so that the development of the return for the remaining useful life of the building and structures can be considered.

Actual renting situation (see Annex 9)

The valuation object is characterized by medium business location, normal traffic connection, an average up to moderate building condition, mainly appropriate layouts and average equipment, sometimes slightly below average. The value of benefit is estimated to be simple up to average. Its use by third parties is limited. The circle of users is limited for this kind of commercial property. There is an average demand for production, storage and outdoor area and a demand for office and archive space slightly below average.

The net basic rents stated below refer to the different buildings. The vacancy, the over and under rent and the other incomes are separately indicated in the special object specific features of the plot of land (see item 4.5).

Cluster 1

The actual monthly net basic rents of the usable area of the production and storage space are between €/m^2 1.35 and €/m^2 2.35, on average at €/m^2 1.53

The actual monthly net basic rents of the usable area of the office and archive space are between €/m^2 2.00 and €/m^2 4.89, on average at m^2 3.57.

The actual monthly net basic rents of the usable area of the basement space are between €/m^2 2.00 and €/m^2 2.07, on average at €/m^2 2.01.

The actual monthly net basic rents of the usable area of the open depot space are between €/m^2 0.25 and €/m^2 0.54, on average at €/m^2 0.43.

The railway system area has not been rented.

Furthermore, there are other monthly proceeds (telephone line, right of way, advertising installations etc.) to the monthly amount of EUR 1,046.52 (see item 4.5).

At present there is a usable area of about 4,961.40 m² (about 16.07%) temporarily vacant, including 2,144.90 m² production and storage space, 2,037.00 m² office and archive space and about 779.50 m^2 basement space. In addition, there are about 8,251 m² outdoor area and about 7,429 m² railway system area temporarily vacant. (see item 4.5).

Cluster 2

The actual monthly net basic rent of the usable area of the production and storage space is at €/m^2 1.86 on average.

The actual monthly net basic rent of the usable area of the office and archive space is at €/m^2 3.94 on average.

The actual monthly net basic rents of the usable area of the open depot space are at €/m^2 0.50.

At present there is a usable area of about 91.30 m² (about 3.97%) temporarily vacant, including about 37 m² production and storage space and about 54.30 m² office and archive space (see item 4.5).

Specific features of the rental contracts see Annex 10

The commercial rental contracts have mainly been concluded for an unlimited period or still include a remaining period of up to 3 years with extension options between 1 and 3 years. The periods of notice are between 1 and 12 months. One commercial rental contract concerns intra-group renting.

Since the large tenant of cluster 1 used his right for particular revocation for 2018/12/31, a total usable area of 63,013 m^2 has been cancelled, this including 16,308 m^2 production and storage space, 2,142 m^2 office and archive space, 37,134 m^2 open depot space and 7,429 m^2 railway system space.

Production and storage space of 15,889 m², office and archive space of 2,142 m² and open depot space of 29,033 m² of the above area cancelled could be rented again.

As said by the principal there are enquiries for other production and storage space as well as open depot space and the railway system, but without binding contract conclusions up to now.

The risk of re-renting the area and of the mainly short validity of the rental contracts has been taken into consideration by an increased rate of the property interest rate.

Derivation of sustainably realizable proceeds usual in the market

The 2019 Real Estate Market Report (Annex 8) of Saxony-Anhalt and the 2016 Market Report for Industrial Immovable Property of TÜV Süd ImmoWert GmbH are available for ascertaining the realizable proceeds usual in the market. The rents mentioned below are net basic rents/net rents exclusive of heating.

Production and storage rents

The 2019 Real Estate Market Report of Saxony-Anhalt does not publish any net basic rents for production and storage space as on the fixed appraisal date.

As said in the 2016 Market Report for Industrial Immovable Property of TÜV Süd ImmoWert GmbH in cooperation with IndustrialPort an average net basic rent for production halls of €/m² BGF 2.25 and for storage halls of €/m² BGF 2.45 is indicated for Dessau-Rosslau.

Office/archive/basement rents
As said in the 2019 Real Estate Market Report of Saxony-Anhalt the office rents of the city of Dessau-Rosslau for office space of an average value of benefit are between €/m^2 4.00 and 5.50 usable area. Office space of simple value of benefit is not indicated.

The 2019 Real Estate Market Report of Saxony-Anhalt and other price comparison lists for immovable property do not publish any net basic rents for basement space as on the fixed appraisal date.

Open depot and railway system rents
The 2019 Real Estate Market Report of Saxony-Anhalt and other price comparison lists for immovable property do not publish any net basic rents for open depot and railway system space.

Cluster 1 and 2

Production and storage rents
The actual average net basic rents for production and storage space of the buildings are slightly below the average of comparable space usual in the market. Due to the location, size, condition and equipment the net basic rents usual in the market and sustainably realizable are fixed at €/m² 1.65 usable area and €/m² 1.80 usable area.

Office/archive/basement rents
The actual average net basic rents for office/archive and basement space of the buildings are the average rents of comparable space usual in the market. Due to the location, size, condition and equipment the net basic rents usual in the market and sustainably realizable are fixed at €/m² 3.40 usable area and €/m² 3.90 usable area for office and archive space and at €/m² 2.00 usable area for basement space.

Open depot rents
The actual average net basic rent for open depot space is slightly above the market average of comparable space. Due to the location and condition the net basic rent usual in the market and sustainably realizable is fixed at €/m² 0.40 usable area.

Railway system rents

The railway system has not been rented at present. The actual net basic rent usually and sustainably realizable in the market is fixed at €/m² 0.70 usable area because of its location and condition.

b) Running costs (§ 19 (1) und (2) ImmoWertV)

The running costs shall be considered as the annual expenditure incurring for proper running and admissible use as usual in the market, which are not covered by allocations or other cost assumption. If it is not possible to ascertain the running costs, empirical values shall be the basis.

The administration costs, maintenance costs and the rental loss risk shall be deducted from the gross profit for ascertaining the net income of the valuation object. In accordance with the proceeds usually realizable in the market, the running costs to be deducted shall also be usual in the market, i.e. the basis shall be the running costs usually incurring on the fixed appraisal date. The running costs shall be ascertained through detailed amounts.

Administration costs § 19 (2) No. 1 ImmoWertV)

The administration costs comprise the costs for the manpower and equipment required for the administration of the plot of land, the costs of supervision, the value of the administration work personally effected by the owner as well as the management costs.

Kleiber recommends for business plots of land between 3.0 and 5.0% of the gross profit (see Kleiber: Fair Market Value Appraisal of Plots of Land, 8th edition, page 1954), but this really being in the lower range.

The expert takes into consideration annual administration costs to the amount of 2.0% of the gross profit for the production and storage space, for the office and social facility space as well as for the open depot space and buildings and structures (railway system).

Maintenance costs (§ 19 (2) No. 2 ImmoWertV)

As stipulated under § 19 (2) no. 2 ImmoWertV the maintenance costs comprise the costs which due to wear and tear or aging shall be spent for keeping the yield level of the buildings and structures during the remaining useful life as indicated in the appraisal. They comprise the costs for running maintenance as well as for replacement of individual structural parts (e.g. flat roofs, facades, window frames including insulating glazing).

The maintenance costs also include the costs for repairs.

Cosmetic repairs belong to the maintenance costs. As said under § 535 BGB (German Civil Code) they are the landlord's concern, but in practice they shall generally be borne by the tenant.

It is distinguished between minor and major maintenance jobs.

Minor maintenance preliminarily refers to eliminating minor damage of the installation objects for power, water and gas, the heating installation and cooking devices, the window and door locks as well as the closing devices of window shutters.

Major maintenance (e.g. facade renewal, renewal of building sections) shall be planned on a long-term basis and accumulated as repair reserves by the landlord. Older buildings normally have higher maintenance need.
As said under WertR 06 the maintenance costs shall be considered on the basis of experience. Accumulated repair need shall be proved especially.

According to Kleiber the maintenance cost lump sum for commercial premises can amount to about €/m² 15.00 up to 20.00 usable area depending on their use and with considering their age and equipment. If the landlord only bears the costs for the maintenance of the roof and building carcass according to the stipulations in the rental agreement, the maintenance cost lump sum to be taken as a basis for the appraisal is mostly between €/m² 5.00 and 7.50 usable area.

Furthermore, especially the manufacturing value on the fixed appraisal date is the calculation basis for the maintenance costs per square meter usable area (without outside facilities and additional construction costs). The percentage of plain commercial objects amounts to between 0.8% up to 1.2% (see Kleiber: Fair Market Value Appraisal of Plots of Land, 8th edition, page 1972).

Considering the age and equipment of the valuation object the average rates applied are €/m² 5.00 usable area p.a. for the production and storage space, €/m² 7.00 usable area p.a. for the office and archive space, €/m² 2.50 usable area for basement space and €/m² 0.25 usable area p.a. for the open depot space and the buildings and structures (railway system).

Rental loss risk (§19 (2) No. 3 ImmoWertV)

The rental loss risk comprises the risk of yield reductions resulting from irrecoverable receivables of rents or other proceeds or temporary vacancy of space determined for being let or for other use; it also includes the risk of irrecoverable costs of a prosecution for payment, cancellation of a tenancy or eviction.

The risk of loss of rent depends on the tenant's solvency on the one hand, but also on the opportunity of renting due to the limited usability of the valuation object by third parties on the other hand. It is either possible that a competitor takes over such an object or it must be restructured for different use. As stated by Kleiber the rental loss risk of exclusively commercial objects shall be provided for with 4.0% up to 8.0% of the annual gross profit (see Kleiber: Fair Market Value Appraisal of Plots of Land, 8th edition, page 1979).

Taking into account the above and based on the statements of Kleiber, who recommends 4.0% to 8.0% of the annual gross profit for exclusively commercially used objects, the undersigned takes 4.5% of the annual gross profit into account.

Operating costs (§ 19 (2) No. 4 ImmoWertV)

The operating costs are those costs which continuously incur due to the property of plots of land or by the corresponding use of the plot of land and the installations on the plot buildings and structures. (§ 556 Abs. 1 clause 2 BGB)
They are included in the operating costs regulation and are generally borne by the tenants. If they are passed on to the tenants, they are not taken into consideration in the appraisal.

The expert presumes that the operating costs are borne by the tenants and, therefore, they have not to be taken into consideration.

c) Capitalization and discounting (§ 20 ImmoWertV)

As stated under § 20 ImmoWertV the capitalization and discounting shall be based on present value factors. The respective present value factor shall be found in the Annexes 1 or 2 or shall be determined according to the calculation provision given there, this with considering the remaining useful life (§ 6 para 6 clause 1) and the respective property interest rate (§14 para 3).

d) Remaining useful life (§ 6 (6) ImmoWertV)

According to § 6 (6) ImmoWertV the remaining useful life is the number of years during which the buildings and structures can be preliminarily used economically under proper running, yet; repairs or refurbishments effected or maintenance not made or other facts can extend or shorten the remaining useful life.

Recommendations for the usual total useful life of buildings are stated in the regulations of SW-RL (*Real Value Directive*), WertR (*Appraisal Directive*), BelWertV (H*ypothecary Value Rating Regulation*) and BewG (*Valuation Law)*. Following these recommendations the usual total useful life shall be ascertained on one's own responsibility with taking the location of the object, its properties and possible economic utilization into consideration.

WertR recommends an average economic total useful life of 60 years for office and administration buildings and of 40 years for production and storage buildings under proper maintenance.

The expert evaluates the usual total useful life of the office and administration buildings at 60 years and of the production and storage buildings at 40 years, which results in a weighed total useful life of 45 years for the valuation object.

The remaining useful life is evaluated on the fixed appraisal date at 30 years for the office and administration buildings and at 15 years for the production and storage buildings with considering the location, the state of construction and maintenance as well as the possible economic utilization. This results in a yield-oriented weighed remaining useful life of about 20 years.

Taking the location, the state of construction and maintenance as well as the possible economic utilization of the object into consideration, the remaining useful life is evaluated on the fixed appraisal date at 20 years.

e) Property interest rate (§ 14 (3) ImmoWertV)

As stated in § 14 ImmoWertV the property interest rates shall comprise the general value ratios on the plot of land market as far as these are not to be taken into consideration in a different way.

In § 14 (3) ImmoWertV the property interest rates are defined as interest rates at which fair market values of plots of land grant interest on average and usually in the market this depending on the type of the plot of land. They shall be ascertained on the basis of appropriate purchase prices and their corresponding net incomes for plots of land of the same buildings and use with considering the remaining useful life of the buildings according to the principles of the capitalized value procedure (§§ 17 up to 20).

The property interest rate takes the future development of the property in its general proceeds into account when being appropriately ascertained. It is an index for the profitability of a property investment decision (see Kleiber: Fair Market Value Appraisal of Plots of Land, 8th edition, page 1252).

Furthermore, the property interest rate has the function of a market adjustment factor within the framework of the capitalized value appraisal and of a correction factor with regard to possible shortages of the capitalized value appraisal model, which is the basis for the capitalized value appraisal, and of its generalization.

The amount of the property interest rate depends on the type of the plot of land, the changing property industry frame conditions, but also on the location and condition of the property.

Factors influencing the property interest rate can be classified into economic and political factors, such as general tax conditions, into market depending factors, as for instance supply and demand of office space, rental value increases, rental value decreases, and into object depending factors, such as type of plot of land, location, remaining useful life, development of the running costs.
It is the job of the Committees of Valuation Experts to derive the property interest rates. The 2019 Real Estate Market Report of Saxony-Anhalt does not state any property interest rates for similar objects.

Ascertaining the property interest rate the expert follows the proposals for property interest rates to be applied according to the introduction of WertR 06 as well as the nationwide property interest rates published by the Committees of Valuation Experts for plots of land values (see Kleiber: Fair Market Value Appraisal of Real Estate, 8th edition, page 1815).
These state a property interest rate for office and business premises between 6.0% and 7.0%, for storage buildings between 6.0% and 8.0% and for industrial objects between 6.5% and 9.0%.

Cluster 1

Concerning the valuation object an initial property interest rate of 6.25% is chosen for the use of offices, archives and basement and of 7.25% for the use of production and storage facilities, open depots and railway system. This rate shall be decreased or increased according to the special situations in the individual case.

The following adjustments are made:
- Surcharge of 0.25% for the use of production, storage and outdoor space and railway system due to the vacancy and the short rental contract validities

The evaluated, yield-oriented and weighed property interest rate of the valuation object amounts to 7.0%.

Cluster 2

Concerning the valuation object a basic property interest rate of 6.00% is chosen for the use of offices and archives and of 7.00% for the use of production and storage facilities. This rate shall be decreased or increased according to the special situations in the individual case. There will be no further adjustments.

The evaluated, profit-oriented and weighed property interest rate of the valuation object amounts to 6.75%.

4.5. Particular Object Specific Features of the Plot of Land

As stated under § 8 (3) ImmoWertV particular object specific features of the plot of land such as economic obsolescence, state of repair above average, constructional defects or constructional damage as well as proceeds considerably deviating from those usually realizable in the market can be taken into consideration by market-driven increases or decreases or in a different way, if this corresponds to the ordinary course of business.

Furthermore, as stated under § 8 (4) circumstances influencing the value and not being considered in the appraisal procedures applied shall be additionally taken into account.

a) Consideration of the rights in section II

The decrease in value of the plot of land with easement shall be measured according to its economic disadvantage, with the degree of impairment being the most decisive thing. The degree of impairment is measured by the limitation of serviceability.

The literature indicates percentages in dependence of the degree of impairment as reference points for possible impairment. Having a minor limitation of serviceability the range is between 1.0% and 5.0%. The percentage refers to the land value not encumbered.

The expert evaluates the impairment by the rights in section II of the land registers as unessential limitation of the serviceability of the plots of land and fixes the decrease in value at 2% of the land value. The influence of structural changes on the value shall be checked.

Cluster 1
Calculation:
100,865 m² x 20.00 €/m² x 2 % = about € 40,346.00

Cluster 2
Calculation:
5,101 m² x 20.00 €/m² x 2 % = about € 2,040.00

Cluster 3
Calculation:
5,722 m² x 20.00 €/m² x 2 % = about € 2,289.00

The encumbrance by the rights in Section II of the land registers is taken into account in the market value appraisal as decrease in value.

b) Consideration of the decrease in the market value

Due to the registration of the parcels of land as contaminated site under suspicion and due to the missing exclusion of site contamination the valuation takes a decrease in the market value into consideration. Usually, the decrease in the market value takes a deduction of 5 to 20% of the land value into consideration. The valuation includes a deduction of 5% (see Simon, Consideration of environmental pollutants in the valuation in GUG 5/2001) of the land value of the respective site.

Cluster 1
Calculation:
100,865 m² x 20.00 €/m² x 5 % = about € 100,865.00

Cluster 2
Calculation:
5,101 m² x 20.00 €/m² x 5 % = about € 5,101.00

Cluster 3
Calculation:
5,722 m² x 20.00 €/m² x 5 % = about € 5,722.00

The decrease in the market value is taken into consideration in the market value appraisal as decreasing the value.

c) Consideration of constructional defects and constructional damage

Cluster 1

As informed by the principal the constructional defects and constructional damage amount to a lump sum of about € 145,000, with about € 100,000 for office, archive and storage space and about € 45,000 for production and storage space.

The clearance and demolition costs indicated by the principal are evaluated as feasible and taken into account in the market value appraisal as decreasing the value.

d) Consideration of vacancy

including operating costs of the vacant space for a corresponding marketing period of the object of 1 year:

Cluster 1

Use	Usable area in m²	Actual rent in EUR/sqm p.m.	Actual rent in EUR p.m.	Usual market rent realizable EUR/sqm p.m.	Usual market rent realizable EUR p.m.	Vacancy cost p.a.
Prod./ storages	2,144.90	0.00	0.00	1.65 €	3,539.09 €	42,469.02 €
Offices/ archive	2,037.00	0.00	0.00	3.40 €	6,925.80 €	83,109.60 €
Cellar	779.50	0.00	0.00	2.00 €	1,559.00 €	18,708.00 €
Vacancy	**4,961.40**			**2.42 €**	**12,023.89 €**	144,286.62 €
in per cent	16.07%					
Outdoor areas	8,251.00	0.00	0.00	0.40 €	3,300.40 €	39,604.80 €
Railway system	7,429.00	0.00	0.00	0.70 €	5,200.30 €	62,403.60 €
Vacancy	**15,680.00**			**0.54 €**	**8,500.70 €**	102,008.40 €
in per cent	34.34%					
Operating costs						
Building	4,961.40			0.50 €	2,480.70 €	29,768.40 €
Outdoor areas, Railway system	15,680.00			0.10 €	1,568.00 €	18,816.00 €
Operating costs	**20,641.40**			**0.20 €**	**4,048.70 €**	48,584.40 €
Vacancy costs p.a.						294,879.42 €
Present-value factor (RND remaining useful life 1y., p = 7,00%)						0.93
Vacancy costs over the marketing period rounded						**274,238.00 €**

Cluster 2

Use	Usable area	Actual	Actual	Usual market	Usual market	Vacancy
	in m²	rent in	rent in	rent realizable	rent realizable	cost
		EUR/sqm p.m.	EUR p.m.	EUR/sqm p.m.	EUR p.m.	p.a.
Prod./ storages	37.00	0.00	0.00	1.80 €	66.60 €	799.20 €
Offices/ archive	54.30	0.00	0.00	3.90 €	211.77 €	2,541.24 €
Cellar	-	0.00	0.00	2.00 €	0.00 €	0.00 €
Vacancy	**91.30**			**3.05 €**	**278.37 €**	3,340.44 €
in per cent	3.97%					
Betriebskosten	91.30			0.50 €	45.65 €	547.80 €
Vacancy costs p.a.						3,888.24 €
Present-value factor (RND remaining useful life 1y., p = 6,75%)						0.94
Vacancy costs over the marketing period rounded						**3,655.00 €**

The vacancy costs are considered in the market value appraisal by value decrease.

e) Consideration of over and under rent amounts

The summary for the over and under rent amounts is included in Annex 12. The amounts are provided for in the value appraisal by surcharges and deductions.

Cluster 1

Due to the special features of the rental contracts cluster 1 indicates an over rent amount of EUR 86,811.00.

Cluster 2

Due to the special features of the rental contracts cluster 2 indicates an over rent amount of EUR 1,036.00.

f) Consideration of the other incomes

Cluster 1

According to the present list the other incomes amount to rounded EUR 12,558.00 annually, including income from intra-group renting.

The rental contracts and agreements have an average contract validity of 3 years, which results in a capitalized value (property interest rate of 7.00%) to the amount of about EUR 32,902.00. The other incomes are taken into consideration as extra amount in the market value appraisal.

Average contract validity	Property interest rate	Present-value factor
3.0 years	7.00 %	2.62

Designation	EUR monthly	EUR yearly	Present-value factor	EURO
Telephone line, right of way, advertising installations etc.	1,046.52	12,558.20	2.62	32,902.00
Other income, rounded:				**32,902.00**

5.0. Appraisal of the Fair Market Value

5.1. Capitalized value and land value calculation for each cluster

Cluster | **1**

Object type	**Usage**	**m² usable area**	**Usual market rent EUR/m²**		**Annual amount EUR**
Production halls, storage halls	Prod./storages	21,742.00	1.65		430,491.60
Office buildings	Office/archive	8,039.00	3.40		327,991.20
Cellar	Storage/archive	1,087.00	2.00		26,088.00
Outdoor areas	Open depot	38,234.00	0.40		183,523.20
Installations on the plot	Railway tracks	7,429.00	0.70		62,403.60
Gross profit					**1,030,497.60**
Running costs		**Valuation rate**			
a) Administration costs	Prod./storages	2% of Gross profit			8,609.83
	Office/archive	2% of Gross profit			6,559.82
	Storage/archive	2% of Gross profit			521.76
	Open depot	2% of Gross profit			3,670.46
	Installation on the plot	2% of Gross profit			1,248.07
		EUR/m² usable area			
b) Maintenance costs	Production/storages	5.00			108,710.00
	Office/archive	7.00			56,273.00
	Storage/archive	2.50			2,717.50
	Open depot	0.25			9,558.50
	Installation on the plot	0.25			1,857.25
c) Rental loss risk	total	4,5% of Gross profit			46,372.39
Running costs	**total**			-	**246,098.58**
% of usual market rent / Gross profit					23.88%
Net income of this plot of land cluster				=	**784,399.02**
Return on land value	of	2,017,300.00 €		-	141,211.00
Land value x property rate		7.00 %			
Net income of buildings and structures				=	**643,188.02**
Present-value factor		p		x	10.59
Remaining useful life (years)	20	7.00 %			
Captalized value of buildings and structures				=	**6,811,361.13**
Land value				+	**2,017,300.00**
Preliminary capitalzed value				=	**8,828,661.13**
Object-specific features				-	**440,736.00**
Rights section II of land register, public easements	2 % of	2,017,300.00 €		-	40,346.00
Decrease in the market value (contaminated sites)	5 % of	2,017,300.00 €		-	100,865.00
Construction defects				-	145,000.00
Vacancy costs				-	274,238.00
Over-/Underrent				+	86,811.00
Other incomes				+	32,902.00
Capitalized value of the cluster				=	8,387,925.13
Capitalized value of this plot of land cluster (rounded)				=	**8,390,000.00**
x-factor (related to the preliminary capitalized value)					8.60

Cluster | **2**

Object type	**Usage**	**m²** **Usable area**	**Usual market rent** **EUR/m²**	**Annual amount** **EUR**
Production halls, storage halls	Prod./storages	2,024.00	1.80	43,718.40
Office buildings	Office/archive	276.00	3.90	12,916.80
Cellar	Storage/archive	-	2.00	0.00
Outdoor areas	Open depot	66.00	0.40	316.80
Installations on the plot	Railway tracks	-	0.70	0.00
Gross profit				**56,952.00**

Running costs		**Valuation rate**		
a) Administration costs	Prod./storages	2% of Gross profit		874.37
	Office/archive	2% of Gross profit		258.34
	Storage/archive	2% of Gross profit		0.00
	Open depot	2% of Gross profit		6.34
	Installations of the plot	2% of Gross profit		0.00
		EUR/sqm usable area		
b) Maintenance costs	Prod./storages	5.00		10,120.00
	Office/archive	7.00		1,932.00
	Storage/archive	2.50		0.00
	Open depot	0.25		16.50
	Installations of the plot	0.25		0.00
c) Rental loss risk	total	4,5% of Gross profit		2,562.84
Running costs	**total**		-	**15,770.39**
% of usual market rent / Gross profit				27.69%
Net income of this plot of land cluster			=	**41,181.61**
Return on land value	of	102,020.00 €	-	6,886.35
Land value x property interest rate		6.75 %		
Net income of buildings and structures			=	**34,295.26**
Present-value factor			x	10.80
Remaining useful life (years)	20	6.75 %		
Captalized value of buildings and structures			=	**370,388.81**
Land value			+	**102,020.00**
Preliminary capitalzed value			=	**472,408.81**
Object-specific features			-	**9,760.00**
Rights section II of land register, public easements	2 % of	102,020.00 €	-	2,040.00
Decrease in the market value (contaminated sites)	5 % of	102,020.00 €	-	5,101.00
Construction defects			-	0.00
Vacancy costs			-	3,655.00
Over-/Underrent			+	1,036.00
Other income			+	0.00
Capitalized value of this plot of land cluster			=	462,648.81
Capitalized value of this plot of land cluster (rounded)			=	**463,000.00**
x-factor (related to the preliminary capitalized value)				8.30

Cluster	**3**				
Object type		**m²**	**Standard land value in EUR/m²**		**EUR**
Plots of land		5,722.00	20.00		**114,440.00**
Preliminary land value				+	**114,440.00**
Object-specific features				-	**8,011.00**
Rights section II of land register, public easements	2 % of	114,440.00 EUR		-	2,289.00
Decrease in the market value (contaminated sites)	5 % of	114,440.00 EUR		-	5,722.00
Land value of the cluster				=	106,429.00
Land value of the cluster (rounded)				=	**106,000.00**

5.2. Derivation of the Fair Market Value

The adjustment to the market situation of the initial value ascertained constitutes the focal point of the appraisal.

§ 8 (1) ImmoWertV stipulates that the fair market value shall be ascertained from the result of the procedure(s) applied, with considering its or their informative value.

The procedures shall be chosen according to the type of the valuation object with taking into account the customs existing in the ordinary course of business and the other circumstances of the individual case, especially with regard to the details available; the selection shall be justified.

The procedures resulted in the following:

Capitalized value of the plot of land of Cluster 1	EUR	8,390,000.00
Capitalized value of the plot of land of Cluster 2	EUR	463,000.00
Land value of the plot of land of Cluster 3	EUR	106,000.00
Total value of the plot of land	**EUR**	**8,959,000.00**

The fair market value shall be especially understood as prediction of the prices possibly to be realized.

Concerning the valuation object the expert derives the fair market value of the plot of land from the capitalized value according to the usual market customs of a general yield orientated use of the office and business premises. The capitalized value was ascertained by means of market-driven value rates for plots of land, so that special consideration on the plot of land market is not required. The real value procedure was not applied as supporting procedure due to missing market adjustment factors. Due to the appraisal procedures applied the expert does not make any further adjustments to the market situation.

I evaluate the **fair market value / current market value** of the commercial estate

in **06847 Dessau-Rosslau, Brauereistrasse 10 A, Brauereistrasse 13 and Robert-Bosch-Strasse 60**

on the **fixed appraisal date** of **2019/05/31**

at **EUR 8,959,000.00 EUR**
(in words: eight million nine hundred and fifty nine thousand EURO).

6.0. Final Clause / Declaration of the Undersigned

The valuation object was personally surveyed by me on 2019/05/23, the valuation was prepared under my personal responsibility.

Magdeburg, 2019/06/13

Katrin Zimmermann (MRICS)

7.0. List of References

- Building Code with Ordinance on principles for determining the fair market value of properties, Land Usage Ordinance, Planning Design Regulation, Spatial Planning Law, Spatial Planning Ordinance, printed issue, 50th edition, dated: 2018/01/01, Deutscher Taschenbuch Verlag. ISBN 978-3-406-72331-5

- Bürgerliches Gesetzbuch (Civil Code), printed issue, 83rd edition, dated: 2019/01/15 Deutscher Taschenbuch Verlag. ISBN 978-3-423-05001-2

- Land law, printed issue, 8th revised and expanded edition, dated: 24/5/2017 Deutscher Taschenbuch Verlag. ISBN 978-3-406-70929-6

- Kleiber – Simon: Determining the fair market value of properties. Comment and manual for determining the fair market, insurance and lending values taking the WertV and BauGB into account. 5th, fully revised and expanded edition 2007. Bundesanzeiger Verlag Köln. ISBN-13: 978-3-89817-604-0

- Kleiber: Determining the fair market value of properties. Comments and manual for determining market values (fair market values), insurance values and lending values taking the ImmoWertV into account. 6th, fully revised edition 2010. Bundesanzeiger Verlag Köln. ISBN-13: 978-3-89817-808-2

- Kleiber: Determining the fair market value of properties. Comments and manual for determining market values (fair market values), insurance values and lending values taking the ImmoWertV into account. 7th, fully revised edition 2014. Bundesanzeiger Verlag Köln. ISBN: 978-3-8462-0218-0

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- Rössler / Langner: Estimating and determining property values. 8th edition: Luchterhand, 2004. ISBN 3-472-05173-6

- Kröll, Hausmann: Rights and encumbrances when determining the fair market value of properties, 4th edition: Werner Verlag 2011. ISBN 978-3-8041-5203-8

- Schmitz / Krings / Dahlhaus / Meisel: Construction costs 2018. Repairs/rehabilitation/modernization/conversion, 23rd edition: Essen; Verlag für Wirtschaft und Verwaltung Hubert Wingen. ISBN 978-3-8028-0605-6

- European Appraisal Standards 2016, 8th edition, Tegova

- RICS appraisal– Global Standards 2017 – “Red Book”, effective from 1/7/2017

- RICS guidelines, 1st edition September 2015

8.0. Annexes

Annex 1	Excerpt from the property map dated 2018/12/13
Annex 2	Business plan
Annex 3	Information from the Public Easements Register
Annex 4	Information for Planning Right and Listed Buildings
Annex 5	Information from the Contaminated Sites Cadastre
Annex 6	Information for Development and Road Upgrading Contributions
Annex 7	Information on Mains Connections of Stadtwerke Dessau
Annex 8	2019 Real Estate Market Report of the Land of Saxony-Anhalt, office rents
Annex 9	Renting Status and Rents as on 2019/05/31
Annex 10	Specific Features of the Rental Contracts as on 2019/05/31
Annex 11	Summary of the Rights in Section II of the Land Registers
Annex 12	Summary of the Over Rent and Under Rent Amounts on 2019/05/31

ANNEX B

FINANCIAL ANALYSIS SUMMARY

CURMI & PARTNERS

CURMI & PARTNERS

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4th July 2019

The Directors
Merkanti Holding p.l.c.
The Plaza Commercial Centre
Level 4, Suite 7
Bisazza Street
Sliema SLM 1640
Malta

Dear Sirs

Merkanti Holding p.l.c. – Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary ("the Analysis") set out on the following pages. A copy of this report is also attached to this letter.

The purpose of the Analysis is that of summarising key financial data appertaining to Merkanti Holding p.l.c. ("the Issuer" or "Merkanti"), in addition to Merkanti Bank Limited ("Merkanti Bank" or "the Bank"), Merkanti (A) International Ltd ("Merkanti A"), Merkanti (D) International Ltd ("Merkanti D") (collectively, "the Subsidiaries"). The Issuer and the Subsidiaries are collectively referred to as "the Group". The data is derived from various sources, as disclosed, or is based on our own computations as follows:

1. Historical financial data for the Issuer for three years ended 31st December 2016, 31st December 2017 and 31st December 2018 have been extracted from the audited financial statements of the Issuer.
2. Historical financial data for Merkanti Bank for three years ended 31st December 2016, 31st December 2017 and 31st December 2018 have been extracted from the audited financial statements of Merkanti Bank.
3. Historical financial data for Merkanti A and for Merkanti D for three years ended 31st December 2016, 31st December 2017 and 31st December 2018 have been extracted from reporting packages provided by management.
4. Pro forma income statement for the Issuer for the year ending 31st December 2018 as set out by the Issuer in the Prospectus.
5. The forecast data for the financial year ending 31st December 2019 and the projected data for the year ending 31st December 2020 have been extracted from the Issuer's financial projections as prepared and approved by management.
6. Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the Prospectus.
7. The ratios quoted in the following pages have been computed by us applying the definitions set out and defined in the Section 8 of the Analysis.

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8. The principal peer companies listed in Part 8 of the Analysis have been identified by us. The relevant financial data in respect of such companies has been sourced from publicly available information, mainly financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis in the following pages is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue by the issuer and should not be interpreted as a recommendation to invest in any of the Issuer's or the Group's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. As with all investments, potential investors are encouraged to seek professional advice before investing in the Bonds.

Yours sincerely,

Karl Falzon
Head of Capital Markets & Research
For and on behalf of
Curmi and Partners Limited

TABLE OF CONTENTS

1 OVERVIEW OF THE ISSUER

1.1 History and Development of the Issuer

Merkanti Holding plc ("Merkanti Holding" or "the Issuer") is a diversified holding company based in Malta, fully owned and controlled by Scully Royalty Ltd ("Scully Royalty"), previously known as MFC Bancorp Ltd. Merkanti Holding was converted into a public liability company on 30th May 2019. The Issuer will be issuing a bond amounting to €25 million which will bear interest at a rate of 4% per annum and will be redeemed in 2026 ("the Bond" or "the Bond Issue").

Merkanti Holding is the parent company of Merkanti (A) International Limited ("Merkanti (A)"), Merkanti (D) International Limited ("Merkanti (D)") and Merkanti Bank Ltd ("Merkanti Bank" or "the Bank"), collectively referred to as "the Group". Merkanti (A) and Merkanti (D) are companies which hold real estate in Germany and are collectively referred to as "the Property Companies", whereas Merkanti Bank, Merkanti (A) and Merkanti (D) will be collectively referred to as "the Subsidiaries".

The Issuer is a holding company, with the Bank and the Property Companies as subsidiaries. The Issuer's main activities relate to the acquisition, the holding and sale of property, shares and other assets, the raising of financing, the lending and advancing of funds to Group companies, and the collection of interest income on advances to and management fees from the Subsidiaries. Accordingly, the Issuer is dependent on the Group.

1.2 Shareholding of the Issuer

The Issuer's authorised share capital is EUR 100,000,000, divided into ninety-nine million, nine hundred ninety-nine thousand, nine hundred and ninety-nine (99,999,999) Ordinary "A" Shares of EUR 1 (€1) each and one (1) Ordinary "B" Share of EUR 1 (€1) each. The Issuer's issued share capital is forty-nine million, nine hundred ninety-nine thousand, and nine hundred and ninety-nine (49,999,999) Ordinary "A" Shares of EUR 1 (€1) each, all fully paid up and one (1) Ordinary "B" Share of EUR 1 (€1), fully paid up.

The Issuer's majority shareholder is Scully Royalty, which holds all of the Ordinary "A" Shares of the Issuer. Scully Royalty is a public company listed on the New York Stock Exchange with ticker symbol SRL. It is a holding company with several investments across a wide range of industries and provides financial services and proprietary capital to enterprises, seeking businesses and assets which offer the potential to increase or unlock value.

Scully Royalty's share capital consists of US$450,000 divided into 300,000,000 common shares, of which 12,500,000 are outstanding, and 150,000,000 preference shares of US$0.001 par value each. The main shareholders of Scully Royalty are outlined below:

Scully Royalty Ltd Shareholding as at December 2018	Number of Shares	Percentage Shareholding
Peter Kellogg Group	4,132,480	33.0%
Lloyd I. Miller III, Estate	1,862,523	14.9%
Nantahala Capital Management, LLC	846,555	6.8%
Other	5,693,243	45.3%
Total ordinary shares	12,534,801	100%

Source: MFC Bancorp Ltd's Form 6K, U.S. Securities and Exchange Commission

1.3 Directors and management

The Board of Directors consists of four directors who are entrusted with setting the overall direction and strategy of the Company.

As at the date of this financial analysis summary report, the Board of Directors of the Issuer is constituted as follows:

Mario Galea	Independent Non-Executive Director and Chairman
Sam Morrow	Executive Director
Benjamin Muscat	Independent Non-Executive Director
Silke Stenger	Independent Non-Executive Director

Sam Morrow will be leading the growth of the Bank's merchant banking and trade finance activities and has therefore been appointed as the Bank's Chief Executive Officer. Mr. Morrow was appointed Chief Financial Officer and Deputy Chief Executive Officer of Scully Royalty in July 2017. He is a Chartered Financial Analyst and was formerly Vice President of Tanaka Capital Management and Treasurer, Chief Financial Officer and Chief Operating Officer of the Tanaka Growth Fund. Mr. Morrow graduated from St. Lawrence University and has also completed credits towards an MBA (Langone Program) at the Leonard N. Stern School of Business at New York University.

2 OVERVIEW OF THE GROUP

2.1 History and Development of the Group

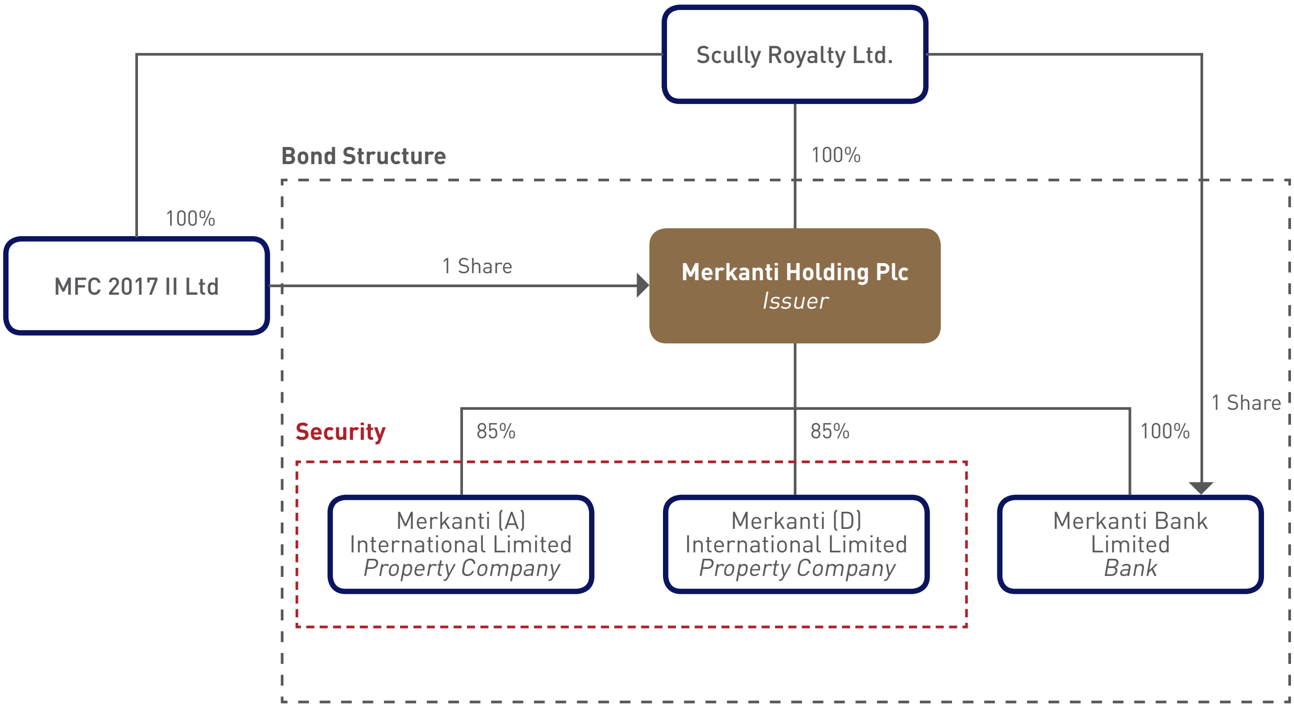
The Issuer was incorporated as a private limited liability company and was recently converted to a public limited liability company on 30th May 2019. The Issuer was originally incorporated in 2015 by Scully Royalty as a holding company for the purpose of the acquisition of Merkanti Bank Ltd from BAWAG Malta Bank Limited ("BAWAG").

BAWAG had been fully-licensed in Malta since 2003. The acquisition reflected Scully Royalty's strategy to leverage its trade finance platform by offering additional complimentary trade and structured finance products, and other complimentary services. As part of Scully Royalty, the Bank was not expected to engage in retail banking, commercial banking or universal banking, but to focus on specialty banking services.

In late 2018, the Issuer commenced a restructuring process in preparation for the Bond. This restructuring process involved the acquisition of 85% of the two property companies, Merkanti (A) and Merkanti (D). The Property Companies were purchased from an indirect subsidiary of Scully Royalty for a purchase price of €29.5 million and were re-domiciled to Malta earlier this year.

2.2 Organisational Structure

The corporate structure of the Group as at 31st December 2018 is as follows:



Merkanti Holding is a diversified holding company based and registered in Malta, currently owning the absolute majority of shares in Merkanti Bank (1 share held by Scully Royalty Ltd). Merkanti Bank is a fully licensed specialty trade and structured finance bank. Merkanti (A) and Merkanti (D) are two property companies holding two industrial parks in Germany, which generate rental income on spaces leased out to third parties.

3 MAJOR ASSETS OF THE GROUP

3.1 Merkanti Bank Limited

Merkanti Bank's operations began in February 2016 after the ECB and MFSA approved the acquisition of Merkanti Bank from BAWAG. Prior to the acquisition, BAWAG's operations primarily related to the provision of trade finance services and forfaiting to a number of clients worldwide, generating interest income. Following the acquisition, Otto Karasek was appointed Chief Executive Officer and focused on revamping the Bank's business model by changing internal procedures, systems, corporate governance structures and shifting operations towards the provision of traditional merchant banking services.

With respect to merchant banking the Bank has been providing advisory and fee related services, typically to related parties. In the first 2 years of operation, the Bank engaged in a limited number of factoring, loan, trade finance and merchant banking advisory transactions and focused mainly on revamping the Bank's internal procedures, systems and corporate governance structures to align these with the Bank's new business model.

In recent months, Merkanti Bank decided to re-focus its main strategy on accessing the trade finance market, even though the Bank is expected to continue to generate fee and interest income from its merchant banking activities. Although the main focus of the Bank will be its trade finance business, the Bank expects that it will continue to generate fee and interest income from its merchant banking activities by providing credit and risk management, customised financial tools, structured financial solutions and corporate finance services, in addition to realising gains on its proprietary investments from time to time. Merkanti Bank also plans to continue its recruiting staff to implement the expansion of its trade finance activities.

This investment in and growth of the Bank's activities will be overseen and led by Sam Morrow (the Issuer's Executive Director), who has been appointed as the Bank's Chief Executive Officer. To further support these efforts, the Bank has hired additional personnel with experience in trade finance and merchant banking, revamped its procedures and structures, and updated its systems to accommodate the expected growth. The Bank plans to continue recruiting staff to implement the expansion of its trading activities.

The Bank expects its balance sheet lending and deposit taking to grow at a moderate pace until the end of 2020, stabilising thereafter.

3.1.1 Statement of Comprehensive Income

Merkanti Bank Limited Extract of Statement of Comprehensive Income for the years ending 31 December Amounts in €000s	**2016 Audited**	**2017 Audited**	**2018 Audited**
Net interest income	1,111	305	204
Net fee and commission income	840	2,024	2,242
Operating income	1,673	2,342	2,474
Administrative expenses	(1,308)	(1,555)	(1,864)
Net Operating Income	365	787	610
Profit / (Loss) before tax	1,426	962	621
Total comprehensive income for the year	**1,361**	**896**	**574**
Tier 1 Capital Ratio	88.68%	83.02%	110.39%

Source: Audited financial statements of Merkanti Bank Limited as at 31 December 2016 to 2018

Following Scully Royalty's formal takeover of BAWAG in 2016, the Bank's operations shifted towards the provision of traditional merchant banking services. Operations during the period between 2017 and 2018 were subdued, as the only interest income was generated from the provision of factoring services. Net fee and commission income increased significantly over the period under review from the income derived from advisory services that are provided to a number of related parties within the Scully Royalty Group. The shift resulted in a step up in the Bank's operating income from €1.7 million in 2016 to €2.5 million in 2018. Administrative expenses also grew due to an increase in its staff complement in 2018 to support the launch of trade finance services. This resulted in net operating income decreasing to €0.6 million in 2018.

In 2016, the Bank experienced one-off gains from the disposal of available for sale investments and reversal of impairments. The Bank's other comprehensive income primarily comprises of net changes in fair value of financial assets classified as Available for Sale and reclassification adjustments to the Income Statement upon disposal of financial assets.

3.1.2 Statement of Financial Position

Merkanti Bank Limited **Extract of Statement of Financial Position for the years ending 31 December** **Amounts in €000s**	**2016** **Audited**	**2017** **Audited**	**2018** **Audited**
Total assets	52,625	14,778	17,358
Total equity	52,157	13,053	13,612
Total borrowings	468	160	104
Total liabilities	468	1,726	3,746

Source: Audited financial statements of Merkanti Bank Limited as at 31 December 2016 to 2018

The Bank's asset base decreased considerably in 2017 primarily due to a reduction in loans and advances to customers. In August 2016, the shareholder of the Bank requested formal approval from the MFSA to reduce the issued share capital of the Bank by €40.0 million to €10.0 million and concurrently grant a loan to Merkanti Holding of €40.0 million. MFSA approval was given on 20th October 2016 and the formal capital reduction process was initiated via an extraordinary shareholder's resolution. The reduction of capital and the corresponding shareholder loan offset was implemented on 9th February 2017. This resulted in a decrease in total assets to €14.8 million and in total equity to €13.1 million in 2017.

In 2017 and 2018, the Bank's activities primarily focused on merchant banking services, at an intra-group level, and therefore, on-balance sheet exposure was kept at a minimum. Loans and advances to banks amounting to €9.1 million as at 31st December 2018 comprised a number of nostros accounts held with various banks which were not revenue generating. As the Bank starts to implement its strategy in 2019, balances held with banks are expected to decrease, reflecting a more efficient use of available cash. As at 2018, the Bank had a number of investments designated at Fair Value through Other Comprehensive Income consisting of various Malta Government Stocks, altogether amounting to €4.3 million. Merkanti Bank's deposit base primarily consists of related companies within the Scully Royalty Group, with a single third party depositor.

3.2 The Property Companies

In advance of the Bond, 85% of the shareholding in each of Merkanti (A) and Merkanti (D) was acquired by Merkanti Holding on 27th December 2018. The Property Companies were thereafter re-domiciled to Malta on [ ] 2019.

The Property Companies operate in the industrial real estate leasing sector in Germany and hold assets valued at €35.1 million, yielding a combined rental income of approximately €2.3 million per annum.

The Property Companies own the real estate situated in Germany described below, which is currently leased out to a number of tenants on definite or indefinite term contracts. For the year ending 31st December 2018, 96% of the combined rental income was generated from areas leased out to third party tenants, with the remaining 4% generated from leases to related parties.

The properties are situated in the region of Saxony-Anhalt, in the central-eastern part of Germany, and borders the states Brandenburg, Saxony, Thuringia and Lower Saxony. The region is an attractive location for businesses. The industry sector is very diverse and includes automotive supply production and mechanical engineering, information technology, biotechnology, and medical technology. Important corporations are located in the region including: Bayer, Total and Dow Chemical.

3.2.1 Merkanti (A) International Limited

Merkanti (A) owns the largest (1,836,253m^2) industrial and commercial park in the German State of Saxony-Anhalt, known as the Industrial and Commercial Park Altmark, located in Arneburg, Germany. There are currently 34 buildings in Industrial and Commercial Park Altmark. This park is traditionally a centre for the pulp and paper industry but that has recently made developments towards sustainable energy, with a large solar park built there in 2014. The Industrial and Commercial Park Altmark is well connected via a railway system, a connection to its own harbour on the river Elbe, and a connection to modern roads for transportation by truck.

Industrial and Commercial Park Altmark presently yields a rental income of approximately €1.2 million per annum. As per the valuation on 31st May 2019, the property is valued at €26.2 million. Around 47% of the rental income generated by Merkanti (A) in 2018 was generated by wood processing industry tenants, whilst another 30% of rental income was generated from the construction industry. The rest was generated from various tenants operating in the property management and transport industries, with an additional few small-scale tenants operating in industries such as telecommunications, manufacturing and agriculture.

In terms of usage type, the Industrial and Commercial Park Altmark is mainly used for storage purposes, with activity making up 58% of rental income during 2018. Approximately 22% of the space is being used for manufacturing purposes and the remaining minority is being used for offices and agricultural purposes.

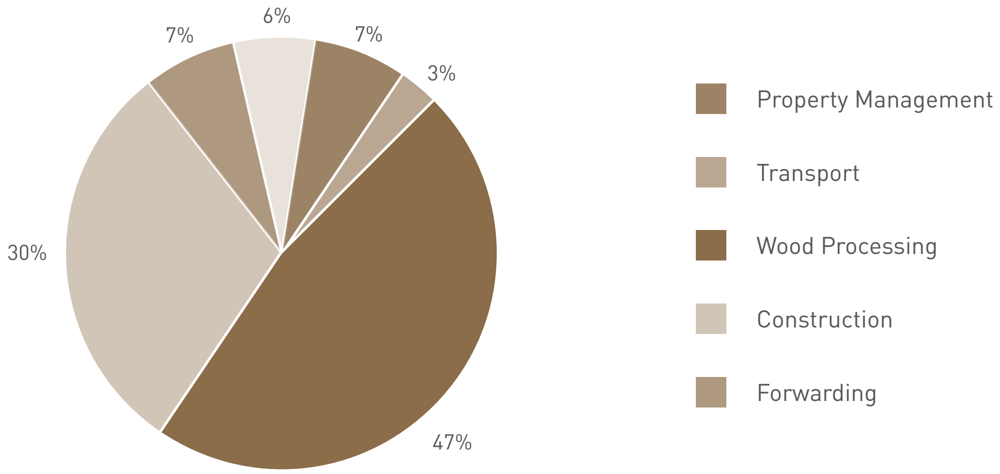


***Figure 1:** Merkanti (A) Rental Income by Industry*

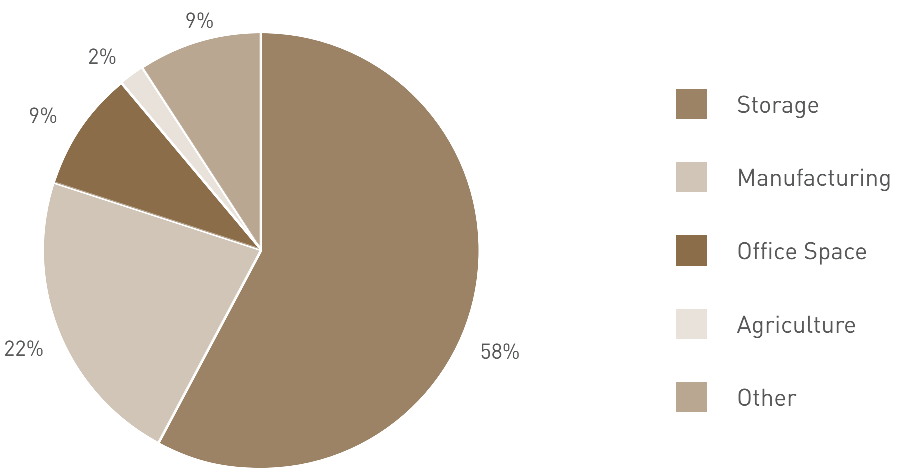


***Figure 2:** Merkanti (A) Rental Income by type of use*

Merkanti (A)'s largest tenant by rental income accounted for 45% of Merkanti (A)'s total rental income in 2018, whereas the second largest tenant by rental income accounted for 30% of Merkanti (A)'s total rental income in 2018.

The largest tenant holds eight rental agreements with Merkanti (A), five of which are for indefinite terms and the other three expire in 2020. These rental agreements are subject to automatic renewal for further terms, unless the lessee provides Merkanti (A) with written termination notice within the time period specified in the relevant agreement.

The second largest tenant has four rental agreements with Merkanti (A) and each of them have different terms. One rental agreement is a fixed term agreement which expires in 2021 and will not be automatically renewed for further terms unless specifically agreed to by both parties. The other three rental agreements expire in 2020, 2021, and 2022 respectively, and each of them are subject to automatic renewal on similar conditions as per above.

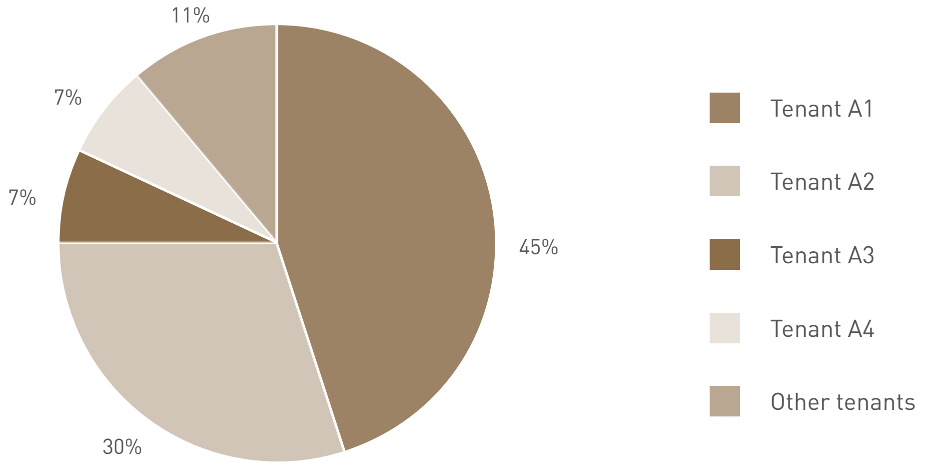


Figure 3: *Merkanti (A) Rental income by tenant*

3.2.1.1 Income Statement

Merkanti (A) International Limited **Extract of Income Statement for the years ending 31 December** **Amounts in €000s**	**2016** **Mgt Accounts**	**2017** **Mgt Accounts**	**2018** **Mgt Accounts**
Net revenue from rental and lease	1,113	1,182	1,210
General and administrative expenses	(243)	(228)	(223)
Maintenance and repair	(54)	(202)	(353)
Other selling, general and administrative costs	(170)	(333)	(730)
EBITDA	**645**	**419**	**(95)**
Finance income	443	(80)	-
Finance costs	(589)	(39)	(4)
Other income	-	81	-
Other expenses	(39)	(26)	(13)
Profit / (Loss) before tax	**461**	**355**	**(112)**
Taxation	(75)	(58)	17
Profit / (Loss) after tax	**386**	**297**	**(95)**

Source: Management accounts of Merkanti (A) International Limited as at 31 December 2016 to 2018

Total net revenue from rental and lease of property increased from €1.1 million in 2016 to €1.2 million in 2018, equivalent to a CAGR of 4% during the period, which was primarily due to the impact of new rental agreements concluded with new tenants at improved terms. The main costs incurred by the company comprises of a fixed remuneration fee made to a service management company, employee compensation, and professional fees. The significant increase in other selling, general and administrative costs in 2018 relates to an uncharacteristically high level of amounts receivable written-off from a third party that provided hedging services which declared insolvency during the year. The results for 2017 and 2018 reflect the effect of extraordinary repairs following damages caused by a storm, which amounted to €0.2 million in 2017 and €0.4 million in 2018. The company recovered part of these expenses (€0.1 million) through its insurance. Expenses are fully recharged to the various tenants leasing the space.

EBITDA for Merkanti (A) decreased from €0.6 million in 2016 to negative €0.1 million in 2018 as higher maintenance costs and bad debts written off offset the impact of higher rental income. Finance income in 2016, primarily related to a net realized gain on derivatives, which was a one-off. Finance costs in 2016 were incurred due to a one-off exchange loss of circa €0.3 million on a number of loans denominated in USD, whilst bearing a higher interest cost change. Other income in 2017 relates to insurance recoveries generated from storm losses mentioned above. Profits for Merkanti (A) averaged at circa €0.3 million per annum during 2016 and 2017, whereas Merkanti (A) made a loss after tax of €0.1 million during 2018.

3.2.1.2 Statement of Financial Position

Merkanti (A) International Limited Extract of Statement of Financial Position for the years ending 31 December Amounts in €000s	**2016 Mgt Accounts**	**2017 Mgt Accounts**	**2018 Mgt Accounts**
Trade working capital	26	(99)	(8)
Net working capital	505	397	1,630
Capital employed	24,969	24,673	25,098
Net Debt / (Cash)	8,893	(888)	(368)
Shareholders' funds	16,077	25,562	25,467
Total funding	**24,970**	**24,675**	**25,100**

Source: Management accounts of Merkanti (A) International Limited as at 31 December 2016 to 2018

Merkanti (A)'s capital employed has been consistently circa €25 million over the past 3 years. The majority of the capital employed is the investment property owned by Merkanti (A) which amounts to €24.2 million of non-current assets. In 2018, the company fully repaid the intercompany debt, and thereafter, had a net cash position. Total shareholders' funds amounted to €25.5 million which included share capital of €0.04 million, other reserves of €24.1 million and retained earnings of €1.3 million.

3.2.2 Merkanti (D) International Limited

Merkanti (D) owns the Dessau-Mitte Industrial Park, located in Dessau, Germany. Management indicates that this 111,688m^2 industrial park offers 15 buildings comprising of office and administrative buildings, production halls and warehouses. The Dessau-Mitte Industrial Park is ideally situated for hosting production, engineering and servicing companies, currently housing traditional equipment for cement plants, mills, cooling apparatus, drums and rotary furnaces, as well as broad-based engineering services in the field of cement plants and medical technology. The industrial park benefits from connections to the autobahn, the national railway and the Elbe River. Dessau-Mitte Industrial Park presently yields a rental income of approximately €1.2million per annum. As per the valuation on 31st May 2019, the property is valued at €9.0 million.

As indicated in the chart below, the majority (64%) of Merkanti (D)'s revenue generated in 2018 relates to tenants in the manufacturing industry. Merkanti (D)'s rental income is also highly dependent (51%) on the rental of storage space; and the remaining space is utilized as office space, a garage, parking area and a rail system.

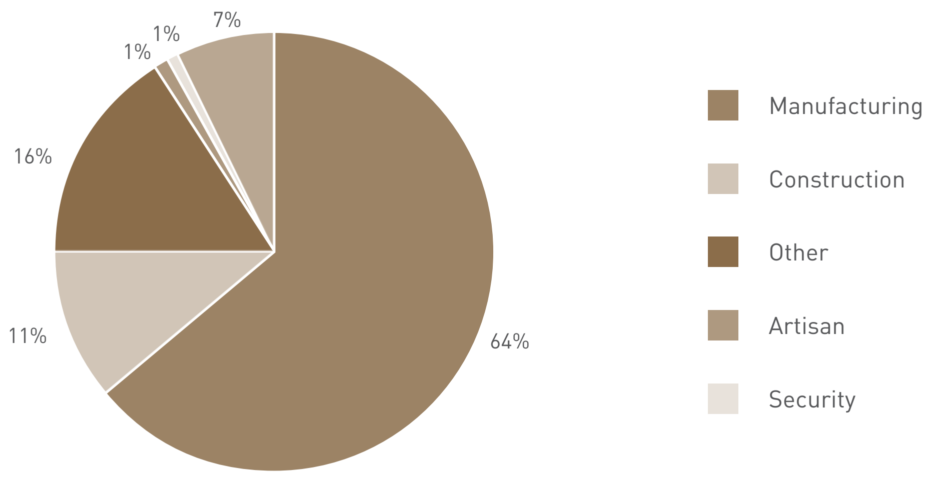


Figure 4: *Merkanti (D) Rental income by industry*

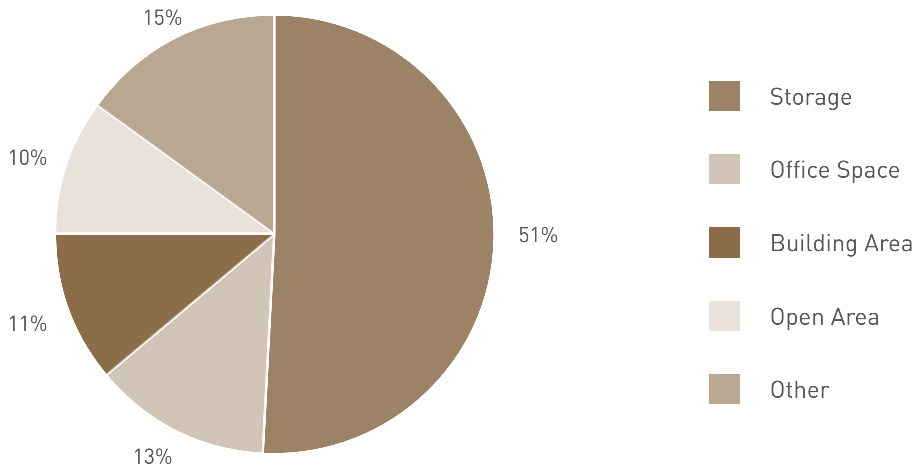


Figure 5: *Merkanti (D) Rental income by type of use*

The majority of the rental income in 2018, was generated by one tenant which rented the premises for storage purposes. The contracts with this tenant were terminated on 31st December 2018, however, negotiations are under way to rent out the vacant space to a third party. In the interim, the space vacated will be temporarily taken up by a number of Scully Royalty group entities. Going forward, this area will probably be divided into smaller spaces with the intention of increasing the marketability of the space for rental.

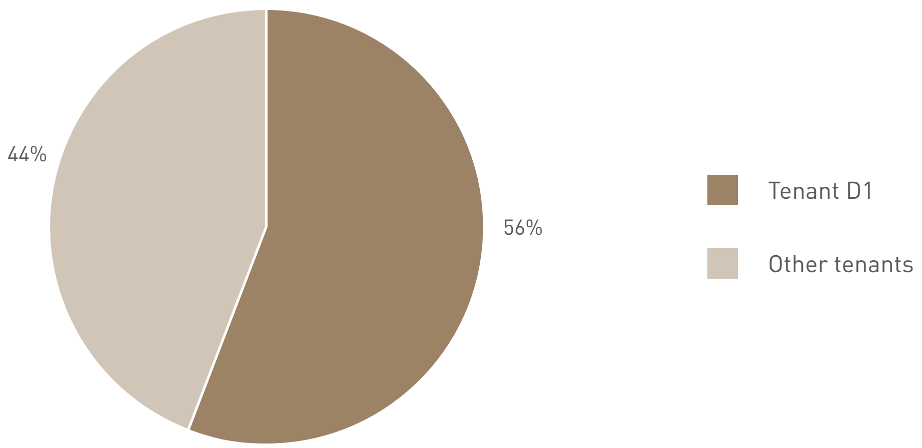


Figure 6: *Merkanti (D) Rental income by tenant*

3.2.2.1 Income Statement

Merkanti (D) International Limited Extract of Income Statement for the years ending 31 December Amounts in €000s	2016 Mgt Accounts	2017 Mgt Accounts	2018 Mgt Accounts
Net revenue from rental and lease	1,302	1,155	1,189
Selling, general and administrative costs	(731)	(635)	(1,094)
EBITDA	**570**	**520**	**95**
Finance income	55	(10)	-
Finance costs	(93)	(15)	(2)
Other income	12	55	456
Other expenses	(14)	(6)	(312)
Profit / (Loss) before tax	**530**	**544**	**236**
Taxation	(86)	(88)	(38)
Profit / (Loss) after tax	**444**	**456**	**198**

Source: Management accounts of Merkanti (D) International Limited as at 31 December 2016 to 2018

Net revenue from rental and lease of properties owned by Merkanti (D) decreased from €1.3 million in 2016 to €1.2 million in 2018 due to an element of churn in tenants, which mainly arises from the establishment of a new business park in Dessau. Expenses mainly include the fixed remuneration to the service management provider, similar to Merkanti (A). Maintenance and repair costs increased significantly in 2018 because of extraordinary repairs following damages caused by a storm. Utility expenses incurred by Merkanti (D) are fully re-charged to the various tenants leasing space in the industrial park.

EBITDA decreased to €0.1 million in 2018 compared to €0.5 million in 2016 due to increased repairs and maintenance expenses incurred during the year. As in Merkanti (A), other income mainly consists of insurance recoveries, revaluation gains for real estate properties and net gains on derivatives. During 2018, other income also included a one-off compensation from Tenant D1, following its decision to terminate its rental agreement prior to expiry. Other expenses increased to €0.3 million in 2018 because of revaluation losses from real estate properties. Profit for 2018 amounted to €0.2 million, lower than the average annual profit of €0.5 million registered between 2016 and 2017.

3.2.2.2 Statement of Financial Position

Merkanti (D) International Limited Extract of Statement of Financial Position for the years ending 31 December Amounts in €000s	2016 Mgt Accounts	2017 Mgt Accounts	2018 Mgt Accounts
Trade working capital	18	26	(60)
Net working capital	4	148	541
Capital employed	8,346	8,366	8,352
Net Debt / (Cash)	676	(654)	(865)
Shareholders' funds	7,670	9,019	9,217
Total funding	**8,346**	**8,365**	**8,352**

Source: Management accounts of Merkanti (D) International Limited as at 31 December 2016 to 2018

Merkanti (D)'s capital employed is significantly lower than that of Merkanti (A) given that the investment property of Merkanti (D) is worth much less than the property of Merkanti (A), as further explained in Section 3.3. Merkanti (D) fully re-paid intercompany debt in 2018 and therefore had a net cash position amounting to €0.7 million and €0.9 million in 2017 and 2018 respectively. Shareholders' funds amounted to €9.2 million in 2018, and consisted of share capital of €0.04 million, other reserves of around €6.7 million and retained earnings of €2.5 million.

3.3 Valuations of the properties in the Property Companies

An independent assessment of the current market value of German real estate was prepared by Sachverständigenbüro Katrin Zimmermann ("the Property Valuer"), a property valuation firm based in Germany and specializing in the valuation of individual and complex real estate portfolios property in Germany. The aggregate value of the real estate held by the Property Companies was estimated to be €35.1 million as at 31st May 2019, €26.2 million for the property of Merkanti (A) and €9.0 million for the property of Merkanti (D).

The valuation consists of three components:

- The value of the undeveloped land
- The value of the developed land
- The building value.

The valuation of the developed and undeveloped land was determined on the basis of the comparative value approach and therefore was dependent on the availability of comparable prices within the same market. On the other hand, the building value of the developed land is based on the general capitalized value procedure.

The value attributed to the property of Merkanti (A) is significantly higher than that of Merkanti (D) primarily because of the difference in plot size, as shown in the table below.

	Merkanti (A) – Arneburg	Merkanti (D) – Dessau-Rosslau
Plot area utilised (sqm)	113,943	78,897
Plot area available (sqm)	1,722,310	32,791
Total plot size (sqm)	**1,836,253**	**111,688**

***Table 1**: Merkanti (A) and Merkanti (D)'s property portfolio*

4 INDUSTRY OVERVIEW

4.1 German Industrial Real Estate

The real estate in Germany owned by the Property Companies is all located in the Saxony-Anhalt region in Germany. The area is a dynamic business environment set at the heart of Europe with an excellent location, high levels of direct investment, unique interlocking of all traffic routes that can cope with heavy loads. The GDP of the region in 2018 amounted to €126.4 billion[1], and the number of unemployed has been halved to under 10% since 2005[2].

A well-developed transportation network is an important location factor and in fact, Saxony-Anhalt has almost 2,000 km of railways run by DB Netz AG and 1,115 km private railways, 600 km navigable inland waterways and 18 ports/loading terminals, 4 motorways and an international airport with 24/7 operation for freight flights[3].

The European Commission adopted the Rural Development Programme outlining priorities for using public funds allocated to Saxony-Anhalt for the 7-year period 2014-2020. Furthermore, the restoration of agricultural production and the implementation of a comprehensive flood protection strategy would seek to tackle the region's vulnerability to flooding of the Elbe river.

An American commercial real estate services company, Cushman & Wakefield Inc., reported that in Germany, "Demand for

1 *Saxony! (2019, July 04). Saxony's Economy - A Success Story. Retrieved July 04, 2019, from Saxony!: https://business-saxony.com/en/about-saxony/economy*

2 *Saxony Economic Development Corporation. (2019, June 15). Employees in Saxony - Smart & Motivated. Retrieved June 17, 2019, from Saxony!: https://business-saxony.com/en/about-saxony/labor-market*

3 *Sachsen-Anhalt. (2019, May 31). Invest in Saxony-Anhalt. Retrieved June 17, 2019, from Invest in Saxony Anhalt: https://www.invest-in-saxony-anhalt.com/location-analysis*

warehouse and logistics space maintained its high level based on growth of businesses, changes in distribution networks and new technologies requiring new kinds of spaces"[4].

Amazon also began construction works near Magdeburg for a 100,000m^2 distribution centre for owner-occupation, making it the largest investment in this area in the fourth quarter of 2018. With an aggregated investment volume of €6.8 billion to the end of the year, 2018 was the second strongest-ever year for the industrial and logistics asset classes (2017: €8.6 billion) [5].

As indicated by Thomas Daily, rental rates for office space and properties used for the purposes of logistics/ storage are higher in Dessau-Rosslau when compared to rates in Arneburg. On the other hand, properties used for production and storage purposes are higher in Arneburg, estimated at a median of €2/m^2 as can be seen in the table below:

Classification	Min rent (€/sqm)	Max rent (€/sqm)	Median rent (€/sqm)
Arneburg			
Office	1.82	9.00	3.79
Production / Storage	2.00	2.19	2.00
Logistics	1.70	3.10	N/A
Dessau-Rosslau			
Office	4.00	9.60	5.88
Production / Storage	0.25	5.00	1.91
Logistics	1.95	3.30	N/A

Table 2: *Rental prices in Arneburg and Dessau-Rosslau*

Source: Market research from Empirica, Thomas Daily

4.2 Trade Finance and Merchant Banking

Trade financing is a major driver of economic development and helps maintain the flow of credit in supply chains. Trade finance includes lending facilities, issuing Letters of Credit (LCs), export factoring, forfeiting, export credits and insurance. Despite the trade difficulties between the USA and China, there is cautious optimism that global trade will return to steady growth[6]. This growth is reliant on trade finance, which provides supply chain participants with timely financing and risk-mitigation solutions.

It is predicted that 80-90% of global trade is reliant on trade and supply chain finance and it accounts for 3% of global trade, worth some $3trillion annually[7]. Trade Finance Global Limited reported that in 2018 the world factoring industry volume continued its upward trend with a total reported figure of over €2.8 billion representing over 6% growth compared to the previous year. They also report that Europe is the largest market for factoring services, accounting for 66% of the total market share and showed growth of 7% with a volume of over €1.8 billion.

Boston Consulting Group, a global management consulting firm and the world's leading advisor on business strategy, has developed a Trade Finance Model ('BCG model'). The BCG model forecasts growth in trade flows of 4% per year. In the best case scenario, a CAGR of 6.5% for the years 2017-2026 is estimated. On the other hand, the worst case scenario estimates a CAGR of 1.9% for the years 2017-2026. The BCG model projects global trade finance revenues at approximately $40 billion in 2018.

4 *Cushman & Wakefield. (2019). Germany, Industrial Market Snapshot. Frankfurt am Main, Germany: Cushman & Wakefield.*

5 *Cushman & Wakefield. (2018). Germany Industrial Market Snapshot Fourth Quarter 2018. Frankfurt am Main: Cushman & Wakefield.*

6 *The Boston Consulting Group. (2018). 'Pulse check' of Digital in Trade Finance: An Industry Outlook. The Boston Consulting Group.*

7 *Trade Finance Global. (2019). Trade Finance - At the Forefront of Global Trade. Retrieved March 29, 2019, from Trade Finance Global: https://www.tradefinanceglobal.com/trade-finance/*

The International Chamber of Commerce (ICC) Global Survey on Trade Finance (2018) expects the provision of trade finance to increase further in the coming years in all regions, particularly Africa and LATAM. The majority of banks participating in the survey believe that global trade finance growth is expected to improve. As shown in Figure 7, banks headquartered in Africa and Asia-Pacific have the most positive outlook.

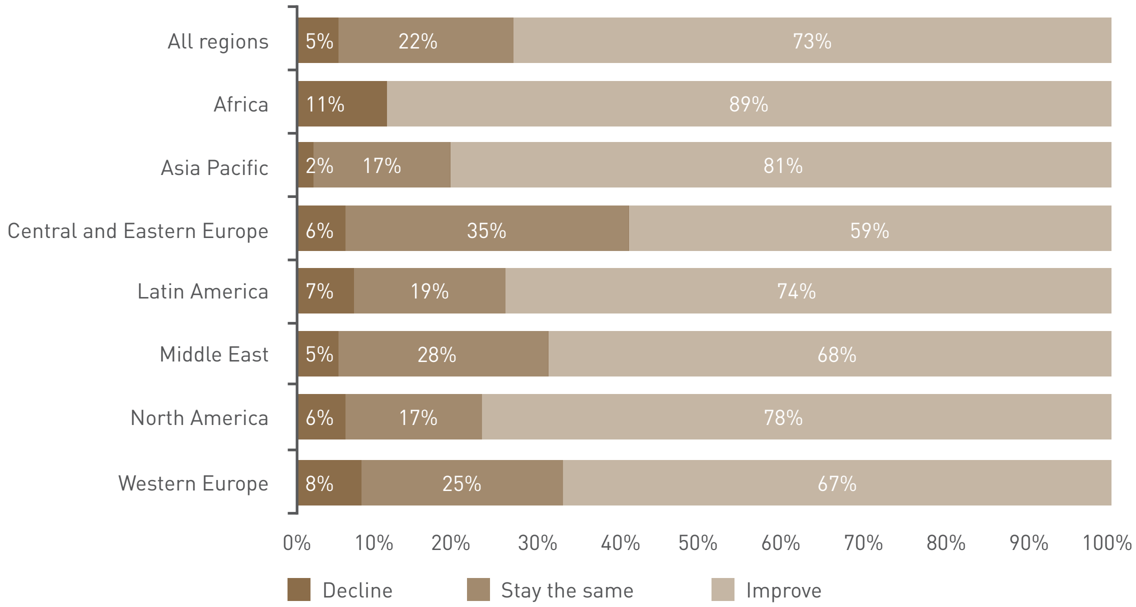


Figure 7: *Outlook for trade finance growth in the year to come by region*

Source: ICC Global Survey on Trade Finance, 2018

This survey shows that expected revenue of traditional trade finance is expected to experience some growth globally between 2018-2020, as shown in the chart below:

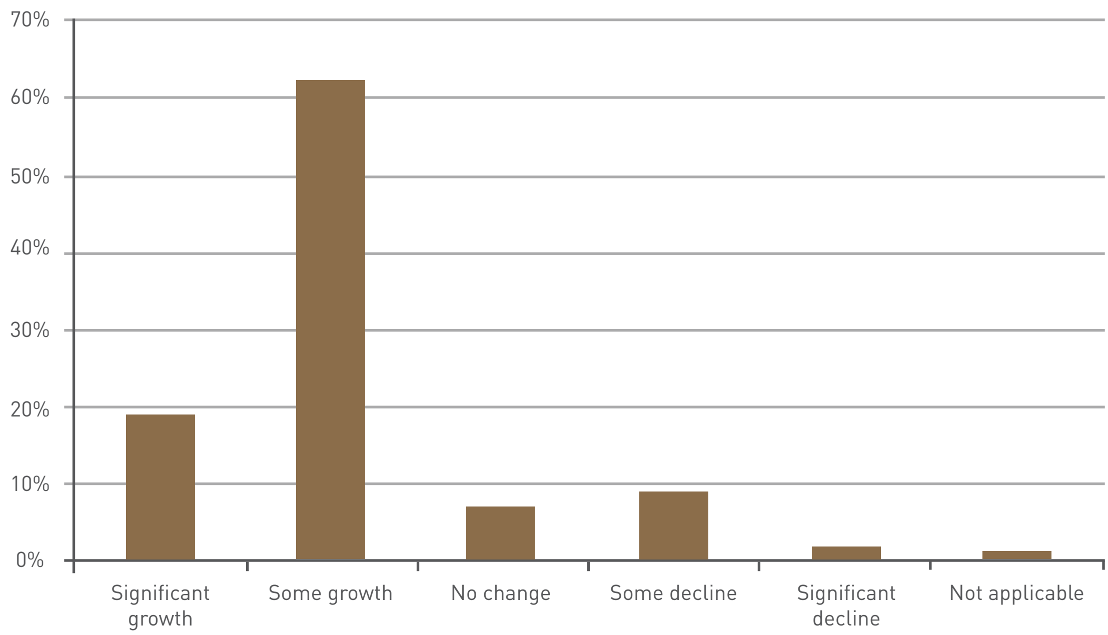


Figure 8: *Expected revenue position of traditional trade finance in the next 3 years*

Source: ICC Global Survey on Trade Finance, 2018

5 PROPOSED BOND ISSUE

Merkanti Holding will be issuing a bond amounting to €25 million, issued at par and an interest rate of 4% per annum, with redemption date of [12th August] 2026.

The Bond will constitute general, direct, and unconditional obligations of the Issuer to the bondholders, secured by means of security (as described in Section 5.1) in favour of the trustee for the benefit of the bondholders.

The net proceeds from the Bond Issue are expected to amount to approximately €24.5 million, which will be utilised for the purposes set out below:

i. €4.5 million will be used to grant a subordinated loan to the Bank ("the Subordinated Loan"), with the intention that such loan will qualify as 'Tier 2' capital and used by the Bank to increase its regulatory capital in anticipation of expansion of its trade finance and merchant banking business
ii. €10.5 million will be deposited with the Bank by way of term deposits, to be utilised by the Bank for the expansion of its trade finance and merchant banking business. The interest rates on each deposit is expected to be in line with market rates
iii. €6.8 million and €2.8 million will be used to grant loans to Merkanti (A) and Merkanti (D) respectively. Each of these loans will be utilised for the following purposes:
    - Approximately €3.2 million and €1.3 million will be utilised by Merkanti (A) and Merkanti (D), respectively, for the purposes of maintaining sustainable income and potentially generating further sustainable income, via financing of maintenance or development costs, acquisition of other industrial parks or similar immovable property or assets in Germany; and
    - Approximately €3.6 million and €1.5 million will be utilised by Merkanti (A) and Merkanti (D), respectively, for general corporate funding purposes.

5.1 The Security

The Bond will be secured by a first ranking land charge on the real estate owned by the Property Companies in Germany ("the German Law Mortgages"). While the German Law Mortgages have been granted by the Property Companies, these have not yet been registered in the German land register as at the date of the Prospectus. Until the German Law Mortgages are registered in the land register, the Bond will also be secured by an interim pledge of bond proceeds i.e. a pledge on an interim bank account which will hold the deposited net proceeds from the Bond Issue. Once the trustee receives confirmation that the security has been perfected in accordance with German Law, the trustee shall release this pledge.
In addition to the security on the basis of the real estate owned by the Property Companies secured, the Bond will be further secured by means of a pledge over 85% of the shares in the Property Companies (with such pledge allowing the trustee to assume all rights associated with the shares in the Property Companies) and a pledge on bank accounts in the name of the Property Companies to be held by a credit institution in Malta.

The Property Companies will have the right to sell parts or all of the investment property for cash consideration, or release from the German Law Mortgages relevant part/s of the investment property, including during the interim period between the date of the Prospectus and the issue date of the Bonds, provided that the aggregate value of (i) the remaining unsold investment property and (ii) cash balances deposited in the above mentioned bank accounts in the name of the Property Companies, exceed 1.25x or, in the event that the Bonds have not yet been issued, exceed €31.3 million.

5.2 Restrictive Covenants

The Issuer covenants not to declare or pay any dividend, purchase or redeem any of its own shares except if from the proceeds of a new issue of shares made for such purpose (each, "Restricted Payment") unless:

- The Interest Cover ratio is above 3.0x and
- Debt-to-Total Capital ratio is below 60%.

Both ratios would be calculated on the basis of the Issuer's most recent financial statements and after adjusting for the impact of the proposed Restricted Payment.

Furthermore, the Property Companies shall not create any other mortgages or security interest ranking *pari passu* with or subsequent to the German Law Mortgages on all of the real estate situated in Germany.

6 PERFORMANCE AND FINANCIAL POSITION OF THE ISSUER

The Issuer operates as a holding company, which is mainly involved in the holding of subsidiaries that generate diversified sources of income. Merkanti Holding's main activities relate to the acquisition, the holding and sale of property, shares and other assets, the raising of financing, raising of capital, the lending and advancing of funds to Group companies, and the collection of interest income on advances to and management fees from the Subsidiaries. It is therefore relevant to note that the Issuer's operations are not restricted to that of a finance company. On this basis, the Issuer's standalone audited financial statements for the financial years ended 31st December 2016, 31st December 2017 and 31st December 2018 are illustrated and analysed in the following sections. Furthermore, projections for the years ending 31st December 2019 and 31st December 2020 are also being shown below.

6.1 Income Statement

Merkanti Holding Plc **Pro forma Consolidated Income Statement for the years ending 31 December 2018** **Amounts in €000s**	**Consolidated**	**Pro forma adjustments**	**Pro forma consolidated**
Fee and Interest Income	2,539	(55)	2,483
Rental income	-	2,399	2,399
Net trading gain	(8)	-	(8)
Other income / (Expenses)	34	456	490
Impairment gain / (Losses)	11	-	11
Total Income	**2,576**	**2,800**	**5,376**
General and administrative expenses	(1,685)	(582)	(2,267)
Repairs and maintenance	-	(775)	(775)
Other selling and administrative costs	(203)	(1,368)	(1,571)
Finance costs	(6)	(6)	(12)
Net recoveries on previously impaired loans	517	-	517
Total selling, general and administrative costs	**(1,376)**	**(2,731)**	**(4,107)**
Operating Profit	**1,200**	**69**	**1,268**
Taxation	(1)	(22)	(22)
Profit after tax	**1,199**	**47**	**1,246**
Shares attributable to NCI	-	(15)	(15)
Profits attributable to Merkanti Holding	**1,199**	**32**	**1,231**

Source: Management information and PwC analysis

Prior to the end of 2018, the Issuer was a private limited company and had Merkanti Bank as its only subsidiary. The Bank was predominantly engaged with merchant banking services in the form of advisory services given to other companies within the Scully Royalty Group.

For the purposes of Merkanti Holding's pro-forma financial performance for 2018, a full year's performance for Merkanti (A) and Merkanti (D) is considered. In the pro-forma financial statements, an allowance for the non-controlling interest share of profits (15%) of the Property Companies is considered. The main adjustments in the pro-forma consolidated income statement relates to the inclusion of the Property Companies' performance during 2018. On the basis that a loan receivable from Scully Royalty would have been netted off starting from 1st January 2018, the interest income on this loan is adjusted to decrease proportionately. The pro-forma profits attributable to Merkanti Holding amount to €1.2 million.

Merkanti Holding plc Income Statement for the years ending 31 December Amounts in €000s	2016 Audited	2017 Audited	2018 Audited	2019 Forecast	2020 Projected
Interest income	97	321	78	989	1,320
Management Fees	-	-	-	300	300
Total Revenue	**97**	**321**	**78**	**1,289**	**1,620**
Administrative expenses	(10)	(250)	(16)	(246)	(252)
Changes in expected credit losses	-	-	517	-	-
Finance cost	(291)	(110)	-	(707)	(1,063)
Profit / (Loss) before tax	**(205)**	**(39)**	**578**	**336**	**304**
Taxation	-	(2)	(1)	(20)	(19)
Profit after tax	**(205)**	**(40)**	**578**	**316**	**285**

Source: Audited accounts of Merkanti Holding plc as at 31 December 2016 to 2018, Management information

Prior to 2018, the Issuer's main assets consisted solely of its shareholding in the Bank and amounts due from its parent company. The Issuer did not receive any dividends from the Bank and therefore, the only source of income generated between 2016 and 2018 related to interest income generated on amounts due from its parent company. The interest expense, on the other hand, related to amounts due by the Issuer to the Bank, which balance was settled following the reduction in the Bank's share capital in February 2017.

In the beginning of FY 2018, the Issuer had to implement the new requirements under IFRS 9 whereby credit losses are recognized on an expected basis compared to an incurred basis as in under IAS 39. Therefore, the Issuer's Statement of Financial Position as at 1st January 2018 included a €0.6 million remeasurement loss relating to an impairment loss allowance recognized in opening retained earnings on 1st January 2018 upon transition to IFRS 9. During the year, the Issuer benefited by a change in expected credit losses of €0.5 million, having an overall positive impact on the profits of the Issuer.

In 2018, the Issuer purchased 85% of the common shares of Merkanti (A) and Merkanti (D) which was previously held by another subsidiary of Scully Royalty for a consideration of €29.5 million. The consideration was netted off against a portion of a long-term facility receivable from Scully Royalty.

Post-Bond Issue, the Issuer is expected to have the following main sources of income:

1. Interest income to be received from the amounts loaned to or deposited, primarily with the Subsidiaries, namely:
    - Interest chargeable on the Subordinated Loan advanced to the Bank. This loan, which is intended to qualify as Tier 2 capital, will bear an interest rate of 5% and will have a maturity of seven years;
    - Interest chargeable on the term deposits made with the Bank, which interest rate will be formalized at the time of the relevant deposits but will be in line with market rates;
    - Interest chargeable on the amounts advanced to the Property Companies bearing a rate of 6.5%; and
    - Interest chargeable on the outstanding balance of the receivable from Scully Royalty at a rate of 6.0%.

2. Management fees of €0.3 million which will be payable by the Property Companies.

Based on these income streams, revenue is expected to amount to €1.3 million and €1.6 million in 2019 and 2020 respectively. The largest proportion of the income by the Issuer is expected to be generated from the interest income received on the advances to Merkanti (A) and Merkanti (D). This income stream is expected to generate €0.4 million (32% of total revenue) in 2019 and €0.6 million (38% of total revenue) in 2020. In 2019, the second largest income stream is expected to be the interest income receivable from Scully Royalty and is expected to amount to €0.3 million (26% of total revenue).

The management fees receivable from the Property Companies, are expected to account for circa 23% of total revenue of 2019 and circa 19% that of 2020. Interest income from Merkanti Bank on the deposits and on the Subordinated Loan is expected to amount to €0.2 million in 2019.

In these two years, finance cost will increase considerably, given that it would include interest and amortization of the Bond Issue costs. Finance costs are therefore expected to amount to €0.7 million in 2019 and €1.1 million in 2020. Profits before tax in both 2019 and in 2020 are expected to amount to €0.3 million.

6.2 Statement of Cash flows

Merkanti Holding plc Cash flow Statement for the years ending 31 December Amounts in €000s	2017 Audited	2018 Audited	2019 Forecast	2020 Projected
Net cash generated from operating activities	(0)	(0)	1,082	348
Net cash used in investing activities	-	-	(24,500)	-
Net cash used in financing activities	-	-	24,513	-
Net movement in cash and cash equivalents	**(0)**	**0**	**1,094**	**348**
Cash and cash equivalents at the beginning of the year	0	-	-	1,094
Cash and cash equivalents at end of year	**0**	**0**	**1,094**	**1,442**

Source: Audited accounts of Merkanti Holding plc as at 31 December 2017 to 2018, Management information

Prior to 2018 the Issuer's cash flows reflected its limited trading activities. The Issuer previously prepared financial statements in accordance with the General Accounting Principles for Small and Medium Enterprises Rules, and therefore, were not required to issue cash flow statements. The Issuer's business model is expected to change in 2019, with Merkanti's main cash inflow streams driven by interest income and management fees receivable as described in Section 6.1. The Issuer will incur administrative expenses relating to Directors' fees, which are expected to amount to €0.2 million annually, and other expenses relating to the listing of the Bond, audit fees and other professional fees. Annual coupon payments are expected to amount to €1.0 million, and will start to be fully incurred in 2020, thereby reducing net cash generated from operating activities.

The funding raised from the Bond Issue will be advanced to the Subsidiaries as described in Section 5 and reflected in the expected net cash flow used in investing activities totalling €24.5 million in 2019. Cash flows from financing activities are expected to consist of the net bond proceeds, with cash and cash equivalents as at end 2019 expected to amount to €1.1million.

6.3 Statement of Financial Position

Merkanti Holding plc Statement of Financial Position for the years ending 31 December Amounts in €000s	2016 Audited	2017 Audited	2018 Audited	2019 Forecast	2020 Projected
Non-current assets					
Investments in subsidiaries	57,241	17,241	46,723	46,723	46,723
Loans to Merkanti (A) and Merkanti (D)	-	-	-	9,500	9,500
Deposits with Merkanti Bank	-	-	-	7,500	7,500
Total Non-Current Assets	**57,241**	**17,241**	**46,723**	**63,723**	**63,723**
Current assets					
Receivable from Scully Royalty	40,000	35,052	5,472	5,472	5,472
Deposits with Merkanti Bank	-	-	-	7,500	7,500
Other receivables	100	23	97	-	-
Cash and cash equivalents	0	0	-	1,094	1,442
Total Current Assets	**40,101**	**35,075**	**5,569**	**14,066**	**14,413**
Total Assets	**97,342**	**52,316**	**52,292**	**77,789**	**78,136**
Equity and Liabilities					
Non-Current Liabilities					
Amortised Bond Issue	-	-	-	24,553	24,616
Current Liabilities					
Accrued Interest		-	-	667	667
Borrowings	44,714	14	-	-	-
Accrued expenses and other liabilities	-	10	18	-	-
Trade and other payables	297	-	18	-	-
Current tax liability	-	2	2	-	-
Total Liabilities	**45,011**	**25**	**38**	**25,220**	**25,283**
Equity					
Share Capital	50,000	50,000	50,000	50,000	50,000
Retained earnings and other reserves	2,331	2,291	2,253	2,569	2,854
Total equity	**52,331**	**52,291**	**52,253**	**52,569**	**52,854**
Total equity and liabilities	**97,342**	**52,316**	**52,292**	**77,789**	**78,136**

Source: Audited accounts of Merkanti Holding plc as at 31 December 2016 to 2018, Management information

As at 31st December 2016, total assets amounted to €97.3 million. This primarily consisted of two major items:

- Investments in subsidiaries, which represents the investment in Merkanti Bank, amounting to €57.2 million, representing carrying value of the investment in the Bank and
- Receivable from the parent of €40.0 million, which represents the amount relating to a revolving credit facility.

The Issuer was still shaping the Bank's strategy in the first years post-acquisition of BAWAG, and therefore, it held no cash or cash equivalents.

In 2016, borrowings owed by the Issuer amounted to €44.7 million. This mainly included a €40.0 million term loan from the Bank, in addition to €4.7 million loan which was granted to Merkanti Holding in order to finance the purchase of all, except one share, in BAWAG.

In 2017, following receipt of approval from the MFSA on 20th October 2016, a €40.0 million loan granted by the Bank to the Issuer was offset against an equal reduction in the Bank's share capital. Furthermore, the €4.7 million loan was paid in full during 2017. Therefore, total assets decreased from €97.3 million in 2016 to €52.3 million in 2017, and total liabilities decreased from €45.0 million to €0.03 million between 2016 and 2017.

The Issuer's balance sheet as at 31st December 2018 primarily reflects the acquisition of Merkanti (A) and Merkanti (D). Investment in subsidiaries increased to €46.7 million given the investment in the Property Companies, and the receivable from Scully Royalty reduced to €5.5million, as the consideration for the investment in Merkanti (A) and Merkanti (D) was netted off against the long-term facility receivable. Therefore, total assets remained stable at €52.3 million during this year. The Issuer eliminated all borrowings in 2018, in preparation for the Bond Issue in the following year.

In 2019 and 2020, total assets are projected to increase to €77.8 million and €78.1 million respectively. Projected total non-current assets include the loans advanced to Merkanti (A) and Merkanti (D) (€9.5 million), the long term deposits with Merkanti Bank (€3.0 million) and the Subordinated Loan (€4.5million). Current assets include the short-term deposits with Merkanti Bank of €7.5 million per annum, and a €5.5 million receivable from Scully Royalty.

Total liabilities are expected to amount to of €25.2 million in 2019 and €25.3 million in 2020, reflecting the Bond Issue (€24.6 million) and accrued interest of €0.7 million. The Issuer's equity position was, and is expected to remain, stable over the years. Share capital amounts to €50.0 million for all of the period under review. Total equity is expected to increase marginally to €52.6 million in 2019 and €52.9 million in 2020 reflecting the increased profitability of the Issuer.

6.4 Evaluation of Performance and Financial Position

Merkanti Holding Plc Key Accounting Ratios	**2016 Audited**	**2017 Audited**	**2018 Audited**	**2019 Forecast**	**2020 Projected**
Operating Profit Margin (Operating Profit / Revenue)	89%	22%	745%	81%	84%
Interest Coverage (Operating Profit / Interest Payable)	0.3x	0.6x	N/A	1.5x	1.3x
Interest Coverage with Theoretical dividends* ((Operating Profit + Theoretical dividends)/ Interest Payable)	0.3x	0.6x	N/A	2.5x	2.0x
Return on Assets (Operating Profit / Average Total Assets)	0.1%	0.1%	1.1%	1.6%	1.7%
Return on Capital Employed (Operating Profit / Average Capital Employed)	0.2%	0.1%	1.1%	1.6%	1.7%
Return on Equity (Profit for the year / Average Total Equity)	-0.4%	-0.1%	1.1%	0.6%	0.5%
Gearing (Total Borrowings/ Total Equity + Total Borrowings)	46.1%	0%	0%	31.8%	31.8%

**Including theoretical dividends of €750,000 receivable from the operations of Merkanti Bank.*

Operating Profit utilised for these ratios has been calculated as Revenue – Administration expenses

Source: Audited accounts of Merkanti Holding plc as at 31 December 2016 to 2018, Management information

Merkanti Holding is a diversified holding company, with an asset base currently consisting of subsidiaries that operate in the banking and industrial real estate sectors.

The Issuer's income previously consisted solely of interest earned on amounts owed by related parties, with the shareholding in the Bank as the major asset. However, following the corporate restructuring in advance of the Bond Issue, the Issuer will benefit from a diversified income stream on the basis of an enhanced asset base.

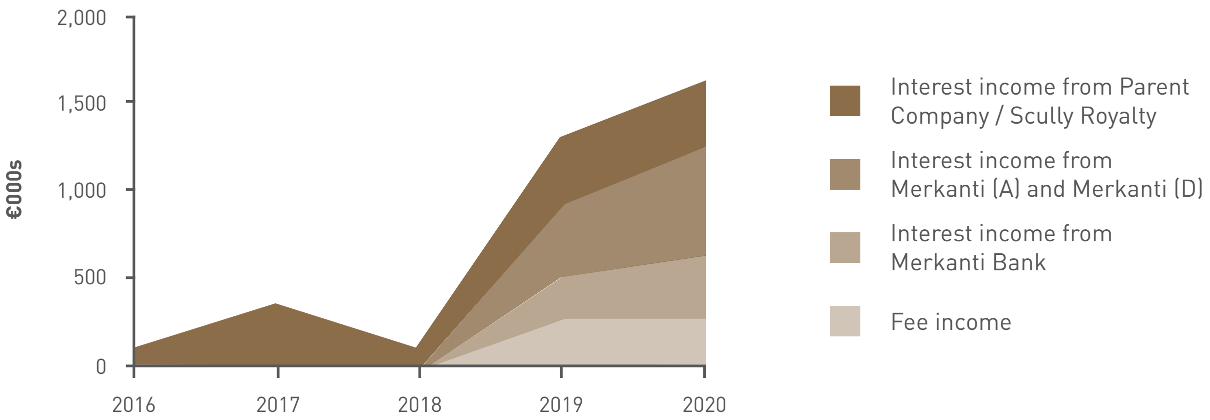


Figure 9: *Breakdown of revenues*

Source: Audited Financial Statements of Merkanti Holding plc 2016-2018, Management information, Curmi & Partners Ltd

Going forward, the main sources of revenue are expected to include interest income on deposits with, and on a Subordinated Loan to, Merkanti Bank, in addition to interest income on advances to the Property Companies and on an outstanding balance from Scully Royalty. Additionally, management fee income will also be charged to the Property Companies. The interest earned on the loans to the Property Companies, which in turn derive their underlying income from rental revenues, is expected to account for the major component of total income. Additionally, management indicates that it will consider the payment of dividends from the Merkanti Bank to the Issuer after adopting a prudent approach that takes into consideration the Bank's profits for the year, its retained earnings and its capital adequacy ratios.

The Issuer's ratios generally reflect a relatively stable financial profile and an expected improvement in performance. In 2016 and 2017, revenues consisted only of a limited amount of interest income. In 2017, the Issuer experienced a significant increase in costs as the Group was shifting its strategy and employing more people, therefore operating profit margin was significantly lower during this year. In 2018, the Issuer experienced a positive change in expected credit losses as previously explained, which led to the extraordinary high operating profit margin during this year. Operating profit margin is projected to amount to over 80% in 2019 and 2020, on the basis of management projections.

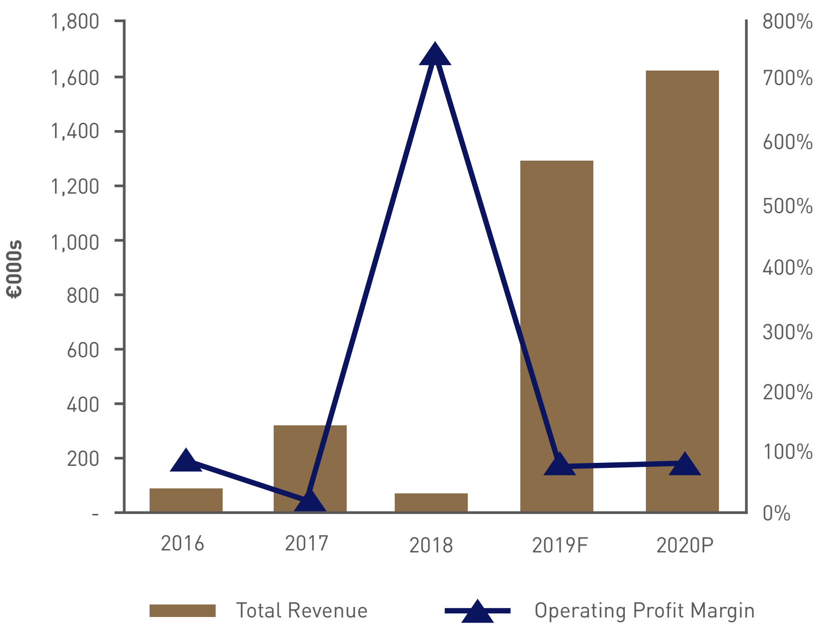


Figure 10: *Merkanti Holding - Performance Overview*

Source: Audited Financial Statements of Merkanti Holding plc 2016-2018, Management information, Curmi & Partners Ltd

Interest cover in 2016 and 2017 was relatively low given that operating profits was somewhat lower than the interest payable by Merkanti Holding. No finance costs were incurred in 2018 and therefore interest cover was not applicable. Interest cover is expected to be 1.5x and 1.3x in 2019 and 2020 respectively. A slightly lower interest cover is expected in 2020 given that a full year's interest would be payable.

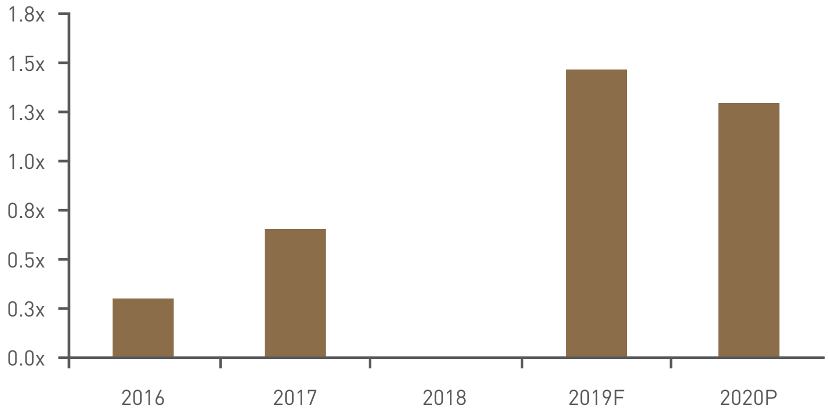


Figure 11: *Interest Coverage Ratio - Merkanti Holding Plc*

Source: Audited Financial Statements of Merkanti Holding plc 2016-2018, Management information, Curmi & Partners Ltd

The Issuer has no other borrowings other than the bond issue. Capital employed is very similar to average total assets given that current liabilities only include accrued interest. Return on Assets and Return on Capital Employed, which were nil in 2016 and 2017, are both projected to average around 1.7% in 2019 and 2020, given that total assets are expected to be relatively high as compared to operating profits. Return on Equity, calculated by dividing the profit for the year with average total equity, is expected to decrease from 1.1% in 2018 to 0.6% in 2019, and 0.5% in 2020, given the lower profits projected in these two years.

Whereas equity was constant over the years, averaging at around €52.3 million, the Issuer's borrowings shifted significantly. The Issuer had current borrowings of €44.7 million in 2016, which were eliminated between 2017 and 2018, thereby lowering gearing levels from 46.1% in 2016 to nil in the following two years. After the Bond Issue, the Issuer's financial gearing is expected to remain relatively low at around 32% in 2019 and 2020.

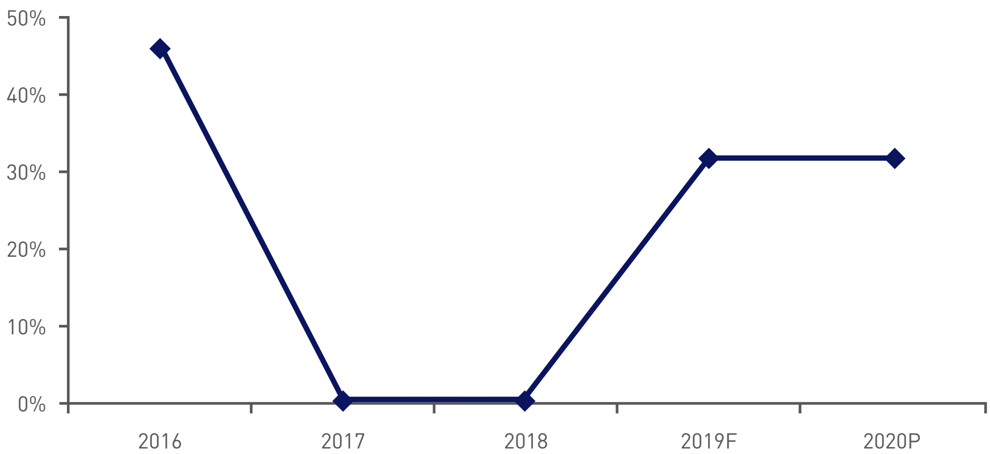


Figure 12: *Gearing ratio - Merkanti Holding plc*

Source: Audited Financial Statements of Merkanti Holding plc 2016-2018, Management information, Curmi & Partners Ltd

With respect to the underlying assets, the Group's management expects the Property Companies to continue to generate stable rental income benefiting from the attractiveness of the region and the industrial real estate sector, and that the property valuations will remain relatively stable over business cycles. Whilst Merkanti Bank's growth in operations has been relatively subdued during 2017-2018, management expects to re-focus its main strategy on accessing the trade finance business, as it is seen as an attractive area of opportunity, whilst still undertaking merchant banking activities. At the core level of the Issuer, the financial profile is expected to remain relatively stable, driven by income streams that benefit from relatively strong visibility.

7 COMPARABLES

The table below provides an indication of the relative financial performance and debt servicing capability of the Issuer. The credit metrics of the Issuer are hereby compared to those of a selection of finance companies, that in this respect could be considered to have a similarly relatively stable earnings profile. The ratios indicated below are calculated using either the audited financial statements for FY 2018 or the projected financials for FY 2019 presented in 2019 financial analysis summaries of each respective company. Merkanti Holding's ratio projections are based on management projections.

Issuer/ Group	Gearing	Interest Coverage*
Merkanti Holding	**31.8%**	**1.5x**
Tumas Investments (2018)	98.7%	1.0x
Exalco Finance	98.3%	1.1x
Eden Finance (2018)	96.1%	1.0x
Dizz Finance (2018)	71.3%	1.2x
AX Investments (2018)	68.0%	1.1x
United Finance (2018)	60.7%	0.6x

**In order to estimate the ability to service the borrowings, interest coverage is estimated as the ratio of financial income (after adjusting for administrative expenses) to interest payable.*

Source: Exalco Finance plc Financial Analysis Summary 2019, Eden Finance plc Audited Financial Statements 2018, Dizz Finance plc Audited Financial Statements 2018, United Finance plc Audited Financial Statements 2018, Tumas Investments plc Audited Financial Statements 2018, AX Investments plc Audited Financial Statements 2018

The table below compares a selection of ratios of Merkanti Holding to a selection of issuers which have issued bonds similarly secured by property. One should note that there is still a variance in the operations of these companies and that of the Issuer, due to the nature and location of the underlying property. Furthermore, certain differences include characteristics of the specific debt instruments.

Issuer/ Group	Gearing	Interest Coverage
Merkanti Holding	**31.8%**	**1.5x**
Gap	78.6%	5.8x
Medserv	77.0%	2.7x
Hili Properties	59.6%	1.7x
Pendergardens Developments	58.8%	5.5x
International Hotel Investments	39.7%	3.3x
MIDI	33.2%	2.7x

Source: International Hotel Investments Financial Analysis Summary 2019, Pendergardens Developments plc Financial Analysis Summary 2019, MIDI Plc Financial Analysis Summary 2019, Medserv plc Financial Analysis Summary 2019, GAP Group plc Financial Analysis Summary 2019, Hili Properties plc Financial Analysis Summary 2019

8 GLOSSARY

Cash flow from financing activities	Cash flows from financing activities shows the cash inflows and outflows related to financing transactions with providers of funding, owners and the creditors.
Cash flow from investing activities	Cash flows from investing activities reflect the change in cash position resulting from investments and divestments.
Cash flow from operating activities	Cash flow from operating activities illustrates the cash-generating abilities of a company's core activities, and includes cash inflows and outflows that are related to operating activities.
Current assets	Current assets are all assets that are realisable within one year from the statement of financial position date. Such amounts include trade receivables, inventory, cash and bank balances.
Current liabilities	Current liabilities are liabilities payable within a period of one year from the statement of financial position date, and include trade payables and short-term borrowings.
EBITDA	Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of operating profitability. It excludes depreciation and amortisation, and is viewed as measure of a company's core profitability and cash generating ability.
Non-current assets	Non-current assets are long-term investments, the full value of which will not be realised within the accounting year.
Non-current liabilities	Long-term financial obligations or borrowings that are not due within the present accounting year. Non-current liabilities include long-term borrowings, bonds and long-term lease obligations.
Total Equity	Total equity includes share capital, reserves, retained earnings and minority interests. It relates to the capital and reserves that are attributable to owners of the company.
Financial Ratios	
Current ratio	The current ratio measures the ability to pay short term debts over the next 12 months. It compares a company's current assets to its current liabilities.
Debt to total capital ratio	The Issuer's interest-bearing borrowings divided by the Issuer's total capital, with total capital being the sum of interest-bearing borrowings plus total equity.
EBITDA Margin	Similarly to operating margin, EBITDA margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Gearing or leverage ratio	The gearing or leverage ratio indicates the relative proportion of borrowings and equity used to finance a company's assets. It is estimated by dividing total borrowings by total borrowings plus total equity, or as the ratio of total borrowings to total equity.

Gross Profit Margin	Gross profit margin is the ratio of gross profit to revenue. It is the percentage by which gross profits exceed cost of sales, and is a measure of profitability at the most fundamental level.
Interest Cover ratio	The Issuer's profit before tax and before interest expense divided by the Issuer's interest expenses for the same period.
Net Profit Margin	Net profit margin is the ratio of profit for the period to revenues, and is a measure of how much of revenues is converted into bottom line profits.
Operating Profit Margin	Operating margin is a measure of profitability that measures the proportion of revenue that is left over after paying for all costs of production incurred in ordinary operations.
Quick ratio	Similar to the current ratio the quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets.
Return on Assets (ROA)	Return on assets is the ratio of profit for the period or operating profit to average total assets for the period. It measures efficiency in using its assets to generate income.
Return on Capital Employed (ROCE)	This ratio measures efficiency in generating income but takes into consideration the sources of financing. Profit for the period or operating profit is divided by the capital employed (fixed assets plus working capital or total assets less current liabilities)
Return on Equity (ROE)	Measures the profitability in terms of how much profit is generated in relation to owners' investment.

ANNEX C

Pro Forma Financial Information for Year Ending 31 December 2018

Annex C – Extracts from the Pro Forma Financial Information as at 1 January 2018

1. Basis of preparation

This Pro Forma financial information has been prepared for illustrative purposes only, to provide information about the financial information of Merkanti Holding p.l.c. Because of its nature, the Pro Forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. The Pro Forma financial information has been prepared for inclusion in the Prospectus for the issue of bonds to the general public by Merkanti Holding p.l.c.

Merkanti Holding p.l.c. is a legal entity and constitutes a Group of companies within the meaning of the Companies Act, Cap. 386 of the laws of Malta. The Group comprises Merkanti Holding p.l.c., which owns a 100% equity stake in Merkanti Bank Limited ('Merkanti Bank'); and, an 85% equity stake in Merkanti (A) International Limited ('Merkanti (A)') and Merkanti (D) International Limited ('Merkanti (D)') respectively. The majority shareholder of Merkanti Holding p.l.c. is Scully Royalty Ltd, a public company listed on the New York Stock Exchange.

Bonds issued by Merkanti Holding p.l.c. are expected to be offered to the public and listed on the Malta Stock Exchange, subject to the approval of the Listing Authority and the success of the public offering. Financial information extracted from these consolidated financial statements is being included in the prospectus for this public offering.

The above mentioned entities form a legal group and meet the definition of a 'Group' under IAS 27 'Consolidated and Separate Financial Statements'. The financial results and financial position of these entities are consolidated into the financial statements of a single legal company on a statutorily required basis, since the companies are ultimately owned by Merkanti Holding p.l.c.

The Pro Forma 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 of the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). The Pro Forma financial information has been compiled on the basis of the accounting policies adopted by the Company taking into account the requirements of Building Block 20.2 of Annex I and Annex II of EC Regulation 809/2004.

2. Pro Forma adjustments

The following is a description of the Pro Forma adjustments on the consolidated financial performance of Merkanti Holding p.l.c. The Pro Forma financial information has been prepared for illustrative purposes only.

Basis for Pro Forma financial information

The Pro Forma financial information has been prepared using the audited consolidated results for the Issuer for the financial year ended 31 December 2018 and hypothetically assumes that:

i. The Issuer would have acquired an 85% shareholding in Merkanti (A) as at 1 January 2018;
ii. The Issuer would have acquired an 85% shareholding in Merkanti (D) as at 1 January 2018;
iii. The amounts due for these acquisitions would have been offset against the amounts due to the Issuer from Scully Royalty Ltd. The latter balances were generating minimal interest and therefore their settlement will decrease proportionately the interest income generated by the Issuer on the balance.

In addition to the above, the Pro Forma financial information also assumes the effect of the following transactions that were extracted from the financial statements for Merkanti (A) and Merkanti (D) for the financial year ended 31 December 2018.

i. Total incremental revenue of €2.8m in the form of rental income generated by Merkanti (A) and Merkanti (D), net of a decrease in interest income receivable by Merkanti Holding p.l.c. as a result of the transfer of the Property Companies as at 1 January 2018;
ii. Total incremental annual operating costs amounting to €2.7m, which include fixed property service management fees, maintenance costs, utilities and other general administrative expenses. These expenses include the effect of extraordinary repairs of €0.8m incurred in connection with the storm and uncharacteristically high bad debts written off of €0.6m;
iii. Total incremental net finance costs of €6k;
iv. Total incremental taxation of €22k based on the actual tax charge included in the financial statements of Merkanti (A) and Merkanti (D); and
v. Adjustment for the share of profits attributable to non-controlling interest that own the remaining 15% shareholding in Merkanti (A) and Merkanti (D).

The Pro Forma adjustments indicated reflect the impact of the performance of Merkanti (A) and Merkanti (D) for the financial year ended 31 December 2018. Going forward, the results of the operations of Merkanti (A) and Merkanti (D) will continue to be reflected in the Consolidated Financial Statements of Merkanti Holding p.l.c.

Merkanti Holding plc **Pro forma consolidated Income Statement** **Amounts in €000's**	**31 Dec 2018** **Actual**	**31 Dec 2018** **Pro forma**	**Change** **(+/-)**
Revenue	2,576	5,376	2,800
General and administrative expenses	(1,887)	(3,838)	(1,950)
Repairs and maintenance costs	-	(775)	(775)
Operating profit	**689**	**763**	**75**
Finance costs	(6)	(12)	(6)
Changes in expected credit losses	517	517	-
Profit before tax	**1,200**	**1,268**	**69**
Taxation	(1)	(22)	(22)
Profit after tax	**1,199**	**1,246**	**47**
Profits attributable to NCI	-	(15)	(15)
Profits attributable to Merkanti Holding	**1,199**	**1,231**	**32**

ANNEX D

Accountant's Report on Pro Forma Financial Information

pwc

The Directors
Merkanti Holding p.l.c.
The Plaza Commercial Centre, Level 4, Suite 7
Bisazza Street
Sliema, SLM 1640
Malta

18 July 2019

Independent accountant's assurance report on the compilation of Pro Forma financial information as at 1 January 2018

To the board of directors of Merkanti Holding p.l.c.

Report on the compilation of Pro Forma financial information included in a prospectus

We have completed our assurance engagement to report on the compilation of Pro Forma financial information of Merkanti Holding p.l.c. (the 'Company') and its fellow subsidiaries ('the Group') as prepared by the directors (the 'Directors'). The Pro Forma financial information consists of the Pro Forma Consolidated Income Statement for the year ended 31 December 2018 as set out in Annex C of the Company's Registration Document. The applicable criteria on the basis of which the Directors have compiled the Pro Forma financial information are specified in Annex II to Commission Regulation (EC) 809/2004 ('the Prospectus Regulation') and described in the 'Basis of Preparation' section included in Annex C of the Company's Registration Document ('the Applicable Criteria').

Merkanti Holding p.l.c. was incorporated as a private limited liability company on 28 May 2015. Until recently, the only subsidiary of Merkanti Holding p.l.c. was Merkanti Bank Limited, which is a speciality merchant bank operating in Malta, formerly known as BAWAG Malta Bank. With effect from 27 December 2018, Merkanti Holding p.l.c. took ownership of an 85% equity stake in Merkanti (A) International Ltd ('Merkanti (A)') and Merkanti (D) International Ltd ('Merkanti (D)'), two property companies owning real estate located in Germany (entities referred to jointly as 'the Acquired Entities'). This transfer was implemented through the intra group corporate restructuring ('the Restructuring') outlined in Section 4.3.1. of the Registration Document.

The Pro Forma financial information has been compiled by the Directors to illustrate how the combined financial performance of the Acquired Entities would have been impacted if the Restructuring, implemented as of 27 December 2018, would have hypothetically been carried out as at 1 January 2018.

The Pro Forma financial information comprises a Pro Forma Consolidated Income Statement for the year ended 31 December 2018. In preparing the Pro Forma financial information, the Directors have extracted information about the Acquired Entities' financial results from the financial statements that have been prepared for the financial year ended 31 December 2018, on which no audit reports have been published.

Directors' responsibility for the Pro Forma financial information

The Directors are responsible for compiling the Pro Forma financial information on the basis of the Applicable Criteria.

Our responsibilities

Our responsibility is to express an opinion, as required by item 7 of Annex II to the Prospectus Regulation, about whether the Pro Forma financial information has been compiled, in all material respects, by the Directors on the basis of the accounting policies as described in the Financial Statements of the Acquired Entities for the year ended 31 December 2018 and the basis of preparation set out in Annex C of the Registration Document, and accordingly on the basis of the Applicable Criteria.

To the board of directors of Merkanti Holding p.l.c.

Basis of opinion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance engagements to report on the compilation of Pro Forma financial information included in a prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma financial information.

The purpose of Pro Forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at and for the period ended 31 December 2o18 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and obtain sufficient appropriate evidence about whether:

- the related Pro Forma adjustments give appropriate effect to those criteria; and
- the Pro Forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the accountant's judgment, having regard to the accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:
a. the Pro Forma financial information has been properly compiled on the basis stated; and
b. such basis is consistent with the accounting policies of the Company.

Fabio Axisa
Partner

PricewaterhouseCoopers
78, Mill Street
Qormi, QRM 3101
Malta

ANNEX E
Application Form

Merkanti Holding p.l.c.
€25,000,000 4% Secured Bonds 2026

APPLICATION FORM
Application No. ______________________

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

	APPLICANT			
A	☐ Non-Resident	☐ Minor (Under 18)	☐ Corporate	☐ CIS
B	TITLE (Mr/Mrs/Ms/…)	FULL NAME & SURNAME / REGISTERED NAME		
	ADDRESS		POST CODE	
	MSE A/C NO. (if applicable)	I.D. CARD / PASSPORT / COMPANY REG. NO.		
	LEI (Legal Entity Identifier) *(if applicant is NOT an individual)*	DOCUMENT TYPE	COUNTRY OF ISSUE	
	E-MAIL ADDRESS	TEL NO.	MOBILE NO.	
	Already Registered for e-Portfolio ☐	Please register me for e-Portfolio ☐	Please do NOT register me for e-Portfolio ☐	
C	ADDITIONAL (JOINT) APPLICANTS (please use additional application form if space is not sufficient)			
	TITLE (Mr/Mrs/Ms/..)	FULL NAME & SURNAME	I.D. CARD / PASSPORT NO.	
	TITLE (Mr/Mrs/Ms/..)	FULL NAME & SURNAME	I.D. CARD / PASSPORT NO.	
D	MINOR'S PARENTS/LEGAL GUARDIANS (See Note 4) (to be completed ONLY if the Applicant is a minor)			
	TITLE (Mr/Mrs/Ms/..)	FULL NAME & SURNAME	I.D. CARD / PASSPORT NO.	
	TITLE (Mr/Mrs/Ms/..)	FULL NAME & SURNAME	I.D. CARD / PASSPORT NO.	

E I/We apply to purchase and acquire the amount set out below

AMOUNT IN FIGURES	AMOUNT IN WORDS
€	

Merkanti Holding p.l.c. €25,000,000 Secured 4% Bonds 2026 at the Bond Issue Price (at par) pursuant to the Prospectus dated 18th July 2019 (minimum €2,000 and in multiples of €100 thereafter)

F RESIDENT - WITHHOLDING TAX ("WHT") DECLARATION (to be completed ONLY if the Applicant is a Resident of Malta)

☐ I/We elect to have Final WHT deducted from my/our interest. ☐ I/We elect to receive interest GROSS (i.e. without deduction of WTH).

G NON-RESIDENT DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	TOWN OF BIRTH
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH
PASSPORT/NATIONAL I.D. CARD NUMBER	ISSUE DATE

☐ I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.
☐ I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.

H INTEREST, REFUND AND REDEMPTION MANDATE (completion of this panel is MANDATORY)

BANK	IBAN

I/We have fully understood the instructions for completing this Application Form, and am/are making this Application on the basis of the Prospectus, and subject to its Terms and Conditions (as defined therein) which have been explained to me/us, and which I/we fully accept.

______________________ ______________________ ______________________

Signature/s of Applicant/s Financial Intermediary Date
(All parties are to sign in the case of a joint Application)

FINANCIAL INTERMEDIARY'S STAMP	FINANCIAL INTERMEDIARY'S CODE

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 18th July 2019

1. **This Application is governed by the Terms and Conditions of Application contained in the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Prospectus.**
2. **The Application Form is to be completed in BLOCK LETTERS.**
3. **Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including spouses) full details of all individuals – including I.D. Card Numbers – 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 Bonds (vide note 7 below).**
   Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account 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 Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on https://eportfolio.borzamalta.com.mt/. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on https://eportfolio.borzamalta.com.mt/Help.
4. **Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds 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 interest and redemption proceeds 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.**
5. **Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.**
6. **In the case of a body corporate, the name of the entity exactly as registered, the registration number and the legal entity identifier are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. **The amount applied for must be in multiples of €100 subject to a minimum application of €2,000. The Applicant must ensure that the relative Application Form is accompanied by payment of the full price of the amount of Bonds applied for. Payment of the amount, must be made in Euro in cleared funds to "Curmi & Partners Limited - Clients Account - Merkanti Bond Issue". In the event that the cheque accompanying the Application Form is not honoured on the first presentation the Issuer and the Registrar reserve the right to invalidate the relative Application.**
9. **Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments.**
10. **In terms of Section 9 of the Prospectus, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of 'recipient' in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), Interest shall be paid to such a person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Tax Act (Cap. 123 of the Laws of Malta).**
11. **If any Application is not accepted, after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in the application form. Interest or redemption proceeds will be credited to the account designated or as otherwise amended by the Bondholder/s during the term of the Bond.**
12. **European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.**
13. **Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.**
14. **Completed Application Forms are to be delivered to the Manager, Curmi & Partners Limited during normal office hours by not later than 12:00 noon on the 9th August. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application, which appears to be in breach of the general terms and conditions of the Prospectus. Any applications received by the Manager after 12:00 noon on the 9th August will be rejected.**
15. **By completing and delivering an Application Form you (as the Applicant(s)):**
    a. **acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the General Data Protection Regulation and the Data Protection Act (Cap. 440 of the Laws of Malta);**
    b. **acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and**
    c. **acknowledge that 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. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX F

List of Authorised Intermediaries

Name	Address	Telephone
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Financial Planning Services Ltd	4, Marina Court No. 1, G. Calì Street, Ta' Xbiex XBX 1421	21344244
HSBC Bank Malta p.l.c.	Global Markets, Banking Centre, 1st Floor, Mill Street, Qormi QRM 3101	23802211
Izola Bank plc	Izola Bank p.l.c. 53/58. East Street. Valletta VLT 1251	2124 1258
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	23265696
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0 A, St Marta Street, Victoria, Gozo VCT 2550	21554492

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MerkantiHolding
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