4. Debt

4.1 The Bond Journey

4.1.0 Road to Debt offering

Last updated: September 16, 2022

A regular Bond Offering process typically requires smart preparation. The level of demand and planning for a Bond Offering is dependent on stage of the Company's development, on the characteristics of the transaction – the format of the offer prior to the listing ("the Offer"), the market of the listing and also on the type of presentation document that will be required to prepare and disclose to investors or any additional documents that the Company may wish to disclose.

The presentation document can be Prospectus drafted in accordance with the EU legislation ("EU Prospectus") or an Information Document/Technical note and aims to support investors in making an informed decision on whether to invest in the Company's bonds. Accordingly, it is necessary to ensure an adequate transparency to protect potential investors.

The preparation of an Offer addressed to the general public ("Public Offer") that has as a presentation document an EU Prospectus is more challenging than it would otherwise be for an Offer that only requires the disclosure of an Information Document, as a counterbalance to reach more investors and liquidity.

Drafting a Prospectus may be more demanding but not necessarily a burden: The Prospectus will be subject to approval by the CMVM, which provides the proper support, since early stages of the preparation process, to potential new issuers. The CMVM (or Regulator) performs streamlined and agile procedures for reviewing and approving Prospectus, as a part of its goal to support the development of capital markets.

An EU Prospectus may benefit of a higher level of confidence from the investors.

In certain circumstances the preparation of an EU Prospectus is a mandatory requirement for the Offer. The main characteristics that determine the need to prepare and disclose a Prospectus are:

- The market segment of the listing: listing on a regulated market requires a Prospectus, while listing on a Multilateral Trading Facility "MTF" does not require one;
- The target investors: offers directed to the general public require a Prospectus, while to Institutional Investors do not;
- The size and structure of the Offer: in Portugal, offers to the general public up to €8 million are exempted from the obligation to have a Prospectus.

Recommended reading: 4.1.1.2.3. Prospectus – further information on the presentation documents; 4.1.2.2.1. Presentation document – further information on the presentation documents.

Market segment

You might choose to list your bonds on a regulated market or on an MTF.

The regulated market has the higher level of eligibility criteria and more demanding ongoing requirements upon listing, given that is the segment that provides more liquidity and may attract more interest from investors, both institutional and retail. It should be noted that beyond the enhanced visibility provided by regulated markets, some Institutional Investors have investment policies that require to invest in regulated markets exclusively.

Alternatively, the MTF segments have lower eligibility criteria and less onerous ongoing requirements upon listing but may provide lower liquidity.

Recommended reading: 4.1.1.1.2. Eligibility criteria – information on the eligibility criteria for each segment and section; 5.2. Ongoing Regulatory Requirements – requirements for each segment.

Targeted investors

You may choose to offer your bonds to the general public (i.e. by pursuing a Public Offer) and/or to Institutional Investors (i.e. by pursuing a Private Placement). A Public Offer reaches a wider pool of investors and enhances the Company's image but may require a longer and more demanding preparation. Alternatively, a Private Placement will be commonly faster and less cumbersome but may result in lower visibility and liquidity.

Besides the exceptions that will be presented next, if you choose to pursue a Public Offer you will have to prepare a Prospectus. If you choose to pursue a Private Placement and a regulated market is chosen for listing you will also have to prepare a Prospectus, but simpler and more concise. Finally, in case of a Private Placement and listing in MTF you need to prepare an Information Document.

Offer size and structure

The Portuguese and European legislation provide exemptions for the need to prepare and disclose a Prospectus for Public Offers.

A Prospectus will not be required for a Public Offer if any of the following applies:

The Offer has total consideration in the European Union lower than € 8 000 000, calculated over a period of 12 months;

The Offer is addressed to fewer than 150 Retail Investors;

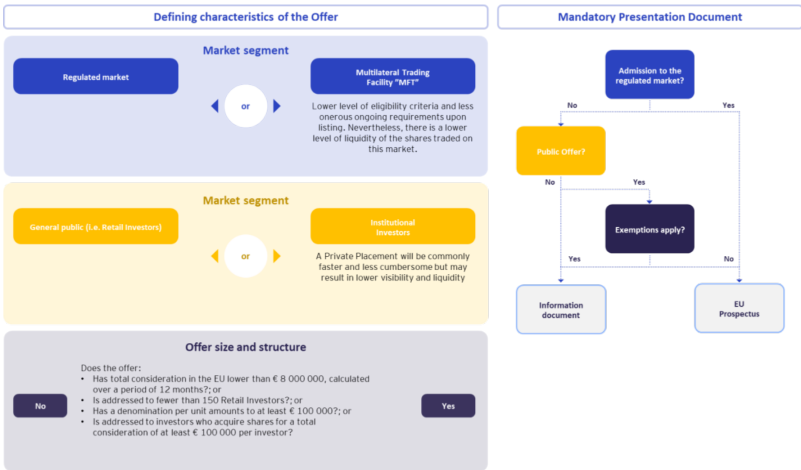
The Offer has a denomination per unit amounts to at least € 100 000;

The Offer is addressed to investors who acquire bonds for a total consideration of at least € 100 000 per investor.

SMEs and other companies meeting some criteria, may choose to draw up EU Growth Prospectus, a more simplified and concise Prospectus.

Recommended reading: 4.1.1.2.3. Prospectus.

Considering the referred elements, these are the different assumptions according to which a Prospectus may or may not be required:



In view of the above, the section '4.1. Full Scope Bond Offering Process (Bond Offering with Prospectus)' explains the typical Bond Offering process and its main steps in case a Prospectus is required. In section '4.2. Simplified Scope Bond Offering Process' we will present the main differences of the offering process when no Prospectus is required and the admission to trading is requested on an MTF.

4.1.1 Full Scope Bond Offering Process (Bond Offering with Prospectus)

Last updated: September 16, 2022

If the admission to trading of your Company's bonds takes place on a regulated market and/or if the Offer takes place through a Public Offer, the Company needs to prepare and disclose an EU Prospectus (unless any of the exemptions referred apply). This section aims to present to potential issuers the roadmap to follow in those situations.

Usually, the Bond Offering process is developed in 3 phases, namely Planning, Preparation & Review and Offering & Placement:

Planning

Bond Offering & Listing

Preparation & Review

Offering & Placement

The Bond Offering planning should lay the framework for a successful Offer. In order to ascertain that a Bond Offering is the optimal choice (and if so, what is the best format for an Offer), Companies should diligently analyse and rank all available funding alternatives.

In this phase, it's common to do the following steps:

Examine strategic alternatives and conduct a health check, preferably evaluate if the Company is perceived by Investors as suitable to proceed with the Issuance;

Consider the Eligibility Criteria for the available trading markets and determine the most appropriate market segment;

Select the key advisors who can help you throughout the issuance process.

It is advisable to hire advisors to perform and assist some of the tasks, such as due diligence (if needed) and the regulatory requirements (fillings and documents), adaptation of the financial information if required.

Main steps in this phase are the following:

Create a strong external Bond Offering team (bankers, attorneys, auditors, investor relations, and other advisers) and set a calendar for the Bond Offering;

Due Diligence (if needed);

Drafting of the Prospectus;

Engagement with the Regulator for the approval of the Prospectus with the Market Operator for the filling of the Listing Application;

Develop the Marketing and Communication Plan.

This is the last stage in the Bond Offering process and will culminate in the issuance of the bonds. This phase is key not only for the success of the Bond Offering but also for the Company's relationship with Investors, as this is a period in which the Company will have a high level of exposure and Investors' attention is highly focused.

The stages in this last phase are as follows:

Publicise the Offer to Investors and collect subscription orders through financial institutions;

Allocation of bonds to investors and settlement of the Offer.

Once you are knowledgeable about the required steps and with the help of experienced advisors, you should be able to navigate the Bond Offering process with relative ease. In this section you will find a detailed description of the 3 phases which culminate on the Bond Offering and listing of the bonds. Post-Listing in section "5. Life as a company with securities admitted to trading".

A comprehensive timeline detailing main events during the process is presented here.

4.1.1.1 Planning

Last updated: September 23, 2022

The chances of success of the operation are increased if in the period that precedes a bond offering, the executive team of the Company carries a solid end-to-end planning process.

Successful Bond Offering candidates will begin the planning process in advance. The planning phase (as well as the preparation phase) will vary greatly dependent on several factors such as: the issuer´s development stage, if it is the first issuance or not, if you have a base Prospectus, if the Company will launch a Public or Private Offer and if you chose a regulated market or an MTF for listing.

In the Planning phase, the main aspects to be covered are (i) the Bond Offering Structure and main features; (ii) the Eligibility criteria; and (iii) the appointment of Advisors. The following sections will cover each one of these (click on the diagram to fast-travel to any specific caption).

Bond Offering Structure and main features

and implement changes to enhance corporate governance and transparency as a company with publicly traded bonds.

Eligibility criteria

To access the bond market, companies must meet a number of preliminary requirements for admission to listing and trading, either on Euronext Access, Euronext Growth and Euronext. Those requirements must be taken into account when

Appointment of advisors

The process of issuing and offering bonds to the public might requires collaboration with investment banks, working as financial advisors and/or underwriters, the legal advisor, the reporting accountant, among others. Knowing the roles that the several advisors play and the right questions to ask them will help in selecting the best Bond Offering team.

4.1.1.1.1. Bond Offering Structure and main features

4.1.1.1.1.1. STRATEGIC OPTIONS

How to know if a Bond Offering is the right strategy to achieve your goals?

Even if a Bond Offering is the final goal and your approach to raise funding, you should consider other financing options in the context of shareholder and corporate objectives.

These alternatives and a comparative analysis between them are available in section '2.1. How can your Company finance its funding needs?'.

With all the possible alternatives for raising financing, you'll need a clear understanding of what's required, how long the process will take, how much it'll cost, and if alternative routes will need to be performed simultaneously.

What are the different types of corporate bond offers preceding the listing them?

When considering the possibility of offering bonds and having them traded on a stock market the Company should consider whether the issuance is going to be made by a Public Offer or a Private Placement.

A Public Offer is the process of distributing the Company's bonds to the general public. Upon listing, the bonds are ready to be exchanged by investors. The transition to being a Company with bonds traded on the stock market is a relevant step as the Company will be under the public eye.

A Private Placement is the sale of bonds to a select group of investors and institutions and is seen as a private alternative for debt financing. Private Placement transactions and allow the Company to sell more sophisticated financial instruments because on the other side there are professional investors who understand the potential risks and rewards. One consequence may be less visibility for the Company (including media, clients and other stakeholders) and the potential lack of liquidity as the bonds will be held by a small number of investors.

4.1.1.1.1.3. WHAT DO INVESTORS LOOK FOR/VALUE IN A BOND ISSUANCE?

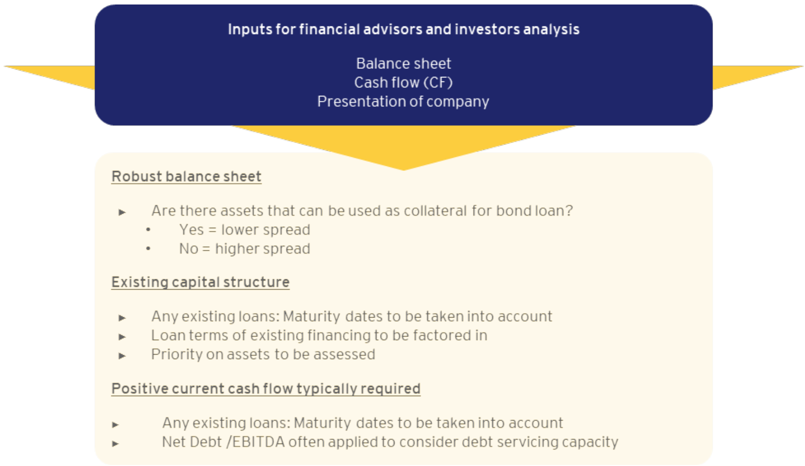
Prior to investing in a bond offering, investors will mainly focus on the current and future risk of the Company (namely the **credit rating**, if any, or the **financial metrics**, such as leverage and solvency ratios).

The bellow characteristics are valued by the investors:

- A resilient business model;
- An established and steady financial track record;
- A stable market position and good growth predictions;
- An experienced and skilled management team with a proven track record;
- A sound and healthy balance sheet;
- A strong cash generation, and the potential of future debt-deleveraging.

Additionally, investors will also have into account what is the intended use of the proceeds (e.g. acquisitions, refinancing of existing loans or general corporate purposes), and what collaterals and guarantees can be offered, if any.

A Company may request the assistance of a financial intermediary to place the offer of bonds. The diagram bellow presents an overview of the typical considerations the financial intermediary will make, when assessing the financial ratios of the Company at the start of the offering process. The terms and pricing of the bond to be issued will be subject, to some degree, to negotiations between the Company and the financial advisor(s)/placement members.



Is your company suitable to proceed with the issuing?

Prior to embarking on a bond issue, the Company must validate that there are no legal barriers to the issue. Accordingly, the Company should check that:

The issuance is compliant with the Companies law and the Company's articles of association;

There are no borrowing limitations in the Company's articles of association or in contracts and agreements to which the Company is a party that could hinder the issuance.

Additionally, if the bond issue is to be guaranteed by a parent company of the Issuer, similar questions need to be addressed in relation to the guarantor.

4.1.1.1.1.4. STRUCTURING THE BOND

In the planning phase of a corporate bond offering, the Company should consider various factors when structuring the bonds to be offered. Examples of such factors are presented below:

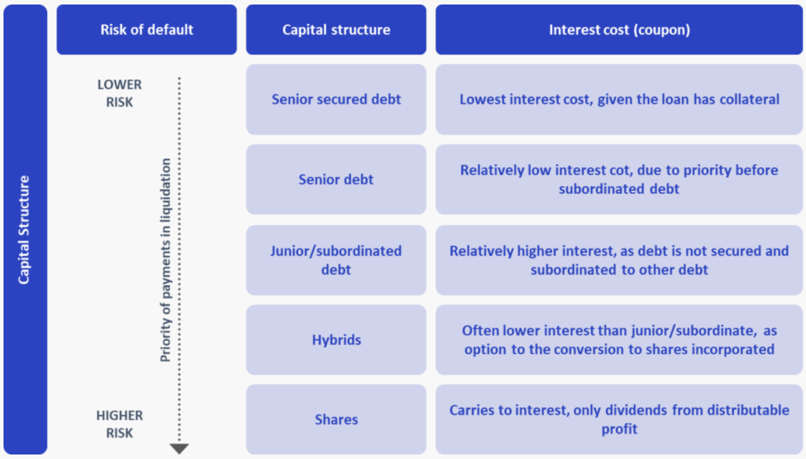
Size of the issue

The Company will typically have an idea of what is the amount of funding needed to pursue its objectives. Nonetheless, when considering a bond issuance, the Company should take into consideration that the amount of the issuance will impact the interest that potential investors will have in the offering. Some investors are only looking for large issues, in which they can invest large amounts of money (e.g. because the subsequent management of that investment is more efficient or because they estimate a higher probability of liquidity in the secondary market), hence demand is affected by the size of the issuing. Additionally, is worth noticing that some Institutional Investors are mandated for investing in large issuances exclusively.

Finally, as a bond offering entails structuring costs, the larger the size of the offer, the greater the dilution of these costs will be.

Capital Structure

The price and terms of the bond issue will be impacted by how the bond financing fits in with the Company's existing capital structure. The Company must also deliberate what (if any) collateral can be provided as a guarantee, which could offer lower interest costs. In case the best collateral has already been used as security for senior secured debt, the Bond debt twill rank behind secured debt. A possibility to reach a lower interest rate can be to issue convertible bonds (in shares), as investors will be rewarded with conversion rights in addition to the coupon (i.e. interest).



Additionally, the Company must also assess the impact that a bond issuance may have on its ability to repay existing debt obligations. Furthermore, any loan agreements previously in place may have covenants that need to be considered when new bond financing is being planned. Financial modeling (which can be done with the assistance of financial advisors) can be applied to see how the several features of financing fits together, also taking into account the financial covenants of the respective senior debt, junior debt, convertible bonds and any future investment plans.

Bond Issuer

For Group companies it is necessary to decide which entity will proceed with the bond issuance. Important factors are bond purpose, the capital structure of the Company (or Group) and the existent debt, the bond Issuer can be the ultimate parent company, an intermediate holding/operating company or a lower-level operating company.

Typically, senior debt is contracted and secured by the operating Company(ies). This is due to the fact that lenders have a preference to have the debt sitting in the entities where cash-flow generation is more preeminent. Accordingly, this type of debt has lower risk for investors and can provide lower interest rates. On the other hand, high yield bonds are frequently issued by the parent holding company, with higher risk when compared to senior debt. To mitigate investor risk in these cases, sometimes such bonds are secured with share pledges in the operating subsidiaries.

Colateral and/or guarantees

To improve the terms of the bonds, the Company may provide collaterals and/or guarantees.

Assets can be used as collateral or shares in subsidiaries can be pledged as guarantee/security. Alternatively, covenants can express that assets cannot be pledged without the consent of the bondholders (i.e. negative pledge). Alternatively, to enhance the creditworthiness of the Company and improve the terms of the bonds, they can be guaranteed by the Company's subsidiaries or by the Company´s major shareholder.

In addition, covenants may be included on the terms and conditions of the bonds to prevent the Company from becoming excessively leveraged and preserve the assets of the Company (or the Group), safeguarding the bondholders during the lifetime of the bonds. Accordingly, the covenant package may limit the ability of the Company (or the overall Group) to, for example:

- Incur in additional debt;
- Distribute profits;
- Sell assets and subsidiary stock;
- Grant security interests on the assets;
- Provide additional guarantees;
- Enter into affiliate transactions;
- Execute mergers or acquisitions;
- Change the ownership structure of the Company (or Group).

Maintenance covenants – a maintenance covenant is another option that can be considered. They require the Company to maintain a certain level of financial performance (measured with key financial ratios). Maintenance covenants are tested regularly. Typical examples of maintenance covenants are:

- Covenants designed to mitigate financial leverage: Net Debt/EBITDA ratio and the interest coverage ratio;
- Covenants designed to ensure liquidity: liquidity covenant, where the Company (or Group) needs to maintain a certain minimum of free cash.

If such covenants are included in the terms and conditions of the bonds, the Company will need to have systems in place to monitor and forecast its financial development along the fulfillment of these covenants.

Incurrence covenants – these covenants are only triggered when the Company undertakes some defined actions. For example, incurrence covenants can include that the Company is not allowed to distribute dividends, incur additional debt, proceed with M&A activities unless certain threshold or tests are established. Generally, Management finds it easier to deal with incurrence covenants, given that the Company will not need to continually monitor whether the financial ratios are maintained. Nonetheless, incurrence covenants offer lower safety for the bondholders, as they are only tested when the Company undertakes specific actions.

Maturity and coupon

The Company should consider the maturity of the bond loan having into account its current future obligations (e.g. existing debt agreements) and its future cash flow prospects. Typically, higher maturities will require higher interest rates.

In addition, the Company must decide the type of coupon (i.e. the fixed orfloating rate of interest that the Company will pay its bondholders). The coupon and the associated covenant package will reflect all factors set out above plus investor preferences and demand. Financial advisors will assist on the definition of those terms.

Some relevant/common classifications

Standalone issuance vs. issuances under a program – a standalone bond issue is carried out independently, therefore, the Company achieves a financing transaction in one shot, which may be relevant, for instance, for a special project. The issuance is not integrated into a program.

If a Company needs several rounds of financing through a certain period of time, it may be easier to set up a programme for that purpose, instead of preparing each round independently. Euro medium term note (EMTN) programmes are the most common in Europe, allowing companies to issue and/or list bonds through an existing programme and base prospectus. The Company: i) will establish the framework of the bonds to be issued (main features) and will request approval of a base prospectus that will describe the framework applicable to such programme and the bonds to be issued. Each time the Company wishes to issue and/or list the bonds, the programme is already in place and a new prospectus is not required (updates to the base prospectus may be required).

This is an easy way to recurrently access market, plus allowing issuers to do so in several European markets, provided that the programme and base prospectus already contains such feature. Bonds issued under EMTN programmes generally have maturities of less than 5 years, being flexible in terms of interest rate (fixed/variable, other) and may be offered to the general public and/or institutional investors, as well as listing in regulated markets or MTF.

Green bonds – Green Bonds enable capital-raising and investment for new and existing projects with environmental benefits. The categories of potential eligible green projects include, but are not limited to, renewable energy, energy efficiency, sustainable waste management, sustainable land use, biodiversity conservation, clean transportation, climate change and climate adaptation. All companies that intend to issue a green bond usually submit an independent third-party external review. As a rule, to be accepted by the market, your report should usually be consistent with ICMA's Green Bond Principles. To continue to be eligible for sustainable financing, issuers of green bonds must submit material information and reports regarding the current 'ESG' status of the bond(s) for filing. The Company must provide the Regulator and the stock market operator with any information that may cause the ESG bond(s) to no longer qualify, as soon as the Company becomes aware of such information.

Sustainability linked bonds – Sustainability-linked bonds aim to further develop the key role that debt markets can play in funding and encouraging companies that contribute to sustainability (from an environmental and/or social and/or governance perspective). Unlike Green Bonds, Sustainability linked bonds can be used to finance any corporate activity and their proceeds do not need to be allocated to specific projects. Notwithstanding, the Company commits to reaching determined measurable Sustainability Performance Targets around pre-determined KPIs, and to having these reviewed by an independent external party. Another core feature of this type of bonds is that the financial and/or structural characteristics of the bond can vary depending on whether the Company achieves the predefined sustainability objectives. As a rule, to be accepted by the market, your report should usually be consistent with ICMA's Sustainable-Linked Bond Principles.

4.1.1.1.2. Eligibility criteria

You should have to consider the eligibility criteria of the markets your Company is considering listing its bonds, either a regulated market or an MTF, in Portuguese markets or abroad.

If your Company chooses to request admission to trading of bonds on a Portuguese regulated market or the MTFs managed by Euronext, the requirements for admission on each market are shown below:

Legend

Obligations derived from Portuguese and UE legislation enforced by CMVM

Obligations derived from Euronext rules enforced by Euronext

Issuer

<table>
<tr><th></th><th colspan="2">MTFs</th><th>Regulated Market</th></tr>
<tr><th></th><th>Euronext Access</th><th>Euronext Growth</th><th>Euronext</th></tr>
<tr><td>Company's incorporation</td><td colspan="3">Shall be incorporated and validly operate according to its respective national personal law</td></tr>
<tr><td>Company's economic and financial position</td><td>Not applicable</td><td colspan="2">Companies shall demonstrate that its economic and financial position is adequate considering the nature of bonds to be listed and the respective market</td></tr>
<tr><td>Company's operations</td><td colspan="2">Not applicable</td><td>Companies shall be operationally in business for at least three years, except with CMVM's authorization</td></tr>
<tr><td>Company's Board of Directors</td><td colspan="2">Not applicable</td><td>Members of the Board of Directors must have satisfactory expertise regarding the Rules and applicable laws and regulations</td></tr>
<tr><td>Registration of the articles of association for more than 1 year</td><td colspan="3">Only companies whose articles of association have been definitively registered for more than 1 year may issue bonds, except if:
► They have resulted from the merger/division of companies of which at least one has been registered for more than 1 year; or
► The bonds are guaranteed by a credit institution, by the State or a similar public entity;
► Financial information on the issuer is made available to investors, not exceeding 3 months prior to the issue, audited by an independent auditor registered with the CMVM and prepared according to the applicable accounting standards.</td></tr>
<tr><td>Paid up capital</td><td colspan="3">Companies may not issue bonds before the capital has been fully paid up or, at least, before all shareholders who have not paid up their shares in due time have been put in default.</td></tr>
<tr><td>Company's financial autonomy ratio</td><td colspan="3">The issuance of bonds depends on the capability of the Issuer presenting, after the issuance, a financial autonomy ratio ≥ 35%. The ratio is calculated with the following formula: Financial autonomy = SE/NA x 100, in which:
► Shareholders' equity (SE): sum of paid-up capital, minus own shares, with reserves, retained earnings and adjustments in financial assets
► Net assets (NA): assets recognised according to the applicable accounting standard

The balance sheet used for the calculation should be one of the following, and if there is more than one, it should be the most recent:
► The balance sheet of the last financial year, provided that it was closed within the six months prior to the date of the bond issue
► The balance sheet of the first 6-month period of the current accounting period on the date of the bonds issue, if the Company is obliged to publish semi-annual accounts

Compliance with this requirement must be verified by an opinion of the supervisory board, the single auditor, or chartered auditor.

These requirements do not apply to:
► Companies with shares admitted to trading on a Regulated Market
► Companies with a credit rating of the issue attributed by a rating company registered with European Securities and Markets Authority (ESMA)
► Issues whose reimbursement is guaranteed by special guarantees in favour of the bondholders
► Issues whose unit par value is ≥ €100,000, or whose subscription is carried out exclusively in minimum lots of a value ≥ €100,000
► Issues which are fully subscribed by qualified investors and provided that the bonds issued are not subsequently placed, directly or indirectly, with non-qualified investors</td></tr>
<tr><td>Deliberation</td><td colspan="3">► No decision can be made for a new the bond issuance while a previous issue is not subscribed and paid up.
► A new series cannot be launched while the bonds of the previous series are not subscribed and paid up.</td></tr>
<tr><td>Rating</td><td colspan="3">Companies qualifying as SMEs requesting an admission to listing of bonds via a Public Offer must obtain a rating (in relation to the Company or the relevant bonds to be offered) from a credit rating agency duly registered with or certified by ESMA</td></tr>
</table>

SMEs

Companies that have a market capitalisation of less than € 100 million (if listed) or according to their last annual or consolidated accounts meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding € 43 million and an annual net turnover not exceeding € 50 million (if unlisted).

Offered bonds

	MTFs		Regulated Market
	Euronext Access	Euronext Growth	Euronext
General	The bonds have been validly issued and their content and forms of representation are according to the respective applicable legislation; listed bonds are freely negotiable and transferable		
Minimum amount of the Offer when requesting admission to trading	Not applicable	Public Offer: €5m Private Placement or Direct Admission: €200,000	
Rating	Euronext may notably further require, by a Notice, that bonds to be admitted, not involving a public offer, are rated by a credit rating agency		

Listing process

	MTFs		Regulated Market
	Euronext Access	Euronext Growth	Euronext
Intermediary accredited by Euronext	Listing Sponsor (or a duly authorized Investment Firm or Credit Institution)	Listing Sponsor (except for a Private Placement)	Listing Agent
Presentation Document	Public Offer = > €8m: EU Prospectus Public Offer below these amounts: Information Document Private Placement or Direct listing: Technical Note	Public Offer => €8m: EU Prospectus Public Offer below these amounts or for an admission through Private Placement or Direct Listing: Information Document	EU Prospectus (simpler and more concise if no Public Offer)

Financial information

	MTFs		Regulated Market
	Euronext Access	Euronext Growth	Euronext
Company's financial Statements	2 years (if relevant, and no requirement for audited accounts)	2 years (audited annual accounts, unless the fiscal year ended more than 9 months before the admission to trading date - interim accounts)	The Company shall disclose its audited annual accounts and financial reports for the 3 years prior applying for admission (or 2 for SMEs), except with CMVM's authorization
Accounting Standards	IFRS or local GAAP		IFRS

4.1.1.1.3. Appointment of advisors

Do you know who to ask for assistance in the Bond Offering process?

Besides the Company's Management, advisors may typically have a crucial role in the Bond Offering process, for instance, by assisting with preparation of the documentation for the offering, ensuring that all the eligibility criteria are fulfilled, by managing the marketing and sale of the Company's bonds and dedicating time to the analysis on how to "position" the Company to achieve a successful offering. Therefore, an experienced and motivated team will increase the likelihood of an orderly and professional offering process and a positive reception from investors.

What factors should companies consider when selecting advisors?

Track Record

Has the advisor been involved in successful Bond Offering processes? Does the legal advisor hold strong knowledge and practice in capital markets and industry specific legislation and regulation?

Reputation and Experience

Can the advisor provide special insights, advice, and research on the industry? Does the advisor have strong relationships with investors from the Company's sector? Is the advisor perceived as credible by the capital markets?

Analyst Coverage

Do research analysts cover the industry and comparable companies (at national and international level)?

Distribution Strength

Does the advisor have solid distribution capabilities with retail and institutional investors? How effective is its retail sales force and its institutional sales force? Can the advisor reach regional, national or international?

Commitment to the Company

Will the advisor make the Company's offering a priority?

Aftermarket Support

Will the advisor continue to advise the Company as a Company with publicly traded bonds and, when applicable, present it to potential investors?

The Company must dialogue with potential advisor candidates to measure how well they understand both the capital markets environment and, the Company and respective industry, and the aspects that investors will focus on in deciding whether to invest. To better decide between potential advisor, companies may test their knowledge regarding:

- Other Company's comparables;
- Experience in capital markets and industry specific legislation and regulation;
- How the Company's bonds expected valuation compares to the comparables' bonds valuation;
- Recent offerings have occurred in the Company's industry;
- The pros and cons of each market segment;
- What are the main steps your Company needs to take prior to the Bond Offering and how can the advisor help you.

TIP

Advisors will not want to commit significant time and resources if they are not confident that the offering will be successfully completed. The number of the advisors approached depends partly on the attractiveness of your offering. If it is large and likely to attract larger firms, you may decide to approach more financial intermediaries. It is important, though, to inform potential advisors that you are approaching others..

Is a credit rating needed to proceed with an offering of bonds to the public?

Credit Rating

A credit rating refers to a quantified assessment of a borrower's creditworthiness in general terms or with respect to a particular debt or financial obligation. Accordingly, the credit rating determines the ability of a company to fulfill its financial obligations within the defined deadline (i.e. likelihood a company will default or the credit risk carried by a debt instrument).

Credit assessment and evaluation for companies is performed by a credit rating agency. These rating agencies are paid by the Company looking for a credit rating for itself or one of its debt issues. A credit agency appraises the credit rating of a debtor by evaluating the qualitative and quantitative attributes of the Company in consideration. The information used in the referred appraisal may be obtained from internal information provided by the Company, such as audited financial statements, business plan, annual reports, as well as external information such as published news articles, analyst reports, overall industry projections and analysis.

A credit agency is not involved in the offering process, therefore, is considered to deliver an independent and unbiassed opinion of the credit risk carried by a specific company looking for to raise financing through a bond issuance.

It is not mandatory to have a credit rating to execute the bond offering and most of the debt issues do not present one. However, Companies may find it beneficial taking into account the specific conditions of the bond offering and the investors that will be targeted. For instance, having a credit rating may enhance the investors' appetite for the offer as there are some institutional investors that may only invest on bonds with a rating attributed to it.

In addition, obtaining a rating may be a requirement for the admission to listing. According to Euronext Rulebooks, companies qualifying as SMEs (view definition in 4.1.1.2. Eligibility criteria) requesting an admission to listing of bonds via a retail offering / public offering are obliged to obtain a rating (in relation to the Company or the relevant bonds to be offered) from a credit rating agency duly registered with or certified by the European Securities and Markets Authority (ESMA), except if otherwise agreed by Euronext and the issuer.

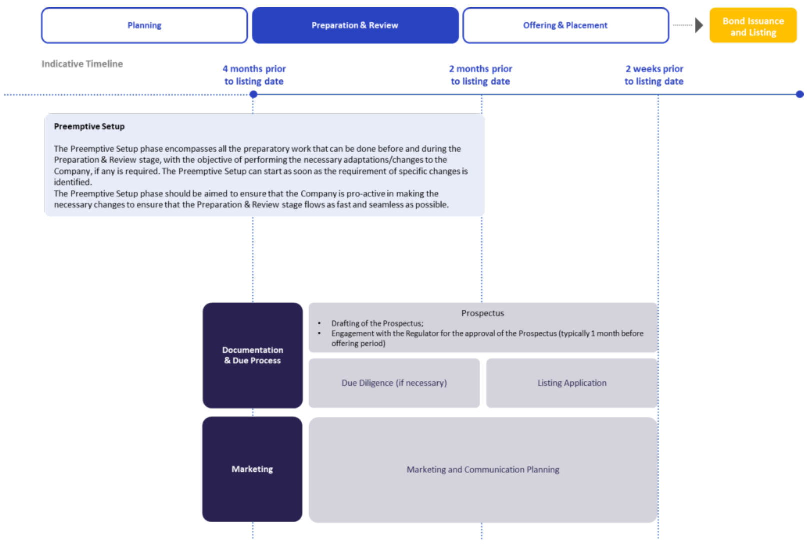
ESMA accredit credit rating agencies may be found on this website: CRA Authorisation (europa.eu). Currently there are three credit agencies that control most of the overall ratings market: Moody's Investor Services, Standard and Poor's (S&P), and Fitch Group. The bigger agencies are normally more expensive than the smaller ones.

4.1.1.2. Preparation

Last updated: April 13, 2023

The preparation phase may take between 2 to 4 months before finalizing the process of admitting the bonds to trading. The preparation phase (as the planning phase) will vary greatly dependent on several factors such as: the Company´s development stage, if it is the first issuance or not, if you have a base Prospectus, if the Company will launch a public or private offer and if you chose a regulated market or an MTF for listing.

What are the necessary preparation steps you need to take?



Preemptive setup

Due Diligence

Prospectus

Listing application

Marketing and Communication Planning

Early-look meetings with investors

4.1.1.2.1. Preemptive setup

4.1.1.2.1.1. KICK-OFF MEETING

Once all members of the Bond Offering team have been selected, the kick-off meeting brings them together to agree on:

Their roles and responsibilities
The offering's nature and structure, namely, whether it will be made through a public offering and/or also a private placement, will target investors resident in Portugal or abroad and in which jurisdictions.
Coordination of responsibilities for drafting sections of the Prospectus
The timetable for the whole process.

4.1.1.2.1.2. ADAPT CORPORATE GOVERNANCE STRUCTURE AND INTERNAL COMPLIANCE FUNCTIONS

How efficient, compliant and accountable is your Company?

Corporate Governance structure

Companies that intend to have bonds admitted to trading on Regulated Markets may have to adapt their Corporate Governance structure. Below it is presented the obligations that these companies must fulfill in what regards their organizational structure:

General meetings – The board of the General meeting must be independent*****.
Members of the Management and Supervisory Bodies – the liability of each member of the referred bodies must be guaranteed by one of the forms accepted by law, in an amount established in the articles of association, which may not be less than €250k.
Supervisory Board – the Audit committee must include at least one member who has a university degree appropriate to the performance of his duties and knowledge of auditing or accounting and who is independent.

*To be independent, the members must not be associated with any specific interest group of the Company or be under any circumstances likely to affect their exemption from analysis or decision. Particularly, to assure their independence, members cannot (i) hold or act on behalf of holders of a holding equal to or greater than 2% of the Company's share capital; and (ii) have been re-elected for more than two terms, continuously or interspersed.

Review of internal functioning and organisation

Your Company should also anticipate the rules applicable to companies with bonds listed in order to allocate the necessary resources and put in place the internal compliance functions, processes and systems necessary to guarantee the compliance with those rules.

Recommended reading: 5. Life as a Company with securities admitted to trading.

4.1.1.2.1.3. ADAPT FINANCIAL ACCOUNTS, IF NECESSARY

Depending on the market your Company wishes to list its bonds, different rules on accounting standards apply.

For example, a Company with bonds admitted to trading on a Regulated Market, such as Euronext Lisbon, is required to report financial accounts in compliance with the international accounting standards accepted at European level, corresponding to IAS/IFRS or accounting standards considered equivalent to IFRS by the European Commission.

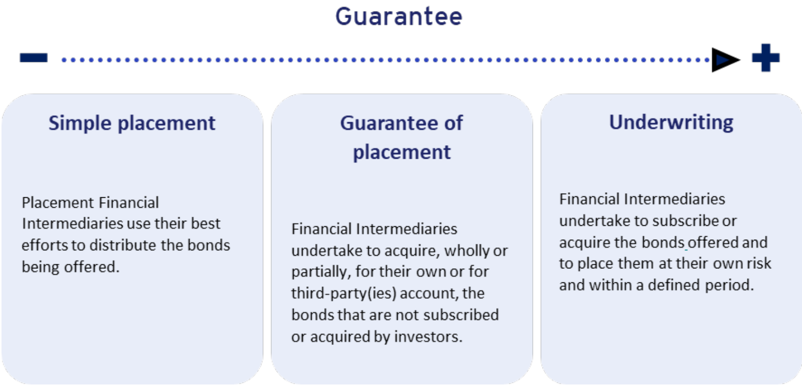
The Company will therefore have to consider the requirements related to adoption of these accounting standards. You might require assistance from certified accountants in order to fully understand the impact of change in the accounting framework (although the recent trend has been a gradual convergence between standards). Nevertheless, although IFRS can be more complex, it presents the advantage of comparability with companies at European level, which may promote the Company notoriety towards international and Institutional Investors. Hence, if you need to convert your accounts you can easily be assisted by a professional and this conversion will enable you to benefit from the advantages stated.

A Company with bonds admitted to trading on Euronext Growth and Euronext Access has the choice of reporting its accounts in accordance with IFRS, or accounting standards considered equivalent to IFRS by the European Commission, or with the accounting standards applicable in Portugal (i.e. SNC).

4.1.1.2.1.4. PLACEMENT AGREEMENTS AND APPOINTMENT OF PLACEMENT FINANCIAL INTERMEDIARIES

At the beginning of the Bond Offering journey the Company's management meets with potential Bond Offering partners that may be appointed to support the Bond Offering process, as well as the Company on the life after becoming a company with listed bonds.

Moreover, your Company may appoint one or more Placement Financial Intermediaries that will be in charge for the distribution of the offered bonds and will negotiate and enter with such Placement Financial Intermediary(ies) a placement agreement to regulate the terms and conditions of the distribution services.



The negotiation of a placement agreement may require some time and should start early in the bond offering preparation phase. Signing must occur prior to the approval of the Prospectus by the Regulator.

4.1.1.2.1.5. INTERNAL DECISION-MAKING PROCESS

The decision to offering bonds to the public and related decisions during the bond offering journey require the prior approval of corporate resolutions during the Preparation phase, such as:

Appointment of the Company's advisors
Decision to issue the bonds and their structure (e.g. coupon payment periodicity, greenbond.)
Decision to list the bonds
Decision of allocation of bonds to the Public Offering and to the Private Placement
Pricing Decision
The general meeting of the Company is responsible for approval of the decision to issue bonds, except if its articles of association empower the board of directors with such competence. In any case, the resolution approving the bonds issue typically delegates power to the board of directors or managers to take decisions during the preparation process.

4.1.1.2.1.6. ENGAGEMENT WITH THE REGULATOR, THE STOCK EXCHANGE AND THE CENTRAL SECURITIES DEPOSITORY

The applications for the Prospectus approval by the Regulator (in Portugal, the CMVM), for the listing approval by the Stock Market Operator (in Portugal, Euronext Lisbon) as well as for the registration of the Company's bonds with the Central Securities Depository (in Portugal, Euronext Securities Porto) should be filed with a set of legal and financial documents set out in the applicable laws and regulations.

It is recommended that the Company, and its advisors, engage with these entities in an early stage of the Bond Offering journey for a smooth and timely approval procedure.

4.1.1.2.2. Due Diligence

Contrary to what occurs in equity offerings, in bond offerings the due diligence will normally only take place in case there is either an underwriting of bonds by the arrangers or some sort of offering / roadshow to institutional investors, normally at the request of the underwriters or these investors. Furthermore, since bond offerings do not entail a change of the issuer's shareholding structure, the scope of this due diligence is usually more restricted than equity offerings' due diligences, including only financial, commercial, legal, accounting and tax matters that may be deemed key by the underwriters or institutional investors.

This process is intended to provide knowledge of the Company, allowing it to correct any issue before the offering of its bonds and supporting it with strengthening of its business and corporate governance practices as well as ensuring that the required information about the Company will be disclosed in the Prospectus. Throughout the Bond Offering process, additional due diligence sessions may be planned at each key milestone to ensure that the information disclosed is up to date.

Recommended reading: 4.1.1.2.3. Prospectus.

Why should a Due Diligence be performed in the context of a Bond Offering?

The purpose of conducting a Due Diligence process in the context of a Bond Offering may be to:

Ensure that any risks and/or contingencies (both reputational or economically) that were identified in the Due Diligence process are addressed/mitigated before the Offer;
Select/identify the information that must be part of the Prospectus, to give the reader an accurate view of the potential investment, without misleading or deceptive statements or omissions;
Test the assurance and accuracy of the information that will be included in the Prospectus.
As a best practice all information included in the Prospectus should be tied to a source document that was duly analysed during the Due Diligence and confirmed by the Company's board, management of the Company and its external advisers (legal, accounting and any others as appropriate).

4.1.1.2.3. Prospectus

If you decide to proceed with a Public Offering in which the offer size and/or structure does not meet one of the exemptions presented in section '4.0. Road to Debt offering' and/or you will request admission of the offered bonds to a Regulated Market, you will have to prepare and disclose to the public a Prospectus approved by the Regulator, drafted in accordance with the EU Prospectus Regulation.

What is the Prospectus?

The Prospectus is a legal document, which provides to potential investors and analysts all material key information that may affect the investment decision. The Prospectus includes legal, financial (both historical and prospective financial information) and commercial information with contents adapted to the Company's profile and bonds.

This document enables investors to clearly assess the Company's patrimony, financial situation, results, and prospects. The Prospectus must be complete, understandable, and consistent. Once approved by the Regulator, it will be published prior to the bond offering or admission to trading.

The Prospectus may be drafted as a single document or as separate documents, dividing the required information into:

Summary*

The summary should be drawn up in a standardised format and in a concise manner, using simple language to make it easier to understand.

The summary should contain i) key information regarding the risks of the Issuer and the bonds that are being offered, ii) the offer's terms and conditions, and the reasons for the offer and the allocation of revenues.

*The summary may not be required.

Registration Document

Document presenting the Issuer, its sector and business activities, including risk factors, assets and liabilities, accounting and financial information, management, and corporate governance, among others. It contains the information that will subsequently be shared with investors and analysts through the media, ensuring fair and equal diffusion to all parties.

Securities Note

Document defining the main terms of the transaction and information on the bonds that are being offered and / or intended to be admitted to trading, including the number of bonds, the distribution price, the relative seniority of the bonds in the Company's capital structure, the interest rate and maturity date, a calendar for the offer, and the use of proceeds.

What is an EU Growth Prospectus?

Considering the specificities of the different types of bonds, Companies, offers and admissions, the EU Prospectus Regulation foresees different types of Prospectus, such as the EU Growth Prospectus. This is a simplified Prospectus for certain Companies, with limited page numbers and less information required, making it easier for these companies to access the capital markets. The EU Growth Prospectus may be used regardless of the market segment in which the issuance will take place.

In what context can a company choose to draw up an EU Growth Prospectus?

Companies which comply with the guidelines below can opt for the simplified EU Growth Prospectus, provided that they do not have securities admitted to trading on a Regulated Market:

►Companies, classified as SMEs, i.e. according to their last annual or consolidated accounts, they meet at least two of the following three criteria:

- an average number of employees under 250;
- total assets recorded in the Balance Sheet do not exceed €43m;
- annual net turnover does not exceed €50m.

►Companies, other than SMEs, whose securities are traded or are to be traded on an SME growth market, provided that those Companies had an average market capitalisation of less than €500m on the basis of end-year quotes for the three calendar years prior.

►Companies, other than the ones mentioned above, where the offer of securities to the public does not exceed €20m calculated over a period of 12 months, and provided that such companies have no securities traded on an MTF and have an average number of employees during the previous financial year which does not exceed 499.

What is EU passporting of Prospectus?

As EU Prospectus rules are similar in all Member States, once a Prospectus has been approved in one EU country, it is valid throughout the EU (through the passport mechanism). This represents an important simplification for Companies since allows Companies to launch offers or admit to trading debt instruments in several EU countries, resorting to the same Prospectus, provided that the Company requests the Regulator approving the Prospectus to send it (passport) to the Regulators of the relevant Member States.

What is CMVM approach?

CMVM recognizes that streamlining the conditions for issuers to access financing through capital markets, together with ensuring high quality standards for information to be provided to investors, generates trust and is a key element for the development of the Portuguese capital markets.

In the context of public offers or admission to trading processes, CMVM assumes as a priority the commitment with specific approval dates and the agility in reaction times to analyse Prospectus and recognizes the importance of calendars' predictability as essential conditions for a smooth Prospectus approval processes.

Predictability & Timeline

– Interactions and approval according to a calendar previously agreed with the Issuer;
– Clear comments and understandings (in writing) – focus on the crucial information for investors;
– Quick reactions to drafts (commitment and track record [link]).
CMVM assumes the Issuer´s commitment to complete reactions, for the benefit of the procedure.

Availability & Agility

– Kick off meeting (if requested) before preparing and submit the Prospectus and further meeting (as needed);
– Credible and responsive process, coupled with smooth and informal interactions during all the process.

Prospectus process

1. Preparation of the Document

The Prospectus must include complete, true, updated, clear, objective and lawful information regarding, for example:

The description of the Company, including its business overview and strategy;

Governance structure;

The economic and financial position of the Company;

The characteristics of the offer, the corresponding bonds and the rights thereto attached;

If intended by the Company (not mandatory), estimates regarding operating and financial activities and prospective financial information for the Company.

CMVM will be available to clarify any queries during the drafting procedure.

What information needs to be included in the Prospectus?

Business Description

The Prospectus provides a brief history of the business and a timeline of key-events of the company across time. It also contains details about the Company's incorporation and an explanation of the Company's strategy.

The Company's core economic operations are also described in the Prospectus, informing potential investors about the goods and services it offers as well as any recent changes to its business model.

Risk Factors

The Prospectus must disclose all material risk factors that may affect the Issuer and its bonds. If a Due Diligence process takes place, risk factors may be identified during such process.

Issuer's financial data

The Prospectus must include the Annual Accounts for the last two financial years (or such shorter period as the Company has been in operation).

All historical financial information must be audited and certified by a Charted Accountant. Additionally, in case there is a material change (usually a transaction), additional financial information may need to be disclosed, namely, on how that event affected the financial position of the Company.

Deal Structure

A description of the offer must be included in the Prospectus, allowing investors to understand the characteristics of the offer and features of the bonds (including the rights attributed to bondholders).

Credit ratings

It must be disclosed, if applicable, credit ratings assigned to the bonds at the request or with the cooperation of the issuer in the rating process and a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.

Profit forecast

Although not mandatory, it may be recommended (or, in certain cases, if already disclosed, it may be mandatory) to include in the Prospectus, as this is relevant information for investors, prospective financial information in the form of a financial performance forecast.

Tax information

The Prospectus must include a warning that the tax laws of the investor's Member State and the Issuer's Member State of incorporation may affect the income received on the bonds.

Additionally, the Prospectus shall include proper information in the case that the proposed investment originates a special tax regime, as for example in the case of investments in bonds which give investors favourable tax treatment.

Offer price and intended use of proceeds

It is allowed not to mention, in the Prospectus, the final offer price and/or the final number of bonds offered to the public, provided that:

- The Prospectus discloses the criteria, and/or the conditions applicable in the determining the offer price and quantity of bonds or, the maximum price and amount of shares to be offered; or
- Acquisitions or subscriptions may be withdrawn for a period of no less than three working days following disclosure of the final offer price and the amount of bonds offered.

As soon as the final offer price and the final number of bonds offered are determined, they must be notified to the CMVM and disclosed.

As the Company will often offer an issue of securities when it is unable to raise capital internally to finance a large investment (e.g. expand its operations to other geographical locations, acquire proprietary technology, production of a new line of products), the Prospectus should include some considerations about the intended use of the proceeds of the operation.

Language

Public offers' Prospectuses in Portugal are generally drafted in Portuguese, although it is very common to be drafted in English, with a Portuguese version of the Summary, if necessary.

2. Submission and request for approval

Companies should meet, early in the process, with the Regulator to present the main features of the offering and to agree on an indicative timetable for the Prospectus approval procedure. These interactions are extremely important for a smooth procedure and to agree on the calendar for the versions of the draft Prospectus to be submitted to the CMVM as explained above in "What is CMVM approach?"

What is the timing for the Prospectus approval?

Preliminary calendars are usually agreed upon with the CMVM so that the Company has some idea of when it can expect the competent authority to ratify the Prospectus.

CMVM has disclosed and will periodically continue to disclose the timeline of its reactions in the context of prospectus approval procedures, aligned with its public commitment with fast, predictable, and transparent procedure, ensuring that the revision process takes into account the companies financing needs and market opportunities.

Below you can find data on the average timeline for CMVM reaction to the multiple versions of Prospectus supplements and securitization transactions:

	Average reaction times Working days			
	2019	**2020**	**2021**	**2021**
Total average time of reaction to 1st versions of Prospectus/supplements	**4**	**5.6**	**4.6**	**5.5**
Total average time of reaction to subsequent versions	2.5	2.4	2	**2.2**
Prospectus of Public Distribution Offers (all versions)	2.1	2.6	2.5	**3.2**
Base Prospectuses (all versions)	2.3	3.9	2.3	**2.6**
Admission Prospectus (all versions)	1.8	3.2	3.6	**5.1**
Supplements (all versions)	1.1	2.5	0.6	**2.5**
Securitisation transactions (alphanumeric code, all versions)*	-	-	3.5	**2.7**

*Monitoring began in 2021. In 2022, the CMVM authorised more than 28 titularisation operations, involving more than €1 billion of bonds issued.

3. Review

The CMVM conducts a thorough review to verify the adequacy of the Prospectus with the legal requirements relating to its content and form, particularly by examining the completeness, comprehensibility and consistency of the content, and to ensure that the Prospectus contains all the information needed for investors to make an informed decision.

This review period starts when a first draft of the Prospectus is filed with the Regulator. Afterwards, through an interactive and streamlined process, the Prospectus is revised and a final version is submitted for CMVM's approval, in accordance with the calendar and the Company's needs.

4. Approval

The approval of the Prospectus implies a verification of the completeness, consistency and comprehensibility of the information Included in the Prospectus. The CMVM will ensure that all the information contained in the Prospectus meets the minimum requirements for investors to be able to make informed decisions about the bonds.

Once the CMVM grants approval, the Prospectus is published on CMVM's website. All approved Prospects are published on CMVM's website, which provide examples prior to start drafting the Company's Prospectus.

5. Publication

Once approved, the Prospectus must be made available to the public at a reasonable time in advance of, and at the latest at the beginning of, the offer to the public or the admission to trading of the bonds involved. Click on the **button** below to find out where the Prospectus must be published.

Where must the Prospectus be published?

The Prospectus must be made available to the public in electronic form on any of the following websites:

a) the website of the Issuer, the offeror or the person asking for admission to trading;

b) the website of the Placement Financial Intermediaries placing or selling the bonds, including paying agents;

c) the website of the Stock Market Operator where the admission to trading is pursued;

d) the website of the Regulator who as approved the Prospectus.

The Prospectus must be published on a dedicated section of the website which is easily accessible when entering the website. It must be downloadable, printable and in searchable electronic format that cannot be modified.

Validity

The Prospectus for a Public Offering for distribution remains valid for a 12-month period from the date of their approval by the CMVM, and provided the Prospectus is updated accordingly with any supplements that may be required. In particular, a base Prospectus might be a relevant and very interesting tool providing companies with sufficient flexibility to fulfill emerging financing needs throughout a period of 12 months after its approval.

Supplements

It may occur that in the time between the approval of the Prospectus and the time when trading on a Regulated Market begins a material mistake or a material inaccuracy relating to the information included in a Prospectus, which may affect the valuation of the bonds.

In these cases, the Company must issue a supplement to the Prospectus with the relevant information and request approval of the document from CMVM. The supplement approval process takes into account the fact that it arises at the specific time where CMVM's fast reaction is off upmost importance to mitigate the potential disruption of such event. Therefore, supplements are approved very quickly after the emergence of a triggering event, allowing investors who have already presented subscription orders the right to withdraw them.

Investors who accepted the offer prior to the disclosure of the supplement have the right to withdraw their acceptance within not less than three working days following the disclosure of the supplement, provided that the significant new factor, material mistake or material inaccuracy arose or was noted before the closing of the offer period. That period may be extended by the Company or the Offeror. The final date to exercise the right of withdrawal must be stated in the supplement.

4.1.1.2.4. Listing application

In order for a Company's bonds to be admitted to trading, a request for the listing of the bonds must be submitted to the stock market operator. In Portugal the operator is Euronext Lisbon, who will verify compliance with the general requirements for admission to trading.

Recommended reading: 3.1.1.1.2. Eligibility criteria.

In case of listing in Portuguese markets, to kick-off the admission to trading process, the Company first meets with Euronext to present the listing project and agree on a timetable regarding the admission to trading process.

The Company must appoint a Listing Agent (Euronext Lisbon) and a Listing Sponsor (Euronext Growth and Euronext Access) who will assist and guide the Company with the admission to trading and also help the Company to prepare the application form and all the documentation that must be submitted to Euronext Lisbon.

At the same time as the proceedings above, the Company needs to register its bonds with the Portuguese Centralised System of Registration of Securities managed by Euronext Securities Porto.

Decision

Euronext will decide on the application for admission to listing within a maximum period of 30 trading days (1 month for Euronext Growth and Euronext Access) after receiving the required documentation, unless agreed otherwise by the applicant Company and Euronext Lisbon.

In the event of a Public Offering of bonds, the admission to trading shall become effective only after the assessment of results and settlement of the offering.

4.1.1.2.5. Marketing and Communication Planning

Marketing and Communication strategy throughout the Bond Offering process is crucial as it enables the Company to manage investor relations; generate interest and mitigate perceived uncertainty.

In the context of a Bond Offering, it is of paramount importance that the Company, with the assistance of its advisors, diligently defines how to present and promote the offer to potential investors.

While the Prospectus is being drafted, a marketing strategy is designed to create investor interest and momentum. The Company and its advisors may draw up a presentation to use in meetings with investors, which includes exclusively contents presented in the Prospectus.

Marketing documents may be prepared, according to the type of offering, such as slideshow, dedicated websites, press releases and other communication materials, which may all be adjusted throughout the Bond Offering process..
Documents comprising advertising content are subject to prior approval by the CMVM.

The marketing strategy has a great impact in managing investor relations, generating interest and mitigating perceived uncertainty.

It should be highlighted that material information provided, directly or indirectly, by the Company to Institutional Investors or special categories of investors, including information disseminated at meetings, as well as information provided to financial analysts shall be disclosed to all investors to whom the offer is addressed.

Until the offer is made public, all the parties involved in its preparation need to:

Restrict the disclosure of offer related information to the extent necessary to fulfilling the offer's objectives and warn the addressees as to the privileged nature of the information.
Limit the use of undisclosed information to purposes related to the preparation of the offer.
As from the moment the offer is made public, all the parties involved in releasing information regarding the offer need to:

Observe and comply with the quality of information principles;
Ensure the information provided is consistent with the Prospectus;
Clarify their relationship(s) with the Company or their interest in the offer.
Additionally, when conducting pre-offering marketing activities, such as the ones described above, all the parties involved in the Offer need to assure the compliance with the EU Market Abuse Regulation ("MAR") in what respects disclosure of inside information the context of a market sounding.

Recommended reading: 5. Life as a Company with securities admitted to trading.

4.1.1.2.6. Early-look meetings with investors

The targeting of investors in debt offerings is not exactly the same as in an equity offerings. Whereas in the latter it is more common to have an offering to institutional investors (in parallel with the Public Offering) that plays a key role in the process and the success of an IPO, notably in the price determination thought the *bookbuilding* method, the role of these investors is much more limited in debt issuances.

This is without regards that the investors may be consulted, at an early stage, to assess and attract their interest in the issuer and bond issuance and, thus, help set the offer price.

Considering the offer structure, it may be advisable to prepare the Company's Management for any meetings with potential investors (either internally or through a communication agency or other advisors) in order to create adhesion by investors.

These one-on-one confidential early-look meetings between Management and targeted investors aim to introduce the Company, explain its business model, assess the initial market sentiment on the Company's story, ask for the investors' feedback on several matters, such as the Bond Offering and the bond price, to understand how the market will assess and value the Company.

These early-look meetings may allow an early assessment of the potential success of the Bond Offering. Based on the potential interest noticed at these meetings, which may be spread out over time, the Company may adjust its Bond Offering project, and can postpone or even exit the process without a substantial financial commitment at this stage.

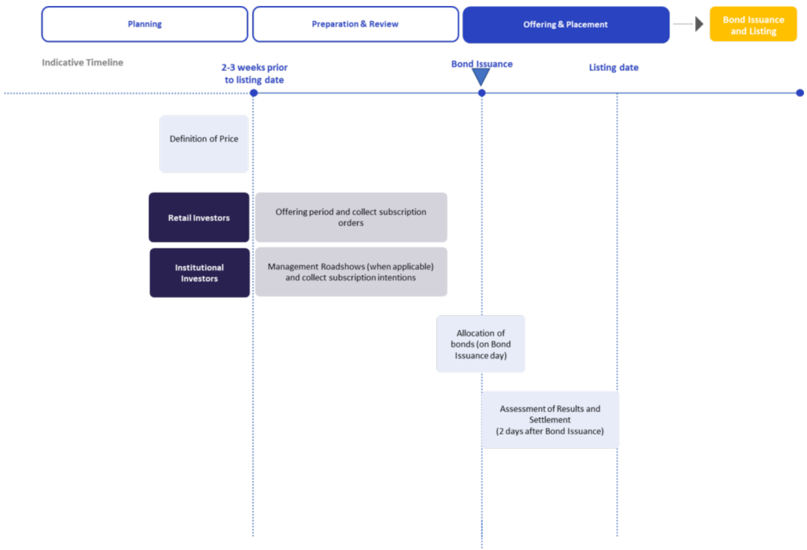
If the meetings generate a formal commitment of acceptance of the Offer, this information will appear in the Prospectus.

4.1.1.3. Offering and placement

Last updated: September 16, 2022

Following the publication of the Prospectus, the Public Offering period begins. In less frequent cases in which a Private Placement is also being held, the Order Book is open to collect orders from the Institutional Investors.

The Offering period normally takes between 1 and 2 weeks.



Management Roadshow

Pricing

Placement of the Offering

Allocation of bonds

Assessment of Results, Settlement and Listing

4.1.1.3.1. Management roadshow

The Management roadshow refers to a series of presentations pitched by the Company's Management together with the Financial Advisor(s) and Placement Financial Intermediary(ies) to a wide range of potential Institutional Investors, allowing them to have a closer contact with the Company and, ultimately, to lead them to participate in the Bond Offering.

Roadshow Events

Roadshow events may be important to the level of participation in a Bond Offering and may be held across different locations, at a national and/or international level, considering the investors they aim to target.

The goal is to present to investors the Company's Management and their strategic vision, the Company's strengths and growth perspectives, and address concerns expressed before by investors.

Topics addressed on the roadshow events are usually the following:

- The background and history of the Company;
- Information about the Management;
- Strategic Plan;
- Business Plan;
- Investment Plan;
- Historical financial performance analysis;
- Bond Offering rationale and intended goals.

Traditionally roadshows are held in a format of live meetings, but in the last years it is becoming more and more common to hold part of the roadshow presentations online through online videos and podcasts. At the end of each session there is always a Q&A session where investors' representatives have the freedom to ask general questions about the Company and the Bond Offering process.

4.1.1.3.2. Pricing

4.1.1.3.2.1. BOND VALUATION

When valuing bonds, the following factors need to be considered:

- Maturity
- Coupon rate
- Periodicity of coupon payments
- Yield of similar bonds traded in the market (similar maturity, periodicity, similar default risk of the Company, similar seniority, etc.).

When offering bonds, the Company needs to decide if it wants to issue the bonds at par value (i.e. the amount that will receive from investors will be the same as the principal that needs to be paid at the maturity of the bond) or different from par value (choosing instead the coupon rate).

If the Company wants to offer bonds at par value, an appropriate coupon rate must be assessed. To do so, it is necessary to analyse the yield to maturity of similar bonds that are being traded (i.e. with similar risk).

If the Company prefers to define the interest payments (i.e. coupon rate), the price of the offered bond will be equal to the sum of the cash flows estimated (including coupons plus principal)discounted at an average rate that reflects the opportunity cost of capital.

To successfully execute the valuation of the bonds, the Company may request support from a Financial Advisor.

4.1.1.3.2.2. PRICE DETERMINATION

The price determination for a Bond Offering follows the same rules as the price determination process for an IPO.

Recommended reading: 3.1.1.3.2.2. Price determination.

However, contrary to what happens in an IPO, the most common way to determine the price for a Bond Offering is through the fixed price method during the preparation of the Prospectus. In the fixed price method the number of available bonds and the Offer price of the bonds is known in advance. Allocation of bonds if investors demand exceeds the number of bonds being offered, is usually made on a pro-rata basis.

Although the price is fixed prior to the offering and disclosed in the Prospectus, there is the possibility to define in the Prospectus that depending on the success of the placement of the bonds, the Issuer may decide to increase the size of the Offering (i.e. the number of bonds offered) provided that CMVM approves this change.

4.1.1.3.3. Placement of the Public Offering

4.1.1.3.3.1. INVESTORS TARGETED BY THE OFFERING

The offer may have as a target the general public (Public Offer) and /or Institutional Investors (by a Private Placement). Most of the offers in Portugal that require a Prospectus to be prepared are Public Offers targeting the general public, without any allocation to Institutional Investors (this does not mean that this type of investors cannot participate in the Offer, only that there is no specific segment targeting them).

4.1.1.3.3.2. OFFERING PERIOD

The length of the period varies greatly from one transaction to another but usually ranges from around 1 to 2 weeks.

The offering period usually starts on the day following the publication of the Prospectus (or a few days later) and its term may be extended depending on the success regarding investors' demand and market conditions, subject to CMVM's authorization.

4.1.1.3.3.3. ACCEPTANCE OF THE OFFER

Investor's statement of acceptance of the public offering is done by an order addressed to any financial intermediary legally authorized to render the service of the reception, transmission or execution of orders on third party's behalf. Such acceptance orders may be revoked up to five days before the end of the offer period, or within a shorter timeframe, whenever stated in the Prospectus.

4.1.1.3.3.4. REVISION OF THE OFFER

Until two days before the end of the offer period and subject to the CMVM's authorisation, the offeror may review the terms and conditions of the offer, provided they are not less favourable, in global terms, to investors.

What are the effects of the offer revision?

Modifications to the offer may lead to extensions of the respective time periods, decided upon by the CMVM either on its own initiative or at the request of the offeror.

Statements of offer acceptance prior to amendment are considered effective for the modified offer. Nonetheless, the referred acceptance can be revoked.

The amendment should be immediately disclosed by the same means used for the Prospectus disclosure.

4.1.1.3.3.5. MODIFICATION, REVOCATION AND WITHDRAWAL OF THE OFFER

In case of unexpected and substantial change of circumstances, as mentioned above, the offeror may modify or revoke the offer, subject to the CMVM's authorisation.

Whenever the CMVM identified that the offer contains any irreversible illegality or breach of regulation, the CMVM will order the offer's withdrawal.

The revocation and the withdrawal of the offer are published by CMVM, at the offeror's expense, by the same means used to disclose the Prospectus.

The revocation and withdrawal of the offer determines the ineffectiveness of the offer and of the acts of acceptance prior or subsequent to the revocation or withdrawal, and whatever has been delivered must be returned.

The revocation and withdrawal of the offer determines that the Offer becomes void (being returned or unblocked the amount that had already been paid).

4.1.1.3.3.6. OFFER SUSPENSION

The CMVM will suspend the offer when any reparable illegality or violation of regulation is discovered. The defects that caused suspension need to be corrected in maximum 10 working days. Afterwards, if no correction is made, CMVM will order the offer's withdrawal.

If the offer is suspended, the addressees of the offer may withdraw their statements until the fifth day following suspension, having the right to restitution whatever has been delivered must be returned.

4.1.1.3.4. Allocation of bonds

The bonds are allocated to (each class of) investors in accordance with the subscription orders received; in of oversubscription, allocation will be made in accordance with the criteria defined in the Prospectus. As a general rule, the allotment method should be made on a pro-rata basis, but other methods may be chosen subject to the CMVM's approval.

4.1.1.3.5. Assessment of Results, Settlement and Listing

Prior to the end of the offering period the results of the Public Offering are assessed by a financial intermediary or by the market operator.

In case of a private placement, the issuance of bonds is subject to commercial registration, a formality necessary for the issue of the bonds, unless the admission of the bonds to trading on a regulated s market has occurred within the time limit for requesting registration.

The settlement occurs with the payment to the Company of the proceeds of the offering vs. the delivery of bonds to investors (made through the credit of their securities accounts by the Financial Intermediaries through which the subscription orders were processed).

Only after the settlement, the bonds will be effectively admitted to trading on the stock market.

4.1.2 Simplified Scope Bond Offering Process

Last updated: September 16, 2022

This section was prepared to show potential Issuers the main steps of a Bond Offering – exempted of the duty to prepare Prospectus or through a private placement – followed by an admission on an MTF.

The Bond Offering process is developed in 3 phases, the Planning, the Preparation and the Offering and Placement phases, previous to the Bond Listing.

Planning

Bond Offering and Listing

Preparation & Review

Offering & Placement

4.1.2.1. Planning

Last updated: September 22, 2022

Even though the Company must prepare itself to become a Company with publicly traded bonds, given the greater simplicity of the process and the greater flexibility of the requirements applicable to the admission to trading on an MTF market, the planning phase will mostly focus firstly on assuring the Bond Offering is the best option for obtaining the intended financing and, if so, assuring the Company's bonds will generate interest from investors.

Recommended reading: 4.1.1.1. Planning.

4.1.2.1.1. Eligibility criteria

When choosing one of the MTFs for admission to trading, there are no requirements regarding the composition of the management and supervision bodies.

4.1.2.1.2. Financial Accounts

When choosing an MTF for the admission to trading, you won't need to adapt your financial accounts to a different accounting standard.

Requirements to listing on the MTF's markets operated by Euronext are the following:

	Euronext Access	Euronext Growth
Financial Statements (Euronext)	2 years (if relevant, and no requirement for audited accounts)	2 years (audited annual accounts, unless the fiscal year ended more than 9 months before the admission to trading date - interim accounts)

4.1.2.1.3. Appointment of Advisors

When choosing the MTF markets your Company will need to hire a Listing Sponsor – mandatory for the MTFs operated by Euronext – that will help to navigate the Bond offering process and assist you with the interactions with the Stock Market Operator.

Nevertheless, advisors may be very helpful and beneficial to assist the Company in the Bond Offering process, develop marketing efforts for the distribution of the bonds, including organizing roadshows of the Company's management with investors. The job of the advisors and, at the limit, the need to hire (other than the Listing Sponsor) will depend on your Company's internal legal and finance capabilities and resources, the size of the offering and the level of marketing efforts.

Recommended reading: 4.1.1.3. Appointment of advisors.

4.1.2.2. Preparation

Last updated: September 16, 2022

4.2.2.1. Presentation document

If an MTF is chosen, for the listing of the bonds, and the offering of bonds is preceded by a Private Placement or by a Public Offering that does not require the disclosure of an EU Prospectus in accordance with one of the exemptions presented in section '4.1.0. Road to Debt offering', your Company will be required to prepare an Information Document or a Technical Note.

Information document

What is an Information Document?

The Information Document is a more concise and flexible document than a Prospectus, with the aim of striking a balance between simplifying access to finance for SMEs and protecting investors by ensuring accurate and sufficient information

The Information Document must be written in comprehensible language with accurate, clear and non-misleading content and must include the necessary information to allow investors to make their investment decisions, such as the Company's assets and liabilities, financial position, profit and losses, and prospects of the Company and any guarantor (when applicable) as well as the bondholders' rights.

For Euronext markets, the information contents are specified in Appendix III of the Euronext Growth Rulebook and Appendix IV of the Euronext Access Rulebook.

Language

As to Euronext MTFs, the Information Document is accepted in English or in Portuguese.

Approval

The Information Document is approved by Euronext, if an Euronext MTF is chosen for the admission to trading, which will be responsible for reviewing the document's completeness, consistency and comprehensibility.

Publication

Once approved, the Information Document must be published in accordance with the rules of the stock market operator.

Technical Note

What is a Technical Note?

The Technical Note is a document containing information of the Company and of the bonds to be admitted to trading on the Euronext Access. This document may have less information when compared to a Prospectus or an information Document. For further information consult APPENDIX V of Euronext Access Rule Book.

The Technical Note is required for the admission on the Euronext Access, in the case of a Private Placement or Direct Admission of bonds.

Language

The Technical Note must be written in Portuguese, or in English.

4.2.2.2. Other preparation considerations

The Due Diligence will, in principle, only be required, in case there is either a formal underwriting of the Company's newly issued bonds by one or more Placement Financial Intermediary(ies) or some sort of offering/roadshow to Institutional Investors.

Early engagement of the Company and its advisors with the stock market operator is crucial to discuss the application of the eligibility criteria for listing, the suitability for listing, identify any issues that require adjustments or clarifications, jointly agree on a timetable for the process of admission to trading.

Recommended reading: 4.1.2.2. Due Diligence; 4.1.2.4. Listing application.

4.2.2.3. Marketing

The main difference when compared to an Offer with Prospectus is that in an offer with no Prospectus it will not be required for the Company to get the Regulator's approval for the advertising materials to be used.

Although it is common to have some publicity and promotion of the issue towards investors, including a roadshow directed towards Institutional Investors, it is up to the Company to define how it wants to publicize the issue to the market.

Recommended reading: 4.1.2.5. Marketing and Communication Planning; 4.1.2.6. Early-look meetings with investors.

4.1.2.3. Offering and placement

Last updated: September 16, 2022

4.1.2.3.1. Pricing

The pricing of the offering in case of a public offering, may be established together with the financial advisors during the preparation of the Information Document. The financial advisors together with the Company will define a fixed price for the bonds being offered according to valuation techniques described in section '4.1.3.2.1. Bond valuation'.

4.1.2.3.2. Placement of the Offering

The Information Document and the offer process are not directly subject to the legal rules applicable to Public Offers, being applicable the rules established in the Information Document itself.

From recent practical experience in Portugal, the information documents incorporates into the offer, in a simplified manner, rules regarding the term and acceptance of the offer, a summary information on the Company, the destination of the proceeds of the offer, as well as the risk factors of investing in the bonds offered, reproducing, in a very summarised form, the essential contents of a Prospectus, allowing investors to have access to the minimum information necessary to make an investment decision.

The CMVM does not assume any direct supervisory power over the Offer nor does it have the authority to approve the Information Document. However, the CMVM will become responsible for supervising the Company, the trading of the respective bonds in the market, and its distribution to Retail Investors, if any, once the offer has been completed and the bonds are trading on the MTF.

4.1.2.3.3. Allocation of bonds

The allocation of bonds to investors in an MTF also follows similar principles to those of the regulated market. The Company ensure, in consultation with the Placement Financial Intermediary(ies) a balanced treatment of all investors.

Recommended reading: 4.1.3.4. Allocation of bonds.

4.1.2.3.4. Assessment of Results, Settlement and Listing

At the end of the offer period, the results of the offering are assessed by the Company's Placement Financial Intermediary(ies) or the stock market operator, which may also offer this service.

In case of a private placement, the issuance of bonds is subject to commercial registration, necessary for the issue of the bonds.

The settlement occurs with the payment to the Company of the proceeds of the offering vs. the delivery of bonds to the investors (made through the credit of their bonds accounts by the financial intermediaries through which the subscription orders were processed).

The bonds will only be effectively admitted to trading on the stock market following the settlement of transaction.

4.2 Bond Offering Costs

4.2.1 Fees

Last updated: April 18, 2024

Although it has undeniable advantages for the Company, the Bond Offering process will involve costs that must be considered.

The total direct cost of the transaction varies depending on the size of the fundraising, the structure of theoffer, the context, and the choice of advisors. It comprises the fees due to the various advisors, including the Placement Financial Intermediary(ies), the stock market operator and the Regulator. To these costs accrue any marketing costs (road shows, media publications, etc.).

Furthermore, indirect costs (such as management time dedicated to the Bond Offering process) should not be underestimated.

Based on financial information available from Portuguese listed companies, the average total cost of a public bond offering tends to be within the range of 1.5% – 4.8% of the total amount of funds raised.

Typically, the larger the offering, the higher the costs in absolute terms. Nevertheless, in relative terms, usually they represent a much smaller proportion of the value of the offer proceeds compared with small-sized offerings.

The main costs of Bond Offering process are as follows:

1. Financial advisory and Placement fees

Commissions due for financial advisory services and the placement of bonds are one of the largest fees of a Bond Offering and are negotiated on a case by case basis between the parties.

The commissions charged depend on the offering size, the type of bonds being offered, the nature of the placement/underwriting commitment (if any), the Company's business nature and state of development and the current market condition. Often this commission involves a fixed fee as well as a success fee dependent on the amount raised.

2. Other Advisory Fees

Legal advisory fees

Legal fees are incurred for assisting the Company in any required internal restructuring, conducting the legal due diligence, preparing/reviewing of all legal documents required for the Bond Offering, including the Prospectus or Information Document, drafting and reviewing of contracts, such as the underwriting agreement. Once more, the fees will vary depending on the complexity of the Public Offering, the Company structure, level of restructuring required and documentation necessary.

Auditing and accounting fees

Auditing and accounting fees are incurred for audits of the Company's financial statements required to be included in the Prospectus, the auditors' review of the related documents, and comfort letters to support underwriters. The costs will vary depending on the additional information required to be audited, the nature of the existing accounting issues and whether financial forecasts and pro forma financial statements will be needed.

Advertising / PR fees

The Company may also hires a PR/IR adviser with experience in guaranteeing appropriate communication with the media and retail investors, who charges fees that may vary depending on the types of investors the Company is looking to attract. These fees may relate to publication and announcements needed for compliance with legal obligations, but can also include an advertising campaign across different press and media channels, to attract the largest possible number of potential investors.

3. CMVM Fees

The CMVM charges fees for the appraisal of the documentation subject to its approval:

Prospectus in the form of a single document:
€2,500, increased by 0.05‰ of the value of the issue or sale made, with the collection not exceeding €50,000.
Prospectuses in the form of separate documents:
€2,000 for the registration document;
€500 for the securities note, increased by 0.05‰ of the value of the issue, with the collection not exceeding €25,000.
Supplements to the Prospectus, in the value of €1 500;
Advertising campaigns with up to 4 pieces, in the amount of €1,000, to which an additional €150 is added for each piece and or renewal of the request for approval.
The fixed fees referred above shall be paid upon request for appraisal of the Prospectus and advertising.

4. Stock market operator fees

The Company that applies for admission to trading of its bonds shall pay any fees charged by stock market operator according of the exchange.

Listing and admission fees

Euronext charges the following initial admission fees for bonds:

Short-term bonds

- Admission fee: €150 per line
- Variable fee: €10 per €m Issued Amount x (number of admission days / 365)
- Maximum fee: €15,000

Medium/Long-term bonds

Admission fee:

Stand-Alone	Programme
€200 per tranche of €25m (max €6,000)	€1,000 per line

Annuity fee*:

Stand-Alone	Programme
Issued Amount (in €m) (>-≤)	Fee per year
[0 - 50]	€650
[50 - 100]	€680
[100 - 250]	€730
[250 - 500]	€780
[500 above]	€830

*Annuity fee is calculated on the basis of the legal maturity date of the instrument to be admitted to trading.

Maximum fee:

Stand-Alone	Programme
€20,00	€18,00

Centralisation fees

In the event that a Centralisation of Public Offerings for the distribution of bonds is held, a service fee may be payable by the Company corresponding to 0.03% of the total amount centralized, with a minimum fee of

€10,000.

Check more detailed fees charged by Euronext here.

Registration fee

The fees charged for each registration of bonds in the Centralized Securities System, for each issue or series of bonds are:

[1 - 20] registrations/year	€271,90
[21 - 100] registrations/year	€163,14
[101- on] registrations/year	€54,38

Check more detailed fees charged by Interbolsa here.