

SECURITIES NOTE

Dated 20 July 2023

This Securities Note is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the Prospectus Regulation.

This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an issue of up to:

€25,000,000 4.25% unsecured Bonds 2033
of a nominal value of €100 per Bond issued at par
and redeemable at the Redemption Value
ISIN: MT0002751205 (the "Bonds") by



CLEARFLOWPLUS P.L.C.

a public limited liability company duly incorporated under the Laws of Malta, with Company registration number C 38895 with the joint and several Guarantee* of Water Services Corporation a corporation established in Malta by virtue of the Water Services Act (Cap. 355 of the Laws of Malta)

*Prospective investors are to refer to the Guarantee contained in Annex III of this Securities Note for a description of the scope, nature and terms of the Guarantee.

Sponsor, Manager & Registrar



Accredited External
Reviewer



Legal Counsel



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

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

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

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

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

APPROVED BY THE DIRECTORS

A blue ink signature of Karl Cilia, consisting of a stylized cursive script.

Karl Cilia

A blue ink signature of Matthew Costa, consisting of a stylized cursive script.

Matthew Costa

in their capacity as Directors, and on behalf of Vince Micallef, David Sacco, Angela Azzopardi, Luke Cann, Abigail Cutajar and Katrina Cuschieri.

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY CLEARFLOWPLUS P.L.C. (THE "ISSUER") OF UP TO €25,000,000 UNSECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 4.25% PER ANNUM, PAYABLE ON 25 AUGUST OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "BONDS"). THE ISSUER SHALL REDEEM THE BONDS AND PAY THE REDEMPTION VALUE THEREOF ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

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

THIS SECURITIES NOTE SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER DATED 20 JULY 2023.

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

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

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

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

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

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

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

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS,

OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON, AS DEFINED IN REGULATION "S" OF THE SAID ACT. FURTHERMORE, THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

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

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

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

UNLESS OTHERWISE STATED, THE CONTENTS OF THE ISSUER'S OR GUARANTOR'S WEBSITES, IF ANY, OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S OR GUARANTOR'S WEBSITES DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE, AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

IMPORTANT NOTICE RELATING TO GREEN BONDS

PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE INFORMATION SET OUT UNDER SECTION 4.2 OF THIS SECURITIES NOTE RELATING TO "REASONS FOR THE OFFER AND USE OF PROCEEDS" AS WELL AS TO SECTION 5 OF THIS SECURITIES NOTE RELATING TO "ALIGNMENT OF THE ISSUER GREEN BONDS WITH THE GREEN BOND PRINCIPLES" AND MUST DETERMINE FOR THEMSELVES THE RELEVANCE OF SUCH INFORMATION FOR THE PURPOSE OF ANY INVESTMENT IN THE ISSUER GREEN BONDS TOGETHER WITH ANY OTHER INVESTIGATION SUCH INVESTOR DEEMS NECESSARY. IN PARTICULAR, NO ASSURANCE IS GIVEN BY THE ISSUER OR ITS ADVISORS THAT THE USE OF AN AMOUNT EQUAL TO THE PROCEEDS OF THE ISSUER GREEN BONDS FOR ANY ELIGIBLE GREEN PROJECTS WILL SATISFY, IN WHOLE OR IN PART, ANY PRESENT OR FUTURE INVESTOR EXPECTATIONS OR REQUIREMENTS REGARDING ANY INVESTMENT CRITERIA OR GUIDELINES WITH WHICH SUCH INVESTOR OR ITS INVESTMENTS ARE REQUIRED TO COMPLY WITH.

NO ASSURANCE IS OR CAN BE GIVEN TO INVESTORS THAT ANY ELIGIBLE GREEN PROJECTS UNDERTAKEN OR PURSUED BY THE ISSUER OR THE GROUP WILL MEET ANY OR ALL INVESTOR EXPECTATIONS REGARDING THE RELEVANT ENVIRONMENTAL OBJECTIVES OR THAT ANY ADVERSE ENVIRONMENTAL, SOCIAL AND/OR OTHER IMPACTS WILL NOT OCCUR DURING THE IMPLEMENTATION OF ANY SUCH ELIGIBLE GREEN PROJECTS.

NO ASSURANCE OR REPRESENTATION IS GIVEN AS TO THE SUITABILITY OR RELIABILITY FOR ANY PURPOSE WHATSOEVER OF ANY VERIFICATION, OPINION, CERTIFICATION OR REPORT OF THE ACCREDITED EXTERNAL REVIEWER OR OF ANY THIRD PARTY (WHETHER OR NOT SOLICITED BY THE ISSUER) WHICH MAY BE MADE AVAILABLE IN CONNECTION WITH THE ISSUE OF THE ISSUER GREEN BONDS AND IN PARTICULAR WITH ANY PROJECTS PURSUED BY THE ISSUER TO FULFIL ANY ENVIRONMENTAL, SUSTAINABILITY, SOCIAL AND/OR OTHER CRITERIA. SUCH VERIFICATION, OPINION, CERTIFICATION OR REPORT, IS NOT, AND SHOULD NOT BE DEEMED TO BE, A RECOMMENDATION BY THE ISSUER, THE AUTHORISED FINANCIAL INTERMEDIARIES OR ANY OTHER PERSON TO BUY, SELL OR HOLD ANY SUCH BONDS. AS A RESULT, NEITHER THE ISSUER NOR THE AUTHORISED FINANCIAL INTERMEDIARIES WILL BE, OR SHALL BE DEEMED, LIABLE FOR ANY MATTER IN CONNECTION WITH ITS CONTENT. FOR THE AVOIDANCE OF DOUBT, NO SUCH VERIFICATION, OPINION, CERTIFICATION OR REPORT IS, OR SHALL BE DEEMED TO BE, INCORPORATED IN AND/OR FORM PART OF THE PROSPECTUS.

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01 DEFINITIONS

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

Applicant/s	A person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application	The application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Forms	Application Form A and Application Form B, and "Application Form" means any one of them;
Application Form A	The application form for subscription for Bonds to be used by Preferred Applicants for the Preferred Amount during the Preferred Applicants' Offer Period, a specimen of which is contained in Annex I of this Securities Note;
Application Form B	The application form for subscription for Bonds to be used by investors in general, other than Preferred Applicants for the Preferred Amount, during the General Public Offer Period, a specimen of which is contained in Annex I of this Securities Note;
Authorised Financial Intermediaries	The financial intermediary/ies whose details appear in Annex II of this Securities Note;
Bond Issue Price	The nominal value of each Bond, namely €100 per Bond;
Climate Delegated Regulation	Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives;
CSD or Central Securities Depository	The Central Securities Depository of and operated by the Malta Stock Exchange set up and authorised in terms of the Financial Markets Act, 1990 (Chapter 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
Event of Default	Shall have the meaning assigned to it in Section 7.10 of this Securities Note;

General Public Offer Period	The second part of the Offer Period immediately subsequent to the Preferred Applicants' Offer Period, namely the period commencing at 08:30 hours on 1 August 2023 and ending at 12:00 hours on 18 August 2023, both days included, during which investors may apply for subscription of Bonds other than applications for subscription of the Preferred Amount by Preferred Applicants;
Interest Payment Date	25 August of each year between and including each of the years 2024 and 2033, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	Expected on 1 September 2023;
Issuer and Guarantor Employees	Those persons employed by the Issuer or by the Guarantor as at the date of this Securities Note;
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast);
Preferred Amount	€5,000 in nominal value of Bonds, being the fixed amount of Bonds which may be applied for on a preferential basis by Preferred Applicants during the Preferred Applicants' Offer Period by using Application Form A;
Preferred Applicants	Issuer and Guarantor Employees;
Preferred Applicants' Offer Period	The first part of the Offer Period, namely the period commencing at 08:30 hours on 26 July 2023 and ending at 12:00 hours on 31 July 2023, both days included, during which Preferred Applicants may apply for subscription of the Preferred Amount of Bonds; and
Terms and Conditions	The terms and conditions of issue of the Bonds, set out in Sections 6, 7 and 9 of this Securities Note.

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

Unless it appears otherwise from the context:

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

02 RISK FACTORS

THE VALUE OF INVESTMENTS FALL AS WELL AS RISE AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER OR THE BONDS.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER AND ITS SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE VALUE, YIELD, REPAYMENT ABILITY OF THE ISSUER AND OTHER CHARACTERISTICS OF THE BONDS. THE RISKS DESCRIBED BELOW ARE THOSE THAT THE DIRECTORS BELIEVE TO BE MATERIAL AS AT THE DATE HEREOF, BUT THESE RISKS MAY NOT BE THE ONLY ONES AFFECTING THE BONDS. ADDITIONAL RISKS, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE BONDS AND/OR THE BONDHOLDERS' RIGHTS THEREUNDER.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) IS OR SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT AND IN THE PROSPECTUS BEFORE INVESTING IN THE BONDS.

Forward-looking Statements

This Securities Note contains statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, such as the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus, and documents incorporated therein by reference, and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer's and, or the Guarantor's strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects, the markets in which it operates and general market conditions.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend

on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's and, or the Guarantor's actual results of operations, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition and performance, and trading results, of the Issuer and, or the Guarantor are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risks set out in this section and in the section entitled "Risk Factors" in the Registration Document, for a review of the factors that could affect the Issuer's performance and an investment in the Bonds. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

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

2.1 Risks relating to the Bonds

Suitability of the Bonds

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

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

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits, and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- (b) is able to assess whether the Bonds meet its investment objectives or its expectations regarding environmental, social, governance or other objectives or criteria;
- (c) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;
- (d) understands thoroughly the terms of the Bonds; and
- (e) is able to evaluate, either alone or with the help of a financial advisor, possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Risks relating to Green Bonds

It is the intention of the Issuer that the proceeds of the Bonds be applied in such projects, identified by the Issuer as Eligible Green Projects, as set out in Section 4.2 of this Securities Note relating to "Reasons for the offer and use of proceeds", as further supplemented by Section 5 of this Securities Note relating to "Alignment of the Issuer Green Bonds with the Green Bond Principles".

The use of proceeds of the Issuer Green Bonds may not be suitable for the investment criteria of a Bondholder. No assurance is given by the Issuer or its advisors that the use of an amount equal to the proceeds of the Issuer Green Bonds for any Eligible Green Projects will satisfy, in whole or in part, any present or future investor expectations or requirements regarding any investment criteria or guidelines with which such investor or its investments are required to comply, under any present or future applicable law or regulations or bye-laws or other governing rules or investment portfolio mandates, including those which are self-imposed or adopted by the investor itself, in particular with respect to any direct or indirect environmental, social, governance or other sustainability impact of any projects or uses.

The definition (legal, regulatory or otherwise) of a "green" or equivalently labelled project, as well as the market consensus for a particular project to be defined as such, is currently under development. The Taxonomy Regulation ((EU) 2020/852) was adopted on 18 June 2020, for the purpose of establishing a framework to facilitate sustainable investment, principally by establishing an EU-wide 'taxonomy' or classification system for environmentally sustainable economic activities, which provides companies, investors and policymakers with appropriate and common definitions for which economic activities can be considered environmentally sustainable. The Climate Delegated Regulation ((EU) 2021/2139), which entered into force on 1st January 2022, supplements the Taxonomy Regulation by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the environmental objectives relating directly to climate and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. However, further development of the Taxonomy Regulation is expected to take place, particularly through the development and adoption of technical screening criteria in respect of economic activities considered as contributing substantially to the other four environmental objectives, including in particular that relating to the "sustainable use and protection of water and marine resources" which is key for the Issuer's and the Group's activities.

While it is the intention that an amount equal to the proceeds of the Issuer Green Bonds is applied in the manner described in Section 4.2 of this Securities Note relating to "Reasons for the offer and use of proceeds" and Section 5 hereof relating to "Alignment of the Issuer Green Bonds with the Green Bond Principles" and as further described in the Green Bond Framework, the Eligible Green Projects identified in such Section 4.2 may not be capable of being implemented in or substantially in such manner and/or within any indicated timing schedule and that accordingly such proceeds may not be fully disbursed for the indicated Eligible Green Projects. Moreover, the Eligible Green Projects so indicated may, for various reasons including reasons outside the control of the Issuer or the Guarantor, not be completed within any indicated period or at all or may not be completed with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer or the Guarantor. This may also lead to a withdrawal or reversal of any verification, opinion, certification or report previously obtained from or produced by the Accredited External Reviewer or any other third party in connection with the issue of the Issuer Green Bonds.

Any such event or failure by the Issuer or the Guarantor or withdrawal or reversal of any relevant verification, opinion, certification or report will not constitute an Event of Default under the Bonds or a default of the Issuer or the Guarantor for any purpose.

Any such event or failure and/or withdrawal or reversal as aforesaid may have a material adverse effect on the value and marketability of the Bonds and/or result in adverse consequences for Bondholders with portfolio mandates or requirements to invest in securities to be used for a particular purpose.

Trading and liquidity risks

There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to sell his or her Bonds on the secondary market at or above the Bond Issue Price or at all. A trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including supply and demand factors in respect of the Bonds at any given time. These factors are in turn dependent upon the individual decisions of investors as well as market conditions over which the Issuer has no control. Many other factors outside the control of the Issuer may affect the trading market and value of the Bonds, including the time remaining to the maturity of the Bonds and the level, direction and volatility of market interest rates generally. No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer or a company within the Group will have on the market price of the Bonds prevailing from time to time.

Furthermore, the outbreak of the COVID-19 pandemic in 2020, has resulted in a highly volatile economy. Other pandemics or infectious diseases which may arise in future may have similar consequences on the market. The exact nature of the risks of such pandemics and infectious diseases for, and their negative impact on, national economies and on individual businesses, is difficult to forecast and to guard against and plan for, particularly in view of the uncertainty as to their respective duration and reach. This volatility may also increase as a result of wars or conflicts between countries, including the current Russia – Ukraine armed conflict. There can be no assurance that continued or increased volatility and disruption in the capital markets will not impair the saleability of the Bonds.

Interest rate risk

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. As at the date of this Securities Note, interest rates have gone through a gradual increase and are expected to continue rising to some extent. Fixed income debt securities are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. The price of bonds tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise, save for other factors which may affect price. Moreover, the price changes also depend on the term or residual time to maturity of the Bonds. In general, bonds with shorter terms have less price risks than bonds with longer terms.

Risks relating to inflation

Inflation remains at elevated levels when compared to the past decades. Inflation is the rising level of prices for goods and services. It can have two negative impacts on those who invest in bonds. Inflation typically leads to a rise in short-term interest rates, and intermediate and longer-term rates also tend to go up as a consequence. This rise in interest rates will lead to a fall in the prices of bonds. Furthermore, inflation can wipe away the yields generated by a bond, in view of the loss of purchasing power brought about by inflation.

Risks relating to the unsecured nature of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, shall rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer. Any secured or privileged debts of the Issuer shall therefore rank at all times ahead of the obligations of the Issuer under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds, whether in full or in part, in the case of insolvency or an equivalent situation. Furthermore, subject to the negative pledge clause set out in Section 7.3 of this Securities Note, third-party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

Currency risk

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

Continuing compliance obligations

Once the Bonds are listed, the Issuer is required to comply with certain ongoing requirements relating, inter alia, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Malta Financial Services Authority has the authority to suspend trading or listing of the Bonds if, inter alia, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Malta Financial Services Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspension or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds.

Changes in laws and regulations

The Terms and Conditions of the Bond Issue are based on the requirements of the Act and other laws, the Prospectus Regulation and the Capital Markets Rules in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

Amendments to Terms and Conditions

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

Ratings

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

2.2 Risks relating to the Guarantor and the Group and the Guarantee

Risks relating to the business of the Guarantor and the Group

The risk factors contained in Section 2.2 of the Registration Document, entitled “Risks relating to the Guarantor and the Group”, apply to the business of the Guarantor and the Group. If any of the risks mentioned in Section 2.2 of the Registration Document were to materialise, they may have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Issuer-Guarantor Loan due to the Issuer and under the Guarantee.

Risks relating to the Guarantee

The Bonds shall be guaranteed in respect of both the interest due and the Redemption Value by the Guarantor on a joint and several basis in terms of the Guarantee. Accordingly, the Bondholders shall be entitled to request the Guarantor to pay both the interest due and the Redemption Value under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor and, save for such exceptions as may be provided by applicable law, the Guarantor’s obligations under the Guarantee shall rank *pari passu* with all its other unsecured and unsubordinated obligations.

The strength of the undertakings on the part of the Guarantor under the Guarantee and therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor, which will be affected by the level of indebtedness and liabilities incurred by such Guarantor, as well as by other factors which may negatively impact such financial position and solvency.

03 PERSONS RESPONSIBLE AND CONSENT FOR USE

3.1 Persons Responsible

This document includes information given in compliance with the Capital Markets Rules and the Prospectus Regulation for the purpose of providing prospective investors with information with regard to the Bonds. All of the Directors of the Issuer, whose names appear under the heading “Directors of the Issuer” in Section 3.1 of the Registration Document, accept responsibility for the information contained in this Securities Note.

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

3.2 Consent for use of the Prospectus

Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:

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

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

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

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

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

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

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

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

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

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

04 ESSENTIAL INFORMATION

4.1 Interest of natural and legal persons involved in the Bond Issue

Without prejudice to the potential conflicts of interest of Directors disclosed in Section 9.5 of the Registration Document, and save for the subscription for and/or sale of Bonds by the Authorised Financial Intermediaries, which include the Sponsor, Manager and the Registrar, and any fees payable in connection with the Bond Issue to the Sponsor, Manager and the Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.2 Reasons for the offer and use of proceeds

The full proceeds from the Bond Issue will be used by the Issuer to provide a loan facility to the Guarantor, to be used as provided below (the "Issuer-Guarantor Loan"). The Issuer-Guarantor Loan will bear interest at 4.75% per annum payable on 10 August of each year, and the outstanding loan amount thereof shall be repayable by not later than 10 August 2033. Interest shall be payable on the full amount of the loan from inception, notwithstanding the date/s when such loan is drawn down, as provided below.

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

- (i) PV panels project: an amount of up to €6,000,000 will be used to finance the expected capital expenditure involved in procuring, installing and commissioning the new photovoltaic plants by the installation of photovoltaic panels on the reservoirs and other locations situated in various regions of Malta, namely the Luqa reservoir, the Guarantor's Luqa headquarters and lab offices, the Pembroke reverse osmosis plant, the Lapsi reverse osmosis plant, the Naxxar reservoir, the Barkat sewerage treatment plant, the Bulebel new warehouse and the Cirkewwa reverse osmosis plant, as described in more detail in Section 5.2 of the Registration Document under the heading "C. Renewable energy generation";
- (ii) Re-financing of part of Hondoq reverse osmosis plant project: an amount of up to €1,700,000 will be used to re-finance part of the costs incurred in connection with the development and commissioning of Hondoq ir-Rummien reverse osmosis plant as described in more detail in Section 5.2 of the Registration Document under the heading "Hondoq ir-Rummien Reverse Osmosis Plant", through the repayment of a portion of the outstanding overdraft facility due by the Guarantor to HSBC Bank Malta p.l.c. which has been used to pay contractors for works and services connected with such project;
- (iii) Ta' Barkat wastewater treatment plant aeration project: an amount of up to €2,000,000 will be used to finance the expected costs involved in upgrading the airblowers and the aeration system within Ta' Barkat wastewater treatment plant, as described in more detail in Section 5.2 of the Registration Document under the heading "B. Wastewater collection and treatment";

- (iv) Investment in reducing non-revenue water and improving billing efficiencies projects: an amount of up to €7,900,000 will be used to finance investments in projects aimed to further reduce non-revenue water and improve billing efficiencies, in particular the costs in connection with the purchase and commissioning of the upgrade to the Guarantor's Enterprise Resource Planning (ERP) – SAP system and the algorithmic software within such system so as to enhance its effectiveness in detecting real losses and to a greater extent apparent losses, as described in more detail in Section 5.2 of the Registration Document under the heading "Securing billing efficiency"; and
- (v) Investment in upgrading the water network and infrastructure projects: the remaining amount of €7,400,000 together with any residual amounts not utilised for the purposes identified in paragraphs (i) to (iv) above will be used to finance investments in continuing projects related to upgrading the water distribution network and infrastructure, in particular those connected with the repair, replacement, maintenance and where necessary rerouting or redesigning of such network and infrastructure, as described in more detail in Section 5.2 of the Registration Document under the heading "Water distribution network".

The projects referred to in paragraphs (i) to (v) above have been evaluated, assessed and selected by the Issuer, with the assistance of the Sustainability Committee, as being, and are deemed by it to be, Eligible Green Projects and have been verified as such by the Accredited External Reviewer. The verification report of the Accredited External Reviewer is available on the Issuer's website: www.clearflowplus.com.

The issue and final allotment of the Bonds is conditional upon the Bonds being admitted to the Green Bond List by not later than fifteen (15) Business Days from the closing of the Offer Period. In the event that such Condition Precedent is not satisfied, the Bond Issue proceeds shall be returned to the investors, as provided in Section 9.2 of this Securities Note. The funds will be held by the Registrar pending the satisfaction of such Condition Precedent or the return of investment monies to investors in case of non-satisfaction of such Condition Precedent.

It is expected that within fifteen (15) Business Days from the close of the Offer Period, subject to the satisfaction of the above-mentioned Condition Precedent and the final allocation of the Bonds, the Issuer and the Guarantor will enter into an agreement by virtue of which the Issuer will make and constitute the Issuer-Guarantor Loan to the Guarantor of an amount equivalent to the proceeds to the Bond Issue. Such proceeds shall however, following the satisfaction of the Condition Precedent referred to above, be forwarded by the Registrar to the Issuer, who shall credit the same to the Use of Proceeds Account. The Issuer shall at the request of the Guarantor pay out the proceeds of the Bond Issue so given on loan, and the Issuer-Guarantor Loan shall be drawn down by the Guarantor, by way of payments made against presentation of invoices or receipts for relevant works or services received from the relevant contractors in respect of the projects of the Guarantor to which the proceeds of the Bond Issue are intended to be used as set out above in this Section 4.2, and the whole process will be overseen and monitored by the Sustainability Committee of the Issuer, which shall track each transaction in an appropriate manner. This will ensure that the Bond proceeds are effectively used into the relevant pre-identified Eligible Green Projects for which they were intended. Without prejudice to the aforesaid, the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the agreement creating the Issuer-Guarantor Loan, for the full amount of such portion of the Issuer-Guarantor Loan which is intended to re-finance part of the Hondoq reverse osmosis plant project as set out in paragraph (ii) above, after the Issuer, with the assistance of the Sustainability Committee, has made the necessary tracking and verifications to its satisfaction that the portion of the outstanding bank overdraft facility being repaid has been effectively used to make payments in connection with the development and commissioning of Hondoq ir-Rummien reverse osmosis plant.

4.3 Funding of projects from other sources

Assuming that the Bond Issue is fully subscribed:

- (a) it is anticipated that the proceeds of such Bond Issue will be sufficient to fund the completion of the PV panels project and of the Ta' Barkat wastewater treatment plant aeration project mentioned in paragraphs (i) and (iii) of section 4.2 above;
- (b) the Hondoq reverse osmosis plant project mentioned in paragraph (ii) of Section 4.2 above cost approximately €12,000,000 and the amount to be refinanced out of the proceeds of the Bond Issue as mentioned in such paragraph (ii) constitutes only a minor portion (approximately 14%) of the full cost, with the remainder having been financed mainly by EU funds;
- (c) the cost of the upgrade to the Guarantor's Enterprise Resource Planning (ERP) – SAP system and the algorithmic software within such system specifically targeted by the use of Bond Issue proceeds referred to in paragraph (iv) of Section 4.2 below should be fully covered by the proceeds of such Bond Issue, albeit the Guarantor is continuously investing in projects to upgrade and maintain its IT and other systems with a view to continue reducing non-revenue water and improving billing efficiencies projects, which projects are typically funded by one or a combination of the sources of finance of the Guarantor set out in Section 6.2 of the Registration Document; and
- (d) the projects consisting of investment in upgrading the water network and infrastructure mentioned in paragraph (v) of Section 4.2 below are ongoing projects, and the costs thereof anticipated to be financed by the Bond Issue proceeds constitute only a portion of the costs involved in such ongoing projects, which costs are typically funded by one or a combination of the sources of finance of the Guarantor set out in Section 6.2 of the Registration Document.

4.4 Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, manager and registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €500,000. There is no particular order of priority with respect to such expenses.

The expenses pertaining to the Bond Issue shall be borne by the Guarantor and shall not be financed by the proceeds of the Bond Issue and will not form part of the Issuer-Guarantor Loan.

05 ALIGNMENT OF THE ISSUER GREEN BONDS WITH THE GREEN BOND PRINCIPLES

The Issuer, together with its parent undertaking, Water Services Corporation, has developed a Green Bond Framework under which it can issue its Issuer Green Bonds as Green Bonds in terms of the Bye-Laws of the Malta Stock Exchange and to have them listed on the Exchange's Green Bond List in accordance with such Bye-Laws. The Green Bond Framework complies with the Green Bond Principles published by ICMA, aiming to align with market best practices and to provide transparency, disclosure, integrity, and quality in Green Bond reporting.

The framework adopts the four key pillars of the ICMA Green Bond Principles, which include:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

The application of these four pillars by the Issuer, in the context of the Issuer Green Bonds, is further explained below.

The current version of the Green Bond Framework is available on the Issuer’s website (<https://www.clearflowplus.com>). This may be amended or supplemented from time to time.

In developing the Green Bond Framework, the Issuer and the Guarantor have considered the local complementary guides to the ICMA standards, including the MSE Bye Laws and the EU Taxonomy under the Taxonomy Regulation.

Use of proceeds

The proceeds of the Bonds will be used in financing or (where applicable) re-financing of the projects listed in paragraphs (i) to (v) under Section 4.2 of this Securities, which have been selected by the Issuer on the basis of its assessment thereof as being Eligible Green Projects. Such assessment has been made with the assistance of the Sustainability Committee and has been confirmed by the verification of the Accredited External Reviewer.

The table below shows the main performance indicators of each project:

Eligible Green Project	Indicators
PV panels - Renewable Energy	<ul style="list-style-type: none"> • Reduction in Malta’s carbon footprint and greenhouse gas emissions. • Increase in renewable energy generation and decrease in reliance on fossil fuels. • Improved energy security for the island. • Contribution to the country’s climate change targets and commitments.
Hondoq reverse osmosis plant (part re-financing) – Water Management and Protection	<ul style="list-style-type: none"> • Reduction in energy consumption and carbon emissions compared to the previous desalination plant. • Increase in water quality and reduction in salinity levels and leading to improved taste and overall water quality. • Increased reliability and security of water supply for the island of Gozo. • Reduction in reliance on bottled water and the reduction in waste generation. • Greater water self-sufficiency.

Ta' Barkat wastewater treatment plant aeration – Operational efficiency	<ul style="list-style-type: none"> • Reduction in energy consumption and carbon emissions compared to the previous blowers. • Improved treatment efficiency and quality of the treated wastewater. • Reduction in maintenance costs and increased reliability of the equipment.
Investment in reducing non-revenue water and improving billing efficiencies – Operational efficiency	<ul style="list-style-type: none"> • Increased efficiency of the water distribution network. • Reduction in water losses and wastage, leading to increased water security and conservation of resources. • Improved billing accuracy and reduction in revenue losses.
Investment in upgrading the water network and infrastructure – Sustainable water management	<ul style="list-style-type: none"> • Reduction in water losses and wastage, leading to increased water security and conservation of resources. • Reduction in Malta's carbon footprint and greenhouse gas emissions resulting from the improved efficiency of the upgraded water network. • Improved water quality through the replacement of old, corroded pipes. • Increased reliability of the water distribution network.

The Eligible Green Projects to be financed or re-financed, in whole or in part, through the proceeds of the Bond Issue are deemed by the Issuer to contribute substantially to one of more of the environmental objectives set out in the Taxonomy Regulation and in accordance with the ICMA's Green Bond Principles, as set out in the table below:

Eligible Green Projects	Environmental objectives according to: Taxonomy Regulation and MSE Bye-Laws	Environmental objectives according to: Green Bond Principles
PV panels	Climate change mitigation	Climate change mitigation
Hondoq reverse osmosis plant (part re-financing)	Climate change mitigation	Climate change mitigation
Ta' Barkat wastewater treatment plant aeration	Climate change mitigation	Climate change mitigation
Investment in reducing non-revenue water and improving billing efficiencies	Sustainable use and protection of water and marine resources	Natural resource conservation
Investment in upgrading the water network and infrastructure	Climate change mitigation	Climate change mitigation

Process for Project Evaluation and Selection

All expenditure related to the projects for which the proceeds of the Bond Issue will be used will be approved by the Issuer's Board of Directors together with the Sustainability Committee. Some members within the Board and Sustainability

Committee will have representation on the Guarantor's board of directors to further enhance accountability, transparency and overall strategic direction.

Projects' approval is based on their relative merits including how they impact the company's long-term objectives determined in the company's strategy. The main principles considered in the decision-making process are aligned with their sustainability strategy and the National Investment Plan.

National Investment Plan

The Guarantor has compiled a 10-year National Investment Plan for the water and wastewater sector covering the years 2023 to 2033. The Plan provides a high-level outlook of the national prevailing and anticipated challenges for delivering water and wastewater services, identifying gaps in compliance with EU legislation and prioritising investments necessary to renew and upgrade the existing infrastructure. The Board of Directors, together with the Sustainability Committee, will be using the National Investment Plan as the guiding principle for project evaluation and selection in the process of carrying out the aforementioned investments.

The National Investment Plan identifies key issues with which the Eligible Green Projects will be prioritised, with the aim of directly addressing these matters. The following key water management issues were identified and addressed to safeguard a sustainable provision of water services, namely:

(1) Water's Contribution to the Economy:

Investing in the strengthening of the national production and distribution facilities to meet forecasted demand;

(2) Wastewater Treatment & Conveyance Infrastructure:

The channeling of investments toward the wastewater sector to support the development of sufficient wastewater collection and treatment capacity to address the projected wastewater production;

(3) Climate Change Mitigation and Adaptation:

Investing in water supply augmentation, wastewater network seawater intrusion mitigation, investments promoting better energy efficiency and increased water reserves; and

(4) Energy Efficiency in Water Services:

Investment in energy-efficient desalination and plans to curb sewer seawater infiltration and enhance energy efficiency in wastewater treatment.

Management of Proceeds

The proceeds arising from the Bond Issue will be managed by the Issuer's Sustainability Committee and administered by the treasury function within the Issuer's finance function. Funds raised will be accounted for in a separate bank account, the Use of Proceeds Account, of the Issuer and used to finance, re-finance or invest in Eligible Green Projects that were earmarked in line with the Green Bond Principles.

In so doing, the Issuer will loan out the proceeds to the Guarantor, through the Issuer-Guarantor Loan, which will be drawn down and paid out in staggered allocations and based upon the respective project completion status and payment terms

established within each contract, as set out in Section 4.2 of this Securities Note. The Issuer's finance team in conjunction with the Guarantor's Strategy and Reporting team, will report on a monthly basis all expenses recognised against the relevant Eligible Green Projects.

These expenses will also be accounted for in the Guarantor's capital budget, with each line item allocated on a separately identifiable CAPEX number. Progress of disbursement will also be reported monthly by the Guarantor's Performance Analysis & Control team with the rest of the Guarantor's capital expenditure budget. In addition, quarterly reviews with project owners are carried out to track the progress of upcoming commitments.

As part of the due diligence process when managing proceeds, all prospective bidders intending to carry out the relevant Eligible Green Projects will be made to submit their bids following an open call for tenders in line with the established public procurement regulations. Such bids will also be compliant to the Green Public Procurement regulations and will follow an internal adjudication process governed by ISO procedures.

Settlement of funds to successful suppliers carrying out the relevant Eligible Green Projects, will follow upon the established ISO payment procedures currently in use by the Guarantor.

Reporting

Reporting will take place one year following the issuance of the Bonds, and annually thereafter, until the proceeds of the Bonds have been fully allocated, and as necessary in case of material developments.

Allocation Report

This report will include the total amount of proceeds allocated to the Eligible Green Projects, the portion of proceeds used for financing, and the unallocated proceeds.

Impact Report

On an annual basis, the Issuer will prepare an Impact report subject to external accredited review certifying that the bonds remain eligible for Green Bond status. The Impact report will be in line with applicable legislation at the time to assess that the bonds remain eligible for Green Bond status. The Issuer may also additionally report on selected impact indicators of the Eligible Green Projects based on data and best practice. Key Performance Indicators will include 'inter alia' the overall net energy per unit of water production and the total portion of water billed.

External Review

The reporting will be subject to external verification by an independent Accredited External Reviewer post-issuance, which will also be available on the Issuer's website: www.clearflowplus.com.

The Issuer will notify the market, through a company announcement, if it becomes aware that the Bonds are no longer eligible for a Green Bond status in terms of the Bye-Laws of the Malta Stock Exchange, outlining the reasons for non-eligibility and remedial action being taken, as required by the said Bye-Laws.

06 OFFER STATISTICS

Issue:	€25,000,000 4.25% unsecured Bonds 2033.
Amount:	€25,000,000.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD.
Denomination (currency):	Euro (€).
ISIN:	MT0002751205.
Bond Issue Price:	At par, namely €100 per Bond.
Minimum amount per subscription:	Minimum of €5,000 and integral multiples of €100 thereafter, provided that the subscription amount to be applied for on a preferential basis by Preferred Applicants by using Application Form A shall be fixed at €5,000.
Offer Period:	<p>The period commencing at 08:30 hours on 26 July 2023 and ending at 12:00 hours on 18 August 2023, both days included, which shall consist of:</p> <p>(a) an initial fixed period, the Preferred Applicants' Offer Period, commencing at 08:30 hours on 26 July 2023 and ending at 12:00 hours on 31 July 2023, both days included, during which Preferred Applicants may apply for subscription of the Preferred Amount of Bonds; and</p> <p>(b) a subsequent period, the General Public Offer Period, commencing at 08:30 hours on 1 August 2023 and ending at 12:00 hours on 18 August 2023, both days included, during which investors may apply for subscription of Bonds other than applications for subscription of the Preferred Amount by Preferred Applicants, as the same may be closed earlier by the Issuer in the event of over-subscription, as provided in Section 9 below.</p>
Plan of Distribution:	<p>The Bonds are open for subscription by all categories of investors.</p> <p>Preferred Applicants may apply for the subscription of the Preferred Amount on a preferential basis over other applications by submitting an Application Form A, to be made available to them, to any of the Authorised Financial Intermediaries, during the Preferred Applicants' Offer Period.</p> <p>Investors in general, other than Preferred Applicants for the Preferred Amount, may apply for the subscription for Bonds by submitting an Application Form B, through any of the Authorised Financial Intermediaries, during the General Public Offer Period.</p>
Redemption Date:	25 August 2033.
Redemption Value:	At par, namely €100 per Bond.
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, shall rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer. The Bonds shall be guaranteed in respect of both the interest and the Redemption Value due under said Bonds by the Guarantor in terms of the Guarantee.
Guarantee	The joint and several guarantee dated 20 July 2023 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue.

Status of the Guarantee	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor and, save for such exceptions as may be provided by applicable law, the Guarantor's obligations under the Guarantee shall rank <i>pari passu</i> with all its other unsecured and unsubordinated obligations.
Listing:	The Malta Financial Services Authority has approved the Bonds for admissibility to listing and subsequent trading on the Green Bond List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Green Bond List.
Interest:	4.25% per annum, on the Nominal Value of each Bond.
Interest Payment Date(s):	Annually on 25 August as from 25 August 2024, being the first Interest Payment Date, with the last interest payment date being effected on the Redemption Date.
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law.
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

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

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

7.1 General

Each Bond forms part of a duly authorised issue of 4.25% unsecured Bonds 2033 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €25,000,000, except as otherwise provided under Section 7.12 of this Securities Note "Further Issues".

The Issue Date of the Bonds is expected to be 1 September 2023. The Bond Issue is guaranteed by the Guarantor. The Bonds are created under Maltese law.

- (a) The currency of the Bonds is Euro (€).
- (b) The Bonds are expected to be listed on the Green Bond List on or before 1 September 2023 and dealing can be expected to commence thereafter.
- (c) Subject to admission to listing of the Bonds to the Green Bond List of the MSE, the Bonds are expected to be assigned ISIN: MT0002751205.
- (d) Unless previously purchased and cancelled, the Bonds shall be redeemable at the Redemption Value on the Redemption Date.
- (e) The issue of the Bonds is made in accordance with the requirements of the Capital Markets Rules, the Act, and the Prospectus Regulation.

- (f) The minimum subscription amount of Bonds that can be subscribed for by an Applicant is €5,000 and in multiples of €100 thereafter, provided that the subscription amount to be applied for on a preferential basis by Preferred Applicants by using Application Form A shall be fixed at €5,000.
- (g) The Bond Issue is not underwritten.
- (h) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of the Redemption Value and interest and in accordance with the ranking specified in Section 7.3 hereunder.
- (i) All Applications shall be subject to the terms and conditions of the Bond Issue as set out in Section 9 hereunder, the terms of which shall form an integral part hereof.

7.2 Registration, form, denomination and title

Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers in the case of natural persons, registration numbers in the case of companies and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/ its entitlement to Bonds held in the register kept by the CSD.

When subscribing for Bonds, Bondholders who do not have an online e-portfolio account shall be registered by the CSD for the online e-portfolio facility and shall receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100, provided that on subscription the Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

Any person in whose name a Bond is registered may, to the fullest extent permitted by applicable law, be deemed and treated at all times, by all persons, including the Issuer, and for all purposes, including the making of any payments, as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "Transferability of the Bonds" in Section 7.11 of this Securities Note.

7.3 Ranking of the Bonds, Guarantee and Negative Pledge

Status of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, shall rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer. This means that any secured or privileged debts of the Issuer shall rank at all

times ahead of the obligations of the Issuer under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds, whether in full or in part, in the case of insolvency or an equivalent situation. Furthermore, subject to the negative pledge clause set out below in this Section 7.3 of this Securities Note, third-party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

Guarantee

The Bonds shall be guaranteed in respect of both the interest due and the Redemption Value by the Guarantor on a joint and several basis in terms of the Guarantee. Accordingly, the Bondholders shall be entitled to request the Guarantor to pay both the interest due and the Redemption Value under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor and, save for such exceptions as may be provided by applicable law, the Guarantor's obligations under the Guarantee shall rank *pari passu* with all its other unsecured and unsubordinated obligations.

A copy of the Guarantee is included in Annex III to this Securities Note.

Negative Pledge

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues, to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

For the purposes hereof:

"Financial Indebtedness" means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (E) any guarantee, indemnity or similar assurance against financial loss of any person;

"Security Interest" means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;

"Permitted Security Interest" means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of the Bonds; (D) any other Security Interest (in addition to (A), (B) and (C) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the Unencumbered Assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time; provided that the aggregate Security Interests referred to in (B) and (D) above do not result in the Unencumbered Assets of the Issuer being less than the aggregate principal amount of the Bonds still outstanding plus one (1) year's interest thereon;

"Unencumbered Assets" means assets which are not subject to a Security Interest or, in the case of assets which are subject to a Security Interest, the value of such assets by which the value of the Security Interest is exceeded, as applicable.

7.4 Rights attaching to the Bonds

This Securities Note in its entirety contains the Terms and Conditions of issue of the Bonds, which constitute the terms and conditions of the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- (a) the repayment of capital;
- (b) the payment of interest;
- (c) ranking with respect to other indebtedness of the Issuer in accordance with the provisions of Section 7.3 above;
- (d) seeking recourse from the Guarantor pursuant to the Guarantee, in case of failure by the Issuer to pay any sum payable by it to Bondholders pursuant to the Terms and Conditions of the Bonds;
- (e) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- (f) the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus.

7.5 Interest

The Bonds shall bear interest from and including 25 August 2023 at the rate of 4.25% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date.

The first interest payment will be effected on 25 August 2024, covering the period 25 August 2023 to 24 August 2024, and then annually thereafter on 25 August of each calendar year, with the last interest payment being effected on the Redemption Date, covering the period from the day next succeeding the immediately preceding Interest Payment Date to the Redemption Date.

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

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

7.6 Yield

The gross yield calculated on the basis of the interest on the Bonds, the Bond Issue Price and the Redemption Value of the Bonds at the Redemption Date is 4.25%.

7.7 Redemption and purchase

Unless previously purchased and cancelled the Bonds will be redeemed at the Redemption Value on, together with interest accrued up to, the Redemption Date.

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

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

7.8 Payments

Payment of the Redemption Value of Bonds will be made in Euro (€) by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder designates in the Application Form and/or such other bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

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

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

All payments with respect to the Bonds are subject in all cases to any pledge, duly constituted, of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of Redemption Value and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein or of any other applicable jurisdiction having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

7.9 Limits of the validity of claims

In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the Redemption Value on the Bonds is barred by the lapse of five years.

7.10 Events of Default

The Bondholders, holding not less than seventy-five percent (75%) of the outstanding Bonds, may give notice to the Issuer that the Bonds are, and shall accordingly immediately become, due and payable at their Redemption Value together with interest accrued on the occurrence of any of the following events (each an "Event of Default"):

- (a) the Issuer fails to pay any interest under the Bonds when due and such failure continues for a period of sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders;
- (b) the Issuer fails to pay the Redemption Value of a Bond when due and such failure continues for a period of sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders;
- (c) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer;
- (d) there shall have been entered against the Issuer or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of €5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed;
- (e) the Issuer or the Guarantor is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes bankrupt or insolvent;
- (f) an order is made or an effective resolution is passed or other action is taken for the dissolution, termination of existence, liquidation or winding-up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division;
- (g) the Issuer ceases or threatens to cease to carry on its business or a substantial part thereof;
- (h) it becomes unlawful at any time for the Issuer or the Guarantor to perform all or any of its respective obligations to pay the Redemption Value and/or interest hereunder, where applicable, or under the Guarantee; or
- (i) the Guarantee or any part thereof becomes unenforceable against the Guarantor.

Any notice to the Issuer as aforesaid, including any notice declaring Bonds due shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer. Upon any such declaration being made as aforesaid the said applicable Redemption Value and interest accrued under the Bonds shall be deemed to have become immediately payable at the time of the Event of Default which shall have happened as aforesaid.

7.11 Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Green Bond List of the MSE, shall be transferable only in whole, namely in multiples of €100, in accordance with the rules and regulations of the MSE applicable from time to time. The minimum subscription amount of €5,000 shall only apply during the Offer Period. No minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Green Bond List of the MSE and commence trading thereafter, subject to trading in multiples of €100.

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

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

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail, if any, and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds or the due date for redemption.

7.12 Further issues

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series, including the Bonds, in which case such further issue may be consolidated and form a single series with the outstanding debt securities of the relevant series, or upon such terms as the Issuer may determine at the time of their issue.

7.13 Resolutions and meetings of Bondholders

The Bondholders' meeting represents the supreme authority of the Bondholders in all matters relating to the Bonds and has the power to make all decisions altering the terms and conditions of the Bonds.

Where the approval of the Bondholders is required for a particular matter, such resolution shall be passed at a Bondholders' meeting. Resolutions passed at Bondholders' meetings shall be binding upon all Bondholders and prevail for all the Bonds.

The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds. The meeting may be called by the Issuer at its own initiative. A meeting of Bondholders shall also be called by the Issuer on the requisition of a Bondholder or Bondholders holding in aggregate, at the date of the deposit of the requisition, not less than 75% in aggregate nominal value of Bonds then outstanding, which requisition shall state the objects of the meeting and shall be signed by the requisitioning Bondholder/s and deposited at the registered office of the Issuer. The Issuer must then proceed duly to convene a meeting of Bondholders within 21 days from the date of the deposit of the requisition that complies with the requirements of this section.

A meeting of Bondholders shall be called by the Directors by giving not less than fourteen (14) days' notice in writing to all Bondholders which are listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment to the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 7.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the Terms and Conditions may only be made with the approval of Bondholders

at a meeting called and held for that purpose in accordance with the terms hereof: provided that the Guarantor shall have the power to veto any changes to the Terms and Conditions of the Bonds which are issued with the benefit of the Guarantee, limitedly in cases in which such amendments may give rise to changes in: (i) the amount payable by the Guarantor under the Guarantee; (ii) the term and/or frequency of such payments; (iii) the Events of Default listed in sub-section 7.10 of this Securities Note; and/or (iv) any other term which may otherwise increase the exposure of the Guarantor to the enforcement of the Guarantee.

A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within 2 days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than 7 days, and not later than 15 days, following the original meeting. At an adjourned meeting the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions which are required to be taken at the meeting, the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the company secretary of the Issuer under the supervision and scrutiny of the auditors of the Issuer.

The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

The Issuer may provide for virtual or remote meetings of Bondholders, including meetings by telephone or by other audio or audio and visual telecommunication means, provided that any such meetings allow Bondholders to ask questions and to exercise their right to vote at such meetings.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall mutatis mutandis apply to meetings of Bondholders.

7.14 Bonds held jointly

In respect of a Bond held jointly by several persons, including husband and wife, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all the joint holders of the relevant Bond/s. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

7.15 Bonds held subject to usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. Without prejudice to what is provided in Section 7.8 of this Securities Note regarding payment of the Redemption Value, the usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

7.16 Authorisations and approvals

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 19 July 2023. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the directors of the Guarantor dated 19 July 2023.

The Malta Financial Services Authority approved the Bonds as eligible to listing on the Green Bond List of the MSE pursuant to the Capital Markets Rules by virtue of a letter dated 20 July 2023.

7.17 Representations and warranties

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

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

7.18 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

7.19 Governing law and jurisdiction

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

Any dispute, legal action, suit or proceedings against the Issuer or the Guarantor arising out of or in connection with the Bonds and/or the Prospectus and/or any non-contractual matters arising out of or in connection therewith shall be brought exclusively before the Maltese courts. The Issuer and each Bondholder irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any dispute, action, suit or proceedings as aforesaid.

08 TAXATION

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

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

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

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

8.1 Malta tax on interest

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

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

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

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

8.2 Exchange of information

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

Relevant legislation includes, but is not limited to:

- (i) the Agreement between the Government of the United States of America and the Government of the Republic of Malta to Improve International Tax Compliance and to Implement FATCA ("Foreign Account Tax Compliant Act") – incorporated into Maltese law through Legal Notice 78 of 2014 ("FATCA Legislation"); and
- (ii) the implementation of Directive 2011/16/EU on Administrative Cooperation in the field of Taxation, as amended, which provides for the implementation of the regime known as the Common Reporting Standard ("CRS") – incorporated into Maltese law through Legal Notice 384 of 2015 entitled the Cooperation with Other Jurisdiction on Tax Matters (Amendment) Regulations, 2015.

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

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

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

In particular with respect to CRS, the following information may be reported by FIs to the Commissioner for Revenue in respect of each reportable account maintained by the FIs, (a) the name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth; (b) the account number, or functional equivalent in the absence of an account number; (c) the account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account; (d)

the total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

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

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

8.3 Maltese tax on capital gains on transfer of the Bonds

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

8.4 Duty on documents and transfers

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

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

Investors and prospective investors are urged to seek professional advice as regards both maltese and any foreign tax legislation applicable to the acquisition, holding and disposal of bonds as well as interest payments made by the issuer. The above is a summary of the anticipated tax treatment applicable to the bonds and to bondholders under maltese law. This information, which does not constitute legal or tax advice, refers only to bondholders who do not deal in securities in the course of their normal trading activity.

09 TERMS AND CONDITIONS OF THE BOND ISSUE

9.1 Expected timetable

1	Application Forms available:	26 July 2023
2	Offer Period, which includes the Preferred Applicants' Offer Period in 2a below and the General Public Offer Period in 2b below (may close earlier as determined by the Issuer)*:	26 July 2023 to 18 August 2023
2a	Preferred Applicants' Offer Period (fixed and will not close earlier):	26 July 2023 to 31 July 2023
2b	General Public Offer Period (may close earlier as determined by the Issuer)*:	1 August 2023 to 18 August 2023
3	Commencement of interest:	25 August 2023
4	Announcement of basis of acceptance:	25 August 2023
5	Refunds of unallocated monies (if any):	1 September 2023
6	Dispatch of allotment letters:	1 September 2023
7	Expected date of admission of Bonds to listing:	1 September 2023
8	Expected date of commencement of trading in the Bonds:	4 September 2023

*The Issuer reserves the right to close the General Public Offer Period and thus the Offer Period earlier in the event of over-subscription, in which case the remaining events set out in steps 3 onwards may be brought forward and will take place in the same chronological order as set out above. The Preferred Applicants' Offer Period will be fixed for the period indicated above and may not be closed earlier.

9.2 Terms and conditions of Application

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Applicant.

- (a) The issue and final allotment of the Bonds is conditional upon the Bonds being admitted to the Green Bond List of the MSE. In the event that this Condition Precedent is not satisfied within fifteen (15) Business Days from the closing of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form. The Issuer shall not be responsible for any charges, loss or delay in transmission.
- (b) Preferred Applicants who wish to subscribe for the Preferred Amount of Bonds on a preferential basis to other investors may do so by completing an Application Form A and submitting the same to an Authorised Financial Intermediary during the Preferred Applicants' Offer Period and by not later than 12:00 hours on 31 July 2023. Application Forms A will be made available to Preferred Applicants by the Issuer as from 26 July 2023. An Application Form A may only be made for a fixed amount of Bonds, namely the Preferred Amount (€5,000 in nominal value) and may not be made for a lower or higher amount. Preferred Applicants may nonetheless apply for further Bonds or otherwise for Bonds on a non-preferential basis by using an Application Form B, but no preferential treatment shall be guaranteed to them in respect of such application, in respect of which they shall be subject to the allocation policy to be determined by the Issuer.

Members of the general public who wish to subscribe for Bonds, other than Preferred Applicants in respect of the subscription for the Preferred Amount, are to contact any of the Authorised Financial Intermediaries through whom they may participate in the Bond Issue. Such investors may apply for the subscription of Bonds by submitting a duly completed Application Form B to an Authorised Financial Intermediary during the General Public Offer Period and by not later than 12:00 hours on 18 August 2023 or such earlier date as may be determined by the Issuer in case of over-subscription. Application Forms B will be available from the Authorised Financial Intermediaries as from 26 July 2023.

- (c) By submitting an Application Form, the Applicant is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the Application is made, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer, the Registrar and the Authorised Financial Intermediary reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.
- (d) The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder through an Authorised Financial Intermediary shall be subject to all the Terms and Conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. By signing and submitting the Application, the Applicant, and in the case of joint applications, each individual joint Applicant, will be entering into a legally binding contract with the Issuer, which shall become binding on the Issuer if and when such Application is accepted by the Issuer, until which time the Application shall be irrevocable by the Applicant, except where otherwise expressly provided by law:
- (i) whereby the Applicant acknowledges, declares and agrees, and will automatically be deemed to be acknowledging, declaring and agreeing, that he/she/it has made the Application solely on the basis of, and that he/she/it shall at all times be bound by and comply with, and shall be subscribing, acquiring and/or holding the relevant Bonds on the basis of, such Terms and Conditions;
 - (ii) whereby he/she/it makes and gives, and will automatically be deemed to be making and giving, to the Issuer the declarations, confirmations, representations, warranties and undertakings contained in paragraph (u) below in this Section 9.2 and all other applicable declarations, confirmations, representations, warranties and undertakings contained in the Prospectus and/or in the Application;
 - (iii) which contract, and any non-contractual matter arising out of or in connection with it, shall be governed and construed in all respects in accordance with the laws of Malta, and any disputes arising out of or in connection with such contract or any non-contractual matter arising out of or in connection therewith shall be subject to the exclusive jurisdiction of the courts of Malta, as provided in Section 7.19 ("Governing law and jurisdiction") of this Securities Note.
- (e) If an Application is submitted on behalf of another person, whether legal or natural, the person submitting such Application shall be deemed to have duly bound such other person, whether legal or natural, on whose behalf the Application has been submitted. The person submitting such Application shall be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these terms and conditions, in the Prospectus and/or in the Application on their behalf. Such representative may be requested to submit the relative power of attorney, or resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to submit an Application. In the case of corporate Applicants or Applicants having separate legal personality, Applications have to include a valid legal entity identifier (LEI) which must be unexpired; and Applications without such information or without a valid LEI will not be accepted. Furthermore, in cases where the decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be made available.
- (f) In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several as further detailed in Section 7.14 ("Bonds held jointly") of this Securities Note.
- (g) In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. Reference is made to Section 7.8 ("Payments") and Section 7.15 ("Bonds held subject to usufruct") of this Securities Note. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held

without the consent of the bare owner, and shall not be entitled to the payment of the Redemption Value on the Bond, which shall be due to the bare owner or as otherwise indicated in the joint instructions of all bare owners and usufructuaries.

- (h) Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s until such time as the minor attains legal age, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained legal age.
- (i) It shall not be incumbent on the Registrar or the Issuer to verify the signatory/ies on any Application Form submitted.
- (j) The Bonds have not been nor will they be registered under the United States Securities Act, 1933 as amended, or under any federal or state securities law and may not be offered, sold or otherwise transferred, directly or indirectly, in the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or to or for the benefit of, directly or indirectly, any U.S. Person, as defined in Regulation "S" of the said Act. Furthermore, the Issuer will not be registered under the United States Investment Company Act, 1940.
- (k) No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use the Application Form or the Prospectus or make an Application, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or the Prospectus could lawfully be used and the Application could lawfully be made without contravention of any registration or other legal requirements.
- (l) Subscription for Bonds by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisors, including tax and legal advisors, as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Bonds. It is the responsibility of any person, including without limitation nominees, custodians, depositaries and trustees, outside Malta wishing to participate in the Bond Issue, to satisfy himself/herself/itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes of any nature whatsoever due in such territories. The Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.
- (m) The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €5,000, provided that the subscription amount to be applied for on a preferential basis by Preferred Applicants by using Application Form A shall be fixed at €5,000. The completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries by the time limits set out in paragraph (b) above. Submission of Application Forms must be accompanied by the full price of the Bonds applied for, in Euro. Payment may be made either by cheque, by bank transfer or any other method of payment as may be accepted by the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Issuer acting through the Registrar reserves the right to invalidate the relative Application.
- (n) Subject to all other terms and conditions set out in the Prospectus, the Issuer, the Registrar and the relevant Authorised Financial Intermediary reserve the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer, the Registrar or Authorised Financial Intermediary is not properly completed in all respects in accordance with the instructions on the Application Form and/or the Prospectus and/or which is not accompanied by the required documents.
- (o) Without prejudice to the generality of paragraph (n) above, the Issuer reserves the right, in its discretion, to reject all Applications and revoke the issue and not to allot any Bonds if the Bond Issue is not fully subscribed and taken up during the Offer Period. The Issuer may however, in its discretion, accept Applications made and proceed with the

issue and allotment of the Bonds in case the Bond Issue is subscribed only in part during the Offer Period, whatever the amount so subscribed.

- (p) Without prejudice to paragraphs (n) and (o) above, the Issuer reserves the right to revoke the issue at any time before the closing of the Offer Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- (q) The Offer Period shall close immediately upon attaining full subscription or on the last day of the Offer Period, whichever is the earlier. By not later than 25 August 2023, the Issuer shall, through an announcement to be uploaded on the Issuer's website, namely www.clearflowplus.com, announce the result of the Bond Issue and shall determine the basis of acceptance of Applications and allocation policy to be adopted.
- (r) In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for (and the Issuer reserves the right to do so in case of oversubscription or otherwise in its absolute discretion), the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk. The respective Authorised Financial Intermediary or the Issuer shall not be responsible for any charges, loss or delay in transmission.
- (s) For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 372 of 2017, as subsequently amended), all Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of applicable data protection legislation, in particular the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679, as amended from time to time, as applicable, for the purposes, and within the terms, of the MSE's Data Protection Policy as published from time to time.
- (t) It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 ("MiFIR"), as well as applicable MFSA Rules for investment services providers.
- (u) By completing, signing and delivering and/or otherwise by making an Application, the Applicant:
 - (i) irrevocably offers to purchase the number of Bonds specified in his/her/its Application, or any smaller number for which the Application is accepted, at the Bond Issue Price subject to the Prospectus, the Terms and Conditions and the Memorandum and Articles of Association;
 - (ii) agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
 - (iii) authorises the Issuer, the Authorised Financial Intermediary and/or the Registrar and the MSE, as applicable, to process the personal data that the Applicant provides, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed in relation to the Bond Issue, in terms of applicable law. Any such request must be made in writing and sent, as applicable, to the Issuer and the relevant Authorised Financial Intermediary and to the MSE. The request must further be signed by the Applicant to whom the personal data relates;
 - (iv) warrants that the information submitted by the Applicant in or together with the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant. Failure to include an MSE account number will result in the Application being cancelled by the Issuer (acting through the Registrar) and subscription monies will be returned to the Applicant in accordance with paragraph (r) above. In the

event of a discrepancy between the personal details, including the Applicant's name and surname and address, appearing on the Application and those held by the MSE in relation to the MSE account number indicated on the Application, the details held by the MSE shall be deemed to be the correct details of the Applicant;

- (v) confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer, the Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- (vi) authorises the CSD, the Registrar and the Issuer to include his/her/its name or in the case of joint Applications, the first named Applicant, in the register of Bondholders in respect of the Bonds allocated to the Applicant;
- (vii) warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: (a) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Bonds, unless and until a payment is made in cleared funds for such Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar, which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer acting through the Registrar is indemnified for all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the Applicant's remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Issuer acting through the Registrar of such late payment in respect of the Bonds; or (b) the Issuer may, without prejudice to other rights, treat the agreement to allocate such Bonds as void and may allocate such Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Bonds, other than return of such late payment, if any;
- (viii) agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- (ix) agrees to provide the Registrar and/or the Issuer and/or the Authorised Financial Intermediary, as the case may be, with any information which it/they may request in connection with the Application;
- (x) warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any relevant territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- (xi) warrants that all applicable exchange control or other such regulations, including those relating to external transactions, have been duly and fully complied with;
- (xii) represents that the Applicant is not a U.S. person, as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended, as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- (xiii) warrants that, where an Applicant makes an Application on behalf of another person or on behalf of a corporation or corporate entity or association of persons, the Applicant is duly authorised to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and accordingly will be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these Terms and Conditions, in the Prospectus and/or in the Application, and undertakes to submit the Applicant's power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Issuer or the Registrar;
- (xiv) warrants that where the Application is being lodged in the name and for the benefit of a minor, the Application is made by the parent/s or legal guardian/s of the minor;

- (xv) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address, or, in the case of joint Applications, the address of the first named Applicant, as set out in the Application;
- (xvi) agrees that any returned monies will be returned without interest at the Applicant's risk and will be returned by direct credit into the bank account as specified in the Application Form, and the relevant Authorised Financial Intermediary and the Issuer shall not be responsible for any charges, loss or delay arising in connection therewith;
- (xvii) renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds;
- (xviii) agrees that the advisors to the Bond Issue listed in Section 3.4 of the Registration Document, in their capacity as such, will owe the Applicant no duties or responsibilities concerning the Bonds or their suitability for the Applicant;
- (xix) agrees that the Application, the acceptance of the Application and the contract resulting therefrom, all the rights and obligations of the Applicant and the Issuer, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law and, and that he/she/it submits to the jurisdiction of the Maltese Courts which shall have, and the Applicant agrees that such Courts will have, exclusive jurisdiction to hear and determine any dispute, action, suit or proceeding arising out of or in connection with any such Application, acceptance of Application and contract resulting therefrom, rights and obligations and non-contractual matters as aforesaid.

9.3 Plan of distribution and allotment

The Bonds will be available for subscription by all categories of investors, subject always to the allocation preference which shall be given to Preferred Applicants in respect of the Preferred Amount applied for by them.

The Issuer has reserved an amount in nominal value of Bonds equal to the Preferred Amount multiplied by the number of Preferred Applicants as of the date of this Securities Note, which shall be approximately €5.4 million, for subscription by Preferred Applicants on a preferential basis over other Applicants, which preference shall however apply only up to the Preferred Amount per Preferred Applicant. Preferred Applicants who wish to avail themselves of such preferred allocation are to submit a duly completed Application Form A through an Authorised Financial Intermediary during the Preferred Applicants' Offer Period.

The remaining amount of Bonds plus any amount reserved for Preferred Applicants as aforesaid but not taken up by such Preferred Applicants, shall be made available for subscription by any investors, including Preferred Applicants if and to the extent that they wish to apply for subscription of Bonds in excess of the Preferred Amount or otherwise on a non-preferential basis, by submitting a duly completed Application Form B through an Authorised Financial Intermediary by not later than the close of the General Public Offer Period.

Applications shall in all cases be made through any of the Authorised Financial Intermediaries. All Applications are subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client. Applications on Application Forms A by Preferred Applicants are fixed for the subscription amount of €5,000.

It is expected that Applicants will be notified of the amount of Bonds allocated to them respectively by means of an allotment letter to be sent within five (5) Business Days of the announcement of the result of the Bond Issue and of the allocation policy to be adopted. The registration advice, other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (chapter 373 of the Laws of Malta), and regulations made thereunder. Such monies shall not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to: (i) notification of the amount allotted being issued to Applicants; and (ii) the Bonds being admitted to the Green Bond List.

9.4 Pricing

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

9.5 Allocation policy

Without prejudice to the right of the Issuer, the Registrar and/or the relevant Authorised Financial Intermediary to reject Applications as provided in this Securities Note, in particular under paragraphs (n), (o) and (p) of Section 9.2 above, the Issuer shall allocate Bonds as follows:

- (a) Bonds applied for on a preferential basis by Preferred Applicants for the Preferred Amount on the basis of an Application Form A shall be allocated to such Preferred Applicants; and
- (b) other Bonds shall be allocated in accordance with an allocation policy to be announced by the Issuer at the time of announcement of the result of the Bond Issue.

The Issuer shall announce the result of the Bond Issue through an announcement to be uploaded on the Issuer's website, namely www.clearflowplus.com.

9.6 Admission to trading

The Malta Financial Services Authority has authorised the Bonds as admissible to listing pursuant to the Capital Markets Rules by virtue of a letter dated 20 July 2023.

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Green Bond List of the Malta Stock Exchange.

The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 1 September 2023 and trading is expected to commence on 4 September 2023.

9.7 Additional Information – Credit ratings

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

9.8 Additional Information – Third party information statements by experts

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

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

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

ANNEX I

APPLICATION FORMS

ClearFlowPlus p.l.c.

€25,000,000 4.25% Unsecured Bonds 2033
Application Form A - Preferred Applicants



Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

A APPLICANT (see notes 2 to 7)

Non-Resident Minor (under 18) Body Corporate/ Body of Persons CIS-Prescribed Fund

B TITLE (Mr/Mrs/Ms/...) FULL NAME AND SURNAME / REGISTERED NAME

ADDRESS

POST CODE

MSE A/C NO. (mandatory) I.D. CARD / PASSPORT / COMPANY REG. NO. DOCUMENT TYPE COUNTRY OF ISSUE

LEI (Legal Entity Identifier (if applicant is NOT an individual)) DATE OF BIRTH NATIONALITY MOBILE NUMBER

REGISTER FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use Addendum to Application Form if space is not sufficient)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

D DECISION MAKER/MINOR'S PARENTS/LEGAL GUARDIAN(S) (see notes 4 and 7) (to be completed ONLY if applicable)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

E I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8)

AMOUNT IN FIGURES
€5,000

AMOUNT IN WORDS
Five thousand Euro

ClearFlowPlus p.l.c. 4.25% Unsecured Bonds 2033 (the "Bonds") (subscription of €5,000) at the Issue Price (at par), as defined in the Prospectus dated 20 July 2023 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. (See note 9)

F RESIDENT - WITHHOLDING TAX DECLARATION (see note 10) (to be completed ONLY if the Applicant is a resident of Malta)

I/We elect to receive interest NET of FWT I/We elect to receive interest GROSS (i.e. without FWT)

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 12) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY CITY OF BIRTH

T.I.N. (Tax Identification Number) COUNTRY OF BIRTH

NOT resident in Malta but resident in the European Union NOT resident in Malta and NOT resident in the European Union

H INTEREST, REFUND AND REDEMPTION MANDATE (see notes 11 and 12) (completion of this panel is MANDATORY)

BANK IBAN

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

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

Signature/s of Applicant/s

Date

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application) (Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)

AUTHORISED INTERMEDIARY'S STAMP

AUTHORISED INTERMEDIARY'S CODE

APPLICATION NUMBER

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 20 July 2023 regulating the Bond Issue

1. This Application is governed by the Terms and Conditions of Application contained in section 9 of the Securities Note forming part of the Prospectus dated 20 July 2023. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account on the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel D must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. APPLICANTS ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL B, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE AFFECTED.
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel D.
8. Applications must be for a subscription of €5,000 and must be accompanied by the relevant subscription amount in Euro.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.
In terms of section 8 of the Securities Note forming part of the Prospectus, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).
10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The contents of Notes 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisers in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Preferred Applicants' Offer Period will open at 8:30 hours on 26 July 2023 and will close at 12:00 hours on 31 July 2023. Completed Application Forms are to be delivered to any Authorised Intermediary listed in Annex II of the Prospectus during regular office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in Panel H.
13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - (a) the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - (b) the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - (c) you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult a financial adviser, licensed under the Investment Services Act (Cap. 370 of the laws of Malta), for advice.

ClearFlowPlus p.l.c.

€25,000,000 4.25% Unsecured Bonds 2033
Application Form B - General Applicants



Please read the notes overleaf before completing this Application Form. Mark 'X' where applicable.

A APPLICANT (see notes 2 to 7)

Non-Resident Minor (under 18) Body Corporate/ Body of Persons CIS-Prescribed Fund

B TITLE (Mr/Mrs/Ms/...) FULL NAME AND SURNAME / REGISTERED NAME

ADDRESS

POST CODE

MSE A/C NO. (mandatory)

I.D. CARD / PASSPORT / COMPANY REG. NO.

DOCUMENT TYPE

COUNTRY OF ISSUE

LEI (Legal Entity Identifier (if applicant is NOT an individual))

DATE OF BIRTH

NATIONALITY

MOBILE NUMBER

REGISTER FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)

C ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use Addendum to Application Form if space is not sufficient)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

D DECISION MAKER/MINOR'S PARENTS/LEGAL GUARDIAN(S) (see notes 4 and 7) (to be completed ONLY if applicable)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

DOCUMENT TYPE COUNTRY OF ISSUE DATE OF BIRTH NATIONALITY

E I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8)

AMOUNT IN FIGURES
€

AMOUNT IN WORDS

ClearFlowPlus p.l.c. 4.25% Unsecured Bonds 2033 (the "Bonds") (minimum subscription of €5,000 and in multiples of €100 thereafter) at the Issue Price (at par), as defined in the Prospectus dated 20 July 2023 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. (See note 9)

F RESIDENT - WITHHOLDING TAX DECLARATION (see note 10) (to be completed ONLY if the Applicant is a resident of Malta)

I/We elect to receive interest NET of FWT I/We elect to receive interest GROSS (i.e. without FWT)

G NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see note 12) (to be completed ONLY if the Applicant is a non-resident)

TAX COUNTRY CITY OF BIRTH

T.I.N. (Tax Identification Number) COUNTRY OF BIRTH

NOT resident in Malta but resident in the European Union NOT resident in Malta and NOT resident in the European Union

H INTEREST, REFUND AND REDEMPTION MANDATE (see notes 11 and 12) (completion of this panel is MANDATORY)

BANK IBAN

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

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

Signature/s of Applicant/s

Date

(Parent/s or legal guardian/s are/is to sign if Applicant is a minor) (All parties are to sign in the case of a joint Application) (Bare owner/s and usufructuary/ies to sign in the case of holdings that are subject to usufruct)

AUTHORISED INTERMEDIARY'S STAMP

AUTHORISED INTERMEDIARY'S CODE

APPLICATION NUMBER

Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Prospectus dated 20 July 2023 regulating the Bond Issue

1. This Application is governed by the Terms and Conditions of Application contained in section 9 of the Securities Note forming part of the Prospectus dated 20 July 2023. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account on the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel D must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. APPLICANTS ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL B, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE AFFECTED.
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel D.
8. Applications must be for a minimum subscription of €5,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments. In terms of section 8 of the Securities Note forming part of the Prospectus, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).
10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The contents of Notes 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisers in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The General Public Offer Period will open at 08:30 hours on 1 August 2023 and will close at 12:00 hours on 18 August 2023, or earlier in case of over-subscription. Completed Application Forms are to be delivered to any Authorised Intermediary listed in Annex II of the Prospectus during regular office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in Panel H.
13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - (a) the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - (b) the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - (c) you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult a financial adviser, licensed under the Investment Services Act (Cap. 370 of the laws of Malta), for advice.

ANNEX II

LIST OF AUTHORISED FINANCIAL INTERMEDIARIES

APS Bank p.l.c.

C 2192
APS Centre, Tower Street, Birkirkara BKR 4012
25603404

Bank of Valletta p.l.c.

C 2833
Premium Banking Centre, 475, Triq il-Kbira San Guzepp, St Venera SVR 1011
22751732

Calamatta Cuschieri Investment Services Limited

C 13729
Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034
25688688

CiliaFormosa Financial Advisors Ltd

C 92744
Triq id-Delu, Mosta MST 3355
22260200

Curmi & Partners Ltd

C 3909
Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102
21347331

FINCO Treasury Management Limited

C 17017
The Bastions, Office No 2, Emvin Cremona Street, Floriana FRN 1281
21220002

HSBC Bank (Malta) p.l.c.

C 3177
Wealth and Personal Banking, Investment and Wealth Solutions (IWS), 80, Mill Street, Qormi QRM 3101
23802380

Jesmond Mizzi Financial Advisors Limited

C 30176
67 Level 3, South Street, Valletta VLT 1105
21224410

Lombard Bank Malta p.l.c.

C 1607
67, Republic Street, Valletta VLT 1117
25581112

MeDirect Bank (Malta) plc

C 34125
The Centre, Tigne` Point, Sliema TPO 0001
25574400

Michael Grech Financial Investment Services Limited

C 28229
The Brokerage, Lvl 0 A, St Marta Street, Victoria, Gozo VCT 2550
22587000

MZ Investment Services Limited

C 23936
63, St. Rita Street, Rabat RBT 1523
21453739

Rizzo, Farrugia & Co (Stockbrokers) Ltd

C 13102
Airways House, Fourth Floor, High Street, Sliema SLM 1551
22583000

Timberland Invest Ltd

C 60291
Aragon House Business Centre Dragonara Road, St Julian's STJ 3140
20908100

ANNEX III

GUARANTEE

Date: 20 July 2023

To All Bondholders:

Reference is made to the issue by ClearFlowPlus p.l.c., a public limited liability company registered under the laws of Malta and bearing company registration number C 38895 (the "Issuer") of up to €25,000,000 4.25% unsecured bonds 2033 (the "Bonds" or "Bond Issue"), pursuant to and subject to the terms and conditions contained in the Securities Note (as such term is defined hereunder) forming part of the Prospectus (as such term is defined hereunder).

Now, therefore, by virtue of the present, Water Services Corporation, a corporation established by virtue of the Water Services Corporation Act (Cap. 355 of the Laws of Malta) (the "Guarantor") hereby unconditionally and irrevocably guarantees the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and without prejudice to the generality of the foregoing, undertakes to pay any Indebtedness (as such term is defined hereunder) which shall become due and payable by the Issuer to Bondholders (hereinafter referred to as "Guarantee").

The Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Bondholders, and this Guarantee forms part of the rights of Bondholders under the Bonds.

01 INTERPRETATION

In this Guarantee, unless the context otherwise requires:

"Indebtedness" means all moneys, obligations and liabilities now or at any time hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;

"Prospectus" means the prospectus issued by the Issuer in respect of the Bond Issue, dated 20 July, 2023;

"Securities Note" means the securities note issued by the Issuer in respect of the Bond Issue, dated 20 July, 2023, forming part of the Prospectus; and

"writing" or "in writing" shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

Capitalised terms used herein which are defined in the Prospectus shall, unless otherwise defined herein or unless the context otherwise requires, have the same meanings herein as in the Prospectus.

The Guarantor hereby acknowledges and declares that it has received a copy of the Prospectus as approved and issued by the Issuer.

02 GUARANTEE

2.1 Covenant to pay

In satisfaction of the conditions precedent for the issuance of the Bonds, and in consideration of the Bondholders acquiring the Bonds, the Guarantor, as duly authorised, as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to each Bondholder, the payment of, and undertakes on first demand in writing made in accordance with clause 8.2, to pay the Indebtedness to the Bondholders or any balance thereof at any time due or owing under the Bonds, on the occurrence of an Event of Default that is continuing in accordance with the Securities Note.

2.2 Liability amount

This is a continuing Guarantee for the whole amount of Indebtedness due or owing by the Issuer under the Bonds but, notwithstanding anything contained in this Agreement, the amount due by the Guarantor to the Bondholders under this Guarantee shall in aggregate be up to and shall not be in excess of (i) the Redemption Value of Bonds subscribed for and issued pursuant to the Bond Issue, (ii) interests due up to the date of payment and (iii) reasonably incurred and properly documented costs and expenses up to €750,000 in aggregate amongst all the Bondholders at the relevant time (divided between them pro rata the nominal of the Bonds held by them respectively) incurred as at the date of payment under the Guarantee relating to the enforcement of the Bondholders' rights against the Issuer and/or the Guarantor.

2.3 Indemnity

As a separate and independent stipulation, the Guarantor unconditionally and irrevocably agrees: (i) that any sum which, although expressed to be payable by the Issuer in terms of the Prospectus, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor, or any Bondholder) not recoverable from the Guarantor on the basis of this Guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by the Guarantor on demand; and (ii) as a primary obligation, to indemnify the Bondholders against any loss up to the amount claimed, subject always to the limit set out in clause 2.2, suffered by the Bondholders as a result of any sum expressed to be payable by the Issuer in terms of the Prospectus or the Bonds not being paid on the date and otherwise in the manner specified in the Prospectus or any payment obligation of the Issuer under the Bonds not being, or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to any Bondholder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

03 CONTINUING AND UNCONDITIONAL LIABILITY

3.1 **The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid or until such time as the maximum amounts referred to in clause 2.2 above are paid by the Guarantor hereunder, and will not be prejudiced or affected by, nor shall it in any way be discharged or reduced by reason of:**

- (a) the bankruptcy, insolvency or winding up of the Issuer; or
- (b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- (c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor; or

- (d) a Bondholder conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or
- (e) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the relevant Bondholder.

3.2 This Guarantee provides the Bondholders with the right of immediate recourse against the Guarantor, and the Bondholders shall not be obliged before taking steps to enforce any of their respective rights and remedies under this Guarantee:

- (a) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of the Issuer or any other person; or
- (b) to make, demand, enforce or seek to enforce any claim, right or remedy against the Issuer or any other person.

04 WAIVER OF GUARANTOR'S RIGHTS AND GUARANTOR'S WARRANTIES

4.1 Without prejudice to clause 2.2 above, this Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor or any other person shall have made any irrevocable payment of the Indebtedness.

4.2 Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Bondholders:

- (a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer;
- (b) demand or accept repayment, in whole or in part, of any Indebtedness now or hereafter due to the Guarantor from the Issuer or demand any collateral in respect of same or dispose of same;
- (c) take any step to enforce any right against the Issuer arising pursuant to the Guarantee or any payment made by the Guarantor thereunder;
- (d) claim any set-off or counter-claim against the Issuer nor shall the Guarantor claim or prove in competition with the Bondholders in the liquidation of the Issuer or benefit or share any payment from or in composition with the Issuer.

4.3 Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that:

- (a) if an Event of Default under the Prospectus occurs, any sums which may thereafter be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Bondholders and shall be paid to the Bondholders immediately upon demand in writing;
- (b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Bondholders against the Issuer shall be suspended.

05 ADDITIONAL GUARANTEE

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Bondholders may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's Indebtedness, subject to the maximum amounts referred to in clause 2.2 above. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

06 BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

- 6.1 This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Bondholders and the liability hereunder is not subject to any conditions as to additional security being received by the Bondholders or otherwise.**
- 6.2 The Guarantor shall not be entitled to assign or transfer (by novation or otherwise) any of its rights or obligations under this Guarantee.**

07 REPRESENTATIONS AND WARRANTIES.

7.1 The Guarantor represents and warrants as at the date of this Guarantee:

- (a) that it is duly established and validly existing under the laws of Malta and has the power to carry on its business;
- (b) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with the laws of its incorporation and regulation;
- (c) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;
- (d) that this Guarantee does not and will not constitute default with respect to or violate any law, rule, regulation, judgment, decree or permit to which the Guarantor is or may be subject; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;
- (e) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature the outcome whereof may materially affect its ability to pay under this Guarantee;
- (f) that the obligations binding it under this Guarantee rank at least *paripassu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;
- (g) that it is not in material breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard, which, in each case, may materially affect its ability to pay under this Guarantee;
- (h) that all the information tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;
- (i) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

- 7.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Bondholders, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause except for representations and warranties in paragraphs (e) and (g) which are given only as at the date of this Guarantee.**

08 DEMANDS AND PAYMENTS

- 8.1 Without prejudice to clause 2.2 above, all the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, which is certain, liquidated and due, and the Guarantor shall be jointly and severally obligated to pay such Indebtedness upon first written demand by a Bondholder, as such standing is evidenced by an electronic entry in the register of Bonds held by the CSD. All demands shall be sent to the address as is stated below in clause 9 as the same may be changed by notice in writing to the Bondholders. Subject to clause 8.2 below, such payment shall be due on the seventh (7th) Business Day following the Bondholder's first written demand to the Guarantor to pay.**
- 8.2 The demand shall be accompanied by a statement by the Bondholder representing that there exist, at the time of the demand, an Event of Default that is continuing pursuant to the terms of the Securities Note.**

09 NOTICES

Every notice, request, demand, letter or other communication hereunder to the Guarantor shall be in writing, in the English language, and shall be delivered by hand or by pre-paid post or email at the address or email address of the Guarantor set out below or as otherwise notified to the sender.

Water Services Corporation:

Address: Water Services Corporation, Triq Hal Qormi, Luqa LQA9043, Malta

E-mail address:

To the attention:

10 AMENDMENTS

The Guarantor has the power to veto any changes to the Terms and Conditions of the Bonds which are issued with the benefit of this Guarantee, limitedly in cases in which such amendments may give rise to changes in: (i) the amount payable by the Guarantor under this Guarantee; (ii) the term and/or frequency of such payments; (iii) the Events of Default listed in sub-section 7.10 of the Securities Note; and/or (iv) any other term which may otherwise increase the exposure of the Guarantor to the enforcement of this Guarantee.

11 DEPOSIT AND PRODUCTION OF THE GUARANTEE.

The original instrument creating this Guarantee shall be deposited with and be held by the Issuer at its registered address for the benefit of the Bondholders until all obligations of the Guarantor have been discharged in full, and until such time the Guarantor acknowledges the right of every Bondholder to obtain a copy of the instrument creating the Guarantee.

12 APPLICABLE LAW AND JURISDICTION.

This Guarantee and any non-contractual matters in relation thereto shall be governed by and construed in accordance with the laws of Malta.

The Courts of Malta have exclusive jurisdiction to settle any dispute, controversy or claim in connection with this Guarantee (including as to the interpretation, validity, performance or breach thereof) and in connection with any non-contractual matters in relation hereto.

The original copy has been signed by:

duly authorised, on behalf of Water Services Corporation (Guarantor)

duly authorised, on behalf of ClearFlowPlus Limited (Issuer)

ANNEX IV

FINANCIAL ANALYSIS SUMMARY



The Directors
ClearFlowPlus p.l.c
Water Services Corporation
Triq Hal-Qormi
Luqa, LQA 9043
Malta

Re: Financial Analysis Summary – 2023

20 July 2023

Dear Board Members,

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

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

- a) Historical financial data for the three years ending 31 December 2020, 2021 and 2022 has been extracted from the audited financial statements of the Issuer and the Guarantor.
- b) The forecast data for the financial years ending 31 December 2023 and 2024 has been provided by management.
- c) Our commentary on the Issuer and Guarantor’s results and financial position is based on the explanations provided by management.
- d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,

Patrick Mangion
Head of Capital Markets

Calamatta Cuschieri Investment Services Limited | Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta | P.O. Box 141, Il-Marsa, MRS 1001, Malta
Phone: (+356) 25 688 688 | Web: www.cc.com.mt | Email: info@cc.com.mt

Calamatta Cuschieri Investment Services Limited is a founding member of the Malta Stock Exchange and is licensed to conduct investment services by the Malta Financial Services Authority.

FINANCIAL ANALYSIS SUMMARY 2023



ClearFlowPlus p.l.c
20 July 2023

Prepared by Calamatta Cuschieri
Investment Services Limited

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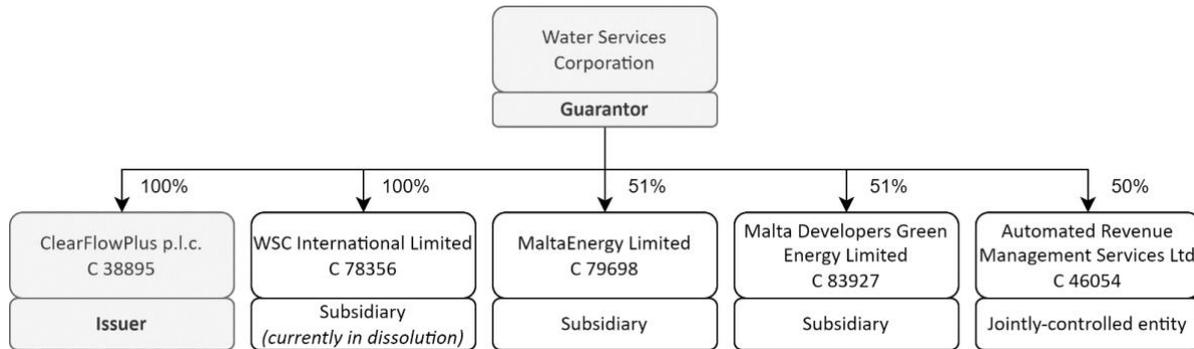
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Part 1 - Information about the Group

ClearFlowPlus p.l.c. (the "Issuer" or "CFP") has applied for a bond issue in respect of €25m 4.25% Unsecured Bonds 2033, of a nominal value of €100 per bond issued at par. This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies.

1.1 Group's key activities and Group Structure

The Group's complete organisation chart is set out below:



ClearFlowPlus p.l.c. was incorporated on 9 June 2006 as a private limited liability company with company registration number C 38895, under the name Desalination Services Marketing Ltd. In 2018, it changed its name to ClearFlowPlus Limited. In July 2023, the Issuer was converted to a public limited company in anticipation of the bond issue. As at the date of this Analysis, the Issuer has an authorised and issued share capital of €250,002 divided into 107,326 Ordinary Shares of €2.329373 each all fully paid up. The Issuer is a fully owned subsidiary of Water Services Corporation except for one share, which is held by Malta Government Investments Limited (C 10175).

The Issuer's main objectives are the provision of technical consultancy services related to the distribution, conservation and treatment of water. The Issuer also offers consultancy services and supplies in connection with reverse osmosis plants, wastewater treatment facilities, laboratory analysis and information technology. The Issuer markets and provides its consultancy services both locally and abroad. Following the issue of the Green Bonds by the Issuer, it is the intention that the Issuer's activities will be restricted to that of a finance company, and therefore, the existing operations of the Issuer are envisaged to be transferred to another Subsidiary of the Guarantor, most likely a company yet to be incorporated.

Water Services Corporation (the "Guarantor" or "WSC" or the "Group") was founded on 20 January 1992 by Act of Parliament No. XXIII of 1991, to take over the responsibilities of the former Water Works Department. This strategic move meant that rather than remaining the responsibility of a government department, water has now become the

responsibility of a dedicated Corporation established by statute with a certain level of autonomy and increased accountability. The Guarantor employs around 1,100 persons and is responsible for and can manage potable water and wastewater services in the Maltese islands and its principal activities are:

- Water production and distribution - to acquire, produce, distribute and sell water for domestic, industrial and commercial use;
- Wastewater collection and treatment - to treat and dispose or re-use wastewater;
- Renewable energy generation - to further reduce the energy costs related to its operations using renewable energy sources.

WSC International Limited ("WSC")

WSC was incorporated on 9 December 2016 with registration number C 78356 and is currently in the process of dissolution.

MaltaEnergy Limited ("MEL")

MEL was incorporated on 4 May 2017 with registration number C 79698. MEL leases the Qrendi and Ta' Cenc reservoirs from the Guarantor. It was set up as a joint venture vehicle between the Guarantor and the General Retailers and Traders Union.

Malta Developers Green Energy Limited ("MDGE")

MDGE was incorporated on 21 March 2018 with registration number C 83927. MDGE leases the solar panels which are installed on the property of the Guarantor. The company was set up as a joint venture vehicle between the Guarantor and the Malta Developers Association.

Automated Revenue Management Services Ltd (“ARMS”)

ARMS was incorporated on 19 January 2009 with registration number C 46054. This private limited liability company was set up as a joint venture between WSC and Enemalta plc. The scope of this agreement was to carry out meter to cash functions for both entities. ARMS must transfer all revenues collected to the respective party within 24 hours of receipt.

1.2 Directors and Employees

Board of Directors - Issuer

The Board of Directors of the Issuer is composed of the following persons:

Name	Designation
Dr Vince Micallef	Chairman and non-executive Director
Mr Karl Cilia	Vice-Chairman and executive Director
Mr Matthew Costa	Executive Director
Ing David Sacco	Executive Director
Ms Angela Azzopardi	Independent non-executive Director
Mr Luke Cann	Independent non-executive Director
Ing Abigail Cutajar	Independent non-executive Director
Ms Katrina Cuschieri	Independent non-executive Director

Mr Karl Cilia, Mr Matthew Costa and Ing David Sacco are executive Directors and occupy senior executive positions within the Group, namely CEO of the Guarantor, CFO of the Guarantor and Production & Treatment Chief Officer of the Guarantor, respectively. The other five Directors, Dr Vince Micallef, Ms Angela Azzopardi, Mr Luke Cann, Ing Abigail Cutajar and Ms Katrina Cuschieri serve on the Board of the Issuer in a non-executive capacity. Ms Angela Azzopardi, Mr Luke Cann, Ing Abigail Cutajar and Ms Katrina Cuschieri are considered as independent directors since they are free of any significant business, family or other relationship with the Issuer, its controlling shareholders or the management of either, that could create a conflict of interest such as to impair their judgement.

The business address of the directors of the Issuer is the registered office of the Issuer.

Board of Directors - Guarantor

The Board of Directors of the Guarantor consists of the following persons:

Name	Designation
Mr Joseph Vella	Chairman
Mr Louis Gatt	Deputy Chairman
Dr Vince Micallef	Member
Ing Raymond Azzopardi	Member
Mr Ethelbert Schembri	Member
Ms Silvana Mifsud	Member
Ms Marion Parnis	Member
Ms Mirana Agius Silvio	Member
Dr Juanita Agius Galea	Member

The business address of the directors of the Guarantor is the Head Office of the Guarantor, namely Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta.

1.3 Major Assets owned by the Group

The Group’s most major asset is related to Property, plant and equipment (“PPE”) and amounted to €365.7m. PPE principally comprise of assets related to water infrastructure (€130.2m), wastewater infrastructure (€91.8m), land and buildings (€44.1m) and assets under construction (€84.1m). Water and wastewater infrastructure includes:

- four reverse osmosis plants in Pembroke, Ċirkewwa, Għar Lapsi and Hondoq ir-Rummien;
- 24 reservoirs and various pumping stations;
- four wastewater treatment plants in Sant’ Antin Marsascala, Ras il-Hobz in Gozo, Ic-Cumnija, limits of Mellieha and Ta’ Barkat Xghajra; and
- a network of over 2,200 kilometres of pipes and a tunnel between Pembroke and Ta’ Qali.

Assets under construction represent water and wastewater infrastructure assets, which are still in the course of construction. During the year, assets which are no longer in the course of construction are reclassified to other components of PPE. In FY22 €36.0m of assets under construction were reclassified to other components of property, plant and equipment. €17m of these reclassifications related to capitalizations of water infrastructure assets, whilst the other €19m were reclassified to wastewater infrastructure assets.

1.4 Operational Developments

During 2022, the Issuer continued to commercialise WSC’s laboratory, waste management, and IT services while strengthening its water dispensing business function. In addition, it also continued to maintain and install reverse osmosis plants in various hotels around Malta.

As part of its sustainability initiatives during 2022, an additional 40 multi-point water dispensing units were installed in schools as part of the WAW (We Are Water) campaign. Following these installations, most public schools in Malta and Gozo are now provided with potable water of higher quality. This also enables school children to have daily access to potable water, instil a discipline of reusable bottles and have a lighter bag so as to reduce back problems in the future.

This increase in coverage has led to a saving of an estimated 3.8m plastic bottles from the environment by end 2022. Furthermore, during 2022, an industrial reverse osmosis was commissioned, and another was completed for commissioning early in 2023. A second reverse osmosis is planned to be commissioned later on in 2023. Apart from the enhanced sustainability efforts, this increased activity has also led to an increase in revenue of the Issuer and an increase in gross profit arising from these services compared to 2021.

In 2023 and subsequent years, the Issuer is committed to continue increasing its indoor water dispensing units in various public spaces, including Mater Dei Hospital, as well as to increase drinking water accessibility by installing other outdoor installations and also participate in activities to promote the reduction of single use plastics.

As mentioned previously, the three key activities offered by the Guarantor are: (1) Water production and distribution – to acquire, produce, distribute and sell water for domestic, industrial and commercial use; (2) Wastewater collection and treatment – to treat and dispose or re-use wastewater;

and (3) Renewable energy generation – to further reduce the energy costs related to its operations.

Use of proceeds

The net proceeds of the Bonds, which are expected to amount within the region of €24.5m, are earmarked by the Issuer for the following purposes:

- *Circa* €6.0m to finance the expected capital expenditure involved in procuring, installing and commissioning the new photovoltaic plants;
- *Circa* €1.7m to re-finance part of the costs incurred in connection with the development and commissioning of Hondoq ir-Rummien reverse osmosis plant;
- *Circa* €2.0m to finance the costs involved in upgrading the airblowers and the aeration system within Ta' Barkat wastewater treatment plant;
- *Circa* €7.9m to finance the upgrade in the algorithm behind the reduction in non-revenue water and improving billing efficiencies; and
- *Circa* €7.4m together with any residual amounts not utilised for the purposes above will be used to finance investments in continuing projects related to upgrading the water distribution network and infrastructure, in particular those connected with the repair, replacement, maintenance and where necessary rerouting or redesigning of such network and infrastructure.

Bond issue costs are estimated at €500k shall be borne by the Guarantor and shall not be financed by the proceeds of the Bond Issue.

Part 2 - Historical Performance and Forecasts

The financial information in sections 2.1 to 2.6 is extracted from the audited financial statements of the Issuer and the Guarantor for the financial years ended 31 December 2020, 2021 and 2022.

The projected financial information for the years ending 31 December 2023 and 2024 has been provided by management. This financial information relates to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Issuer's Income Statement

Income Statement	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Revenue	1,000	1,313	2,300	2,346	2,393
Cost of sales	(429)	(753)	(1,250)	(1,275)	(1,300)
Gross Profit	571	560	1,050	1,071	1,093
Administrative expenses	(109)	(168)	(166)	(169)	(188)
Other expenses	(3)	(10)	-	-	-
Other income	-	17	1	150	153
EBITDA	459	399	885	1,052	1,058
Amortisation of bond issue costs	-	-	-	(21)	(50)
Depreciation	-	(1)	-	-	-
EBIT	459	398	885	1,031	1,008
Finance income	-	54	239	485	1164
Finance costs	-	-	-	(443)	(1,063)
Profit before tax	459	452	1,124	1,073	1,109
Tax expense	(166)	(174)	(406)	(1)	(6)
Profit for the year	293	278	718	1,072	1,103

Ratio Analysis	2020A	2021A	2022A	2023F	2024P
Profitability					
Growth in Revenue (YoY Revenue Growth)	N/A	31.30%	75.17%	2.00%	2.00%
Gross Profit Margin (Gross Profit / Revenue)	57.1%	42.7%	45.7%	45.7%	45.7%
EBITDA Margin (EBITDA / Revenue)	45.9%	30.4%	38.5%	44.8%	44.2%
Operating (EBIT) Margin (EBIT / Revenue)	45.9%	30.3%	38.5%	43.9%	42.1%
Net Margin (Profit for the year / Revenue)	29.3%	21.2%	31.2%	45.7%	46.1%
Return on Common Equity (Net Income / Average Equity)	30.2%	25.1%	44.7%	42.9%	30.7%
Return on Assets (Net Income / Average Assets)	10.0%	7.2%	16.7%	6.6%	3.7%

The Issuer's revenue increased to €2.3m in FY22 (FY21: €1.3m). Revenue is derived from consultancy services, supplies in connection with reverse osmosis plants, related after-sales services, desalination, sewage treatment facilities, laboratory analysis, information technology and sale of parts. The biggest revenue contributor comes from waste management services representing 35% of the Issuer's revenue in FY22 (FY21: 44%). During FY22, an industrial reverse osmosis was commissioned which helped push revenue up by 75.2% to €2.3m.

Early on in FY23, the Issuer has already completed for commissioning an industrial reverse osmosis and plans on commissioning another one later on in FY23 with revenue forecasted to be in the region of €2.4m. Cost of sales primarily consist of direct costs related to consultancy and other services provided by the Issuer. In line with the higher revenue generated in FY22, cost of sales increased to €1.3m in FY22 and are projected to remain at this level in FY23 and FY24.

Gross profit for the Issuer amounted to €1.1m in FY22 (FY21: €560k) with a corresponding gross profit margin of 45.7% (FY21: 42.7%). Going forward gross profit and consequently gross profit margins are expected to remain at similar levels in FY23 and FY24. In the provision of its services and carrying out of its operations, the Issuer relies substantially on the resources available to WSC. These resources vary from infrastructure to expertise developed by WSC and its employees.

In line with this, the Issuer pays a yearly management fee to the Guarantor. This management fee has both a fixed portion (reviewed every 3 years) and a variable portion, which covers the variable costs that come with each service provided for the Issuer. The fixed fee is the main component of administrative cost whilst the variable fee is included as part of cost of sales. Other administrative costs include audit fees, professional fees, bank charges, movements in allowance for Expected Credit Losses (“ECL”) and adjustments from adoption of new IFRS retrospectively.

In FY21, other income totalled €17k and came from a movement in the inventory provision following a change in working methodology. A provision on inventory is accounted for in view of forecasted obsolescence on parts of reverse osmosis and dispensers installed in schools. This led to an EBITDA of €900k in FY22 up from €400k in FY21. EBITDA is expected to increase to €1.1m in FY23 and remain at this

level in FY24 with corresponding EBITDA margins of 44.8% and 44.2%. Depreciation in the historical period under review was negligible. Following the bond issue in FY23, the Issuer will account for yearly amortisation of bond issue costs, which are forecasted to amount to €21k and €50k in FY23 and FY24 respectively.

In FY21, finance income totalled €54k and consisted of rental income on leasing of water dispensers to schools (€45k) and interest on the loan advanced to MEL (€8k). In FY22, finance income totalled €0.2m as it represents a full year’s interest on the loan advanced to MEL as well as a new loan of €150k, which was issued to MDGE. In FY23 and FY24, finance income is projected to increase substantially to €0.5m and €1.2m respectively with finance costs amounting to €0.5m and €1.1m representing the interest payments to bondholders.

Profit before tax in FY22 came in at €1.1m (FY21: €0.5m) and is forecasted to remain at the levels in FY23 and FY24. In FY22 tax payments amounted to €0.4m whilst in FY23 and FY24 minimal tax payments are projected which should push profit for the year up to €1.1m in both years (FY22: €0.7m). Net profit margins are expected to reach 46.1% in FY24 (FY22: 31.2%) with return on common equity and return on assets expected to be at 30.7% (FY22: 44.7%) and 3.7% (FY22: 16.7%).

2.2 Issuer's Statement of Financial Position

Statement of Financial Position	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Assets					
Non-current assets					
Property, plant and equipment	-	15	24	-	-
Finance lease receivable	-	685	823	629	-
Loan receivable	-	337	422	24,988	24,500
Total non-current assets	-	1,037	1,269	25,617	24,500
Current assets					
Inventories	377	554	533	867	-
Finance lease receivable	-	28	39	-	-
Loan receivable	-	12	64	-	-
Trade and other receivables	580	811	965	1,750	485
Cash and cash equivalents	1,971	2,359	932	659	5,067
Total current assets	2,928	3,764	2,533	3,276	5,552
Total assets	2,928	4,801	3,802	28,893	30,052
Equity and liabilities					
Capital and reserves					
Share capital	5	5	5	250	250
Retained earnings	964	1,242	1,960	2,786	3,889
Total equity	969	1,247	1,965	3,036	4,139
Non-current liabilities					
Interest bearing borrowings	-	-	-	24,521	24,571
Trade and other payables	-	246	264	-	-
Total non-current liabilities	-	246	264	24,521	24,571
Current liabilities					
Trade and other payables	1,701	2,931	1,332	1,335	1,336
Current tax liabilities	258	377	241	1	6
Total current liabilities	1,959	3,308	1,573	1,336	1,342
Total liabilities	1,959	3,554	1,837	25,857	25,913
Total equity and liabilities	2,928	4,801	3,802	28,893	30,052

Ratio Analysis	2020A	2021A	2022A	2023F	2024P
Financial Strength					
Gearing 1 (Net Debt / Net Debt and Total Equity)	N/A	N/A	N/A	88.7%	82.5%
Gearing 2 (Total Liabilities / Total Assets)	66.9%	74.0%	48.3%	89.5%	86.2%
Gearing 3 (Net Debt / Total Equity)	N/A	N/A	N/A	7.9	4.7
Net Debt / EBITDA	N/A	N/A	N/A	22.7	18.4
Current Ratio (Current Assets / Current Liabilities)	1.5x	1.1x	1.6x	2.5x	4.1x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	1.3x	1.0x	1.3x	1.8x	4.1x
Interest Coverage level (EBITDA / Finance costs)	N/A	N/A	N/A	2.4x	1.0x

The Issuer's total assets stood at €3.8m as at 31 December 2022. Non-current assets made up 33.4% of total assets and consisted primarily of finance lease receivables of €0.8m and loan receivables of €0.4m. Current assets on the other hand consisted mainly of inventories of €0.5m, trade and other receivables of €1.0m and cash and cash equivalents of €0.9m. Total assets shrunk by 20.1% over FY21 levels mainly

due to the lower cash and cash equivalents, which dropped by €1.5m in FY22 as explained further in section 2.3.

The finance lease receivables represent finance leasing agreements which the Issuer entered into as a lessor, with various public schools around Malta for certain water dispensers as from FY21. The loan receivable balance constitutes two loans as explained in section 2.1. The loans

are unsecured, bear interest of 4.5% per annum and are to be repaid in full, including the agreed interest by 2028 and 2029 respectively. Inventories include the cost of raw materials and consumables and are reported as net of any provisions for obsolete stock. Trade and other receivables increased from €0.8m in FY21 to €1.0m in FY22 in line with the higher revenue.

Total equity amounted to €2.0m in FY22 and was made up mostly of retained earnings. In FY23, the Issuer will increase its share capital to €250k. This share capital increase along with the forecasted increases in retained earnings due to higher projected net income is expected to lead to a total equity of 3.0m in FY23 and 4.1m in FY24. When it comes to liabilities, as at FY22, the larger portion (85.6%) came in the form of current liabilities. In FY22, total liabilities decreased

by €1.7m over FY21 and came in at €1.8m. This reduction is principally due to the repayment of the amount owed to WSC of €0.6m in line with the Group's cash flow management strategy and a decrease in current trade payables of €1.0m. The Issuer had no debt during the period under review.

Going forward, the issuer is forecasting a large increase in its total liabilities in line with the bond issue in FY23, which will push non-current liabilities up to €24.5m and total liabilities to €25.9m. Following the bond issue, the Issuers gearing is expected to be in the region of 88.7% and this is forecasted to decrease slightly to 82.5% in FY24. The Issuer's current ratio remained above 1.0x in all three historical periods and is expected to surpass 2.0x in FY23 and FY24.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Cash flows from operating activities					
EBITDA	459	399	885	1,052	1,057
Adjustments	1	1	-	-	-
Cash generated from operations	460	400	885	1,052	1,057
Changes in working capital	151	353	(1,858)	(1,301)	2,133
Cash flow from operations	611	753	(973)	(249)	3,190
Finance income	-	54	239	-	1,165
Finance costs	-	-	-	-	(1,063)
Tax paid	(51)	(55)	(544)	(241)	(1)
Net cash from operating activities	560	752	(1,278)	(490)	3,291
Cash flows used in investing activities					
Disposal/(Purchase) of property, plant and equipment	-	(16)	(11)	24	-
Movements in long-term loan receivables	-	-	-	-	422
Movements in long-term finance lease receivable	-	-	-	194	630
Loan provided to related party	-	(350)	(150)	(24,501)	65
Net cash flows used in investing activities	-	(366)	(161)	(24,283)	1,117
Cash flow used in financing activities					
Repayment of loan from related party	-	1	12	-	-
Bond proceeds	-	-	-	25,000	-
Bond issue costs	-	-	-	(500)	-
Net cash flows from financing activities	-	1	12	24,500	-
Cash and cash equivalents at start of year	1,411	1,971	2,358	931	659
Movement in cash and cash equivalent	560	387	(1,427)	(272)	4,408
Cash and cash equivalents at end of year	1,971	2,358	931	659	5,067

Ratio Analysis	2020A	2021A	2022A	2023P	2024P
<i>Cash Flow</i>	€000s	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	560	736	(1,289)	(514)	4,354

Cash flows generated from operations are driven by the Issuer's operations. In FY22, largely negative changes in working capital led to a net cash outflow from operations of €1.3m. The negative movement in working capital stems mainly from a reduction in trade and other payables of €1.6m, €0.6m of which is in relation to the repayments of amounts due to WSC. In FY21, cash generated from operations amounted to €0.8m. Going forward the Issuer expects outflows from operating activities of €0.5m in FY23, again due to negative movements in working capital. In FY24, cash from operations will turn positive due to positive movements in working capital. In FY24, the finance costs in relation to the bond issue are forecasted to largely net out with finance income.

Cash flows used in investing activities in FY22 amounted to €0.2m (FY21: €0.4m) and relate to the loans provided to MEL

in FY21 and MDGE in FY22. In FY23, the proceeds from the bond issue will be passed on to related parties and result in an outflow of €24.3m. In FY24, the Issuer is forecasting investing activities to result in an inflow of €1.1m mainly from positive movements in both long-term loan receivables and long-term finance lease receivables. Financing activities were negligible in the historical period under review. In FY23, the Issuer is forecasting an inflow of €24.5m, which relates to the bond proceeds, net of the bond issue costs. No financing activities are forecasted for FY24. These movements resulted in a net negative movement in cash and cash equivalents of €1.4m in FY22, which led to a closing cash, and cash equivalents balance of €0.9m in FY22. In FY23 and FY24 cash and cash equivalents are projected to amount to €0.7m and €5.1m respectively.

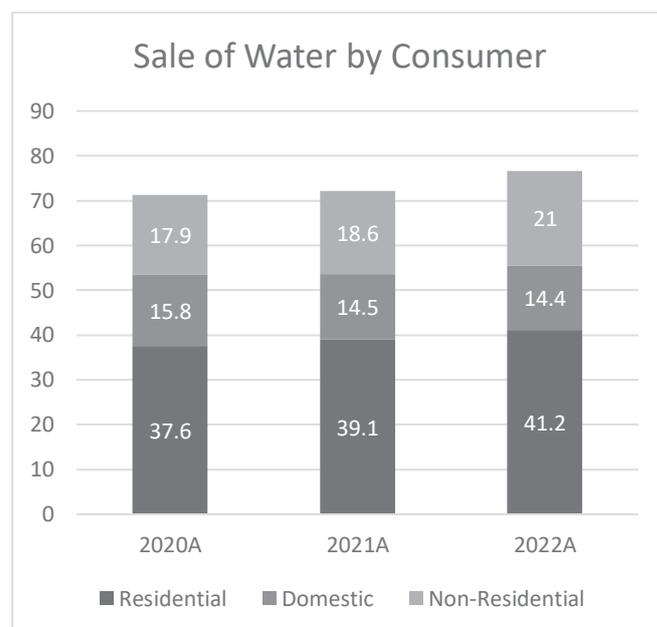
2.4 Guarantor's Income Statement

Income Statement	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Revenue	76,053	77,921	82,300	83,563	83,807
Government subsidies	30,139	30,257	32,530	30,759	32,309
Operating and administrative expenses	(72,967)	(78,354)	(82,245)	(82,894)	(85,157)
Cost of service pensions due to Government	455	589	1,290	-	-
EBITDA	33,680	30,413	33,875	31,428	30,959
Depreciation	(22,337)	(22,763)	(22,090)	(19,545)	(21,005)
EBIT	11,343	7,650	11,785	11,882	9,954
Share of results of jointly-controlled entity	53	76	64	-	-
Finance income	1,497	1,520	1,615	1,285	1,226
Finance costs	(1,845)	(1,724)	(1,535)	(2,112)	(2,529)
Profit before taxation	11,048	7,522	11,929	11,055	8,650
Tax expense	(166)	(147)	(407)	-	-
Profit for the year	10,882	7,375	11,522	11,055	8,650
Other comprehensive loss					
Remeasurements of post-employment benefit obligations	(460)	(556)	(429)	-	-
Total comprehensive income for the year	10,422	6,819	11,093	11,055	8,650

Ratio Analysis	2020A	2021A	2022A	2023F	2024P
Profitability					
Growth in Revenue (YoY Revenue Growth)	N/A	2.5%	5.6%	1.5%	0.3%
EBITDA Margin (EBITDA / Revenue)	44.3%	39.0%	41.2%	37.6%	36.9%
Operating (EBIT) Margin (EBIT / Revenue)	14.9%	9.8%	14.3%	14.2%	11.9%
Net Margin (Profit for the year / Revenue)	13.7%	8.8%	13.5%	13.2%	10.3%
Return on Common Equity (Net Income / Average Equity)	8.2%	5.1%	7.6%	7.1%	5.2%
Return on Assets (Net Income / Average Assets)	2.4%	1.5%	2.4%	2.3%	1.8%

The Group's main source of revenue is derived from the acquisition, production, distribution and sale of water for domestic, industrial and commercial use. The Group's revenue is also derived from the treatment and disposal or re-use of sewage, which revenue is generated by the Issuer. Revenue also includes ancillary fees related to new portable water services, temporary meters and recharges of salaries and wages of individuals seconded to the Government.

Total revenue in FY22 amounted to €82.3m, a 5.6% increase over FY21 levels. This increase in revenue is mainly due to the continued drive to improve billing efficiencies through the smart metering replacement programme together with increases in consumption. Of the €82.3m in revenue, €76.6m relate to the sale of water. Furthermore, of this €76.6m, €56.5m relate to the 23.1m m³ consumed. The remaining €20.1m is related to service charges. Further analysis on the sale of water analysed by consume type can be found in the following chart.



Revenue is forecasted to remain stable in FY23 and FY24. Government subsidies cover recurrent expenditure and deferred government grants. Although WSC charges consumers for the sale of water, it does not charge consumers for wastewater treatment or usage of new water.

In order to produce and distribute water, as well as collect and treat wastewater, WSC incurs significant capital expenditure annually. Whilst part of this capital expenditure is incurred directly by WSC, the Group is eligible for grants from the Government and EU funded schemes which cover qualified expenditure. The Group's treatment and re-use of wastewater is fully subsidised by the Government. This amount relates to deferred government grants. Total operating and administrative costs amounted to €82.3m in FY22 an increase of 3.8m from the €78.5m in FY21.

This increase relates to multiple factors. (1) the Group's continued investment in its human resources and talent retainment which resulted in an increase in salaries; (2) an increase in the cost of electricity as a result of a strategic decision to improve its blending ratio (going forward this will be mitigated through the renewable energy generated from the installation of solar farms from the bond proceeds); (3) commissioning of new plants, including the Sant' Antnin farm waste treatment plan and Hondoq Reverse Osmosis; (4) Increases in sub-contracted jobs such as project management, security and CCTV mains inspection; (5) An increase in the cost of raw materials, driven primarily by the pandemic and the Ukraine war; (6) other recurrent expenditure driven by a move towards subcontracting security services rather than increasing recruitment costs and an increase in consultancy engagements.

This increase in costs was also offset by savings in its repairs and maintenance department amounting to *circa* €0.9m due to a reduction in the repairs mainly to its wastewater network, with efforts being instead diverted towards capital investments to replace the old and deteriorated mains. Going forward, cost of sales and administrative expenses are forecasted to reach €85.2m in FY24. The above movements led to an EBITDA of €33.9m in FY22 with a corresponding EBITDA margin of 41.2% up from 39.0% in FY21. WSC's heavy

investment in its property, plant and equipment ("PPE"), especially in its water and wastewater infrastructural assets, led to a depreciation charge of €22.1m in FY22, which was slightly lower than the charge incurred in FY21. Going forward depreciation is forecasted to amount lower at €19.5m in FY23 before increasing to €21.0m in FY24.

In turn, EBIT came in at €11.8m in FY22, up by €4.1m over FY21 results. Finance income is largely made up of interest on amounts due from the Government and interest on outstanding trade receivables, and totalled €1.6m in FY22 (FY21: €1.5m) Finance costs on the other hand comprise of bank interest of €1.2m (FY21: €1.5m) and other interest of €0.3m (FY21: €0.2m). The decrease in bank interest between FY21 and FY22 was due to a repayment of €17.0m in bank loans. Finance income is forecasted to amount to €1.3m in FY23 and €1.2m in FY24 whilst finance costs are projected to be in the region of €2.1m and €2.5m in FY23 and FY24 respectively. Profit before taxation came in at €11.9m in FY22 (FY21: €7.5m).

Going forward profit before taxation is projected to be in the region of €11.1m and €8.7m in FY23 and FY24 respectively. Despite the Group generating significant profits over the period under review, tax expense charges are minimal due to the significant unabsorbed losses and capital allowances for which no deferred tax asset is recognised for consistency purposes. Furthermore, the remeasurements of post-employment benefit obligations is in relation to interest and service costs on employee pension schemes set up in accordance with IAS 19. This led to total comprehensive income of €11.1m in FY22 (FY21: €6.8m). In FY23 and FY24 the Group is projecting total comprehensive income to come in at €11.1m and €8.7m with corresponding implied return on common equity and return on asset ratios of 5.2% and 1.8% in FY24.

2.5 Guarantor's Statement of Financial Position

Statement of Financial Position	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Assets					
Non-current assets					
Property, plant and equipment	337,280	351,003	365,679	380,654	398,079
Finance lease receivables	-	685	823	-	-
Investments in subsidiaries	7	7	1	1	1
Investments in jointly-controlled entity	747	823	887	887	887
Loan receivable	-	337	422	264	217
Trade and other receivables	26,331	24,145	21,887	20,022	18,043
Total non-current assets	364,365	377,000	389,699	401,828	417,227
Current assets					
Inventories	18,510	23,978	24,321	24,515	24,052
Finance lease receivables	-	28	39	-	-
Loan receivable	-	12	64	42	47
Trade and other receivables	35,350	34,285	38,233	39,036	38,907
Cash and cash equivalents	23,125	15,226	1,551	12,664	12,215
Total current assets	76,985	73,529	64,208	76,257	75,220
Total assets	441,350	450,529	453,907	478,084	492,447
EQUITY AND LIABILITIES					
Capital and reserves					
Government contribution	73,142	73,142	73,142	73,142	73,142
Revenue reserve	58,438	65,812	77,334	88,389	97,039
Pension contributions reserve	(4,263)	(4,819)	(5,248)	(5,248)	(5,248)
Non-controlling interest	3	4	5	5	5
Total equity	127,320	134,140	145,233	156,288	164,938
Non-current liabilities					
Bond	-	-	-	24,521	24,571
Bank borrowings	55,370	50,822	34,237	29,613	24,950
Other borrowings	3,402	3,206	3,008	2,758	2,556
Deferred government grants	190,302	190,641	195,382	195,544	204,554
Provision for other liabilities and charges	10,166	9,726	8,102	8,099	8,099
Trade and other payables	-	246	264	-	-
Total non-current liabilities	259,240	254,641	240,993	260,535	264,729
Current liabilities					
Trade and other payables	39,289	45,926	46,426	47,025	47,826
Bond	-	-	-	-	-
Bank borrowings	4,512	4,548	11,256	4,623	4,663
Other borrowings	193	196	198	250	250
Deferred government grants	10,766	10,957	9,596	9,363	10,040
Current tax liabilities	30	122	205	-	-
Total current liabilities	54,790	61,749	67,681	61,261	62,779
Total liabilities	314,030	316,390	308,674	321,796	327,509
Total equity & liabilities	441,350	450,530	453,907	478,084	492,447

Ratio Analysis	2020A	2021A	2022A	2023F	2024P
Financial Strength					
Gearing 1 (Net Debt / Net Debt and Total Equity)	24.1%	24.5%	24.5%	23.9%	21.4%
Gearing 2 (Total Liabilities / Total Assets)	71.2%	70.2%	68.0%	67.3%	66.5%
Gearing 3 (Net Debt / Total Equity)	31.7%	32.5%	32.5%	31.4%	27.1%
Net Debt / EBITDA	1.2x	1.4x	1.4x	1.6x	1.4x
Current Ratio (Current Assets / Current Liabilities)	1.4x	1.2x	0.9x	1.2x	1.2x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	1.1x	0.8x	0.6x	0.8x	0.8x
Interest Coverage level (EBITDA / Finance costs)	18.3x	17.6x	22.1x	14.9x	12.2x

In FY22, total assets stood at €453.9m (FY21: €450.5m). The Group's major assets consist of PPE of €365.7m (FY21: €351.0m), inventories of €24.3m (FY21: €24.0m) and trade and other receivables of €60.1m (FY21: €58.5m). Inventories mainly include mains, pipes and spare parts whilst the Group's trade and other receivables primarily relate to trade receivables, accrued income and amounts due from Government.

Going forward the Group is forecasting total assets to reach €478.1m in FY23 and €492.5m in FY24. The Group's equity totalled €145.2m in FY22 (FY21: €134.1m) and was made up of Government contributions of €73.1m, representing permanently converted debenture stock, retained earnings of €77.3m and pension contributions reserve of €5.2m which represents the movement in remeasurements of post-employment benefit obligations due to actuarial assumptions. In FY23, the Group is forecasting total equity to reach €156.3m due to increased revenue reserves with the other constituents of equity remaining relatively stable.

Non-current liabilities totalled €241.0m in FY22 (FY21: €254.6m) and mainly consisted of deferred Government grants, bank borrowings and provision for other liabilities and charges. Other borrowings relate to a Government loan, which is interest free and repayable at €250k per annum. Non-current liabilities are projected to reach €264.7m in FY24 mainly due to higher deferred government grants. Current liabilities totalled €67.7m in FY22 (FY21: €61.8m). These primarily relate to trade payables, bank borrowings and deferred Government grants. In FY23 and FY24 the Guarantors current liabilities are projected to reach €61.3m and €62.8m mainly due to lower bank borrowings. The Group's net gearing stood at 24.5% in FY22 and is forecasted to reach 21.4% in FY24. In FY22, the Group was exposed to a number of claims by third parties, including legal proceedings, arising in the ordinary course of its activities. It is not anticipated that any material liabilities will arise from the Group's exposure to these contingencies other than those that have been provided for amounting to €15.0m in FY22 and is split

between current and non-current liabilities, the current portion making up part of trade and other payables.

On 02 April 2019, the EU Commission endorsed the 'Net Zero Impact Utility' EU part-financed project being implemented by WSC. All these projects will support groundwater conservation, enhanced energy efficiency and improved water quality. Specifically, during the period under review, the additions to PPE include the commissioning of the Hondoq ir-Rummien Reverse Osmosis plant in Gozo and the Sant' Antnin farm waste treatment plant whilst the technical support system commissioned two new boosters at Qrendi and Fawwar. In FY22, the assets under construction totalled €84.1m and included €43.7m worth of water infrastructural works and €40.5m of wastewater works.

When analysing assets further we can see that the finance lease assets relate to finance leasing arrangements made as the lessors for certain water dispensers to customers. The Group also has a 50% holding in ARMS. The investment in the joint-controlled entity is measured using the equity method, and in FY22, it was valued at €887k (FY21: €823k). The loan receivable balances, which are split into current and non-current assets, represent two loans due from related parties. The first loan is due from MEL and is unsecured with an interest rate of 4.5% and is to be paid in full including the agreed interest by 2028. The second loan of €150k is due from MDGE is also unsecured, bears an annual interest rate of 4.5% and is to be paid in full including the agreed interest by 2029.

The Group's working capital was positive during the period under review, with inventories and trade and other receivables, exceeding trade and other payables. More specifically in FY22, the Group's net working capital was positive by €43.3m or 191 days. Inventory comprises of consumables stores and spare parts, mains and pipes and meters and other inventory. Inventory net of write-downs, increased from €18.5m in FY20 to €24.3m in FY22, with a corresponding increase in inventory days, from 89 days to 108 days respectively. Trade and other receivables

comprise of net trade receivables (€15.8m), amounts due from Government (€24.9m), accrued income (€15.0m) and other receivables (€4.7m). Trade receivables represent amounts billed but not yet paid by customers for the sale of water.

Trade debtor days, excluding expected credit loss provision, has decreased from 123 days in FY20 to 99 days in FY22. Whilst gross trade receivables totalled €22.3m in FY22, the Group had an allowance for expected credit loss on these receivables of €6.5m. Management explained that balances over 365 days are fully provided for, as they are difficult to recover.

Consumers are also charged interest of 8% per annum on unpaid balances of over 45 days. Accrued income represents the estimate of unbilled sales value in respect of water units supplied and service charge to customers between the date of their last meter reading and the end of the account period. In FY22 this estimate represents 19% (FY21: 14%) of the sale of water for the year.

Trade payables mainly relate to amounts due to suppliers in particular Enemalta on provision of electricity services to WSC whilst accruals represent invoices not yet received by end of reporting period. Within accruals, WSC accrues for electricity not yet billed by Enemalta as at reporting date.

In FY22 interest bearing loans and borrowings totalled €45.5m and comprised of: (1) a bank overdraft of €6.7m (current liability) repayable on demand, (2) an HSBC Loan of €15.8m (non-current liability) advanced in 2019 and is due for repayment in full by latest 30 July 2026, (3) an HSBC revolving loan of €3m (non-current liability) which was

taken out during the year and has no fixed repayment terms, (4) a European Investment Bank Loan (non-current liability) of €20.0m which facility is reimbursed by the Government and is deducted from the amounts due from Government included within trade receivables.

In FY22, the provision for other liabilities and charges comprises provisions for legal claims (€4.2m) and pension and other post-employment benefit plans (€10.7m) split between current and non-current liabilities.

Historically, apart from FY22, the Group has always managed to keep its current ratio above 1.0x. Management forecasts its current ratio to remain above 1.0x in the two forecasted years. Interest coverage ratios are also very healthy, remaining above 10x in the historical period and is projected to remain at this level in the two projected years.

2.6 Guarantor's Statement of Cash Flows

Cash Flows Statement	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Cash flows from operating activities					
EBITDA	33,680	30,413	33,875	31,428	30,959
Adjustment (unwinding of Government grant)	-	-	-	(9,240)	(9,363)
Working capital changes	2,586	2,607	(3,789)	2,242	3,414
Cash generated from operations	36,266	33,020	30,085	24,430	25,010
Finance income	1,497	1,520	1,615	1,285	1,226
Finance costs	(1,845)	(1,724)	(1,535)	(2,112)	(2,529)
Tax paid	(51)	(55)	(324)	(205)	-
Net cash from operating activities	35,867	32,761	29,841	23,398	23,707
Cash flows used in investing activities					
Disposal/(acquisition) of property, plant and equipment	(31,430)	(36,485)	(36,766)	(34,500)	(38,381)
Movements in investment in subsidiaries & joint-venture	-	-	(58)	-	-
Net cash flows used in investing activities	(31,430)	(36,485)	(36,824)	(34,500)	(38,381)
Cash flow used in financing activities					
Net cash movement in bank and other borrowings	(5,251)	(4,705)	(10,073)	(11,454)	(4,825)
Bond issue proceeds	-	-	-	25,000	-
Bond issue cost	-	-	-	(500)	-
Movements in non-controlling interest	-	-	1	-	-
Grants received	6,127	530	3,380	9,169	19,050
Net cash flows from financing activities	876	(4,175)	(6,692)	22,215	14,225
Cash and cash equivalents as at 1 January	17,812	23,125	15,226	1,551	12,664
Net (decrease)/increase in cash	5,313	(7,899)	(13,675)	11,113	(449)
Cash and cash equivalents as at 31 December	23,125	15,226	1,551	12,664	12,215

Ratio Analysis	2020A	2021A	2022A	2023P	2024P
Cash Flow	€000s	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	4,095	(4,348)	(1,356)	(960)	(4,893)

In FY22 the Group's EBITDA increased by €3.5m over FY21. Negative movements in working capital however, led to a lower cash generated from operations. The negative working capital movements came mainly from a €1.5 reduction in trade and other payables and a €2.0m increase in trade and other receivables. Because of this, net cash from operating activities stood at €29.8m, down €3.0m from FY21. In FY23 and FY24, net cash from operating activities are projected to amount to €23.4m and €23.7m respectively.

Capital expenditure of €36.8m in FY22 resulted in a net cash outflow from investing activities of the same amount. This is more or less in line with the outflow in FY21. In the three historical periods, the Group spent *circa* €104.7m on capex. These investments were financed partly through cash generated from operating activities as well bank loans and grants received. Cash outflow from financing activities amounted to €6.7m in FY22, which is €2.5m more than the

FY21 figure (outflow of €4.2m) mainly due to higher bank borrowing repayments, which outweighed the higher grants received in FY22. No dividends were declared and distributed during the period under review. In FY22, the Group's ending cash balance stood at €1.6m, down from €15.2m in FY21. In FY23 and FY24 the Groups ending cash balance is expected to increase to €12.7m and €12.2m respectively mainly due to the €25.0m received from the bond issue in FY23 along with an expected increase in the grants to be received in FY24 and FY25.

Part 3 - Key Market and Competitor Data

At the time of publication of this Analysis, management considers that generally, it shall be subject to the normal business risks associated with the industries in which the companies are involved and operate and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the companies and their respective businesses, at least with respect to the financial year 2023. However, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

3.1. Economic Update¹

The Bank's Business Conditions Index (BCI) indicates that in May, annual growth in business activity was broadly unchanged compared to the previous month, and stood above its long-term average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta decreased in May compared to April, but stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment fell across all sectors, with the strongest decline recorded in the retail sector.

Additional survey information shows that price expectations stood firmly below their year-ago level in the retail sector, and to a lesser degree, in industry and the services sector. By contrast, price expectations in the construction sector were significantly above the level recorded in May 2022. In May, the European Commission's Economic Uncertainty Indicator (EUI) for Malta turned negative when compared with April, indicating lower uncertainty. Uncertainty declined mostly in industry. In April, industrial production grew at a faster rate compared to March, while retail trade grew at a slower pace. The unemployment rate returned to the historic low of 2.8% in April, marginally lower than the rate of 2.9% registered in the previous month, and that of 3.0% registered in April 2022.

Commercial building permits in April fell, relative to their year-ago, and month-ago levels. By contrast residential permits increased. In May, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP)

stood at 6.3% in May, down from 6.4% in the previous month. Inflation based on the Retail Price Index (RPI) decreased to 5.7%, from 5.8% in April. Maltese residents' deposits expanded at an annual rate of 1.4% in April, following an increase of 1.6% in the previous month, while annual growth in credit to Maltese residents moderated to 4.2%, from 5.4% a month earlier. In April, the Consolidated Fund recorded a higher deficit compared to a year earlier, as higher government expenditure more than outweighed a rise in government revenue.

3.2. Economic Outlook²

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to slow down from around 7.0% in 2022, to 4.0% in 2023, and to ease slightly further to 3.8%, and 3.7%, in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is revised upwards throughout the projection horizon. Indeed, GDP growth was revised up by 0.3 percentage points in 2023, and by 0.2 percentage points in 2024 and 2025.

In 2023, net exports are expected to be the main contributor to GDP growth. This reflects the expected sharp slowdown in imports (goods imports specifically are set to contract after being boosted by strong investment in the aviation sector in 2022), as well as robust growth in exports. Meanwhile, domestic demand is expected to lower growth, as the base effect from the extraordinary investment in 2022 should offset positive contributions from government and private consumption. From 2024, domestic demand is expected to be the main driver of growth, as private consumption growth is expected to remain relatively robust despite relatively high inflation. Net exports are also projected to contribute positively in 2024 and 2025, due to robust services exports.

Employment growth is set to moderate to 3.6% in 2023 from 6.0% in 2022, which partly reflects the envisaged normalisation in economic activity towards potential growth. In the following two years, employment is set to expand by 2.7% and 2.4%, respectively. In view of relatively high inflation, as well as tight labour market conditions, nominal wage growth is projected to be relatively strong from a historical perspective. Compensation per employee is thus set to grow by 5.5% in 2023, 4.9% in 2024 and 3.9% in 2025, outpacing consumer price inflation during the later period of the projection horizon.

¹ Central Bank of Malta – Economic update – 06/2023

² Central Bank of Malta – Economic projections – 2023 - 2025

Annual inflation based on the Harmonised Index of Consumer Prices (HICP) is projected to moderate to 5.3% in 2023, as international supply bottlenecks are expected to ease further. However, lingering indirect effects from recent increases in input costs are set to keep inflation high from a historical perspective. The fall in inflation in 2023 reflects a broad-based decrease across all sub-components of HICP, except for energy inflation, as energy prices are expected to remain unchanged in view of government support measures. Services is envisaged to be the main contributor to HICP inflation, but food and non-energy industrial goods (NEIG) are also projected to contribute to annual HICP inflation in 2023.

The general government deficit is set to decline to 4.9% of GDP in 2023, from 5.8% in 2022. It is then set to continue declining over the rest of the forecast horizon, reaching 3.4% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, mainly due to the profile of inflation-mitigation measures. The general government debt ratio is set to increase throughout the forecast horizon, and to reach 55.3% by 2025. This is driven by the expected level of primary deficits, which partly offset the debt-decreasing impact of the interest-growth differential.

On balance, risks to economic activity are tilted to the downside for 2023 and 2024 and are more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. GDP data for the first quarter of the year also implies some downside risks to domestic demand. On the other hand, private consumption could surprise on the upside if wage growth is higher than expected, particularly in the outer years of the projection horizon.

Risks to inflation are to the upside for the entire projection horizon. Indeed, inflation could be more persistent than assumed in the baseline projections and could continue to be affected by indirect effects from past increases in commodity prices. Moreover, second round effects from higher wages and profit margins could also prolong high

inflation. Conversely, further monetary tightening and lower foreign demand could ease inflationary pressures in the medium-term.

On the fiscal side, risks are on the downside (deficit-increasing) particularly in 2023. These mainly reflect the likelihood of additional support measures towards Air Malta. Deficit-decreasing risks in the outer years of the forecast horizon mainly relate to fiscal consolidation pressures as the general escape clause in the Stability and Growth Pact is deactivated at the end of 2023.

3.3. Demand for Water

The demand for water is driven by a multitude of factors. These factors include population growth, economic development, agriculture, climate patterns, industrial demands, lifestyle choices, water management, and conservation efforts. Global freshwater use has increased by a factor of six over the past 100 years and continues to grow at a rate of roughly 1% per year since the 1980s. Much of this growth can be attributed to a combination of the aforementioned factors. Unfortunately, the overall increase in the demand for water is putting a strain on available supplies.

According to Management, since 2005, consumption of public water in Malta has increased by an average of 1.3% per year. For the time being, supply has kept up with the increase in demand mainly due to a reduction in the infrastructural leakages of 3.54m m³ or 49.8% in the water distribution network. This is in line with the latest data published by NSO in 2022³, which shows that local water consumption in Malta has been steadily increasing at a compound annual growth rate of 2% over the past 13 years, reaching 31.8m m³ in 2022 (compared to 24.7m m³ in 2010). This increase is attributed to population growth and economic development.

According to Eurodice⁴, Malta's population has also increased by 30.4% since 2000, resulting in an increased demand for water for both domestic and industrial use. Additionally, the surge in the number of tourists, particularly in 2019, led to record water consumption levels exceeding 30m m³. During the pandemic, similar levels of consumption were recorded. This is presumably due to an increase in household water usage as a result of individuals spending more time indoors.

³<https://nso.gov.mt/wp-content/uploads/2023-02-22-Environment-Indicators.xlsx>

⁴<https://eurydice.eacea.ec.europa.eu/national-education-systems/malta/population-demographic-situation-languages-and-religions>

Over the last decade, the residential sector in Malta has been the primary consumer of water, making up 69% to 71% of the total water usage. The service sector, which includes hotels, restaurants, and shops, is the second-largest consumer, accounting for an average of 21% of total water consumption over the last 12 years, peaking at 24% right before the pandemic.

According to the European Environment Agency (EEA)⁵, an average of 53m³ of water is supplied to households in Europe every year, compared to an average of 40m³ of water used by households in Malta every year. This is because as a culture, the Maltese population does not waste water, since it is a scarce resource.

⁵<https://water.europa.eu/freshwater/europe-freshwater/freshwater-themes/water-resources-europe>

3.4. Comparative Analysis

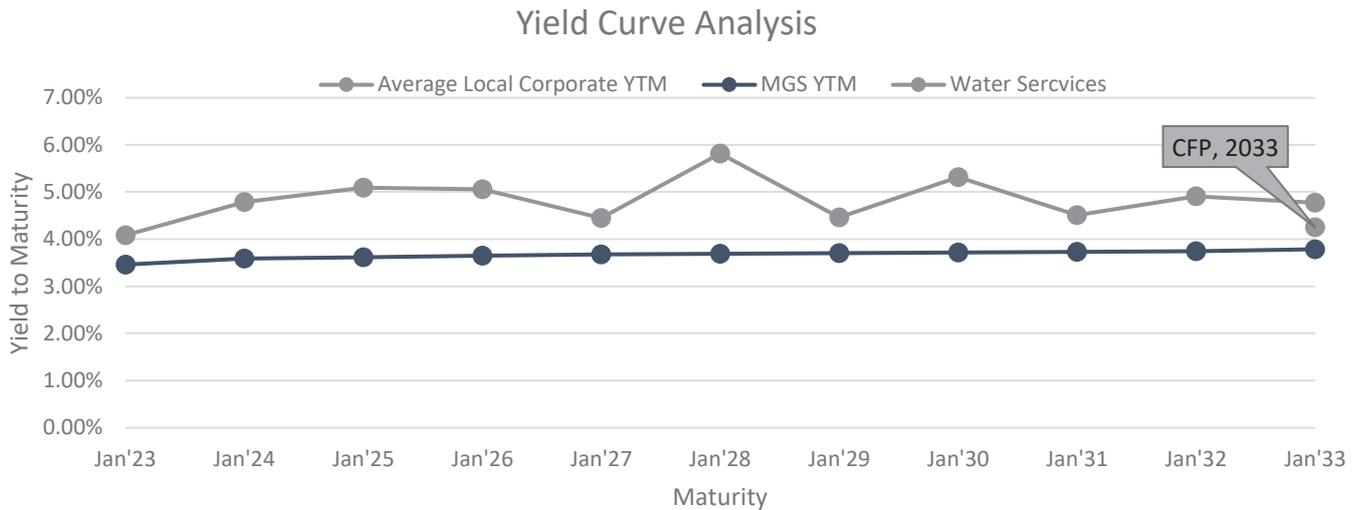
The purpose of the table below compares the Bond issued by the Issuer to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€ millions)	(€ millions)	(%)	(%)	(times)	(%)	(%)	(%)
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.85%	6.8x	110.4	3.1	66.0%	95.1%	2.5x	-90.8%	-8.2%	19.4%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.32%	2.6x	179.4	37.2	79.3%	37.5%	3.0x	24.1%	22.9%	666.2%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031 (xd)	13,000	4.51%	5.2x	73.0	26.9	62.0%	43.0%	1.1x	109.3%	6.4%	126.7%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.50%	3.6x	288.7	90.2	68.8%	54.3%	0.8x	5.8%	4.4%	0.0%
3.65% IHI plc Unsecured € 2031	80,000	4.55%	0.7x	1,662.0	817.9	50.8%	36.2%	0.8x	-0.3%	-1.0%	84.3%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.20%	2.6x	422.8	248.2	41.3%	30.0%	1.1x	-0.1%	-0.7%	8.1%
5% Mariner Finance plc Unsecured € 2032	36,930	5.00%	4.8x	128.3	62.3	51.4%	49.9%	2.6x	9.9%	29.3%	32.3%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.13%	0.6x	142.0	41.1	71.1%	65.4%	2.1x	-2.7%	-7.2%	32.3%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.37%	2.6x	179.4	37.2	79.3%	37.5%	3.0x	24.1%	22.9%	666.2%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.52%	1.3x	58.2	23.8	59.1%	55.3%	0.7x	0.8%	10.0%	19.9%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.70%	(2.0)x	16.5	3.4	79.3%	68.6%	0.9x	-34.4%	-21.8%	N/A
4.24% ClearFlowPlus plc Unsecured € 2033	25,000	4.25%	22.1x	453.9	145.2	68.0%	24.5%	0.9x	7.6%	13.5%	5.6%
	* Average	4.60%									

Source: Latest Available Audited Financial Statements

Last price as at 04/07/2023

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



Source: Central Bank of Malta and Malta Stock Exchange (MSE)

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield of the ClearFlowPlus plc bond.

As at 4 July 2023, the average spread over the Malta Government Stocks (MGS) for issuers with a maturity range

of 7-10 years (2030 – 2033) was 86 basis points. The proposed ClearFlowPlus plc bond is being priced with a 4.25% coupon issued at par, meaning a spread of 46 basis points over the equivalent MGS, and therefore at a discount to the average on the market of 40 basis points. It is pertinent to note that both the Issuers’ maturity and industry are significantly different to the corporates identified and as such its risks also differ to that of other issuers.

Part 4 - Glossary and Definitions

<i>Income Statement</i>	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.
<i>Profitability Ratios</i>	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
<i>Cash Flow Statement</i>	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
<i>Balance Sheet</i>	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

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

Financial Strength Ratios

Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by finance costs of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions

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

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