

REGISTRATION DOCUMENT

Dated 20 July 2023

This Registration Document 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.



CLEARFLOWPLUS P.L.C.

a public limited liability company duly incorporated under the Laws of Malta,
with Company registration number C 38895

Sponsor, Manager & Registrar



Accredited External
Reviewer



Legal Counsel



THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVES THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN ANY INSTRUMENT ISSUED BY THE ISSUER AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

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APPROVED BY THE DIRECTORS

A blue ink signature of Karl Cilia, written in a cursive style, positioned above a horizontal line.

Karl Cilia

A blue ink signature of Matthew Costa, written in a cursive style, positioned above a horizontal line.

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 REGISTRATION DOCUMENT CONTAINS INFORMATION ON CLEARFLOWPLUS P.L.C. IN ITS CAPACITY AS ISSUER AND WATER SERVICES CORPORATION AS GUARANTOR, IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND THE PROSPECTUS REGULATION.

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.

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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 HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES 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 SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES 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 SECURITIES DESCRIBED IN THE SECURITIES NOTE 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 THE 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 THE PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THE PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

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

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

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY SECURITIES ISSUED BY THE ISSUER 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 REGISTRATION DOCUMENT IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. WITHOUT PREJUDICE TO THE ISSUER'S REPORTING OBLIGATIONS IN TERMS OF APPLICABLE LAWS OR AS SET OUT IN THE PROSPECTUS, FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD OF TWELVE MONTHS, 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 ANY SECURITIES ISSUED BY THE ISSUER.

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.

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01 DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where otherwise expressly stated or where the context otherwise requires:

Accredited External Reviewer	Grant Thornton Limited, with address at Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta;
Act	The Companies Act, 1995, Cap. 386, Laws of Malta;
Automated Revenue Management Services Ltd	Automated Revenue Management Services Ltd, a limited liability company registered under the laws of Malta, with company registration number C 46054, having its registered office at Gattard House, National Road, Blata l-Bajda, Hamrun HMR 9010, Malta;
Bondholders	The holders of the Bonds, each a "Bondholder";
Bond Issue	The issue of Bonds;
Bonds or Issuer Green Bonds	The €25,000,000 bonds due 25 August 2033 of a nominal value of €100 per bond payable in full upon subscription and redeemable at their Redemption Value on the Redemption Date, bearing interest at the rate of 4.25% per annum, as set out in the Securities Note;
Business Day	Any day between Monday and Friday, both days included, on which commercial banks in Malta settle payments and are open for normal banking business;
Bye-Laws	The bye-laws issued by the authority of the Board of Directors of the Malta Stock Exchange, for the proper functioning of the Exchange, as amended from time to time;
Capital Markets Rules	The capital markets rules issued by the Malta Financial Services Authority in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta);
Condition Precedent	The condition/s set out under paragraph (a) of Section 9.2 of the Securities Note, to which the issue and final allotment of the Bonds is subject, namely that the Bonds are admitted to the Green Bond List by not later than fifteen (15) Business Days from the closing of the Offer Period;
Directors or Board	The directors of the Issuer whose names are set out under the heading "Identity of the Directors, Advisors, Auditors and Accredited External Reviewer" in Section 3 of this Registration Document;
EIB	European Investment Bank;
Eligible Green Project/s	Any project that falls under one or more of the categories outlined in bye-law 5.02.13.02 of the Bye-Laws or, any other project which the Exchange considers to be eligible under the Green Bond Principles issued by ICMA;
Euro or €	The official currency of the member States of the European Union that form part of the Euro-zone, including Malta;
Green Bond	A debt instrument the proceeds of which will be exclusively applied to finance or refinance, in part or in full, new and/or existing Eligible Green Project/s;
Green Bond Framework	The Issuer's green bond framework, as amended and supplemented from time to time, as available on the Issuer's website (https://www.clearflowplus.com);
Green Bond List	The MSE Green Bond List prepared and published by the Malta Stock Exchange as its official list of Green Bonds satisfying the additional MSE Green Bond List admissibility conditions set out in, and in accordance with, the Malta Stock Exchange Bye-Laws;

Green Bond Principles	The guidelines on the recommended transparency and disclosures necessary to promote integrity in the development of the Green Bond market as issued by ICMA and titled "Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds", as they may be amended from time to time and as also defined on the ICMA website https://www.icmagroup.org/ ;
Group or WSC Group	The Guarantor and its direct or indirect Subsidiaries, including the Issuer, and the term "Group Company" shall mean any one of the companies forming part of the Group;
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. A copy of the Guarantee, which contains a description of the nature and scope and the terms of the Guarantee, is appended to the Securities Note as Annex III thereto;
Guarantor or Water Services Corporation	Water Services Corporation, a body corporate / corporation established in Malta by virtue of the Water Services Act (Cap. 355 of the Laws of Malta), with head office at Water Services Corporation, Triq Hal Qormi, Luqa LQA9043, Malta, and having such constitution, functions and composition as set out in the said Act;
ICMA	International Capital Markets Association;
Infrastructural Leakage Index or ILI	The index established by the International Water Association as a performance indicator for comparisons of leakage management in water supply systems;
Issuer or Company	ClearFlowPlus p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 38895 and having its registered office at Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta;
Issuer-Guarantor Loan	The loan facility between the Issuer, as lender, and the Guarantor, as borrower, referred to in Section 4.2 of the Securities Note, by virtue of which the proceeds of the Bond Issue will be made available by the Issuer to the Guarantor;
Malta Developers Green Energy Ltd	Malta Developers Green Energy Ltd, a limited liability company registered under the laws of Malta, with company registration number C 83927, having its registered office at Malta Developers Association, Triq L-Orsolini, Gwardamangia, Pieta' PTA 1227, Malta;
MaltaEnergy Limited	MaltaEnergy Limited, a limited liability company registered under the laws of Malta, with company registration number C 79698, having its registered office at 43/45, Triq il-Kapuccini, Floriana FRN 1052, Malta;
Malta Financial Services Authority or MFSA	The Malta Financial Services Authority, established in terms of Article 3 of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta), and which has been appointed by the Financial Markets Act (Cap. 345 of the Laws of Malta) as the competent authority to approve prospectuses of any offer of securities to the public in Malta;
Malta Stock Exchange or Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles of Association or Articles	The memorandum and articles of association of the Issuer in force at the time of publication of this Registration Document;
Offer Period	The period commencing at 08:30 hours on 26 July 2023 and ending at 12:00 hours on 18 August 2023, both days included, during which the Bonds are on offer, as the same may be closed earlier by the Issuer, as provided in Section 9 of the Securities Note;
Prospectus	Collectively, the Registration Document, the Securities Note and the Summary;
Prospectus Regulation	Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as may be amended and/or supplemented from time to time;

Redemption Date	25 August 2033;
Redemption Value	The redemption amount to be paid to a Bondholder in respect of the redemption of a Bond on the Redemption Date, apart from any interests accrued up to such date, which shall be the nominal value of such Bond;
Registration Document	This document in its entirety, forming part of the Prospectus
Securities Note	The securities note issued by the Issuer dated 20 July 2023, forming part of the Prospectus;
Sponsor or Manager or Registrar	Calamatta Cuschieri Investment Services Limited, a private limited liability company registered under the laws of Malta having its registered office at Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta and bearing company registration number C 13729. Calamatta Cuschieri Investment Services Limited is authorised to conduct investment services by the Malta Financial Services Authority in terms of the Investment Services Act (Cap. 370 of the laws of Malta) and is a member of the MSE;
Subsidiary	When such term used in respect of an undertaking, namely a parent undertaking, it means an undertaking which is such parent undertaking's direct or indirect "subsidiary undertaking", as such latter term is defined in Article 2(2)(c) of the Act, and for such purpose the term "parent undertaking" shall have the meaning assigned to it in Article 2(2)(a) of the Act, and "Subsidiaries" shall be construed accordingly;
Summary	The summary issued by the Issuer dated 20 July 2023, forming part of the Prospectus;
Sustainability Committee	The Sustainability Committee of the Issuer established in accordance with Section 10.2 of this Registration Document;
Taxonomy Regulation	Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment;
Use of Proceeds Account	A separate account or sub-account (bank account or internal account/ledger) of the Issuer, to which shall be credited the proceeds of the Bond Issue, and which enables such proceeds to be tracked and managed by the Issuer, acting through the Sustainability Committee, to ensure that such Bond proceeds are effectively used into the projects which were pre-identified as the Eligible Green Projects for which the such proceeds are intended to be used; and
WSC International Limited	WSC International Limited, a limited liability company registered under the laws of Malta, with company registration number C 78356, having its registered office at Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta.

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 Registration Document.

02 RISK FACTORS

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 ITS SECURITIES.

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, ACCORDING TO WHETHER THE RISK FACTORS RELATE TO: (I) THE ISSUER; OR (II) THE GUARANTOR AND THE GROUP, WITH THESE CATEGORIES BEING DIVIDED INTO FURTHER SUB-CATEGORIES, AS AND WHERE RELEVANT. THE RISK FACTOR FIRST APPEARING UNDER EACH SUB-CATEGORY CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH SUB-CATEGORY AS AT THE DATE OF THIS REGISTRATION DOCUMENT. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS 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, THE GUARANTOR OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTOR'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND/OR TRADING PROSPECTS, AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED BY IT FROM TIME TO TIME AND OF THE GUARANTOR TO HONOUR ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AND BELIEVED TO BE MATERIAL AS AT THE DATE HEREOF BY THE DIRECTORS OF THE ISSUER, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTOR MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL ADVERSE IMPACT ON THE FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND/OR TRADING PROSPECTS.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (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, THE DIRECTORS, ANY OF THE ADVISORS LISTED IN SECTION 3 BELOW, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT AND IN OTHER DOCUMENTS COMPRISED IN THE PROSPECTUS.

Forward-looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain statements that are, or may be deemed to be, forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "forecast", "project", "plan", "anticipate", "expects", "envisage", "intend", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer's or the Guarantor's strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

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 operational results, 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 operational results, financial condition and performance, and trading prospects of the Issuer 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. Important factors that may cause these differences include, but are not limited to, those factors identified under this section and elsewhere in the Prospectus.

All forward-looking statements contained in the Prospectus 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 Issuer

Risks relating to the Issuer's business and its reliance on the Guarantor

With respect to the sourcing of engagements for, and the actual performance of, a material part of its services, the Issuer is dependent on the Guarantor, its business contacts and operations, as well as on the know-how and expertise developed by the Guarantor. It is also dependent on the human resources of the Guarantor since the operations of the Issuer are conducted through employees of the Guarantor. A negative impact on these resources of the Guarantor through the materialization of reputation or competition risks, risks of outdated through technological and operational advancements or other operational, market or financial risks, may therefore negatively affect the service engagements and business of the Issuer and its financial condition.

Furthermore, the main asset of the Issuer will soon, after the issue of the Bonds, become the proposed Issuer-Guarantor Loan to be provided by the Issuer to the Guarantor out of the proceeds of the Bond Issue. With respect to its payment obligations under the Bonds, the Issuer's profits generated from its business operations as aforesaid will not be sufficient to finance such payments due to Bondholders. In this respect the Issuer is principally dependent, including for the purpose of servicing interest payments on the Bonds and the repayment of the Redemption Value on redemption, on the receipt of interest payments and loan repayment from the Guarantor under the Issuer-Guarantor Loan. In this respect, therefore, the Issuer is dependent on the business prospects and operating results of the Guarantor.

Therefore, the risks intrinsic in the business and operations of the Guarantor have an effect on the ability of the Issuer and the Guarantor to meet their respective obligations in connection with the payment of interest on the Bonds and repayment of the Redemption Value when due including, in the case of the Guarantor, any payments that it may be required to make under the Guarantee. Accordingly, the risks of the Issuer are indirectly those of the Group, in particular the Guarantor.

2.2 Risks relating to the Guarantor and the Group

The Guarantor is the main operating company within the Group, and depends on the viability, profitability and success of its projects, business and operations, for its continued liquidity, financial soundness and growth and also its ability to make payments to its creditors, including in particular payments to the Issuer under the Issuer-Guarantor Loan. The business and operations of the Guarantor and its financial performance and of the Group as a whole will be subject to certain risks.

Legal and regulatory risks

Risks relative to changes in laws and regulations and new industry standards and practices

The water industry and the Group's businesses are subject to extensive and increasingly stringent environmental protection, public health and safety and other relevant legal and regulatory obligations and controls, and the Guarantor and the other companies within the Group as a whole must comply with all applicable laws, regulations and regulatory standards, both at national level and also at EU level, which are applicable to their respective business and operations. These relate inter alia to drinking water quality, water table contamination, water discharges, wastewater treatment, treatment of sludge and waste in general, long-term monitoring of landfills, air emissions quality, compliance of equipment and chemical products, and greenhouse gas emissions, data privacy and information protection.

Despite the efforts to manage these legal and regulatory risks within the Group, there are still many risks that result from the vagueness of some regulatory provisions which may result in inconsistent application or enforcement or the fact that regulatory bodies can amend their enforcement approach or instructions and that major developments in the legal and regulatory framework may occur. In addition, the relevant regulatory bodies have the power to institute legal or administrative proceedings against the Guarantor or other members of the Group (as applicable), which could lead to the suspension or revocation of permits or authorizations held, orders to cease or abandon certain activities or services, as well as fines or administrative penalties, or criminal convictions, which could negatively and materially affect the Group's financial position, operations and/or reputation. Furthermore, the conditions attached to authorizations and permits held by the Group could be made more stringent by the relevant authorities.

The above risks are further aggravated by the risks of continuous introduction and changes in these laws and regulations which affect the operations of the Group within a constantly evolving regulatory framework, including the increasing climate change regulations and other sustainability related new regulations and policies. As with any business, the Group is at risk in relation to changes in laws and regulations to which it is subject and the timing and effects thereof, including changes in the interpretation thereof, and in administrative practices, which cannot be predicted and which can negatively affect the business and operations of Group companies, apart from the additional costs of compliance, including costs of additional reporting, which these may entail. The Guarantor or one of its Subsidiaries may be unable to anticipate the implications of legal and regulatory changes in a given sector or activity in which it is involved, which may necessitate a re-evaluation of processes from an operational and other perspectives. Subsequently, the Group could be forced to reduce, temporarily interrupt, or even discontinue one or more activities with no assurance of being able to offset for the corresponding losses. This may result in a loss of revenue for the respective sector and the profitability of the Group.

In addition, as part of the roll-out of the EU Action Plan for Sustainable Finance Growth, a European taxonomy of sustainable activities has been established in 2021 to identify economic activities that can be classified as environmentally "sustainable". The full implementation of the scheme is expected to be completed by 2023. This could ultimately contribute to focusing investments of the Group on only part of the activities currently performed, to the detriment of the Group's other business activities that also have a positive environmental impact that is not recognised within the narrow framework according to the defined criteria.

Litigation risk

The business sectors in which the Group is involved and/or operating expose it to legal claims, with or without merit, whether in respect of health, safety or environmental accidents, interruption or discontinuity of service, the quality of product allegedly failing to meet required or expected standards and other matters. Defence and settlement costs can be substantial. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Group's results of operations, financial condition or reputation.

Economic and financial risks

Risks relating to price controls

In terms of the Water Services Corporation Act (Cap. 355 of the Laws of Malta), the prices to be charged by the Guarantor for any service or facility provided by it under the Act shall be in accordance with such tariffs as may, from time to time, be prescribed by the Guarantor following the written approval by the Regulator for Energy and Water Services set up under the Regulator for Energy and Water Services Act (Cap. 545 of the Laws of Malta). The Water Services Corporation Act sets an obligation on the Guarantor to ensure that the prices charged are adequate to secure the financial viability of the Guarantor, namely that they provide sufficient revenue to the Guarantor in any financial year to cover operating expenses, to meet periodic repayments on long term indebtedness, to create reserves to finance a reasonable part of the cost of future expansion, and to provide a reasonable return on investment and expenditure. Yet, in setting the tariffs, the Guarantor relies on the written approval of the Regulator for Energy and Water Services, and whilst the said Regulator should be expected to act reasonably in granting or refusing such approval, it has no statutory duty to ensure the continued solvency or financial viability of the Guarantor in all circumstances. The Regulator may effectively use such approval mechanism to control prices of water and other relevant services, which may also lead to lowering of prices which may have a negative or undesired impact on profitability of the Guarantor.

Furthermore, whilst lowering of prices are usually influenced by Government policy, and when they occurred in the past 10 years these were covered by subventions and grants made available by the Government to the Guarantor, there is no obligation on Government and no assurance that it will necessarily compensate the Guarantor fully for such price reductions through such subventions and grants.

There is therefore no assurance that future price controls and price reductions will permit the generation of sufficient revenues to enable the Guarantor to carry out its functions, to carry out its business profitably, to meet planned capital expenditure for maintenance and innovation of plant, equipment, infrastructure, systems and technology, for meeting all its operational and other expenses and for meeting all its obligations and liabilities, including the full and timely payment of amounts due in respect of the Bonds.

Risks relating to price increases of energy and other commodities

The Group's, and in particular the Guarantor's, activities relating to production, treatment and distribution of water, both potable water and wastewater, use energy and commodities, including chemicals to varying degrees, and thus such activities are exposed to any fluctuations in their prices. This risk is increased further due to the fact that reverse osmosis desalinated water, which is substantially more energy intensive than groundwater abstraction, is being used at a higher ration in water blending to achieve the desired levels of water quality. The Guarantor has been and continues to be active in addressing and mitigating these risks by investing in new infrastructure and by upgrading its existing infrastructure to make it more energy efficient. The increase in prices of energy and commodities are however often due to political, economic or other factors over which the Group has no control, including the health crisis such as the recent Covid-19 pandemic which increased demand in various parts of the world and pushed up the prices on raw and secondary materials, as well as political conflicts such as the current Ukraine war which negatively affected the supply chain and the energy market. These factors and the consequent increase in energy prices can negatively affect the financial performance and earnings of the Group, which the Group may not necessarily be in a position to sensibly compensate for through an increase in prices of water which is a very sensitive political and social issue on a national level.

Risks arising from war and/or conflict

Wars and conflicts which may from time to time occur in various parts of the world, including the Russia – Ukraine armed conflict as at the date of this Registration Document, may present new risks or exacerbate certain risks to which the operations of the Group are subject, including shortage of and/or increase in prices and delay in importation and delivery of raw materials and supplies needed for the operations, apart from the negative effects these conflicts may have on the economy as a whole. This may have a negative impact on the Group's operations, earnings and outlook.

Risks relating to inflation

As at the date of this Registration Document, inflation remains at elevated levels when compared to the past decades. Inflation may negatively affect the future financial performance of the Group, particularly through the consequent increase in costs incurred by the Group and the cost of new opportunities, higher borrowing costs, and the overall decrease in purchasing power, which is not typically compensated by increases in prices charged by the Group for water, which prices are not usually increased locally as a result or in response to inflation.

Risks of rising interest rates

The Group also faces interest rate risk in the current rising-rate environment, particularly in view of its borrowings under bank credit facilities with variable interest rates, rendering the Group vulnerable to increases in interest rates payable to such banks.

Business and operational risks

Risks relating to security of water supply

Water, both groundwater and surface water, is the fundamental commodity around which the Group's, in particular the Guarantor's and the Issuer's, business and operations revolve.

Water is a natural resource, which cannot be guaranteed in terms of continuity of supply in the quantity and quality needed by the Group to carry out its activities. Apart from risks which may be accidentally caused by the Guarantor itself in the course of the production process, water and its supply is exposed to various external risks and factors which are beyond the control of the Group. These include:

- Climate change, with its proven impacts, including increased drought frequency and intensity, which is leading to a decrease in the availability of groundwater and surface water resources, also due to increased use;
- Increasing scarcity of water resources due to increased demand, also as a result of demographic and metropolitanisation pressures;
- The over-abstraction of groundwater, which could result in its unavailability due to the time needed for it to replenish or it can even lead to its deterioration to an extent to make it unusable particularly due to saltwater intrusion into the aquifer through the process of upconing which is caused or accelerated through such over-abstraction;
- The disposal, seeping or intrusion of chemical, oil or other substances and pollutants into the groundwater, through fraudulent or accidental causes, including through flooding and other natural events, leading to its contamination, thus making it unusable; and
- Reverse osmosis water desalination could technically totally replace, and thus address and solve the problem of shortage of supply of, groundwater, but apart from the fact that this is more energy-intensive and thus less sustainable and less cost-efficient, desalinated water could also be subject to external risks which endanger its security of supply, including oil spills or other contamination of the sea area where the sea water abstraction boreholes are situated, which make it unusable and stultify the operation of the reverse osmosis situated in the locality of the affected sea. Thus, is not exempted from risks supply.

Risks relating to quality of water

Risk related to water and product quality is a core focus for the Group and its ability to provide essential services that it has committed to deliver to its customers in compliance with required quality standards and specifications.

Exposure to this risk has grown considering some notable risk factors, including:

- Fraudulent or accidental pollution of the groundwater, or its over abstraction leading to higher level of chlorides therein and consequent inferior quality and taste or even non-usability;
- Fraudulent or accidental pollution of sea areas where reverse osmosis extraction boreholes are situated; and
- Factors affecting the distribution infrastructure, principally the mains and pipeline network, which reduce, even significantly, the quality of water at its point of destination in consumers' taps compared to its quality at the point of distribution in reservoirs, including mainly the length of the distribution pipes where the longer it is the higher the risk of the disinfectants used losing their effect, the age or poor condition of the pipelines particularly through rust or corrosion which compromise significantly the quality of water, contamination which could infiltrate through leakage points or which could be generated through deposits accumulated in the pipelines over the years.

Apart from the fact that in certain circumstances they may be unavoidable by the Group, the above-mentioned risks present more infrastructure replacement and maintenance as well as technological challenges for the Group to continue to meet water quality and service continuity standards. These involve substantial costs, and may have a material adverse effect on the Group's financial resources.

Environmental, industrial and health and safety risks

The operations of the Group carry risks to the surrounding environment (air, water, soil, habitat and biodiversity) and may pose risks to the health of consumers, local residents, employees, or even subcontractors. These health and environmental risks, which are governed by strict national, regional and international regulations, are regularly monitored by the Group's teams and by the public authorities. These changing regulations with regard to environmental responsibility and liabilities carry the risk of increasing the Group's vulnerability in relation to its activities.

As part of its activities, the Group must handle, or even generate, hazardous products or by-products, including chlorin and other chemicals used in water treatment as well as gas emissions, and the sludge and other waste produced in the course of wastewater treatment which could be toxic or infectious, and which could have an impact on and pollute the environment, including the water tables, sea, air and soil. Wastewater treatment plants discharge decontaminated water into the natural environment. For various reasons, these plants may temporarily fail to meet discharge standards in terms of organic, nitrogen, phosphorus or bacteriological load. Wastewater treatment can also cause odour problems or produce limited but dangerous quantities of toxic gas or micro-organisms.

Non-compliance with the relevant standards can lead to penalties or fines, administrative or civil proceedings or even criminal proceedings and other sanctions. This apart from the negative reputational impact which such environmental and health risks may present for the Group, especially when one considers that certain business activities of the Group, including water treatment and incineration involved in the process, by their nature already affect its reputation in relation to a number of sensitive societal issues, such as health, air quality, water quality, micropollutants, management of common goods and access to essential services.

Furthermore, in view of the particular nature of the operations and activities of the Group, the Guarantor and its Subsidiaries must comply and ensure compliance with, and can be exposed to claims relating to, health and safety at work, including employees or even sub-contractors or other interested parties and may also be exposed to claims for health hazards, injury or even death at the workplace, all of which could have a detrimental effect on their operations and profits.

Although the Group has employers' liability and group personal accident and civil liability insurance as well as environmental risk self-insurance, it may still be subject to claims and be held liable above the amount of its coverage or for items not covered by its insurance or self-insurance. The amounts provisioned or covered may be particularly insufficient if the Group incurs health and safety and environmental liability, given the difficulty and uncertainties involved in forecasting expenses and liabilities related to health, safety and the environment. Therefore, the Group's liability for environmental, industrial and health and safety risks could have a material negative impact on its public image, operations, financial position and earnings.

Non-revenue water risks

The Group, in particular the Guarantor, is continuously faced with and assiduously addressing the risks of non-revenue water, consisting mainly of real losses generated through leakages and overflows in the distribution infrastructure and apparent losses resulting essentially from theft of water, meter errors and other billing inefficiencies. These risks present not only financial challenges for the Group in view of the loss of revenue on water produced, but they also give rise to various social and reputational challenges, particularly in view of the loss of opportunity of using the relevant revenue which could have been generated in further investment in and improvement of the service infrastructure for the benefit of the Group and consumers, the creation of social injustice created through theft or other apparent losses by having some consumers using water free of charge whilst other consumers paying for it and also by depriving the latter of potentially benefitting from lower rates should there be no unbilled water, as well as the negative impact on public image and the great deal of public criticism that such non-revenue water incidences manage to generate and attract against the Group.

The Guarantor is investing substantially into various measures intended to reduce such non-revenue water, including through an intensive and continuous distribution network replacement, repair and maintenance initiative to address inter alia leakages as well as investment in technological tools and IT systems and infrastructure to help detect and signal real and apparent losses, but there is no guarantee that these will be effective to achieve their purpose up to the desired level, particularly in case of theft and similar apparent losses involving the usually unpredictable and often difficult to control criminal behaviour of certain consumers.

Risks relating to capital investment and technological advancements

Failure by the Group to properly maintain its capital assets or deliver required outputs might affect its profitability or even result in defaults on contractual commitments or regulatory obligations. The business operations of the Group, in particular the Guarantor, require significant capital expenditure for additions to, or replacement of, plant and equipment for its water treatment, production and supply and sewerage facilities and networks, for the purposes of retaining its service provision effective and efficient in terms of continuity of production and supply in accordance with demand, including increased demand, and also to keep abreast with technological advancements in the industry to give the expected level of service and innovation of accessibility to and use of the service to consumers, and thus remain also competitive. The Group cannot guarantee that it will act fast enough to adapt if needed in terms of market intelligence, technological innovation, competitive costs, performance and quality of service.

Moreover, if the Group is unable to maintain its capital assets or deliver required improvement at expected expenditure levels, or is unable to secure the required level of efficiency savings on its capital investment programme, or the programme fails behind schedule or contains erroneous assumptions or forecasts as to capital expenditure needed, the Group might need increased capital expenditure and its profitability might suffer as a result.

Risks relating to information systems and data protection

As a complex organization, there is a risk that the Group falls victim to increasingly sophisticated cyberattacks aimed at disrupting the Group's information assets by circumventing confidentiality, integrity or availability controls. Cyberattacks are getting larger and becoming more frequent, more sophisticated and potentially costly. These risks are a threat to the integrity of the Group's information systems, and thus to data security and can lead to acts of fraud or customer data breaches, loss of data or breach of confidentiality, loss of business, and disruption of business, apart from loss of system and operational control.

Apart from the growing risk of fraud, the risk of corporate and personal data breaches has grown as well, resulting in an additional risk of not complying with applicable data protection laws and regulations, which could lead to considerable financial penalties, as well as to civil lawsuits by data subjects. This remains a significant risk despite the Group's progress and precautionary measures in this area.

The implementation of new applications may require considerable development, with risks relating to development costs, quality and deadlines.

All of the above could negatively impact the Group's operations, financial position and earnings.

03 IDENTITY OF THE DIRECTORS, ADVISORS, AUDITORS AND ACCREDITED EXTERNAL REVIEWER

3.1 Directors of the Issuer and the Guarantor

Directors of the Issuer

As at the date of this Registration Document, the Board of Directors of the Issuer is constituted by the following persons:

Name and Identity Card number	Office Designation
Dr. Vince Micallef (407075M)	Chairman and non-executive Director
Mr. Karl Cilia (431390M)	Vice-Chairman and executive Director
Mr. Matthew Costa (562188M)	Executive Director
Ing. David Sacco (355365M)	Executive Director
Ms. Angela Azzopardi (567791M)	Independent non-executive Director
Mr. Luke Cann (160184M)	Independent non-executive Director
Ing. Abigail Cutajar (28688M)	Independent non-executive Director
Ms. Katrina Cuschieri (4499M)	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. In assessing the said directors' independence due notice has been taken of Rule 5.119 of the Capital Markets Rules.

The business address of the Directors is at the registered office of the Issuer.

Reference is made to Section 9 titled "Administrative, Management and Supervisory Bodies" for a short *curriculum vitae* of the Directors, description of principal activities, if any, performed by them outside the Issuer, their potential conflicts of interest and other information relevant to such Directors.

Directors of the Guarantor

As at the date of this Registration Document, the board of directors of the Guarantor is constituted by the following non-executive directors:

Name and Identity Card number	Office Designation
Mr. Joseph Vella (561392M)	Chairman
Mr. Louis Gatt (125665M)	Deputy Chairman
Dr. Vince Micallef (407075M)	Member
Ing. Raymond Azzopardi (774556M)	Member
Mr. Ethelbert Schembri (35577M)	Member
Ms. Silvana Mifsud (14677G)	Member
Ms. Marion Parnis (189875M)	Member
Ms. Mirana Agius Silvio (112179M)	Member
Dr. Juanita Agius Galea (612782M)	Member

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

3.2 Company Secretaries of the Issuer and the Guarantor

Dr. Amanda Vella, whose business address is at the registered office of the Issuer, holder of Identity Card number 296086M, is the company secretary of the Issuer.

Dr. Andrew Sciberras, whose business address is at the Head Office of the Guarantor, holder of Identity Card number 244687M, is the secretary of the Guarantor.

3.3 Responsibility and Authorisation Statement

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

This Registration Document has been approved by the Malta Financial Services Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Malta Financial Services Authority has only approved this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer.

3.4 Advisors

The persons listed hereunder have advised and assisted the Directors in the drafting and compilation of the Prospectus.

Sponsor, Manager & Registrar

Name: Calamatta Cuschieri Investment Services Limited

Address: Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta

Company Registration number: C 13729

Financial Advisors

Name: Grant Thornton (Malta)

Address: Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta

Legal Counsel

Name: Saliba Stafrace Legal

Address: 9/4, Britannia House, Old Bakery Street, Valletta VLT 1450, Malta

3.5 Auditors of the Issuer and the Guarantor

As at the date of the Prospectus, the statutory auditors of the Issuer are:

Name: GCS Assurance Malta Limited

Address: 115A, Floor 4, Msida Valley Road, Birkirkara BKR 9024, Malta

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 have been audited by the said GCS Assurance Malta Limited.

GCS Assurance Malta Limited is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the Laws of Malta). The Accountancy Board registration number of GCS Assurance Malta Limited is AB/2/17/14.

As at the date of the Prospectus, the statutory auditors of the Guarantor are also GCS Assurance Malta Limited.

The annual statutory financial statements of the Guarantor for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 have been audited by the said GCS Assurance Malta Limited.

3.6 Accredited External Reviewer

Name: Grant Thornton Limited

Registered Office: Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta

Company Registration number: C 80426

04 INFORMATION ABOUT THE ISSUER AND THE GROUP

4.1 Information about the issuer

Full legal and commercial name of the Issuer:	ClearFlowPlus p.l.c.
Registered address:	Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta
Place of registration and domicile:	Malta
Registration number:	C 38895
Legal Entity Identifier ('LEI'):	9845001FE9M574159235
Date of registration:	9 June 2006
Legal Form:	A public limited liability company duly registered in terms of the Act
Telephone number:	+356 80076400
Email:	info@clearflowplus.com.mt
Website:	https://www.clearflowplus.com *

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

4.2 Information about the Guarantor

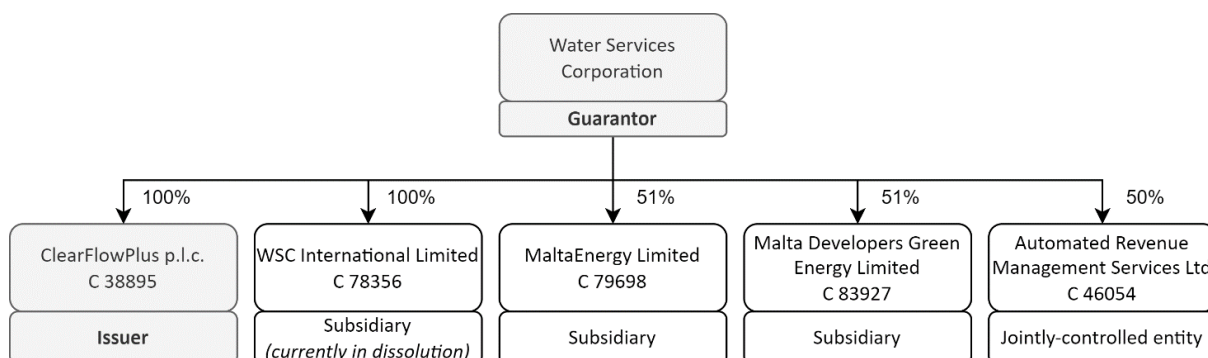
Full legal and commercial name of the Guarantor:	Water Services Corporation
Head office:	Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta
Place of establishment and domicile:	Malta
Registration number:	Not applicable
Legal Entity Identifier ('LEI'):	98450039A59A6DB9S607
Date of establishment:	20 January 1992, being the date of entry into force of Act No. XXIII of 1991, which established the Water Services Corporation
Legal Form:	A corporation established in Malta by statute and namely by virtue of the Water Services Act (Cap. 355 of the Laws of Malta)
Telephone number:	+356 80076400
Email:	info@clearflowplus.com.mt
Website:	www.wsc.com.mt*

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

4.3 Organisational Structure of the Group

The Issuer was incorporated in 2006 under the name of Desalination Services Marketing Ltd. and changed its name to ClearFlowPlus Limited in 2018. The Issuer was initially incorporated as a private limited liability company and has recently been converted into a public limited liability company in 2023 in anticipation of the Bond Issue. The Issuer is, except for one (1) share which is held by Malta Government Investments Limited (C 10175), a fully-owned subsidiary of the Guarantor, which latter entity is the parent undertaking of the Group.

The organisational structure of the Group, as at the date of this Registration Document, is illustrated in the diagram hereunder:



The Group currently consists of the following entities:

- The Guarantor, being the parent undertaking, which was established by Act of Parliament XXIII of 1991 to take over from the former Water Works Department, and has its constitution, composition, activities, functions, and responsibilities set out in the said Act. The Guarantor is responsible for and can manage potable water and wastewater services in the Maltese islands and its principal activities are to acquire, produce, distribute and sell water for domestic, industrial and commercial use, to treat and dispose or re-use wastewater and also to further reduce the energy costs related to the production of water using renewable energy sources;
- The Issuer, apart from acting as issuer of the Bonds with a view to finance certain operations of the Group and mainly those of the Guarantor as provided in Section 4.2 of the Securities Note, is also currently involved in the principal activities of consultancy services and supplies in connection with reverse osmosis plants, related after sales services, desalination, sewage treatment facilities, laboratory analysis, information technology services and sale of parts;
- MaltaEnergy Limited, a private limited liability company, incorporated under the laws of Malta on 4 May 2017 with registration number C 79698 and with its registered office situated at 43/45, Triq il-Kapuccini, Floriana FRN 1052, Malta, which is owned as to 51% (595 ordinary shares) by the Guarantor and as to the remaining 49% (570 ordinary shares) by General Retailers and Traders Union, and the principal activities of which consist of the active participation in the photovoltaic industry in Malta and to develop and construct a photovoltaic plant in Malta and to market and provide photovoltaic technology consultancy services and related activities;
- Malta Developers Green Energy Ltd, a private limited liability company, incorporated under the laws of Malta on 21 March 2018 with registration number C 83927 and with its registered office situated at Malta Developers Association, Triq L-Orsolini, Gwardamangia, Pieta' PTA 1227, Malta, which is owned as to 51% (595 ordinary shares) by the Guarantor and as to the remaining 49% (570 ordinary shares) by Malta Developers Association, and the principal activities of which consist of the active participation in the photovoltaic industry in Malta and to develop and construct a photovoltaic plant in Malta and to market and provide photovoltaic technology consultancy services and related activities;
- WSC International Limited, a private limited liability company, incorporated under the laws of Malta on 9 December 2016 with registration number C 78356 and with its registered office situated at Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta, which is fully owned by the Guarantor except for one (1) share which is owned by the Issuer, and which company is currently in dissolution.

The Guarantor also owns 50% of the share capital (125,000 ordinary shares) of, and jointly controls together with the other 50% shareholder Enemalta p.l.c., the private limited liability company by the name of Automated Revenue Management Services Ltd, the principal activities of which consist of the automation of the management of the revenue of and processing and collection of bills of each of the two equal shareholders, namely Enemalta p.l.c. (involved mainly in the purchase, production, distribution and sale of electricity and other forms of energy) and the Guarantor.

Dependence of Issuer on the Group

As previously stated, the Issuer's operational activities essentially consist of consultancy services and supplies, laboratory analysis and information technology services in connection with water production, filtration and/or treatment and/or sewage treatment products or facilities. No bank loans are in place in respect of such main operations of the Issuer and financing of such operational activities is completely dependent on own funds.

With respect to its payment obligations under the Bonds, the Issuer is principally dependent, including for the purpose of servicing interest payments on the Bonds and the repayment of the Redemption Value on redemption, on the receipt of interest payments and loan repayment from the Guarantor to which the proceeds of the Bond Issue will be entirely advanced by way of loan under the Issuer-Guarantor Loan to finance certain projects and activities of the Guarantor as described in Section 4.2 of the Securities Note. In this respect, therefore, the Issuer is dependent on the business prospects and operating results of the Guarantor.

05 BUSINESS OVERVIEW OF THE ISSUER AND THE GROUP

5.1 Principal Activities of the Issuer

The Issuer, a Subsidiary of Water Services Corporation, has as its main objects:

- (i) the provision of technical consultancy services inter alia with the distribution of water for domestic, commercial, industrial and other purposes, the conservation and exploitation of water resources and sources of water supply, the treatment of wastewater and the creation of novel ways of exploiting water resources in general; and
- (ii) the provision of consultancy services and supplies in connection with reverse osmosis plants, wastewater treatment facilities, laboratory analysis, information technology and property management.

The Issuer is currently a revenue-generating company that prioritizes sustainability and promotes eco-friendly activities. One of its main focuses is the provision of water through industrial reverse osmosis systems for the hospitality sector. In addition, the Issuer also provides private and public water dispensers to make clean, safe drinking water more accessible to the general public. By offering these products, the Issuer aims to reduce the number of plastic water bottles that end up in landfills or otherwise in the environment, and promote healthier lifestyles by encouraging individuals to drink more water.

In addition to focusing on sustainable products and responsible business practices, the Issuer also aims to commercialize the knowledge-based and operational expertise of its parent undertaking, Water Services Corporation. With years of experience in the water industry, Water Services Corporation has developed a wealth of knowledge and technologies related to water treatment, conservation, and management. By commercializing this knowledge, the Issuer aims to generate revenue and advance the industry as a whole and contribute to solving the world's water-related challenges. Furthermore, through partnerships with other companies and organizations, the Issuer aims to leverage its expertise to impact the environment and society while growing its business positively.

During 2022, the Issuer continued to commercialise Water Services Corporation'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. Also, this increase in coverage has led to a saving of an estimated 3.8 million 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. In addition, 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.

Following the issue of the Issuer Green Bonds, 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, probably a company yet to be incorporated.

Use of resources of the Guarantor by the Issuer

In the provision of its services and carrying out of its operations, the Issuer relies substantially on the resources of and available to the Guarantor, including its business contacts for sourcing of engagements for services and supplies, its service provision infrastructure including office facilities and equipment and also the partial benefit of the insurance policies taken out by the Guarantor, as well as on the know-how and expertise developed by the Guarantor and its

employees, some of whom render their services and various hours of work to carry out the Issuer’s operations and its contracts with clients.

The Guarantor’s costs for making such human and other resources available to the Issuer are covered by:

- (i) an agreed fixed management fee charged by the Guarantor to the Issuer, which is reviewed every 3 years with the next revision due in 2023, which includes a pre-agreed fixed portion of the salary payable to employees of the Guarantor involved in the carrying out of the Issuer’s business, overhead costs which include agreed costs for the use of vehicles, general expenses, communications and office equipment as well as an agreed portion of insurance costs; and
- (ii) a variable fee covering a variable cost, through recharge, for each service provided by the Issuer but outsourced to or otherwise provided through the Guarantor.

5.2 Principal Activities of the Guarantor

The Guarantor 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.

As at the date hereof, the Guarantor holds a licence to (i) supply water through the public water distribution network and (ii) provide sewerage services using the public sewage collection system, issued by the Regulator for Energy and Water Services under the Regulator for Energy and Water Services Act (Cap. 545 of the Laws of Malta) and the Water Supply and Sewerage Services Regulations (S.L. 545.14). Such licence is renewed and paid annually to the Regulator.

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:

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

The Guarantor has several water pumping stations, wastewater treatment plants, reverse osmosis plants, PV panel farms and corporate premises around the Maltese islands, as shown in the diagram below.



In carrying out these principal activities, the Guarantor seeks to pursue its strategic operational objectives, namely:

- To increase drinking water availability and production and wastewater treatment capabilities and infrastructure in line with the development of the country, and achieving this by lowering the costs per unit produced and treated;
- To improve water quality through various projects and moving the water blending mechanism towards an automated process, thereby reducing the purchase and use of plastic water bottles by water consumers and thus reducing the resultant waste in the environment;
- To continue to invest in human resources, research, systems, processes and quality mechanisms to continue being the best-in-class in water production and wastewater treatment;
- To strengthen the three pillars across all its activities and operations: effectiveness, efficiency and quality; and
- To be customer-centric and proactive in its communication with clients.

A. Water production and distribution

Drinking water for the Maltese islands comes from two sources: extraction of groundwater and the production from seawater reverse osmosis plants.

The Guarantor produces around 35 million cubic metres of potable water every year. Approximately 22.9 million cubic metres per year are produced at the three reverse osmosis plants of Pembroke, Cirkewwa and Ghar Lapsi and now also the most recent one at Hondoq ir-Rummien, Gozo, whereas around 12.7 million cubic metres per year are produced from underground sources, mainly the underground galleries at Ta' Kandja and Ta' Bakkja, 97 meters below ground and which radiate like the spokes of a wheel from a central hub for thousands of metres, apart from 12 other pumping stations, as well as approximately 135 boreholes, from where water is extracted.

Ultimately, the water generated by the reverse osmosis plants is blended with the extracted groundwater and stored in the 24 reservoirs found around Malta, Gozo and Comino. The total capacity of these reservoirs is 400,000 cubic metres. Water is then distributed around Malta and Gozo along a network of over 2,200 kilometres of pipes throughout the islands.

The Guarantor is actively seeking to continue to secure the availability of water in the context of increasing demand and to improve the quality of water sustainably distributed to users, mainly by increasing the efficiency, and capacity of the reverse osmosis plants, securing a sustainable spatial abstraction of groundwater, optimising disinfection techniques and improving the drinking water blend.

Reverse Osmosis Plants

The production of desalinated water involves abstracting sea water from the shoreline. The seawater feed is then processed through membranes at very high pressure to convert it into pure, high-quality drinking water in the Guarantor's reverse osmosis plants and stored in reservoirs for blending before distribution.

Its key role at the forefront of seawater desalination in Malta has rendered the Guarantor a most experienced operator of large-scale reverse osmosis plants producing drinking water. It also endowed its engineers and technicians with vast experience and high skills in the sector.

As at the date of this Prospectus the Guarantor owns and operates 4 main large-scale reverse osmosis plants in the Maltese islands, namely:

- The plant in Ghar Lapsi, inaugurated in 1982 with a daily production capacity of approximately 24,800 cubic metres;
- The plant in Pembroke, inaugurated in 1983 with a daily production capacity of approximately 50,000 cubic metres;
- The plant in Cirkewwa, inaugurated in 1988 with a daily production capacity of approximately 11,400 cubic metres;
- The most recent plant in Hondoq ir-Rummien, Gozo, was inaugurated in 2022, with a daily production capacity of approximately 9,000 cubic metres.

No chemicals are used during the seawater extraction process. Chlorine disinfection of the product is carried out on the water distribution network and reservoirs to avoid damage to sea water organisms and marine life which may otherwise result from the chemicals diffused in the sea. Feed water contamination is contained by abstracting seawater from shoreline boreholes so that the feed water goes through a first process of natural filtration. This approach eliminates the need for pre-disinfection used by the Guarantor as part of its overall sustainability strategy.

The seawater desalination process produces the best quality drinking water, exceeding that of extracted groundwater which is typically characterized by high chloride content. Yet, this process is more energy-intensive than groundwater extraction, where extracted groundwater typically uses 0.7 – 0.8 kWh of energy per cubic metre of water whereas the reverse osmosis desalination process typically uses around 4.5 kWh per cubic meter of water produced. In its quest for sustainability, the Guarantor is accordingly adopting and devising ways how to mitigate the overall energy consumption of the potable water blend without compromising the safety and quality of drinking water. These include:

- (i) A balanced blending of desalinated water with extracted groundwater which is cheaper and more sustainable to produce but which is lower in quality;
- (ii) In 2021, the Guarantor upgraded its reverse osmosis plants in Ghar Lapsi, Pembroke and Cirkewwa, by improving the pumps and equipment thereat, to increase efficiency, capacity and product quality. As a result, the specific energy per cubic meter of desalinated water produced was reduced by 8.1% over the pre-upgrading levels in 2020. These gains were, however, offset by an increase in the production of desalinated water stemming from a change in the water blending ratio. The revised blend was implemented to improve drinking water quality, thereby incentivizing a higher usage of tap water over bottled water;
- (iii) The recently commissioned plant in Hondoq ir-Rummien was designed with even higher energy efficiency performance with *circa* 3.6 kWh per cubic meter of water produced; and
- (iv) The reverse osmosis plants are designed to convert approximately 40% of the seawater extracted into desalinated water and dispose of the remaining 60% brine concentrate. The brine reject retains a high-pressure energy content after leaving the membranes, which is then recovered before disposal through energy recovery devices called pressure exchangers. The recovered energy is then used at source to feed into the energy needed in the whole process, rendering the entire process more energy efficient.

The brine reject contains no chemicals. Furthermore, the Guarantor conducts periodic tests and studies to ensure that the plants' reject, characterised by a higher salt concentration, does not damage the marine environment.

Hondoq ir-Rummien Reverse Osmosis Plant

The reverse osmosis plant in Hondoq ir-Rummien, Gozo, was commissioned in 2021 and is fully operational. It has been designed to be even more efficient than the plants preceding it. New positive displacement pump technology with a 90% efficiency was incorporated into its design as opposed to the older plants' centrifugal high-pressure pumps with a 78% efficiency.

Apart from the increased efficiency, the Hondoq ir-Rummien plant also offers a substantially increased water supply reliability, particularly for the island of Gozo. Before the said plant became operational, Gozo relied for its water supply on extracted groundwater and desalinated water produced at the Ċirkewwa RO plant channeled to Gozo through a submarine pipeline connecting the two islands. This setup was susceptible to water shortages and low reliability because of the overall risk of submarine pipeline damage during inclement weather. The new reverse osmosis plant in Hondoq ir-Rummien rendered Gozo self-sufficient in terms of the supply of desalinated water required for local blending purposes.

Part of the proceeds of the Bond Issue will be used to refinance part of the costs incurred in connection with the development and commissioning of the Hondoq ir-Rummien reverse osmosis plant, as explained in more detail in Section 4.2 of the Securities Note.

Groundwater abstraction

Groundwater is water found underground which has, over several years, percolated through the rock to the water table/ aquifer, from where it can be extracted. Extracted groundwater constitutes a significant source of water, the most essential commodity for the Guarantor's main operations and services, particularly the production and sale of water. The Guarantor is only a user, one of the many users, and a main one, of groundwater. The latter is a national resource, the abstraction and use of which is regulated and controlled by the Malta Resource Authority and other relevant authorities.

As at the date of this Registration Document, the Guarantor's primary groundwater sources are the underground galleries at Ta' Kandja and Ta' Bakkja, apart from 12 additional pumping stations and *circa* 135 boreholes across the Maltese islands.

Whilst the current state of Malta's groundwater does not make it ideal for drinking on its own, particularly in view of its high chloride levels, it is nonetheless a valuable and efficient water resource that will produce good quality safe drinking water when appropriately blended with desalinated water. Groundwater abstraction is substantially less energy intensive than reverse osmosis water production. Furthermore, failing its extraction, it will be naturally lost to sea at the coastline when under-utilised. Sustainable groundwater abstraction is key to preserving and protecting this natural resource, allowing its natural replenishment and safeguarding its quality. Over abstraction leads to higher chloride levels through the effect of upconing of seawater into the water table. To this end, the Guarantor is embarking on a project to achieve a more sustainable spatially-dispersed abstraction.

Blending

As mentioned earlier, the high quality purified desalinated water produced from reverse osmosis plants is blended with extracted groundwater and stored in various reservoirs throughout the Maltese islands before it is distributed to the end users. The Guarantor is constantly seeking ways to improve the blend to achieve the most optimal balance between efficiency and sustainability of production and quality of the final product, with lower chloride and chlorine levels and a better taste.

The blending ratio until 2021 was 60% reverse osmosis water and approximately 40% extracted groundwater. In 2022 this blending ratio was adjusted to 65% - 35%.

Furthermore, the Guarantor is also targeting the better harmonisation of water quality across the Maltese islands, thereby bridging the gaps between those zones which receive superior quality reverse osmosis water and those which are mainly fed abstracted groundwater. In fact, as at the date hereof, approximately one-fourth of the reverse osmosis water is distributed to people directly without going to the Ta' Qali main reservoirs. The plan is to have all desalinated water production contribute to the drinking water blend before distribution. This will lead to a more harmonised quality throughout Malta, thereby securing good quality water for all users. This harmonisation exercise

is envisaged to reduce the multitude of quality zones to five by the end of 2023 and down to just three in the future, reflecting the three main reservoirs where all the blending will be concentrated, principally the Ta' Qali reservoirs, which will cover over 70% of Malta's supply, as well as those in Qrendi and Ta' Ċenċ, Gozo.

At the core of the water quality harmonisation programme lies a 10 km underground tunnel linking the Pembroke reverse osmosis plant to the Ta' Qali reservoirs. This project, which is expected to be operational by 2024, is intended to have far-reaching beneficial effects on potable water quality, while significantly reducing energy costs and distribution network silting and corrosion. In fact, as at the date of this Registration Document, large volumes of pure reverse osmosis water are being pumped uphill, through a buried trunk main, from the reverse osmosis plant to the Naxxar area, from where it runs downhill to the Ta' Qali reservoirs. With the new tunnel, which runs flatter underneath hilly topography, water will not have to be pumped so far uphill, avoiding 25 metres of static head. Energy will also be saved due to reduced frictional losses associated with larger diameter pipes and more efficient pumps. This direct linking of the Pembroke reverse osmosis plant with Ta' Qali reservoirs through this tunnel will substantially reduce the need for dosing with lime at the Pembroke reverse osmosis plant and the aggressive reverse osmosis water will be neutralised more efficiently, by the naturally occurring water hardness in the groundwater pumped to the Ta' Qali reservoirs. Apart from the cited energy savings, lime dosing costs and network corrosion and silting related costs will be restrained. This tunnel is yet another project forming part of the Guarantor's 'Net Zero Impact Utility' project.

The improvement of water quality throughout the Maltese islands is expected to reduce bottled water consumption and the associated environmental risks.

Furthermore, the project of supplying all water users in Malta through blended water in reservoirs, rather than directly from reverse osmosis plants as is currently the case in certain areas, will result in greater security and continuity of supply, as users receiving direct supply from reverse osmosis plants cannot be guaranteed continuous supply during extended power outage.

Finally, harmonising water quality throughout Malta will address the present water quality disparity between the various quality zones and within which users are obliged to pay the same water tariff.

Water distribution network

The continuous supply of good quality and safe drinking water can only be effectively secured through a sound water distribution network and infrastructure.

One of the main ongoing activities and challenges of the Guarantor is, thus, the maintenance, renewal and upgrading of the water distribution network and infrastructure. Through these interventions, water leakage is kept in check, water quality is channelled from the source to the end user with minimal deterioration in quality, and the continuity of supply is ensured.

The Guarantor invested heavily in water leakage management and resulting abatement over the past two decades, namely:

- through investment in high-quality leakage detection equipment together with professionally trained technicians and detectors, including technological equipment and IT infrastructure comprising an ESRI (Environmental Systems Research Institute) technology for GIS (Geographic Information Systems), automated meter management ("smart metering") on a national scale coupled with technological data analysis tools which help to pinpoint water leakages;
- by adopting an extensive pressure-management programme and installation of automatic pressure control valves in various water zones to supply water when needed, whilst regulating the flow during night and off-peak periods, to maintain a steady pressure and avoid unnecessary pressure fluctuations which tend to lead to pipe bursts;

- by adopting a restructuring process where the problematic network was assigned to different specialised teams charged with managing the leakage problems; and
- through a continuous process of replacement and repair of damaged network mains, pipes and supporting infrastructure.

This initiative of reducing water wastage through intensive leakage reduction and network control has yielded very positive results, with water leakage going down from approximately 1,837 cubic metres per hour in 1998 to *circa* 385 cubic metres per hour in 2021, with the corresponding Infrastructural Leakage Index (ILI) slashed from 10.15 in 1998 to 1.82 in 2022. Furthermore, addressing the leakage problem has also secured increased protection of potable water quality within the distribution against contamination which may otherwise result in pipework damage.

Apart from ensuring a more sustainable use and protection of water and its quality through the avoidance of leakages, this intensive network control activity also assists the Guarantor to prioritise network repairs and replacements, namely by identifying trunk mains, reticulation pipework and service connections which are worn out through ageing and corrosion. This approach minimises the quality variance between source (reservoirs) and final destination (end user) and reduces the energy expended in pumping water through the distribution network.

Part of the proceeds of the Bond Issue will be used to finance part of the replacement and renovation costs of identified network infrastructure, explained in more detail in Section 4.2 of the Securities Note.

Securing billing efficiency

A material problem and challenge faced by every water producer, not least the Guarantor, is that relating to non-revenue water. Non-revenue water is made up of two components, namely (i) real losses, essentially leakages and overflows in the distribution infrastructure, and (ii) apparent losses, namely, theft water, meter errors and other billing inefficiencies.

The Guarantor is continuously addressing the problem of non-revenue water. Apart from the financial challenges this problem presents, the Guarantor also feels the need to address this matter assiduously for sustainability reasons, including (i) the need to protect water and its continued long-term availability and sustainable use and the need to improve water management and efficiencies, all of which are undermined through both real and apparent losses, (ii) that lost revenue may otherwise be used to invest further, in sustainability-driven projects and/or otherwise to secure availability of water at lower prices to consumers thus ensuring a more sustainable and wider availability and affordability of water to satisfy water demand at a national level, (iii) to avoid the social injustice and imbalance created by apparent losses, whereby some consumers are paying for water consumed and unbilled by other end users, and (iv) the need to ensure users are accountable for water usage and to nourish a healthy nation-wide consciousness and mentality that water has an intrinsic environmental, social and financial value, that cannot be capriciously wasted without material consequences.

To this end, as already noted above, the Guarantor has over the years invested and intends to persist in investing in tools, equipment and measures, to reduce infrastructural leakage (real loss) and apparent losses. Amongst these, we have mentioned the installation of an automated meter management system ("smart meters") on a national scale coupled with technological data analysis tools, principally through the development and use of algorithmic software, which could detect and signal actual or probable water leakages as well as water theft, unregistered use of water, meter errors or other abnormalities pointing towards actual or probable apparent losses.

The investment in such technological tools and IT infrastructure, coupled with other initiatives such as the adoption of the pressure-management program and the process of replacing and repairing damaged network mains, pipes and infrastructure as necessary, have enabled the Guarantor to reduce the non-revenue water levels (as a percentage of total water production) from 43.3% in 2017 to 31.5% in 2022.

The Guarantor is targeting to further reduce the non-revenue water levels in the years ahead and for this purpose, amongst other initiatives, it is investing in further developing its Enterprise Resource Planning (ERP) – SAP system and the algorithmic software using this platform. Accordingly, it is in the process of purchasing and commissioning an upgrade thereto, to further reduce non-revenue water and improve billing efficiency.

Part of the proceeds of the Bond Issue will be used to finance the estimated costs in connection with the purchase and commissioning of this ERP – SAP system upgrade, as explained in more detail in Section 4.2 of the Securities Note.

B. Wastewater collection and treatment

By 2011, the Guarantor commissioned all three wastewater treatment plants to end the discharge of raw sewage into the sea, with a resultant significant marine environment improvement and bathing water quality results attesting to the same. The Guarantor went a step further, polishing the treated effluent otherwise destined for marine discharge, reuse. Polishing is carried out through a sophisticated multi-barrier treatment process with the so called 'New Water' as its output. This high-quality non-potable water is distributed throughout the Maltese islands, particularly to farmers for agricultural use, and selected industrial sectors, for landscaping purposes and other applications in lieu of groundwater. This potential valuable resource, is now contributing to environmental sustainability by moving towards a circular economy.

New Water treatment plants were installed within the existing sewage treatment plants in Gozo, Mellieha and Ta' Barkat, coupled with an extensive programme to install a dedicated distribution infrastructure.

As at the date of this Registration Document, the Guarantor owns and operates 4 wastewater treatment plants, namely:

- The plant in Gozo, inaugurated in 2008, with a treatment capacity of 6,000 cubic metres of sewage daily;
- The plant in Mellieha, inaugurated in 2009, with a treatment capacity of 9,000 cubic metres of sewage daily;
- The plant at Ta' Barkat, inaugurated in 2011, with a treatment capacity of 60,000 cubic metres of sewage daily; and
- The plant at Sant' Antnin, planned for commissioning in 2023, will have a treatment capacity of 17,000 cubic metres of sewage daily.

The New Water infrastructure comprises some 8 New Water reservoirs from where the New Water is distributed through the dedicated pipeline network to end users, namely Għar Ilma, Habel I-Abjad, Tommna, Tas-Silġ, San Anard, Xgħajra, Bidni and Bulebel.

From 2020 onwards, the Guarantor saw a significant expansion of the New Water Network and use in Malta and Gozo. In 2022, New Water customers were 1,330, with a total cultivated area of 1049 hectares in Malta and 657 hectares in Gozo. In 2022, the Guarantor produced and distributed 1.6 million cubic metres of New Water, with the output gradually but steadily increasing.

New Water production and use offers various advantages, including (i) it moves towards a circular economy, (ii) it helps reduce over-abstraction of groundwater, thus contributing to its recovery from a quantitative and qualitative standpoint, (iii) farmers who have used it have reported better quality crops and higher yields, (iv) its production and availability is independent of seasonal drought and weather variability and able to meet irrigation water demand peaks.

The Guarantor's wastewater treatment plants use proven processes and technology, at the heart of which is the

aeration system. Aeration supports the activated sludge biological treatment process and comprises a series of blowers delivering air through manifolds and submerged diffusers.

Furthermore, adequate aeration is required to maximise the dryness fraction of sewage sludge before disposal to landfill. In this regard, the Guarantor has also embarked on developing an ambitious sewage sludge management plan intended to eventually dry and possibly incinerate the sludge instead of disposing the same to the landfill. In the wastewater and sludge treatment process, biogas is produced through an anaerobic digestion process to generate renewable heat and electrical energy with a lower treatment energy footprint.

As at the date of this Registration Document, the air blowers installed at Ta' Barkat wastewater treatment plant are ageing and, by today's standards inefficient. The Guarantor will therefore be upgrading the aeration system with high energy efficiency turbo-compressors.

Part of the Bond Issue proceeds will be used to finance the estimated costs involved in upgrading the air blowers and aeration system at the Ta' Barkat wastewater treatment plant, as explained in more detail in Section 4.2 of the Securities Note.

C. Renewable energy generation

A major environmental challenge and expense faced by the Guarantor in producing and distributing water is the energy consumed in the process. The production and distribution of around 35 million cubic metres of potable water in 2022 consumed 127 GWh of energy, whilst the production of 1.6 million cubic metres of New Water consumed 4.26 GWh. The production and distribution of 1 cubic metre of potable water requires *circa* 3.6 kWh of energy, whilst 1 cubic metre of New Water consumes 2.67 kWh. These figures take into account the investments the Guarantor already made in new or upgraded plants and network infrastructure to bolster energy efficiency.

The Guarantor is therefore continuously seeking to identify and pursue environmental sustainability in this sense and to decrease the carbon footprint through investment in energy efficient uses, and at the same time to reduce the energy bill.

One such notable initiative is the generation of renewable energy through photovoltaic technology.

As at the date of this Registration Document, the Guarantor is involved in 4 main solar farms installed on roofs of its reservoirs as follows:

- Fiddien reservoir: this was the Guarantor's first photovoltaic farm in Malta, installed in 2018, with a power rating of 1MWp, generating 1.6 kWh/year. The solar panels are installed on property owned by the Guarantor, and the solar farm is operated by the Guarantor;
- Qrendi reservoir and Ta' Cenc reservoir: in 2021, the Guarantor launched photovoltaic farms at Qrendi reservoir with a capacity of 658 kWp and at the reservoir in Ta' Cenc, Gozo, with a total of 1,287 kWp. These reservoirs are owned by the Guarantor but are leased to its subsidiary, MaltaEnergy Limited, a company set up as a joint venture vehicle between the Guarantor and the General Retailers and Traders Union, and the photovoltaic farms are operated by such subsidiary. Under the arrangement agreed between the Guarantor and MaltaEnergy Limited, the feed-in tariff of 14c/kWh granted by the Government of Malta is shared between them, and namely, 7c3 goes to the Guarantor and the remaining 6c7 goes to the subsidiary; and
- Ta' Qali reservoir: This is the most recent PV plant, installed in 2022, with a power rating of 1MWp, generating 1.6 kWh/year. The solar panels are installed on the property of the Guarantor but are leased to its subsidiary, Malta Developers Green Energy Ltd, a company set up as a joint venture vehicle between the Guarantor and the Malta Developers Association, and the photovoltaic farm therein is operated by such subsidiary. Under the arrangement agreed between the Guarantor and Malta Developers Green Energy Ltd, the feed-in tariff of 14c/kWh granted by the Government of Malta is shared between them, and namely, 7c3 goes to the Guarantor and the remaining 6c7 goes to Malta Developers Green Energy Ltd.

In each case, the PV plant itself is not owned by the Guarantor or the relevant subsidiary operating the same (where applicable). Still, it is supplied under a supply-operate arrangement with the relevant supplier, including a maintenance contract with the same supplier.

The Guarantor now intends to reduce further the energy costs of energy-intensive activities related to the production of polished water using renewable energy sources. It plans to do so, namely through the commissioning of solar power plants by the installation of photovoltaic panels on reservoirs and other locations situated in various regions of Malta having a collective roof area of approximately 19,151 sqm. The locations of these projected plants include:

- Luqa reservoir, expected to have a capacity of 470 kWp;
- The Guarantor's Luqa headquarters and lab offices are expected to have a capacity of 249 kWp;
- Pembroke reverse osmosis plant, expected to have a capacity of 470 kWp;
- Ghar Lapsi reverse osmosis plant, expected to have a capacity of 413 kWp;
- Naxxar reservoir, expected to have a capacity of 427 kWp;
- Ta' Barkat sewerage treatment plant, expected to have a capacity of 256 kWp;
- Bulebel's new warehouse, expected to have a capacity of 228 kWp; and
- Cirkewwa reverse osmosis plant, expected to have a capacity of 214 kWp.

In 2022, the renewable energy produced from the existing photovoltaic plants and biogas amounted to 6.52 GWh. Following the proposed installations of the new plants, the renewable energy produced from the photovoltaic plants and biogas is expected to amount to 14.2 GWh.

This solar energy product will again be implemented through a supply-operate arrangement with the relevant supplier, including a 20-year maintenance contract.

The project is expected to involve a capital outlay of approximately €6 million.

Part of the Bond Issue proceeds will be used to finance the capital expenditure in procuring, installing and commissioning these new photovoltaic farms as aforesaid, explained in more detail in Section 4.2 of the Securities Note.

5.3 The Guarantor's sustainability strategy

As mentioned in Section 5.2 of this Registration Document, the Guarantor has three principal activities, namely:

- (1) Water production and distribution;
- (2) Wastewater collection and treatment; and
- (3) Renewable energy generation.

Water Services Corporation's vision is to manage Malta's water resources in an efficient, effective and reliable manner that respects the environment.

Its stated mission is to embrace innovation, pursue education, and invest in retaining an edge on expertise in the field to become recognised and respected leaders in the community that it serves, through demonstrated knowledge, integrity, and the quality of its actions.

The Water Services Corporation has adopted a sustainability strategy that is aligned with the United Nations Sustainable Development Goals ('SDGs') and the European Union's Green Deal. The main pillars of Water Services Corporation's sustainability strategy are as shown in the table below:

Pillars of sustainability strategy:	How is it aimed to be achieved?
Efficiency in energy consumption and GHG emission per m ³ of water produced	By investing in renewable energy sources such as solar, biogas and energy recovery devices in desalination processes and using energy efficient technologies in its operations.
Moving towards a circular economy model and promote reuse of water	By implementing a water reuse strategy and developing a wastewater sludge management plan.
Embrace innovation in its operations and reduce environmental impact	Through the effective use of smart technologies such as advanced metering infrastructure, to improve water management and reduce water losses.
Improve climate resilience to the impact of climate change	By implementing climate adaptation measures to improve the management of water resources and continuity to build on the water safety plan.
Promote social corporate responsibility and community engagement	By engaging with stakeholders, such as customers and employees, to promote sustainable behaviour and support community development initiatives.

The Guarantor has recognized the importance of Environmental, Social, and Governance ('ESG') considerations into its operations and has taken steps to integrate these factors into its management practices, also as highlighted in the table below. By doing so, the Guarantor is able to manage its risks better, improve operational efficiency, and enhance its reputation as a responsible corporate citizen.

ENVIRONMENT	SOCIAL	GOVERNANCE
(1) Water management to ensure users are accountable for water usage	(1) Improving access to water by installing dispensers in public spaces, also through the Issuer	(1) Operations are certified for high quality accredited by ISO9001
(2) Circular economy – waste to water	(2) Reducing quality zones and quality harmonization	(2) Water Services Corporation's commitment towards environment sustainability in line with ISO 14001
(3) Commitment to water conservation	(3) Commitment to training policies, innovation and health and safety	(3) Water Services Corporation's laboratory accredited by ISO 17025
(4) Decreasing the carbon footprint through investment in energy efficient processes	(4) Supporting local communities through the setting up of a CSR Committee	(4) Balanced Board of Directors in terms of gender and knowledge in line with best practice

06 FINANCING AND SOLVENCY

6.1 Solvency and credit ratings

There are no recent events particular to the Issuer or the Guarantor which are to a material extent relevant to an evaluation of their respective solvency.

No credit ratings have been assigned to the Issuer or the Guarantor at the request or cooperation of the said Issuer or, as the case may be, the Guarantor in the rating process.

6.2 Financing and funding structure of the Issuer and the Guarantor

As at the date of this Registration Document, the Issuer has no bank loans or other third party financing outstanding. There are no material changes in the Issuer's borrowing and funding structure since the last financial year.

The Directors expect the Issuer's and/or, as applicable, the Guarantor's working capital and funding requirements to be met by a combination of the following sources of finance: (i) cash flow from profits generated through operations; (ii) European Union funds; (iii) Government grants and subventions; (iv) external bank credit and loan facilities; and (v) the proceeds from the Bonds.

Capital commitments: 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, which was approved and adopted by the Board of Management of the Guarantor on 13 February 2023. 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 water's contribution to the economy, wastewater treatment and conveyance infrastructure, climate change mitigation and adaptation and energy efficiency in water services were key water management issues addressed in the Plan to safeguard a sustainable provision of water services. The Plan provides for a capital expenditure of more than €300 million over 10 years, approximately €100 million of which are expected to be funded by the EU, whilst the remaining expenditure expected to be funded by the Guarantor, which capital expenditure is expected to be broadly split between the water sector, the wastewater sector and the reclaimed water sector as per the following table:

Sector	Area	High-level Investment (in € million)	Totals (in € million)
Water sector	Production & treatment	33.0	138.0
	Supply & distribution network	105.0	
Wastewater sector	Production & treatment	51.3	133.9
	Supply & distribution network	82.6	
Reclaimed water sector	Production & treatment	18.6	46.6
	Supply & distribution network	28.0	
Total Planned Investments	Production & treatment	102.9	318.5
	Supply & distribution network	215.6	

Financing of operations and of payment obligations through the Group's operations

The various operations within the Group are expected to generate operational profits for the respective Group companies, principally, but not limitedly, in the form of revenues generated from the provision of consultancy services and sale of supplies, laboratory analysis and information technology services by the Issuer, the sale of water and related services by the Guarantor and the feed-in tariffs it generates from the photovoltaic plants operated by it, and the feed-in tariffs generated by MaltaEnergy Limited and Malta Developers Green Energy Ltd through the operation of the photovoltaic plants operated by them respectively, as well as other operational revenues to be generated from any other business activities from time to time by the Group and the companies forming part thereof.

The above-mentioned operational revenues will be used to finance operations, investments, acquisitions and expenses involved in the business operations and growth of the various Group companies. They are also expected to finance payments under bank borrowings obtained by the Group companies as well as payments of dividends to the Guarantor by the various Group companies, and payments due by the Guarantor to the Issuer under the Issuer-Guarantor Loan, thus financing the payments due under the Bonds.

Prices charged by the Guarantor for water supplied

In terms of the Water Services Corporation Act (Cap. 355 of the Laws of Malta), the prices to be charged by the Guarantor for any service or facility provided by it under the Act shall be in accordance with such tariffs as may, from time to time, be prescribed by the Guarantor following the written approval by the Regulator for Energy and Water Services set up under the Regulator for Energy and Water Services Act (Cap. 545 of the Laws of Malta). The Act allows the Guarantor to charge other prices by special agreement, provided that these are lower than those established by tariff. The Act sets an obligation on the Guarantor, to take certain parameters into consideration in prescribing the tariffs so as to ensure the financial viability of the Guarantor. The Guarantor is thus required, in prescribing such tariffs, to ensure that the prices charged are adequate to provide sufficient revenue to the Guarantor in any financial year:

- (a) to cover operating expenses, including taxes, if any, and to make provision for adequate maintenance, for depreciation, for interest payments on borrowings and for other interest payments;
- (b) to meet periodic repayments on long term indebtedness to the extent that any such repayment exceed the provisions for depreciation;
- (c) to create reserves to finance a reasonable part of the cost of future expansion, being expenses, repayments and reserves incurred or made by the Guarantor in the exercise of its functions; and
- (d) to provide a reasonable return on investment and expenditure.

In setting the tariffs, however, the Guarantor is always dependent on the written approval of the Regulator for Energy and Water Services, which exercises ultimate control over such tariffs through such approval requirement.

Furthermore, Government policy may influence lowering of prices by the Guarantor, which reductions are typically compensated for through subventions and grants made available by the Government to the Guarantor.

EU funding

The Guarantor has been a beneficiary of European Union funding since the early days of Malta's accession to the EU. The institutional experience at the Guarantor goes back a number of years when the Guarantor was awarded funds under the Pre-Accession Programme for Malta. Since then, the Guarantor implemented more than 15 projects and received around €140 million in EU assistance. The experience gained throughout the 2004–2006 and 2007–2013

Programming Periods on the Cohesion Fund and the European Regional Development Fund projects serves as the backbone to implement new projects managed by the Guarantor.

On 02 April 2019, the EU Commission endorsed the 'Net Zero Impact Utility' EU part-financed project being implemented by the Water Services Corporation with the support of Cohesion and the European Agricultural Fund for Rural Development (EAFRD) funding.

Within the EU quarters, the project was described as a blueprint for water sustainability, bearing in mind that the project is being implemented in a naturally water-scarce context. The project's holistic approach will support groundwater conservation, enhanced energy efficiency and improved water quality. The investment balances sustainability's social, economic and environmental dimensions and will contribute to a better quality of life in a rapidly growing economy.

The project will revolutionise how water is produced and distributed across the Maltese Islands. The capacity and efficiency of seawater desalination plants are being upgraded, producing more water with less energy per unit produced. The Guarantor's groundwater abstraction will be handled more spatially to optimise using this valuable naturally occurring resource. A new reverse osmosis plant was commissioned in Hondoq, Gozo, with a capacity of 9,000 cubic metres daily, to safeguard the security of supply and better-quality water. The project's desalination component will contribute an additional 25,000 cubic metre daily to the national drinking water blend. Better drinking water will be harmonised across Malta through an overhaul of the distribution and blending system, central to which is a €35 million tunnel from Pembroke to Ta' Qali, extending over a 10-kilometre stretch. Major upgrades are also being undertaken on the wastewater collection network to curtail seawater infiltration in low-lying coastal areas. An existing wastewater treatment plant at Sant Antnin is being retrofitted to bolster the Malta South treatment capacity by a further 13 million litres daily. Recycled water, commonly referred to as 'New Water', is also being made available to the agricultural community through over 60 kilometres of network and 400 automated dispensers.

Circa €153 million worth of projects were contracted to date, most of which have been completed, with the complement targeted for completion by the end of 2023.

The maximum allocation available from EU funding for this expenditure was of €91 million.

As at the date hereof, the Guarantor is applying for additional EU Funding under the 2021-2027 programming period.

Grants and subventions from Government

The Group, and in particular the Guarantor, receives various grants from the Government of Malta, mainly for the purpose of financing or subsidising part of the cost of purchase of assets, including plant and equipment, made by the Guarantor and/or other costs and expenditure, as well as subventions for the purpose of compensating for certain costs incurred by the Guarantor in providing services and supplies in respect of which the Guarantor, in line with Government policy, does not receive compensation or full compensation through fees charged to the users of such services and supplies. The grants related to costs mainly represent EU funds to which the Guarantor and the Group are entitled and other subsidies receivable from Government, as approved under the capital and recurrent expenditure votes of the Ministry responsible for the Guarantor and the Group, in relation to capital expenditure and operational expenses of water production and wastewater system. These subsidies are typically provided on a non-refundable basis and, whilst there is an expectation for the Government to provide these, particularly in case of subventions to compensate for non-billed services and supplies determined in line with Government policy, there is no obligation on the Government to provide such subsidies in any amount and/or to fully compensate for non-billed services and supplies.

The table below outlays all Government votes allocated to the Guarantor within the financial estimates (budget) for financial year 2023.

Owner	Description	Allocation 2023	Reason for Subsidy
Water Services Corporation	Contribution towards Capital Projects	2,500,000	EIB repayment
Water Services Corporation	Water Services Corporation	16,500,000	Given as contribution towards wastewater expenditure in lieu of the fact that the Guarantor WSC does not charge for such a service
Water Services Corporation	Public Service Obligation – New Water Supply to the Agri Sector	1,800,000	Given as contribution towards new water expenditure in lieu of the fact that WSC does not charge for such a service
Water Services Corporation	Water Management Initiatives	900,000	Given as contribution to the WSC further to the reduction in water and electricity tariffs in 2014
Water Services Corporation	Cohesion Funds 2014 -2020: EU Funds	8,728,000	EU funds subsidy on assets purchased through the 2014-2020 EU funded project. Paid directly by treasury to respective suppliers/contractors
Water Services Corporation	Cohesion Funds 2014 -2020: MT	4,935,000	MT subsidy on assets purchased through the 2014-2020 EU funded project. Paid directly by treasury to respective suppliers/contractors

Financing through bank and other loans

Bank loans

As at 31 December 2022, the Issuer and/or the Guarantor had bank loan facilities available and total bank borrowings, comprising bank loans and overdrafts, based on sanction letters and/or facility agreements in place as at such date, as shown in Table A below.

Table A

Borrower Group company	Purpose of borrowing	Bank	Total Facility Amount	Balance as at 31/12/2022	Interest per annum as at 31/12/2022	Repayment
Guarantor	General Banking Facility / Overdraft for working capital requirements to finance recurrent expenditure and short-term capital expenditure funding pending receipt of Government/ EU grants, which includes Overdraft, Special Guarantee facility and Documentary Credit Facilities	HSBC Bank Malta p.l.c.	Overdraft: €10,000,000 Special Guarantee: €2,000,000 Documentary Credit Facilities: €1,500,000	€6,660,530	1.6% p.a. over 3-month EURIBOR rate	On demand

Guarantor	Loan 3: Renegotiation/ refinancing of loan facilities originally held with HSBC Bank Malta p.l.c. and Bank of Valletta p.l.c.	HSBC Bank Malta p.l.c.	€16,800,000	€15,775,000	1.6% p.a. over 3-month EURIBOR rate - payable on a quarterly basis	By latest 30/07/2026 at €1,025,000 half-yearly (excl. interest) and a bulk repayment of €8,600,000 at the end of the term
Guarantor	Loan 4: To assist the Guarantor in its cash management, capital expenditure and ongoing operational needs	HSBC Bank Malta p.l.c.	€15,000,000	€3,000,000	1.6% p.a. over 3-month EURIBOR rate - payable on a quarterly basis	By latest 30/07/2026, but in the meantime may be prepaid at quarterly intervals at a minimum prepayment of €250,000 – amount repaid is reutilisable during the term subject to maximum facility amount
Guarantor	To support the Guarantor in the development of modern water and wastewater infrastructure and to improve its internal performance, particularly with respect to Malta South Wastewater Treatment Plant, Malta South transfer scheme, the Gozo Wastewater Treatment Plant, capital expenditure for pipe replacement 2007-2009, the integrated utilities business system strategic partnership in cooperation with Enemalta p.l.c. and engineering and other advisory services in connection with the project.	European Investment Bank	€40,000,000 split into 4 tranches: Tranche 1: €5,000,000 Tranche 2: €14,500,000 Tranche 3: €10,000,000 Tranche 4: €10,500,000	€20,046,872 split as follows: Tranche 1: €1,964,286 Tranche 2: €6,732,143 Tranche 3: €4,948,824 Tranche 4: €6,401,619	Tranche 1: 4.7%, paid monthly; Tranche 2: 4.5%, paid monthly; Tranche 1: 3.6%, paid semi- annually; Tranche 1: 3.1%, paid semi- annually;	Initial moratorium period of 6 months for each tranche. Tranche 1: to be repaid by end of May 2028, through biannual instalments of €178,571, excl. interest; Tranche 2: to be repaid by end of June 2029, through biannual instalments of €517,857, excl. interest; Tranche 3: to be repaid by end of June 2030, through biannual instalments of €379,034, incl. interest; Tranche 4: to be repaid by end of September 2032, through biannual instalments of €374,265, incl. interest.

The bank borrowings and facilities mentioned above are secured through Government guarantees.

The Group may from time to time seek further financing from banks as well as from other sources for various projects or operations.

Further financing through the Bonds

The Group intends to obtain further financing for certain projects and operations through the issue of the Bonds, by virtue of which the Issuer intends to raise €25,000,000 and to make the proceeds from the Bond Issue available to the Guarantor.

The Bonds will be due in ten (10) years, namely in 2033, and will pay a coupon of 4.25% per annum. It is intended that the Bonds be listed on the official Green Bond List of the MSE and admitted to trading on such regulated market.

The proceeds of the Bonds will be made available by the Issuer to the Guarantor by way of loan under the Issuer-Guarantor Loan, which will be used to finance or refinance various projects or parts of projects and operations of the Guarantor, all as set out in Section 4.2 of the Securities Note.

Collateral for Bonds

The Issuer's obligations under the Bonds will be secured by the Guarantee granted by the Guarantor, whereby it has agreed towards and for the benefit of Bondholders to jointly and severally guarantee the punctual performance by the Issuer of its payment obligations under the Bonds in terms of such Guarantee, a copy of which is attached as Annex III to the Securities Note.

Closing dynamics

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 the aforesaid Condition Precedent is not satisfied, the Bond Issue proceeds shall be returned to the investors, as provided in Sections 4.2 and 9.2 of the 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 and shall at the request of the Guarantor pay out the same, 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 in Section 4.2 of the Securities Note. 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 earmarked to re-finance part of the Hondoq reverse osmosis plant project as set out in paragraph (ii) of

Section 4.2 of the Securities Note, 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.

The Issuer-Guarantor Loan will bear interest at 4.75% per annum payable on 10 August of each year, and the principal amount thereof shall be repayable by not later than 10 August 2033. Interest shall be payable as aforesaid on the full amount of the loan from inception, notwithstanding the date/s when this is drawn down. The payments becoming due under such Issuer-Guarantor Loan and the timings thereof are such as to enable the payments due under the Bonds, including interest and repayment of capital due on maturity, to be financed through such payments to be received by the Issuer from the Guarantor under such Issuer-Guarantor Loan, leaving also a residual amount for the Issuer to finance its corporate funding requirements.

07 TREND INFORMATION

Malta economic update and outlook

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022, which is higher than projected in the Winter Forecast. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

Inflation in 2022 based on the Harmonised Index of Consumer Prices ('HICP') reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

The government deficit is expected to decrease from 5.8% of GDP in 2022 to 5.1% in 2023, remaining at a significant level. It is then set to decrease, albeit slowly, to 4.5% in 2024. Thanks to lower international energy prices, the drop in public expenditure related to measures to mitigate the impact of high energy prices is the main factor determining the reduction of the deficit level in 2023. The net budgetary cost of the energy support measures is projected at 1.7% of GDP in 2023, compared with 2.5% in 2022. The Commission currently assumes the net cost of energy support measures at 1.5% of GDP in 2024.

Deficit developments in 2023 are also affected by the assumed complete phasing out of COVID-19 emergency temporary measures, which are estimated to have amounted to 0.8% of GDP in 2022. The expected phasing out of the national airline restructuring costs and the growth in the government wage bill remaining below nominal GDP growth are also expected to contribute to the reduction of the deficit. On the other hand, intermediate consumption and gross fixed capital formation are expected to increase.

In 2024, the reduction of the deficit is set to be driven by a diminishing impact of energy-related measures and the phasing out of the national airline early retirement schemes and is partially offset by an increase of the interest expenditure. The contained growth of intermediate consumption expenditure and of the public wage bill are also set to contribute to lower the deficit ratio.

Tax revenue is expected to increase over the forecast horizon in line with nominal GDP. Following further growth in employment, the revenue from social contributions is also projected to grow. The government debt-to-GDP ratio is set to increase to 54.8% in 2023 and reach 56.1% in 2024 as the primary balance, i.e., the budget balance net of interest, remains negative.

Demand for water

According to the “Global freshwater use over the long-run” report as published by the Global International Geosphere-Biosphere Programme (IGB), 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 factors including population growth, economic development, agriculture, climate patterns, industrial demands, lifestyle choices, water management, and conservation efforts. Unfortunately, this overall increase in the demand for water is putting a strain on available supplies.

Historical data collected by WSC shows that consumption of public water in Malta has increased by an average of 1.3% per year since 2005. This increase has been met with the same levels of production due to a reduction in the infrastructural leakages in the water distribution network, amounting to 3.54 million cubic metres. In fact, based on the latest data published by NSO in 2022, local water consumption in Malta has been steadily increasing at a compound annual growth rate of 2% over the past 13 years, reaching 31.8 million cubic metres in 2022 (compared to 24.7 million cubic metres in 2010). This increase is attributed to population growth and economic development.

Additional data from NSO demonstrates that 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.

Focus on drinking water

While drinkable tap water is taken for granted in some countries, according to the World Health Organization, one in four people around the world doesn't have access to safe drinking water. The Environmental Performance Index (EPI)¹ highlights water-related issues in its assessment of the overall country score.

In order to evaluate the quality of drinking water, scores were given to rate the quality of local drinking water for the 180 countries included in the study based on the indicators and categories set by the EPI. The rates were based on the number of age-standardised, disability-adjusted life-years lost per 100,000 persons ('DALY rate') due to exposure of unsafe drinking water. Higher scores indicate safer drinking water.

Ten European countries (including Malta) scored 100 which means the local tap water is safe to drink. In the overall ranking, Malta improved the most (+25.4 from the 2021 results) and ended up with a score of 75.2, placing 4th out of the 180 countries included in the analysis.

¹ The Environmental Performance Index is a tool developed by researchers at Yale University in collaboration with the Columbia University Center for International Earth Science Information Network

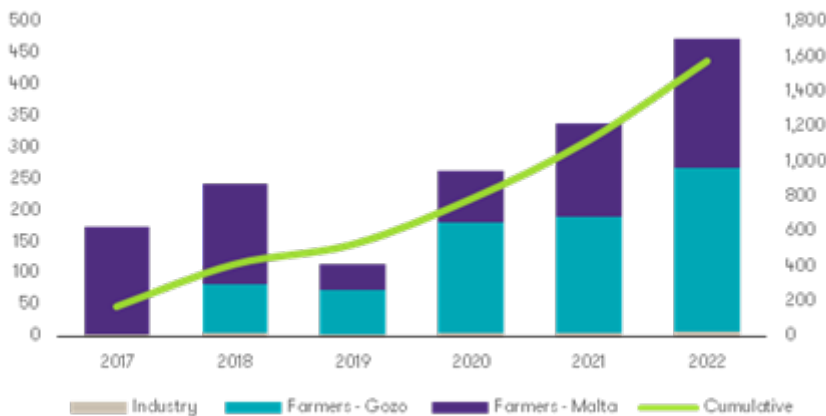
New Water production and demand

As explained in section 5.2, WSC embarked on an ambitious plan to treat effluent by means of sophisticated technology, thereby producing 'New Water', a high-quality non-potable water and distribute it throughout the Maltese islands, particularly to farmers for agricultural use and also to other clients in the industrial sectors, for landscaping purposes and other applications in lieu of groundwater. Hence through this initiative, the pressure on groundwater abstraction is expected to decrease over time, as other users of groundwater, particularly farmers, will shift to New Water.

In 2022, WSC saw significant expansion of the New Water network in Northern and Southern areas in Malta and Gozo. New Water customers were 1,330, with a total cultivated area of 1,049 hectares in Malta and 657 hectares in Gozo. WSC produced and distributed 1.6 million cubic metres of New Water in 2022 as illustrated in the charts below, but an increase in New Water production was registered in all wastewater treatment plants during 2022. As a result of these improvements, the New Water programme will see the development of an annual production capacity of 7,000,000 cubic metres of high-quality water suitable for safe crop irrigation.

New Water Customers (2017-2022)

Source: WSC Annual Report 2022



Status of groundwater in Malta

Drinking water for the Maltese islands comes from two sources: extraction of groundwater and the production from seawater reverse osmosis plants. Until FY2021 groundwater accounted for approximately 40% of Malta's water supply, sourced from mean sea-level aquifers, while the remaining 60% was produced through desalination plants. However, in FY2022, WSC the blend-ratio ratio moved to 65:35 (65% from reverse osmosis and 35% from ground water).

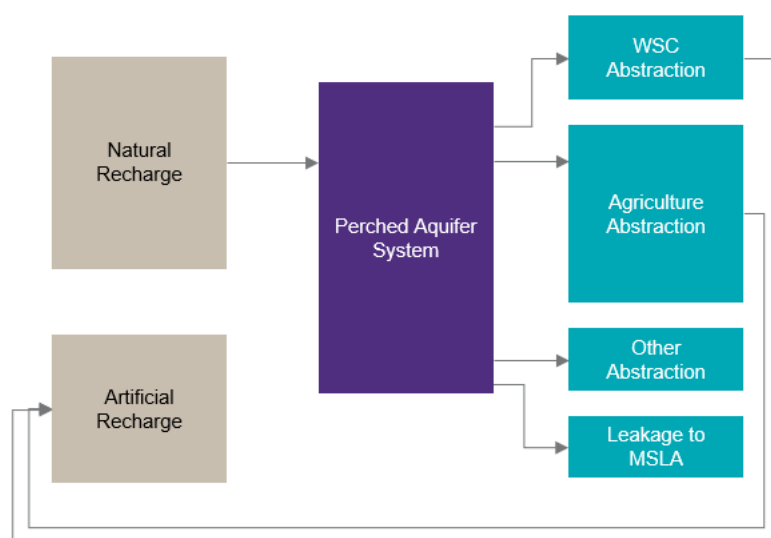
According to "The 2nd Water Catchment Management Plan² for the Malta Water Catchment District 2015–2021", estimates from numerical models place the optimum storage capacity of the mean sea level aquifer systems in the Maltese islands at around 2 billion cubic metres, when the total mean annual recharge to the aquifer systems is estimated at around 50 million cubic metres per year.

² The 2nd Water Catchment Management Plan is a national water management plan which outlines the roadmap for the achievement of the environmental objectives of the EU's Water Framework Directive

Although WSC abstracts *circa* 15 million cubic meters of water from groundwater annually, WSC is not the only user of Malta's ground water system, as the agricultural sector and commercial sector (including water bottling companies and bowzers) abstract groundwater from all aquifer systems (i.e. from all 15 groundwater bodies [aquifers], and not just the two mean sea level aquifer systems). A balance is required between the natural recharge and the amount abstracted by users on an annual basis, as illustrated in the below chart. This is because if groundwater is not sustainably abstracted various challenges will present themselves.

Water balance scheme for Mean Sea Level Aquifer System

Source: The 2nd Water Catchment Management Plan for the Malta Water Catchment District 2015-2021



Assuming that the agricultural sector abstracts 18 million cubic metres, then both the Malta and Gozo Mean Sea Level Aquifer Systems are over abstracted by *circa* 3.5 million cubic metres annually, whilst the Perched Level Aquifer Systems are in good quantitative status. However, these figures are based on agricultural industry abstracting 18 million cubic metres rather than 10.3 million cubic metres and WSC abstracting 14 million cubic metres.

Water Balance Model for four main aquifer typologies

Source: The 2nd Water Catchment Management Plan for the Malta Water Catchment District 2015 – 2021

Aquifer System	Natural Recharge (mm ³)	Leakage from Perched Aquifers (mm ³)	Artificial Recharge (mm ³)	WSC Abstraction (mm ³)	Agriculture Abstraction (mm ³)	Other Sectors Abstraction (mm ³)	Natural Discharge (mm ³)	Inflow (mm ³)	Outflow (mm ³)	Balance (mm ³)
Malta Mean Sea Level Aquifer System	28.8	1.4	6.3	(11.2)	(7.5)	(3.0)	(18.0)	36.3	(39.7)	(3.5)
Malta Perched Aquifer System	11.0	(1.4)	2.7	(0.8)	(5.6)	(1.0)	-	13.7	(8.8)	4.9
Gozo Mean Sea Level Aquifer System	9.8	0.8	2.4	(2.0)	(3.5)	(1.0)	(6.4)	12.9	(12.9)	(0.1)
Gozo Perched Aquifer System	2.2	(0.8)	0.9	-	(2.0)	(0.3)	-	3.3	(3.0)	0.3

With the blending ratio now at 65:35 (65% from reverse osmosis and 35% from ground water), WSC abstracted 13 million cubic metres of ground water in 2022, and therefore over abstraction of Mean Sea Level Aquifer Systems would decrease to 2.5 million cubic metres annually. The production and distribution of New Water which produce 1.5 million cubic metres is not factored into the aforementioned analysis. Should the agricultural industry reduce the reliance of ground water and shift to New Water, as is being promoted by WSC, the potential over abstraction of 3.5 million cubic metres annually as identified by "The 2nd Water Catchment Management Plan for the Malta Water Catchment District 2015–2021" would no longer be an issue.

08 FINANCIAL INFORMATION

8.1 Historical Financial Information of the Issuer and the Guarantor

Historical financial information of the Issuer

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 Company was converted to a public limited company in anticipation of the bond issue. There were no significant changes to the financial or trading position of the Issuer since 31 December 2022.

The following is a list of cross-references to specific items of information in the audited financial statements of the Issuer (which are available on display as detailed in Section 16 of this Registration Document) for financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

Page number in audited financial statements			
	Financial year ended 31 December 2020	Financial year ended 31 December 2021	Financial year ended 31 December 2022
Independent Auditors' Report	3-6	3-6	3-6
Statement of Financial Position	7	7-8	7-8
Statement of Comprehensive Income	8	9	9
Statement of Cash Flows	10	11	11
Notes to Financial Statements	11-23	12-28	12-29

The information included below is extracted from the audited financial statements of the Issuer for the financial years ended 31 December 2020, 2021 and 2022.

As at the date of this Prospectus there has been no material adverse change in the prospects of the Issuer (or the Group) since 31 December 2022, being the end of the last financial period for which the Issuer has published audited financial statements.

The said financial statements have been published and are available on the Issuer's website www.clearflowplus.com and are available for inspection at its registered office as set out in Section 16 of this Registration Document.

ClearFlowPlus p.l.c.**Statement of profit or loss for the year ending 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
Revenue	1,000	1,313	2,299
Cost of sales	(429)	(753)	(1,250)
Gross profit	571	560	1,050
Administrative expenses	(109)	(168)	(166)
Other expenses	(3)	(10)	-
Other income	-	17	1
Operating profit	460	398	885
Finance income	-	54	239
Profit before tax	460	452	1,125
Tax expense	(166)	(174)	(407)
Profit for the year	294	278	718

ClearFlowPlus p.l.c.**Statement of financial position as at 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
ASSETS			
Non-current assets			
Property, plant and equipment	-	15	24
Finance lease receivables	-	685	823
Loan receivable	-	337	422
Total non-current assets	-	1,036	1,269
Current assets			
Inventories	377	554	533
Finance lease receivables	-	28	39
Loan receivable	-	12	64
Trade and other receivables	580	811	965
Cash and cash equivalents	1,971	2,359	932
Total current assets	2,928	3,765	2,533
Total assets	2,928	4,801	3,802

Amounts in €000s	FY2020A	FY2021A	FY2022A
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	5	5
Retained earnings	964	1,242	1,960
Total equity	969	1,247	1,964
Non-current liabilities			
Payables	-	246	264
Total non-current liabilities	-	246	264
Current liabilities			
Trade and other payables	1,702	2,931	1,333
Current tax liabilities	258	377	241
Total current liabilities	1,960	3,309	1,574
Total liabilities	1,960	3,554	1,838
Total equity & liabilities	2,928	4,801	3,802

ClearFlowPlus p.l.c.**Statement of cash flows for the period ending 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
Net cash generated from / (used in) operating activities	560	752	(1,277)
Net cash generated from / (used in) investing activities	-	(366)	(161)
Net cash generated from / (used in) financing activities	-	1	12
Net movement in cash and cash equivalents	560	388	(1,427)
Cash and cash equivalents at beginning of year	1,411	1,971	2,359
Cash and cash equivalents at end of year	1,971	2,359	932

The Issuer's revenue is derived from consultancy services and supplies in connection with reverse osmosis plants, related after-sales services, desalination, sewage treatment facilities, laboratory analysis, information technology and sale of parts. The increase in total revenue during the period under review is due to increases in after-sales services and laboratory services as well as commissioning of industrial reverse osmosis.

Cost of sales primarily consist of direct costs relating to consultancy and other services provided by the Issuer. Cost of sales increased in line with the growth in revenue, albeit a slight drop in gross profit margin from 57.1% in FY2020 to 45.7% in FY2022 due to an increase in the cost of dispensers as well as the costs to service the dispensers.

Administrative expenses include management fees, professional fees, bank charges and movement in expected credit loss provisions. Management fees are paid to WSC for making human and other resources available to the Issuer (refer to section 5.1 of this Registration Document for further detail).

Finance income consists of rental income on leasing of water dispensers to schools and interest income. Finance income increased in FY2022 as it represents a full year's interest on loans advanced to related parties.

The Issuer's total assets stood at €3.8 million as at 31 December 2022, consisting principally of finance lease receivables (€862k), loans receivable (€486k), trade and other receivables (€965k) and cash and cash equivalents (€932k). Finance

lease receivables relate to leasing agreements whereby the Issuer entered as a lessor, with various public schools around Malta for certain water dispensers.

As at 31 December 2022, the Issuer had a share capital of €5k and retained earnings of €2 million. During 2023, €245k of retained earnings were capitalised into share capital.

Liabilities, which principally consist of trade and other payables totalled €1.7 million as at 31 December 2022. Liabilities decreased by €1.6 million between 31 December 2021 and 2022. The main movement relates to the repayment of €0.6 million owed to WSC, which decrease is in line with the Group's cash flow management strategy. The Issuer had no debt during the period under review.

Cash flows generated from operations are driven by the Issuer's operations. Whilst cash flow from operations was positive during FY2020 (€560k) and FY2021 (€752k) as movements in working capital compensated each other, cash flow from operations was negative in FY2022 by €1.3 million principally due to payments in trade and other payables.

Cash flows used in investing activities principally relate to loans advanced to related parties.

Historical financial information of the Guarantor

The financial information included hereinafter is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2020, 2021 and 2022. Given that the Guarantor is a Corporation rather than a limited liability company, the Guarantor has undertaken in favour of the Issuer that it will prepare annual financial statements in accordance with International Financial Reporting Standards ('IFRS') and that it will procure that these are duly audited and delivered to the Issuer by not later than four (4) months after the end of each financial year. The said financial statements have been published and are available on the Issuer's website (www.clearflowplus.com) and are available for inspection at its registered office as set out in Section 16 of this Registration Document.

The following is a list of cross-references to specific items of information in the audited financial statements of the Guarantor (which are available on display as detailed in Section 16 of this Registration Document) for financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

	Page number in audited financial statements		
	Financial year ended 31 December 2020	Financial year ended 31 December 2021	Financial year ended 31 December 2022
Independent Auditors' Report	4-7	4-7	4-7
Statement of Financial Position	8-9	8-9	8-9
Statement of Comprehensive Income	10	10	10
Statement of Cash Flows	13	13	13
Notes to Financial Statements	14-43	14-48	14-48

As at the date of this Prospectus there has been no material adverse change in the prospects of the Guarantor since the date of the Guarantor's last published audited financial statements, nor has there been a significant change in the financial position or performance of the Guarantor (or of the Group) since 31 December 2022 (being the end of the last financial period for which the Guarantor has published audited financial statements).

Water Services Corporation**Statement of profit or loss and other comprehensive income for the year ending 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
Revenue	76,053	77,921	82,300
Government subsidies	30,139	30,257	32,530
Operating costs	(68,773)	(71,196)	(73,981)
Administrative expenses	(26,531)	(29,921)	(30,354)
Provision for cost of service pensions payable to Government	455	589	1,290
Operating profit	11,343	7,650	11,785
Share of results of jointly-controlled entity	53	76	64
Finance income	1,497	1,520	1,615
Finance costs	(1,845)	(1,724)	(1,535)
Profit before taxation	11,048	7,522	11,929
Taxation	(166)	(147)	(407)
Profit for the year	10,882	7,375	11,522
Other comprehensive loss			
Remeasurements of post-employment benefit obligations	(460)	(556)	(429)
Total comprehensive income for the year	10,422	6,819	11,093

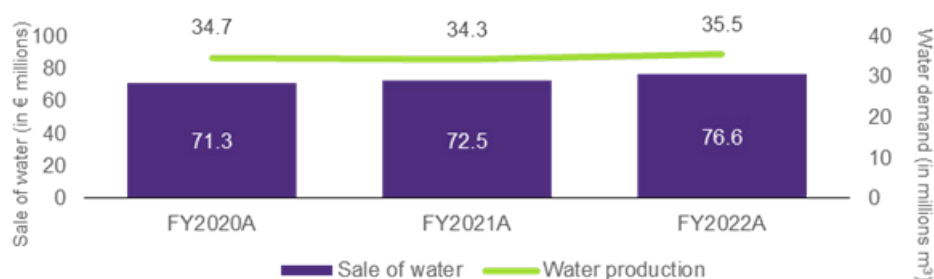
Water Services Corporation**Statement of financial position as at 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
ASSETS			
Non-current assets			
Property, plant and equipment	337,280	351,003	365,679
Finance lease receivables	-	685	823
Investments in subsidiaries	7	7	1
Investments in jointly-controlled entity	747	823	887
Loan receivable	-	337	422
Trade and other receivables	26,331	24,145	21,887
Total non-current assets	364,365	377,000	389,699
Current assets			
Inventories	18,510	23,978	24,321
Finance lease receivables	-	28	39
Loan receivable	-	12	64
Trade and other receivables	35,350	34,285	38,233
Cash and cash equivalents	23,125	15,226	1,550
Total current assets	76,985	73,529	64,207
Total assets	441,350	450,529	453,906

Amounts in €000s	FY2020A	FY2021A	FY2022A
EQUITY AND LIABILITIES			
Capital and reserves			
Government contribution	73,142	73,142	73,142
Revenue reserve	58,438	65,812	77,333
Pension contributions reserve	(4,263)	(4,819)	(5,248)
Non-controlling interest	3	4	5
Total equity	127,320	134,139	145,232
Non-current liabilities			
Bank borrowings	55,370	50,822	34,237
Other borrowings	3,402	3,206	3,008
Deferred government grants	190,302	190,641	195,382
Provision for other liabilities and charges	10,166	9,726	8,102
Trade and other payables	-	246	264
Total non-current liabilities	259,240	254,641	240,993
Current liabilities			
Current tax liabilities	30	122	205
Bank borrowings	4,512	4,548	11,256
Other borrowings	193	196	198
Deferred government grants	10,766	10,957	9,596
Trade and other payables	39,289	45,926	46,426
Total current liabilities	54,790	61,749	67,681
Total liabilities	314,030	316,390	308,674
Total equity & liabilities	441,350	450,529	453,906

Water Services Corporation**Statement of cash flows for the period ending 31 December**

Amounts in €000s	FY2020A	FY2021A	FY2022A
Net cash generated from / (used in) operating activities	35,867	32,761	29,841
Net cash generated from / (used in) investing activities	(31,430)	(36,485)	(36,824)
Net cash generated from / (used in) financing activities	876	(4,175)	(6,692)
Net movement in cash and cash equivalents	5,313	(7,899)	(13,675)
Cash and cash equivalents at beginning of year	17,812	23,125	15,226
Cash and cash equivalents at end of year	23,125	15,226	1,551



Revenue produced vs revenue billed (sale of water)

The increase in revenue of €5.3 million from FY2020 to FY2022 is due to the continued drive to improve billing efficiencies through the smart metering replacement programme together with increases in consumption, as billing efficiencies stood at *circa* 68% as at end 2022. The sale of water of €76.6 million for FY2022, comprises the consumption of sale of water of €56.5 million and a service charge of €20.1 million. Water is then sold to three different types of consumers: residential, domestic and non-residential.

Government subsidies represent contributions of *circa* €21 million per annum by Government towards subsidising the operational cost of providing water and a waste water system to the consumer, as well as New Water to the agricultural industry. Added to this, is the unwinding of deferred government credits which average *circa* €12 million per annum.

Operating costs and administrative expenses principally include wages and salaries, electricity costs consumed in the production and distribution of water, repairs and maintenance relating to the upkeep of the property, plant and equipment, expenditure on billing operations payable to ARMS being the cost to collect WSC's revenue generated from the sale of water and depreciation. Total operating and administrative costs increased from €95.3 million in FY2020 to €104.3 million in FY2022, due to:

- the Corporation's continued investment in its human resources and talent retainment which resulted in an increase in the salaries and wages;
- an increase in the cost of electricity a result of the strategic decision to improve the quality of the potable water by increasing the production from its reverse osmosis plants, which are more energy intensive;
- commissioning of new plants, including the Sant' Antnin farm waste treatment plan and Hondoq Reverse Osmosis.
- Increases in sub-contracted jobs such as project management, security and CCTV mains inspection, to sustain the increased activities relating to project implementation.
- An increase in the cost of raw materials, such as chemicals, and shipping freight, driven primarily by the pandemic and the Ukraine war.

Finance income is largely made up of imputed interest on amounts due from Government and interest on outstanding trade receivables whilst finance costs principally comprise bank interest.

The Group registered a profit after tax of €11.5 million in FY2022, an increase of €4.1 million (+56.2%) when compared to €7.4 million reported in FY2021. After accounting for other comprehensive loss of €0.4 million (attributable to remeasurements of post-employment benefit obligations), the Group's total comprehensive income amounted to €11.1 million in FY2022 (FY2021: €6.8 million).

Total assets in the statement of financial position as at 31 December 2022 amounted to €453.9 million (2021: €450.5 million). Notable items include: (i) property, plant and equipment of €365.7 million (2021: €351.0 million), which principally relate to water infrastructure, wastewater infrastructure related assets, integrated utilities business systems and assets under construction; (ii) inventories of €24.3 million (2021: €24.0 million) comprising consumables stores and spare parts,

mains and pipes and meters and other inventory; and trade and other receivables of €60.1 million (2021: €58.4 million) comprising trade receivables, accrued income and amounts due from Government. Amounts due from Government represent the Group's entitlement to the reimbursement of specific bank borrowings used by the Group for capital expenditure purposes.

The Group has deferred tax assets of €117.2 million plus €80.0 million unabsorbed capital allowances at 31 December 2022. These relate to unabsorbed tax losses and capital allowances which the Group can avail of going forward. However, these are not recognised on the Group's statement of financial position.

Total liabilities as at 31 December 2022 were €308.7 million (2021: €316.4 million) and mainly include deferred Government grants, bank borrowings, provisions for other liabilities and charges and trade payables. Deferred government grants pertain to refunds from the Government and the EU commission which are unwound over an amortization period equivalent to the life time of the asset bought using those same grants. The equity value of the Group as at 31 December 2022 totalled €145.2 million (€134.1 million).

Net cash flows from operating activities in FY2022, as presented in the statements of cash flows for the year ended 31 December 2022, amounted to €29.8 million as compared to €32.8 million in the prior year. This cash arises from sale of water to consumers, offset by net cash outflows in working capital movements and interest and tax payments.

In FY2022, the Group used €36.8 million in investment activities, as compared to €36.5 million in FY2021. During the period under review, investing activities related to the commissioning of the Hondoq ir-Rummien Reverse Osmosis plant in Gozo, Ta'Qali-Pembroke tunnel, the Sant' Antnin farm waste treatment plant, the technical support system commissioned two new boosters at Qrendi and Fawwar and the network infrastructure relating to wastewater, water and New Water mains. These investments were financed partly through cash generated from operating activities as well bank loans and grants received. No dividends were declared and distributed during the period under review. As at 31 December 2022 the Group's cash balance stood at €1.6 million.

8.2 Undertakings regarding Guarantor's financial statements

The Guarantor has undertaken to the Issuer that:

- It will prepare annual financial statements in accordance with International Financial Reporting Standards ('IFRS') and have these duly audited and delivered to the Issuer by not later than four (4) months after the end of each financial year, and the Guarantor has authorised the Issuer to lodge these with the MFSA and to publish the same, by uploading these on the Issuer's website or otherwise, and to keep them so published for a period of ten (10) years;
- The financial statements of the Guarantor shall be audited in accordance with equivalent statutory requirements to those applicable to companies registered in Malta under the Act and shall contain any such report required to be contained in financial statements of companies so registered in Malta in terms of Maltese law; and
- It will comply with the sustainability-related disclosure requirements resulting from Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, as the same may be amended from time to time ('CSRD') in the same manner as the same is applicable to companies registered in Malta at the relevant time.

Apart from its obligations relating to its own financial statements as they result from applicable law and the Capital Market Rules, the Issuer will every year, within four (4) months of the end of the immediately preceding financial year of the Guarantor, lodge the aforesaid audited financial statements of the Guarantor which have been forwarded to it by the guarantor with the MFSA and shall publish the same, by uploading these on the Issuer's website or otherwise as may be indicated in a company announcement published by the Issuer, and shall keep them so published for a period of at least ten (10) years.

09 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

9.1 Board of Directors of the Issuer

The Issuer is currently managed by a Board consisting of eight Directors entrusted with its overall direction and management. As at the date of this Registration Document, the Board of the Issuer is composed of the individuals listed in Section 3.1 of this Registration Document.

The Board of Directors of the Issuer currently consists of three executive Directors and five non-executive Directors.

The executive directors are Mr. Karl Cilia, Mr. Matthew Costa and Ing. David Sacco. These also occupy senior executive positions within the Group, namely Mr. Cilia as CEO of the Guarantor, Mr. Costa as CFO of the Guarantor and Ing. Sacco as Production & Treatment CO of the Guarantor. Together with the Group's executive team, the executive Directors of the Issuer are responsible for operations and are entrusted with the Group's day-to-day management.

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. In assessing the said directors' independence due notice has been taken of Rule 5.119 of the Capital Markets Rules. The Chairman, Dr. Vince Micallef is also a Board member of the Guarantor, which is the controlling shareholder of the Issuer.

The non-executive Directors' main functions are to monitor the operations of the executive Director/s and their performance, as well as to review any proposals tabled by the executive Director/s, bringing to the Board the added value of independent judgment, and also to provide specialist support to the executive Director/s.

The *curriculum vitae* of the directors of the Issuer are set out in Section 9.3 below.

9.2 Board of directors of the Guarantor

As at the date of this Registration Document, the board of directors of the Guarantor is composed of 6 directors, as indicated in Section 3.1 of this Registration Document.

The *curriculum vitae* of the directors of the Guarantor are set out in Section 9.3 below.

9.3 Curriculum vitae of directors of the Issuer and the Guarantor

Dr. Vince Micallef (Chairman and non-executive Director of the Issuer)

Dr. Vincent Micallef graduated as Doctor of Laws in 2006 and subsequently obtained the warrant to practice the profession of advocate in the courts of Malta and Gozo.

Dr. Micallef commenced his career as a legal officer in the Malta Police Force where he formed part of the prosecution's and advisory team legal affairs, being also in charge of a number of prosecutions before the Courts of Justice. Dr. Micallef also lectured Criminal Law, Human Rights' Law and Juvenile Law at the Academy for Criminal Justice. He

also represented the Malta Police Force in Belgium, Brussels under the auspices of Europol.

Throughout his legal career, he was exposed to various legal assignments in the litigation sector, in front of both the Inferior Courts as well as the Superior Courts. He currently manages his law firm Vincent Micallef & Associates.

Apart from his legal profession as an Advocate in judicial cases, Dr. Micallef served and continued to serve on various boards of directors, within both private companies and government-owned entities, in some of which he serves as Chairman and/or as a Non-Executive Director. Furthermore, Dr. Micallef had also been elected to serve for a number of years as a member representing Malta of the European Committee on the Prevention of Torture and Inhuman or Degrading Treatment or Punishment within the Council of Europe, within the terms of the European Convention of Human Rights.

Apart from being a Director of the Issuer, Dr. Micallef is also a member of the Audit Committee of the Issuer and a member of the Board of the Guarantor and of the internal audit committee of the Guarantor.

Mr. Karl Cilia (Vice-Chairman and executive Director of the Issuer)

Mr. Karl Cilia was appointed as the Chief Executive Officer (CEO) of the Water Services Corporation effective 25th July 2022. With his extensive experience and expertise in the fields of informatics, technology, and management, Mr. Cilia was well-suited to lead the corporation in its mission to provide essential water services to the people of Malta.

Mr. Cilia began his career in the private sector, working for the multinational corporation IBM, where he specialised in the utilities industry. He played an instrumental role in implementing the smart metering system for both the Water Services Corporation and Enemalta p.l.c., a major achievement that helped improve the efficiency and sustainability of Malta's water and energy sectors, and was the first nationwide rollout of smart metering installation to the grid at the time of its implementation.

In recent years, Mr. Cilia has served as the Executive Director of Operations, responsible for the end-to-end energy provision and distribution network of Enemalta p.l.c., the sole Distribution System Operator in Malta. His experience and leadership in the utilities sector were invaluable as he took on the role of CEO for the Water Services Corporation. As CEO, he oversaw the planning, development, and management of Malta's water resources.

As CEO, Mr. Cilia was tasked with ensuring that the Water Services Corporation continued to provide high-quality, affordable, and sustainable water services to the people of Malta. He worked closely with the Corporation's stakeholders, including government agencies, businesses, and consumers, to develop strategies and policies that promoted responsible water use and protected Malta's precious water resources.

Mr. Matthew Costa (Executive Director of the Issuer)

Mr. Matthew Costa worked his way up through the ranks of the Water Services Corporation, Malta's main water and wastewater service provider, over a 14-year period to his current position of Chief Financial Officer. Throughout the years, he was an integral part of the finance office, business development function and the Corporation's EU funds office. In his capacity as Chief Financial Officer, Mr. Costa's remit spans wide to also include performance analysis, procurement, supply chain and warehousing, human resources and business development. Throughout recent years in his career, he championed and drove forward good governance initiatives and innovative financial practices within the WSC Group, setting the tone for new financing opportunities and sustainable growth.

This professional experience is backed by an academic background in business and finance, attained from the London School of Economics. Mr. Costa furthered his academic studies in entrepreneurship and later on in distributed ledger technologies, both of which are areas he is passionate about due to their ever-increasing importance in today's economies.

Ing. David Sacco (Executive Director of the Issuer)

Ing David Sacco has been in the water sector for more than thirty years. Ing. Sacco holds a Bachelors Degree in Engineering and a Masters in Business Administration. He is also a Chartered Engineer and a member of the Institute of Engineering Technology of UK.

Ing. Sacco has expertise in desalination and membrane treatment projects ranging from design, project management as well as operations and maintenance. During his employment period with Water Services Corporation he was responsible for all reverse osmosis plants' optimization programs that included project financing, design, manufacturing and commissioning. He was also instrumental in the development of special tools to ensure production of water at high efficiency levels and hence lowest operational cost possible. He is currently also responsible for the management of all wastewater and reclamation plants operated by Water Services Corporation.

Apart from being a Director of the Issuer, Ing. Sacco is also the Production & Treatment CO of the Guarantor.

Ms. Angela Azzopardi (Non-executive Director of the Issuer)

Ms. Angela Azzopardi graduated as Valedictorian in 2013 in the Bachelor of Commerce (Honours) Degree in Economics at the University of Malta.

She started her career as Junior Economist at the Economic Policy Department ('EPD') in the Ministry for Finance and Employment ('MFE') in 2013. Following various promotions over the past ten years she is currently the Head of Secretariat of the MFE. As an economist at MFE and the main technical liaison between the Ministry's Secretariat and EPD, Ms. Azzopardi has been directly involved in all stages of the Budget process. Along the years, she has also performed econometric modelling for entities under the Ministry's portfolio including the Commissioner for Revenue.

Apart from being a Director of the Issuer, Ms. Azzopardi is also a member and Chairperson of the Audit Committee of the Issuer.

Mr. Luke Cann (Non-executive Director of the Issuer)

Mr. Luke Cann, a warranted accountant and auditor, holds a Bachelor of Accountancy (Honours) degree and a Masters in Financial Services from the University of Malta. He commenced his professional career in the assurance division of a mid-tier firm, progressing to a senior position within the business advisory division. Subsequently, Luke was appointed to a director role of the business advisory division of the same firm. During this period Luke was actively involved in driving strategic growth and development of this division and was involved in multiple sizeable corporate finance transactions.

From the experience garnered in his career, in 2023, through Fusion Advisory, Luke commenced providing boutique advisory and business consulting services to an array of local and international businesses operating in various economic sectors.

Ing. Abigail Cutajar (Non-executive Director of the Issuer)

Ing. Abigail Cutajar is a Warranted and Chartered Engineer by profession. She mainly focuses on policy development

of new emerging technologies, energy consultancy, and the development of green buildings.

Ing. Cutajar obtained a Bachelors degree and then a Masters degree in Engineering from the University of Malta. She furthered studies in the areas of Energy and Sustainability in buildings which led to the acquisition of professional accreditation in Leadership in Energy and Environmental Design (LEED). Appointed as an Advisor to the Maltese Government for the execution of policy development within the areas of Energy, Electrification and Climate Action.

Her involvement in the building sector includes providing technical expertise to achieve high-performance green building design and construction projects through the adoption of LEED practices. Her work experience varies widely across different industries. This involves the implementation of high-value investment projects, in efforts to acquire and certify state-of-the-art developments, which are highly efficient and sustainable along the whole lifecycle of the project.

Apart from being a Director of the Issuer, Ing. Cutajar is also a member of the Audit Committee of the Issuer and a member of the Sustainability Committee of the Issuer.

Ms. Katrina Cuschieri (Non-executive Director of the Issuer)

Ms. Katrina Cuschieri is an economist (B.Com - Econ) and accountant (ACCA qualified) by profession and a graduate with a Master's degree in Political Science and Political Economy from the London School of Economics. She is currently serving as a Policy Advisor at the Ministry for the Environment, Energy, and Enterprise, working on projects related to economic development, green energy and enterprise policy.

In her role, she works closely with stakeholders from various industries, including the private and public sector, academia and civil society organisations, to develop national solutions which address current economic, sustainability and social challenges.

Apart from being a Director of the Issuer, Ms. Cuschieri is also a member of the Audit Committee of the Issuer.

Mr. Joseph Vella (Chairman and Director of the Guarantor)

Mr. Joseph Vella has been Chairman of the Water Services Corporation since 2021. He holds a BA degree in Management, and also a National Diploma in Arts and Design.

He is a public officer. Following his time in the coordination of EU Funding, together with EU Policy and Legislation, at MEUSAC, Mr. Vella also served as Private Secretary and consequently Head of Secretariat at the Ministry for European Affairs and Equality. Mr. Vella also served as Head of Secretariat at the Ministry for Justice, Governance and Equality, and is presently holding the same role at the Ministry for Home Affairs, Security, Reforms and Equality.

He also successfully contested the past two national local council elections and is an active Local Councillor in Haż-Żabbar. Mr. Vella is also involved in the voluntary sectors, namely in the areas of football and youth development.

Mr. Louis Gatt (Deputy Chairman and Director of the Guarantor)

Mr. Louis Gatt commenced his career at Bank of Valletta plc in 1984, where he spent 30 years until he left in 2014 when he occupied the position of Manager. Today he is the Head of Secretariat of the Ministry for Social Policy and Children's Rights.

Mr. Gatt was appointed as Head Electoral Office and elected Vice President of Partit Laburista since 2003. He is still occupying these two posts.

He was appointed on the board of directors of Water Services Corporation since 2014 and today he occupies the post of Deputy Chairman and Chairman of the WSC Audit Committee.

Ing. Raymond Azzopardi (Director of the Guarantor)

Ing. Raymond Azzopardi obtained an Electrical Engineering Degree from the University of Malta and a Master Degree in Business Administration from Henley Management College UK. He is a Chartered Engineer, Euro Engineer and Warranted Engineer (Ing.)

He worked with Enemalta Corporation, the main provider of energy services in Malta, from May 1982 to August 2014, initially as a Project Engineer, and subsequently in various other roles, including as Power Station Maintenance Engineer, Assistant Manager HR, Head Training Centre, Corporate Divisional Manager. After the restructuring of Enemalta Corporation, Enemalta plc was set up and all employees at Enemalta p.l.c. were transferred to Engineering Resources Ltd ('ERL') of which Ing. Azzopardi was appointed General Manager. ERL had the function of a Human Resources agency within the Government entities and thus surplus employees who were not required at Enemalta p.l.c. were deployed to work with Government entities. During his tenure as General Manager at ERL, the company was awarded a prestigious recognition of excellence in management from the Public Service.

During his employment with Enemalta Corporation, Ing. Azzopardi also occupied positions of the in-house union for professional employees and later also as Secretary to the Managers' Union.

He served as director at various Government owned or controlled companies or entities, including Water Services Corporation. He also sat on two Disciplinary Boards for two Government entities.

Mr. Ethelbert Schembri (Director of the Guarantor)

After concluding his apprenticeship in Mechanical Engineering and Power Plant Operations, Mr. Ethelbert Schembri was employed with Enemalta Corporation since 1997. As at the date hereof, he works within the Capacity Planning & Dispatch Section as a Senior Dispatch and Power Plant Officer, which section monitors, controls and maintains the safe, efficient and economic operation of the various power plants and Malta-Sicily Interconnector supply, and is also responsible to run the emergency plants when an emergency arises.

Since 2020, Mr. Schembri has been appointed as a member of the Board of Directors of the Guarantor, and a member of the internal audit committee of the Guarantor.

He also served as director at a Government owned / controlled company. Between 2006 and 2010 he was elected as President of the Chemical and Energy section within the General Workers Union, representing workers from different fields mainly Enemalta and other entities.

Ms. Silvana Mifsud (Director of the Guarantor)

Ms. Silvana Mifsud is currently an Assistant Head of School at the Ministry for Education and Employment, a Ministry Consultant P/T at the Ministry for Tourism, and an Assistant Private Secretary P/T at the Ministry for Active Ageing.

She has for eighteen years worked as a teacher in Primary School.

She graduated from University of Malta focusing on Early Years. Ms. Mifsud is a PIRLS (Progress in International

Reading Literacy Study) Test Administrator and School Coordinator for the International Study to assess the reading level of students. She is the School Coordinator of Numeracy High 5 Challenge, School Coordinator of Numeracy International Championship SuperTmatik and School Coordinator for the One Tablet Per Child project. She is the link person for the STEM projects that are performed in school.

She is currently a secretary at Malta Residency Visa Agency, assessor of the Police Licences Appeals Tribunal, member of the Responsible Gaming Foundation Board, a secretary of the Welfare Committee Board, Board Director at the Water Services Corporation, and a secretary at the internal audit committee of Water Services Corporation.

She was secretary of the Refugee Appeals Board, secretary of the Fostering Board and secretary of the Digital Economy Think Tank and secretary at the Tourism Think Tank.

She was Liaison Officer to the President of the European Parliament Mr. Martin Schulz at the Valletta Summit on Migration and Liaison Officer to the President of Sri Lanka at the Commonwealth Heads of Government Malta.

Ms. Marion Parnis (Director of the Guarantor)

Ms. Marion Parnis is a Learning Support Educator with twelve years of experience in inclusive education. Born and raised in Malta, Marion has always been passionate about education and advocating for those without a voice.

With lifelong exposure to her family's retail business, Marion has accumulated valuable experience in this sector. She has also expanded her expertise in education by teaching English as a foreign language and imparting literacy skills to children with learning difficulties. Marion holds a Bachelor's Degree in Inclusive Education and is currently pursuing a Master's Degree in Disability Studies at the University of Malta.

A devoted animal rights activist, Marion is an active member of a non-governmental organization dedicated to supporting animal rights and welfare. She is also deeply passionate about environmental issues.

Ms. Mirana Agius Silvio (Director of the Guarantor)

Ms. Mirana Agius Silvio has been an Assistant Head of Primary School for the past seven years. She graduated as a teacher from the University of Malta in 2002 and in 2020 she has been awarded a master's degree in Leadership and Management. Over the past twenty years she has been involved in local sports having hosted and produced several sport-related programmes. In 2019, she has represented Malta in the Summit of the Two Shores during fora held in Malta, Tunis, and Marseille.

Dr. Juanita Agius Galea (Director of the Guarantor)

Dr. Agius Galea graduated from Medical School, University of Malta in 2005. She continued her specialisation in anaesthesia & intensive care in Malta & furthered her studies in the UK, as well as gaining work experience there. She obtained her European Diploma in Anaesthesia, Intensive Care & Pain Management in Berlin in 2012 and passed her final specialization exams in Malta in 2014, where she continued working at Mater Dei Hospital & in the private sector. Currently, she works full-time in the private sector.

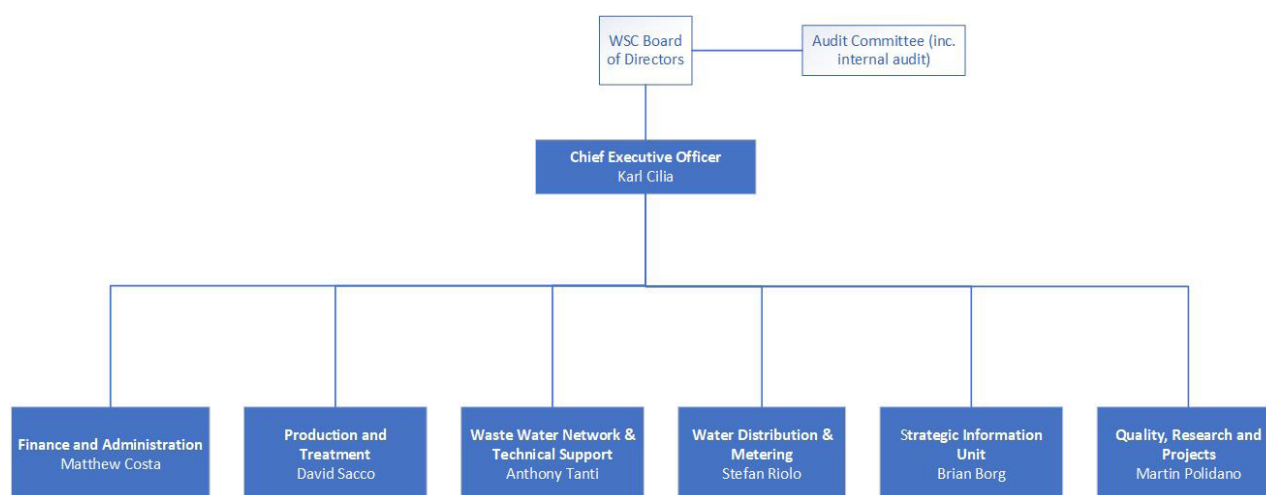
Apart from being a Director of the Guarantor, Dr. Galea is also a member of the Sustainability Committee of the Issuer.

9.4 Management structure and management team

The Issuer's business is managed by its Board of Directors and it does not separately employ any senior management. The Directors believe that the current organisational structures are adequate for the current activities of the Issuer, and that the Issuer does not require an elaborate management structure. The Directors will maintain these existing structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

The Guarantor's management team is headed by the Chief Executive Officer, Mr. Karl Cilia, whose CV is included in section 9.3 above. As CEO of the Guarantor, Mr. Cilia is vested by law, and in particular by the Water Services Corporation Act (Cap. 355 of the Laws of Malta) with the responsibility for the executive conduct of the Guarantor, its administration and organization, the administrative control of its officers and other employees and the implementation of its business plan and budget, and has such other powers as may from time to time be delegated to him by the Board. He is responsible towards the Board of Directors.

In his executive management functions the CEO is assisted by an executive management team, the key members whereof are shown in the diagram hereunder:



9.5 Conflicts of interest of directors

As at the date of the Prospectus, the executive Directors of the Issuer, namely Mr. Karl Cilia, Mr. Matthew Costa and Ing. David Sacco are also senior executive officers of the Guarantor, whilst the Chairman and Director of the Issuer, namely Dr. Vince Micallef, is also a director of the said Guarantor, as mentioned in Section 9.3 above. This makes the said Directors of the Issuer susceptible to potential conflicts between the potentially diverging interests of the Issuer and the Guarantor in specified circumstances, including the Issuer-Guarantor Loan to be advanced by the Issuer to the Guarantor out of the proceeds of the Bond Issue, both in terms of its actual use and also in respect of its repayment and enforcement of remedies for its repayment. With respect to conflicts of interest which may arise with respect of the actual use of the loan proceeds, such potential conflicting interests between the Issuer and the Guarantor will be managed by structuring the Issuer-Guarantor Loan as a loan facility which will be retained by the Issuer and paid out 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 in Section 4.2 of the Securities Note, and the whole process will be overseen by the Sustainability Committee of the Issuer. This will ensure that the Bond proceeds are effectively used into the projects which were pre-identified as Eligible Green Projects.

In situations of conflict of interests involving the Issuer, the Directors shall act in accordance with the majority decision of the Directors who would not have a conflict in the situation and in line with the advice of legal counsel.

The Audit Committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to the different involvements of the Directors are handled according to law. The fact that the Audit Committee is constituted solely by non-executive Directors, the majority of which are independent, provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arms-length basis and in the interests of the Issuer. Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor and other Group companies on a quarterly basis. To this effect, the Issuer and other Group companies are to submit to the Audit Committee quarterly accounts.

The presence of independent non-executive directors on the Board of the Issuer also aims to minimise the possibility of any abuse of control by its parent undertaking, the Guarantor. Furthermore, in terms of the Memorandum and Articles of Association of the Issuer, in the event that a Director has a material interest in any contract, arrangement or proposal, such Director is not entitled to vote at a meeting of Directors in respect thereof.

To the extent known or potentially known to the Issuer as at the date of the Prospectus, there are no other potential conflicts of interest, save for those mentioned above, between any duties of the Directors of the Issuer and/or of the Guarantor, as the case may be, and their respective private interests and/or their other duties, which require disclosure in terms of the Prospectus Regulation.

10 BOARD PRACTICES

10.1 Audit Committee

The terms of reference of the Audit Committee of the Issuer consist of inter alia its support to the Board in

its responsibilities in dealing with issues of risk, control and governance. The terms of reference of the Audit Committee, as adopted by the Board, establish its composition, role and functions, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee, which meets at least once every quarter, is a committee of the Board and is directly responsible and accountable to the Board. The Board reserved the right to change the Committee's terms of reference from time to time.

Briefly, the Audit Committee is expected to deal with and advise the Board on its monitoring responsibility over the financial reporting processes, financial policies and internal control structures; maintaining communications on such matters between the Board, management and the independent auditors; facilitating the independence of the external audit process and addressing issues arising from the audit process; and preserving the Issuer's assets by understanding the Issuer's risk environment and determining how to deal with those risks.

Additionally, the Audit Committee has the role and function of considering and evaluating the arm's length nature of any proposed transaction to be entered into by the Issuer or the Guarantor and a related party, given the role and position of the Issuer within the Group, to ensure that the execution of any such transaction is, indeed, at arm's length and on a sound commercial basis and, ultimately, in the best interests of the Issuer. In this regard, the Audit Committee of the Issuer has the task of ensuring that any potential abuse which may arise in consequence of the foregoing state of affairs is immediately identified and resolved.

The Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor and all other entities comprising the Group on a quarterly basis. The Guarantor has undertaken to the Issuer to provide such access to financial information to the Audit Committee.

All of the Directors sitting on the Audit Committee are non-executives and the majority thereof are also independent. The Audit Committee is presently composed of Ms. Angela Azzopardi, Mr. Luke Cann, Ms. Katrina Cuschieri, Ing. Abigail Cutajar and Dr. Vince Micallef, all of which members being non-executive Directors and the first four being also independent. The Audit Committee is chaired by Ms. Angela Azzopardi. In compliance with the Capital Markets Rules, Ms. Angela Azzopardi, Mr. Luke Cann, and Ms. Katrina Cuschieri are the independent, non-executive Directors who are competent in accounting and/or auditing matters. The Audit Committee or its Chairman holds meetings with the executive Directors as necessary to review the Issuer's accounts and operations. The Issuer considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof. The CVs of the said Directors may be found in Section 9.3 above.

The Guarantor is not bound by the Capital Markets Rules to set up an Audit Committee.

10.2 Sustainability Committee

The Issuer has also established a Sustainability Committee to assist it with achieving alignment with the Green Bond Principles and other relevant and applicable sustainability standards.

The Committee is currently composed of 6 members, whose details and short *curriculum vitae* ("CV") may be found below:

Ing. Stefan Riolo (Chairperson of the Committee)

Ing. Stefan Riolo is a Graduate Mechanical Engineer who also holds a Masters Degree in Business administration. Throughout his career, Ing. Riolo has been driven by the aim 'to do more with less', which has led to huge financial gains over the past 27 years at the Water Services Corporation, where he currently holds the position of Chief Officer Distribution and Metering. The areas of most interest to him are non-revenue water reduction, specific energy reduction measures and operational efficiency.

Apart from being a member of the Sustainability Committee, Ing. Riolo is also the Distribution & Network CO of the Guarantor.

Dr. Juanita Agius Galea (Vice-Chairperson of the Committee)

Dr. Galea's CV is already included in Section 9.3 above.

Apart from being a member of the Sustainability Committee, Dr. Galea is also a director of the Guarantor.

Ing. Abigail Cutajar (Member of the Committee)

Ing. Cutajar's CV is already included in Section 9.3 above.

Apart from being a member of the Sustainability Committee, Ing. Cutajar is also a director of the Issuer.

Ms. Pauline Zerafa (Member of the Committee)

Ms. Pauline Zerafa is a Certified Public Accountant by profession.

Apart from being a member of the Sustainability Committee, Ms. Zerafa is also the Head of Procurement at the Guarantor.

She is currently employed by Water Services Corporation as Procurement and Stores Manager prior to managing the Supply Chain area within the Procurement and Stores Department for the past three years. At the Guarantor Ms. Zerafa's main focus is to ensure that the procurement process runs effectively and efficiently to ensure the availability of quality materials and services and that the Guarantor's stores are equipped to support the various ongoing national projects.

Within the Sustainability Committee, her role shall be specifically focused on procurement, particularly in providing feedback on the tendering process and post-contractual matters of the Issuer Green Bonds-related projects.

Ing. Nicole Vassallo (Member of the Committee)

Ing. Nicole Vassallo is a mechanical engineer who has been working as a Project Manager at the Water Services Corporation for the past four years. Currently, she is the manager of the Projects Office, overseeing the projects portfolio of the Corporation. As a member of the Sustainability Committee, she will be responsible for overseeing the projects that are part of the Issuer Green Bonds, ensuring that they are completed to a high standard of quality in a timely and efficient manner.

Ing. Stefan Cachia (Member of the Committee)

Ing. Stefan Cachia is a Mechanical Engineer by profession having obtained a degree in B. Mech. Eng. (Hons). He has been employed with the government sector since 1994. He commenced his career as a Junior Engineer with the former Drainage Department's Sewerage Master Plan Implementation Unit which is a section that has been migrated to the Works Division in 2000 and eventually to the Guarantor in October 2003.

During his career, Ing. Cachia was directly responsible for planning and implementing an array of wastewater network projects, including setting up the wastewater treatment infrastructure. Between 2007 and 2017, he directed the operation of the wastewater treatment plants implemented under his helm from 2004 to 2011. Most of the projects Ing. Cachia has implemented had a strong element of foreign co-financing, namely, EU pre-accession Funds, Vth Italo-Maltese Protocol Funds and later EU ERDF and Cohesion Funds. All the co-financing was secured and managed under his remit as project leader.

Between 2018 and 2019, he headed the Guarantor's Quality Management Systems and, since 2018, was assigned the Corporation's horizontal affairs function. Since 2020 he has been directly involved in the Guarantor's Corporate Strategy, tracking the Guarantor's Business Plan 2020-2023 implementation and overseeing key performance indicators.

As of 2022, Ing. Cachia has been assigned as Manager of Corporate Strategy, Reporting and External Regulatory Affairs role, reporting directly to the CEO of the Guarantor.

The members of the Sustainability Committee are appointed for a term of 1 year but are eligible for reappointment.

The terms of reference of the Sustainability Committee of the Issuer include mainly to give full support to the Board

and make recommendations to the Board in respect of the following matters: the evaluation and selection of projects after a thorough screening and assessment thereof and of their environmental impact to ensure that they qualify as Eligible Green Projects and that they are aligned to the Green Bond Framework, and to monitor such eligibility and report thereon to the Board on a continuous basis thereafter; to monitor and report to the Board on the progress and performance of each such project, including the tendering process and post-contractual matters related to such projects, in liaison with the designated project leader/s, and to recommend remedial action in case such projects are not executed or are not performing according to the scheduled plan; to monitor and report to the Board on the actual use of the proceeds of the Bond to ensure these are and have been effectively used for their intended purpose, namely for the purposes of the projects designated in the Prospectus; support in reporting annually or at other regular intervals on the use of proceeds of the Bonds, including the projects into which such proceeds are used and the impacts of such projects, and that such projects remain Eligible Green Projects and generally that the Bonds remain eligible for admission to listing to the Green Bond List and aligned with the Green Bond Principles and the Taxonomy Regulation and/or other relevant and applicable sustainability standards; to liaise with the Accredited External Reviewer in respect of external reporting which is to be produced by such Accredited External Reviewer and assisting same in sourcing relevant information from the Board or generally from the Issuer or the Group.

The terms of reference of the Sustainability Committee, as adopted by the Board, establish its composition, role and functions, the parameters of its remit, and also basic rules of procedure that are to be followed by it. The Sustainability Committee meets at least once every month. It is a committee of the Board and is directly responsible and accountable to the Board and reports directly to it. The Board reserved the right to change its terms of reference from time to time.

10.3 Compliance with corporate governance requirements

As a consequence of the Bond Issue and the forthcoming admission of the Bonds to the Green Bond List and in accordance with the terms of the Capital Markets Rules, the Issuer is required to endeavour to adopt and comply with the provisions of the Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules (the "Code"). The Issuer declares its full support of the Code and undertakes to comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Issuer.

The Issuer supports the Code and its adoption and believes that its application results in positive effects accruing to the Issuer.

As at the date of the Prospectus, the Board considers the Issuer to be in compliance with the Code, save for the following exceptions:

A. Principle 7 "Evaluation of the Board's Performance"

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the majority of which is composed by non-executive Directors of which a majority are independent, the Audit Committee in so far as conflicting situations are concerned, the Issuer's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

B. Principle 8 "Committees"

The Issuer does not have a Remuneration Committee, nor a Nomination Committee, as recommended in Principle 8.

The Board considers that the size and operations of the Issuer do not warrant the setting up of such committees. In particular:

- (i) the Issuer does not believe it necessary to establish a remuneration committee, given that the remuneration of the directors is required by the Memorandum and Articles of Association of the Issuer to be determined by the company in general meeting;
- (ii) the Issuer does not believe it is necessary to establish a nomination committee as appointments to the Board of Directors are determined by the shareholders of the Company, with the possibility of prior nomination by the shareholders, in accordance with the Memorandum and Articles of Association of the Issuer. The Issuer considers that the current members of the Board provide the required level of skill, knowledge and experience expected in terms of the Code.

C. Principle 9 "Relations with Shareholders and with the Market"

There is currently no established mechanism disclosed in the Memorandum and Articles of Association of the Issuer to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Issuer's shares are all held by the Guarantor, except for one share which is held by Malta Government Investments Limited, a company beneficially owned by the Government of Malta. The Issuer is thus of the view that there is currently no need to establish such mechanism.

Going forward, the Issuer shall, on an annual basis in its annual report, explain the level of the Issuer's compliance with the principles of the Code, explaining the reasons for non-compliance, if any, in line with the Capital Markets Rules' requirements.

11 MAJOR SHAREHOLDERS

11.1 The Issuer

The Issuer has an authorised and issued share capital of €250,002.286598 divided into 107,326 ordinary shares of a nominal value of €2.329373 each, which are subscribed to and allotted as fully paid up shares as follows:

Name of shareholder	Number of shares held
Water Services Corporation Triq Hal Qormi, Luqa, Malta	107,325 ordinary shares of a nominal value of €2.329373 each, fully paid up.
Malta Government Investments Limited Clock Tower, Level 1 Tigne' Point, Sliema, Malta Company Registration number C 10175	1 ordinary share of a nominal value of €2.329373, fully paid up.

The ordinary shares rank *pari passu* and give the holders thereof one vote for each share held.

The Directors are appointed by ordinary resolution of the shareholders.

The legal and judicial representation of the Issuer is vested in any two directors, acting jointly, without prejudice to the authority of the Board of Directors, by resolution, to delegate such representation to any person or persons in a particular case or cases or classes of cases.

The Issuer is therefore controlled (through ownership and appointment of directors and other voting powers at general meeting) directly by the Guarantor, which is in turn controlled, limitedly through the appointment of directors thereof, by the Government of Malta, as seen in Section 11.2 below.

To the best of the Issuer's knowledge there are no arrangements in place as at the date of this Registration Document the operation of which may at a subsequent date result in a change in control of the Issuer.

The Issuer adopts measures in line with the Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules with a view to ensuring that the relationship with its major shareholder is retained at arm's length, including adherence to rules on related party transactions set out in Chapter 5 of the Capital Markets Rules requiring the vetting and approval of any related party transaction by the Audit Committee, which is constituted by non-executive Directors the majority of which are independent. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer. The presence of independent non-executive directors on the Board of the Issuer minimises the possibility of any abuse of control by the major shareholder, the Guarantor.

11.2 The Guarantor

The Guarantor is not a company but is instead a corporation constituted by law, and namely the Water Services Corporation Act (Cap. 355 of the Laws of Malta).

It has no share capital.

It has a Board of Directors which is responsible for the formulation of the policy of the Guarantor. The members of such Board are designated by the Minister responsible for water, and such Minister also designates the Chairman and the Deputy Chairman. Subject to the provisions of the Water Services Corporation Act, and to any directions of the Board, the executive conduct of the Guarantor, its administration and organization and the administrative control of its officers and other employees shall be the responsibility of the Chief Executive Officer of the Guarantor who shall also have such other powers as may from time to time be delegated to him by the Board. The Chief Executive Officer is responsible for the implementation of the business plan and budget of the Guarantor. The Chief Executive Officer is also responsible towards the Board of Directors and may be invited to attend and be heard at all meetings of the Board, but he shall not have a vote or be counted for the purpose of constituting a quorum.

The legal representation of the Guarantor vests in the Chairman or in such other member or members of the Board of Directors as the Board may by resolution designate. The Board may delegate any of its powers to any of its members or to any of its officers or servants and may authorise any such person to represent the Guarantor on any contract, deed or other instrument or other document.

The Guarantor is therefore controlled through the appointment of its directors by the Government of Malta.

The Water Services Corporation Act contains provisions designed to ensure that certain standards are met in appointing director to the Board of the Guarantor. The Act thus sets out some minimum eligibility criteria which must be satisfied, and provides that the Chairman and all the other appointed Board members must be persons appearing to the Minister to have had experience, and shown capacity, in matters relating to water technology, or water or wastewater management, or the organisation of workers, or of finance or administration, and shall be appointed after having taken regard of their experience and familiarity with the requirements and circumstances of agriculture, industry, commerce and tourism and with matters related to the conservation of the environment and the development of public amenities. Furthermore, the Act sets out a list of events and/or circumstances disqualifying a person from appointment as Board member.

12 LITIGATION

There have been no governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Issuer is aware, during the period covering twelve months prior to the date of this Registration Document which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor and/or the Group, taken as a whole.

13 ADDITIONAL INFORMATION

13.1 Share Capital of the Issuer

The authorised and issued share capital of the Issuer is €250,002.286598 divided into 107,326 ordinary shares of a nominal value of €2.329373 each, fully paid up and subscribed by the Guarantor except for 1 share which is subscribed by Malta Government Investments Limited.

The ordinary shares rank *pari passu* between themselves and entitle the holders thereof to receive notice of and attend and vote at general meetings of the Issuer, to participate in dividends and other distributions of the Issuer, including distribution of assets on winding up and also to the other rights of shareholding.

The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option.

13.2 Memorandum and Articles of Association of the Issuer

The Memorandum and Articles of Association of the Issuer are registered with the Registrar of Companies at the Malta Business Registry.

The principal objects of the Issuer are set out in clause 4 of the Issuer's Memorandum and Articles of Association. These include, but are not limited to:

- (i) carrying on the business of a finance and investment company in connection with the ownership, development, operation and financing of the business activities of group or associated companies, corporations, undertaking or entities and for such purpose: (a) to lend or advance money or otherwise give credit to any such group or

associated company, corporation, undertaking or entity, now or hereinafter forming part of the same group as the Issuer or associated with the Issuer, with or without security and otherwise on such terms as the Directors may deem expedient, and (b) to invest and deal with the moneys of the Issuer and any company, corporation, undertaking or entity now or hereinafter forming part of the same group as the Issuer or associated with the Issuer in or upon such investments and in such manner as the Directors may, from time to time, deem expedient;

- (ii) to issue bonds, debentures, notes, commercial paper or other instruments creating or acknowledging indebtedness and to sell or offer the same to the public and/or to procure the same to be listed and/or traded on any stock exchange or market;
- (iii) to borrow or raise money in such manner as the Issuer may think fit and in particular by the issue of bonds, debentures, notes, commercial paper or other instruments creating or acknowledging indebtedness;
- (iv) the provision of technical consultancy services inter alia with the distribution of water for domestic, commercial, industrial and other purposes, the conservation and exploitation of water resources and sources of water supply, the treatment of sewage and wastewater and the creation of novel ways of exploiting water resources in general; and
- (v) the provision of consultancy services and supplies in connection with reverse osmosis plants, desalination, sewage treatment facilities, laboratory analysis and services, information technology and property management.

A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and as set out in Section 16 of this Registration Document and at the Malta Business Registry during the lifetime of the Issuer.

13.3 Main objects and purposes of the Guarantor

The Guarantor is not a company, it has no share capital and is not constituted or regulated by a Memorandum and Articles of Association. It is instead constituted by law as a corporation, by virtue of the Water Services Corporation Act (Cap. 355 of the Laws of Malta) and is regulated by the said Act.

The Act, in particular in Articles 3 and 19, sets out the objects, functions and duties of the Guarantor, as established by law. The main objects and functions include the following:

- (a) to acquire, produce, keep, distribute, sell, export or otherwise dispose of water for domestic, commercial, industrial or other purposes;
 - (b) to conserve, augment and operate water resources and sources of water supply;
 - (c) to undertake and perform such other functions relating to water conservation, supply and distribution as it may deem appropriate;
 - (d) to provide for the treatment and for the disposal or re-use, as appropriate, of sewage and wastewater;
 - (e) to generate new forms and services of revenue, even if not directly or indirectly related to the use of water for domestic, commercial, industrial or other purposes;
- and, in so far as it is able to do so:
- (f) to provide a public sewer system to be used for the drainage of domestic sewage;
 - (g) to take such steps from time to time as may be necessary for ascertaining the cleanliness, safety and efficiency of such services;

- (h) to take all actions as it may from time to time consider necessary or expedient for augmenting and improving the means of disposal and the ways of treating the contents of such services;
- (i) to take such steps from time to time as may be necessary for ensuring the safe discharge, reception, treatment and disposal of trade effluent;
- (j) to take all actions as it may from time to time consider necessary to encourage the re-use of treated effluent;
- (k) to carry out tests and to make regulations relating to waste and sewage connections for the purpose of ensuring the proper and fit disposal of wastewater and sewage.

The Act also supplements the above-mentioned objects and functions with a number of duties and powers of the Guarantor.

14 MATERIAL CONTRACTS

Each of the Issuer and the Guarantor has not entered into any material contracts which are not in the ordinary course of their respective business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or the Guarantor's ability to meet its respective obligations to security holders in respect of the Bonds being issued pursuant to, and described in, the Securities Note.

15 THIRD PARTY INFORMATION

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

The sourced information contained in Section 7 of this Registration Document has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16 DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Issuer and also on the Issuer's website, on the following hyperlink <https://www.clearflowplus.com>, and are incorporated by reference in the Prospectus:

- (a) Memorandum and Articles of Association of the Issuer;
- (b) Audited financial statements of the Issuer for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022;
- (c) Audited consolidated financial statements of the Guarantor for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022;
- (d) Financial Analysis Summary dated 20 July 2023 and prepared by Calamatta Cuschieri Investment Services Limited; and
- (e) The original Guarantee.