

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom, or if you are taking advice in another jurisdiction, from an appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all of your Ordinary Shares in Modern Water plc prior to the date on which the shares are marked 'ex-entitlement' you should deliver this document and, if relevant, the Application Form, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, this document and any accompanying documents should not be sent or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations. If you have sold or otherwise transferred only part of your holding of your Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications which will be set out in the Application Form (if relevant).

This document is not a prospectus for the purposes of the Prospectus Rules and has not been approved by the UK Financial Conduct Authority (in its capacity as the UK Listing Authority or otherwise) pursuant to sections 85 and 87 of the FSMA. In issuing this document the Company is relying on the exemption from issuing a prospectus in section 86(1)(e) of FSMA and on paragraphs 43 and 60 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). Applications in respect of the Open Offer from persons not falling within such exemptions will be rejected and the Open Offer contained in this document is not capable of acceptance by such persons. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the New Ordinary Shares at 8:00 a.m. on 30 October 2018.

AIM is a market designed primarily for emerging and smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document. This document does not constitute a recommendation regarding securities of the Company.

MODERN WATER PLC

(Incorporated and registered in England and Wales with registered number 05963927)

**Open Offer of 10,042,705 New Ordinary Shares
at 9 pence per share to raise approximately £0.9 million**

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and to the section headed 'Risk Factors' in Part III of this document.

The latest time and date for acceptance and payment in full under the Open Offer is 11:00 a.m. on 26 October 2018. The procedure for application and payment for Qualifying Shareholders is set out in Part II of this document and, where relevant, will be set out in the Application Form to be sent to Qualifying Non-CREST Shareholders.

The New Ordinary Shares to be issued will, following their issue, rank pari passu with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

The New Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, the Republic of South Africa or Japan. Shareholders outside the UK and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

W H Ireland Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in relation to the Open Offer and Admission and is not acting for any other persons in relation to the Open Offer and Admission. W H Ireland is acting exclusively for the Company and for no one else in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of W H Ireland, or for providing advice in relation to the contents of this document or any matter referred to in it. The responsibilities of W H Ireland as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, Shareholder or any other person, in respect of his decision to acquire shares in the capital of the Company in reliance on any part of this document, or otherwise.

No liability is accepted by W H Ireland nor does it make any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Open Offer and Admission and accordingly W H Ireland disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this document or any such statement, to the maximum extent permitted by law and the regulations to which it is subject.

This document contains (or may contain) certain forward-looking statements with respect to the Company, its Group and certain of its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. The Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of volatility in credit markets, market-related risks such as changes in interest rates and foreign exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards ('IFRS') applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation or regulatory investigations, the success of future acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond the Company's control. As a result, the Company's actual future results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. Any forward-looking statements made in this document by or on behalf of the Company speak only as at the date they are made. Except as required by the FCA, the London Stock Exchange or applicable law, the Company, W H Ireland and their respective directors, officers, employees, agents, managers, members and partners expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

CONTENTS

	Page
DIRECTORS AND ADVISERS.....	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS.....	5
OPEN OFFER STATISTICS.....	6
DEFINITIONS	7
PART I LETTER FROM THE CHAIRMAN OF MODERN WATER PLC.....	11
PART II TERMS AND CONDITIONS OF THE OPEN OFFER	17
PART III RISK FACTORS	38

DIRECTORS AND ADVISERS

Directors	Alan J. S. Wilson	Independent Non-executive Chairman
	Simon T. Humphrey	Chief Executive Officer
	Dr Piers B. Clark	Non-Executive Director
	Michael C. N. Townend	Non-Executive Director
Company Secretary and General Counsel	Toby Schumacher	
Registered Office	Bramley House The Guildway Old Portsmouth Road Guildford Surrey GU3 1LR	
Nominated Adviser and Broker	W H Ireland Corporate Banking 24 Martin Lane London EC4 0DR	
Solicitors to the Company as to English law	Michelmores LLP 6 New Street Square London EC4A 3BF	
Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Registrars	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement to participate in the Open Offer	5:00 p.m. on 9 October 2018
Announcement of the Open Offer	11 October 2018
Dispatch of the Circular and, to certain Qualifying Non-CREST Shareholders, the Application Form	11 October 2018
Ex-Entitlement Date for the Open Offer	8:00 a.m. on 11 October 2018
Basic Entitlements and Excess CREST Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	12 October 2018
Recommended latest time and date for requesting withdrawal of Basic Entitlements and Excess CREST Entitlements from CREST	4:30 p.m. on 22 October 2018
Latest time for depositing Basic Entitlements and Excess CREST Entitlements into CREST	3:00 p.m. on 23 October 2018
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3:00 p.m. on 24 October 2018
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11:00 a.m. on 26 October 2018
Result of Open Offer announced through RNS	29 October 2018
Admission of the New Ordinary Shares to trading on AIM	8:00 a.m. on 30 October 2018
New Ordinary Shares in uncertificated form expected to be credited to accounts in CREST (uncertificated holders only)	30 October 2018
Expected date of despatch of definitive share certificates for the New Ordinary Shares in certificated form (certificated holders only)	6 November 2018

Notes:

- The ability to participate in the Open Offer is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or located or resident in countries outside the UK (particularly the Excluded Overseas Shareholders), details of which are set out in paragraph 6 of Part II of this document. Subject to certain exceptions, Application Forms will not be despatched to, and Open Offer Entitlements will not be credited to the stock accounts in CREST of, Shareholders with registered addresses in any of the Restricted Jurisdictions.
- Each of the times and dates set out in the above timetable and mentioned in this document is subject to change by the Company (with the agreement of W H Ireland), in which event details of the new times and dates will be notified to the London Stock Exchange and the Company will make an appropriate announcement to a Regulatory Information Service.
- References to times in this document are to London times unless otherwise stated.
- Different deadlines and procedures for applications may apply in certain cases. For example, if you hold your Ordinary Shares through a CREST member or other nominee, that person may set an earlier date for application and payment than the dates noted above.
- If you require assistance please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. – 5:00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

OPEN OFFER STATISTICS

Issue Price per New Ordinary Share	9.0 pence
Market price per Existing Ordinary Share ¹	9.4 pence
Discount to the market price of an Existing Ordinary Share ²	4.3 per cent
Entitlement of Qualifying Shareholders under the Open Offer	1 Open Offer Share for every 10 Ordinary Shares
Number of Ordinary Shares in issue as at the Latest Practicable Date	100,427,058
Gross proceeds of the Open Offer*	Approximately £0.9 million
Number of Ordinary Shares in issue immediately following completion of the Open Offer*	110,469,763
New Ordinary Shares as a percentage of the Enlarged Share Capital*	9.1 per cent

*Assuming full take-up under the Open Offer

¹ Closing Price on the Record Date.

² Being the percentage discount which the Issue Price represents to the Closing Price on the Record Date.

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Act	the Companies Act 2006
Admission	admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
AIM	the AIM market operated by the London Stock Exchange
AIM Rules for Companies	the rules of AIM as set out in the publication entitled 'AIM Rules for Companies' published by the London Stock Exchange from time to time
AIM Rules for Nominated Advisers	the rules of AIM as set out in the publication entitled 'AIM Rules for Nominated Advisers' published by the London Stock Exchange from time to time
Allocation Policy	the policy adopted by the Company for the allocation of the Excess Shares to Qualifying Shareholders as set out in paragraph 5.3 of Part I of this document
Application Form	the application form accompanying this document to be used by Qualifying Non-CREST Shareholders in connection with the Open Offer
Basic Entitlement	the Open Offer Shares which a Qualifying Shareholder is entitled to subscribe for under the Open Offer calculated on the basis of 1 Open Offer Share for every 10 Existing Ordinary Shares held by that Qualifying Shareholder as at the Record Date
Board	the board of directors of the Company for the time being
Business Day	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business and the London Stock Exchange is open for trading
certificated or in certificated form	the description of a share or other security which is not in uncertificated form (that is not in CREST)
Circular or this document	this document dated 11 October 2018
Closing Price	the closing middle market quotation of an Ordinary Share
Company or Modern Water	Modern Water plc, a company incorporated in England and Wales with registered number 05963927 and having its registered office at Bramley House, The Guildway, Old Portsmouth Road, Guildford, Surrey, GU3 1LR.
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
CREST Manual	the compendium of documents entitled 'CREST Manual' issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8) the CCSS Operations Manual and the CREST Glossary of Terms
CREST member	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)
CREST participant	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
CREST Proxy Instruction	the appropriate CREST message made to appoint a proxy, properly authenticated in accordance with Euroclear's

	specifications
CREST Regulations	the Uncertificated Securities Regulations 2001
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
Current Percentage Holding	in relation to each Qualifying Shareholder the percentage holding of such person on the Record Date in the Existing Issued Share Capital
Director	a member of the Board
Enlarged Share Capital	the issued share capital of the Company immediately following Admission
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited
Excess Applications	applications pursuant to the Excess Application Facility
Excess Application Facility	the mechanism whereby a Qualifying Shareholder, who has taken up his Basic Entitlement in full, can apply for Excess Shares as more fully set out in Part II of this document, which may be subject to scaling back in accordance with the Allocation Policy
Excess CREST Entitlements	in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement to apply for Open Offer Shares in addition to his Basic Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility, which may be subject to scaling back in accordance with the Allocation Policy
Excess Entitlement	in relation to each Qualifying Shareholder who applies for Excess Shares, the lower of: (i) the number of Excess Shares applied for; and (ii) the number of Excess Shares calculated pursuant to the Allocation Policy
Excess Shares	Open Offer Shares which are not taken up by Qualifying Shareholders pursuant to their Basic Entitlements and which are offered to Qualifying Shareholders under the Excess Application Facility
Excluded Overseas Shareholders	other than as decided by the Company, in its absolute discretion, or as permitted by applicable law, Shareholders who are located or have registered addresses in a Restricted Jurisdiction
Ex-Entitlement Date	8:00 a.m. on 11 October 2018
Existing Issued Share Capital	the issued ordinary share capital of the Company as at the Latest Practicable Date
Existing Ordinary Shares	the 100,427,058 Ordinary Shares in issue as at the Record Date
FCA	the UK Financial Conduct Authority
FSMA	the UK Financial Services and Markets Act 2000, as amended
Group	the Company and/or its subsidiary undertakings at the date of this document (as defined in sections 1159 and 1160 of the Act)
Issue Price	9 pence per New Ordinary Share

Latest Practicable Date	means 5:00 p.m. on 10 October 2018, being the latest practicable date prior to publication of this document
Link Asset Services	a trading name of Link Market Services Limited the Company's Registrar, Link Asset Services (Holdings) Limited a company incorporated in England and Wales with registered number 05505964 and having its registered office at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
London Stock Exchange	London Stock Exchange plc
Money Laundering Regulations	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended and supplemented)
New Ordinary Shares	up to 10,042,705 new Ordinary Shares to be issued by the Company pursuant to the Open Offer
Open Offer	the invitation by the Company to Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of the Qualifying Non-CREST Shareholders only, the Application Form
Open Offer Entitlements	an entitlement to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder under the Open Offer being the Basic Entitlement and the Excess Entitlement
Open Offer Shares	up to the 10,042,705 New Ordinary Shares to be offered to Qualifying Shareholders under the Open Offer
Overseas Shareholders	Shareholders with registered addresses outside the UK or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the UK
Options	options granted by the Company over unissued Ordinary Shares pursuant to employee share option schemes and rights to subscribe for shares pursuant to employee and non-executive long term incentive plans put in place by the Company
Option holders	the employees of the Company (including directors of the Company) who hold Options
Ordinary Shares	ordinary shares of 0.25 pence each in the capital of the Company
Panel	The Panel on Takeovers and Mergers
Participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
Prospectus Rules	the Prospectus Rules published by the FCA
Qualifying CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in uncertificated form
Qualifying Non-CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are held in certificated form
Qualifying Shareholders	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date with the exception (subject to certain exceptions) of Excluded Overseas Shareholders
Record Date	5:00 p.m. on 9 October 2018

Registrars or Receiving Agent	Link Asset Services
Regulatory Information Service	has the meaning given in the AIM Rules for Companies
Restricted Jurisdictions	each of Australia, Canada, Japan, the Republic of South Africa and the United States
Rule 9	Rule 9 of the Takeover Code
Shareholders	holders of Existing Ordinary Shares
Takeover Code	The City Code on Takeovers and Mergers
uncertificated	recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
UK or United Kingdom	the United Kingdom of Great Britain
US or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US\$	the legal currency of the US
US Securities Act	the US Securities Act of 1933, as amended
USE	unmatched stock event
W H Ireland	W H Ireland Limited, a company incorporated in England and Wales with registered number 02002044 and having its registered office at 24 Martin Lane, London EC4R 0DR.
£ or sterling or penny or pence	the legal currency of the United Kingdom

PART I
LETTER FROM THE CHAIRMAN OF MODERN WATER PLC

Incorporated and registered in England and Wales with registered number 05963927

<i>Directors:</i>		<i>Registered office:</i>
Alan Wilson	Non-executive chairman	Bramley House
Simon Humphrey	Chief executive officer	The Guildway
Dr Piers Clark	Non-executive director	Old Portsmouth Road
Michael Townend	Non-executive director	Guildford
		Surrey GU3 1LR
		11 October 2018

To Shareholders

Open Offer of up to 10,042,705 New Ordinary Shares at 9 pence per share to raise approximately £0.9 million

1 INTRODUCTION

The Company announced today that it proposes to undertake an Open Offer to raise approximately £0.9 million (before expenses) by the issue of New Ordinary Shares at 9 pence per share.

The Issue Price represents a discount of 4.3 per cent. to the Closing Price of 9.4 pence on the Record Date, and a 18.8 per cent. discount to the 90 day volume weighted average price. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will occur at 8:00 a.m. on 30 October 2018.

Hangzhou Shangtuo Environmental Technology Co. Ltd. has irrevocably undertaken to subscribe in full for its Basic Entitlement and also to make application for up to an additional 502,135 Excess Shares under the Excess Application Facility.

The purpose of this letter is to set out the background to, and the reasons for, the Open Offer. It explains why the Board considers the Open Offer to be in the best interests of the Company and its Shareholders as a whole.

Your attention is drawn to paragraph 4 of Part II of this document which sets out the actions to be taken by Qualifying Shareholders seeking to participate in the Open Offer.

2 OVERVIEW OF THE GROUP

Modern Water owns a portfolio of water technologies that address the limited availability of fresh water and that treat wastewater worldwide. By 2025, it is forecast that two-thirds of the world's population will live in countries classified as water-stressed. Climate change is likely to further exacerbate this situation.

Managed by an executive team with extensive experience in the water industry, Modern Water is at the leading edge of new and developing technologies, products and services, which are vital to the future sustainability of the world's most precious commodity.

Modern Water designs and licenses broad based membrane systems using world-leading Forward Osmosis (FO) membrane technologies; supplies packaged seawater Reverse Osmosis (RO) desalination systems; supplies wastewater treatment solutions; and develops and supplies advanced systems for water monitoring.

Membrane Division

All-Membrane Brine Concentration (Industrial)
Thermal Desalination (Industrial)
Evaporative Cooling Systems (Industrial)
Packaged SWRO Desalination Systems (Industrial & Municipal)
Wastewater Treatment (Municipal)
Forward Osmosis desalination (Industrial & Municipal)

Monitoring Division

Trace Metal Products
Toxicity Products
Environmental Products

3 BACKGROUND TO AND REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

On 5 July 2018, Modern Water announced that it was entering into a joint venture with Hangzhou Shangtuo Environmental Technology Co. Ltd (trading as **Sunup**). As a mark of its confidence in Modern Water's technology, Sunup subscribed for 5,021,353 Ordinary Shares (which constituted 5% of the enlarged issued share capital as at the date of Sunup's subscription) at 11 pence per share (**Sunup Subscription Price**).

The Board also announced at that time its intention to give existing shareholders the opportunity to subscribe for shares at the same price as Sunup. In order to encourage Qualifying Shareholders to participate in the Open Offer the Board has concluded that the Open Offer Shares will be offered to Qualifying Shareholders at the Issue Price, being less than the Sunup Subscription Price.

After considering all available options, the Board believes the Open Offer is the most appropriate way to fulfil that commitment and is in the best interests of both the Company and its shareholders. The Company expects to use the net proceeds of the Open Offer to fund the Group's general working capital requirements.

Hangzhou Shangtuo Environmental Technology Co. Ltd. has irrevocably undertaken to subscribe in full for its Basic Entitlement and also to make application for up to an additional 502,135 Excess Shares under the Excess Application Facility.

4 CURRENT TRADING AND OUTLOOK

Membrane Division

Modern Water's Membrane Division continues to pursue its IP rich, capital light, business model focussing on the sale of technology licences and engineering services to local industrial partners.

In the first half of 2018 the Company's first full scale AMBC brine concentration plant was installed and successfully commissioned in India at a site owned by Bodal Chemicals. The plant has been operating since April 2018 and is a key reference project for Modern Water and our Indian partner, Advent.

The Bodal Chemicals plant treats the challenging waste stream from a textile dyeing factory, but the Company's AMBC pilot plant has also been successfully deployed with a range of other potential customers across a variety of industries and waste streams.

In China, Modern Water agreed to establish a joint venture with Sunup to commercialise Modern Water's AMBC technology in the region. The first AMBC plant, treating waste water from the FGD (flue gas desulphurisation) process at a power station, is due to be commissioned by year end.

Sunup also indicated their confidence in Modern Water's technology and business model by making a direct investment in the Company. In August this year, Sunup invested circa £552,000 for a 5% equity interest in Modern Water at 11 pence per share and was also granted warrants to subscribe for an additional 5,021,353 shares in the Company at a price of 13 pence per share.

Since that investment, the relationship with Sunup has deepened and it recently purchased a licence to use Modern Water's Forward Osmosis (FO) technology to treat landfill leachate, the technically challenging waste water that seeps from landfill sites. Sunup believes that Modern Water's technology will give it a competitive advantage in this market.

The Company believes these growing relationships with partners in India and China will lead to Modern Water's first meaningful Membrane revenue in 2019 and we hope to replicate these relationships with further partners in other regions.

Gibraltar

The Advance Works Contract with HM Government of Gibraltar for the WWTP (Waste Water Treatment plant) continues to progress well and both the Chief Minister and the Environment Minister reiterated their commitment to the project in their budget speeches. Negotiations on the main contract continue and with the target of closing in time to meet the Chief Minister's expectation of starting work this year.

Fabian Picardo, the Chief Minister of Gibraltar, stated in his budget speech "we can expect to see ground broken during the course of this calendar year".

The main contract will be fulfilled in partnership with Northumbrian Water who will operate the completed plant for 20 years. Modern Water's role is the design and build of the plant which is expected to take around 2 years and be worth £22m to the Company.

Monitoring Division

The strong revenue growth seen in H1 2018 has continued into Q3 and we expect full year Monitoring revenue to be the highest since the division was created in 2012/13. This growth is being achieved whilst maintaining the division's attractive 50% gross margin. We expect to reach cash-flow breakeven despite investing heavily in redeveloping and repositioning a number of our key products.

We are particularly satisfied with the growth in revenue in China, which validates management's decision in early 2017 to change strategy and replace an exclusive distribution relationship with a direct sales team. The Monitoring Division's Chinese operation made its first direct sales in H1 and broke even for the first time (on a monthly basis) in Q3.

Historically the Division's bestselling product has been the 25 year old M500, which performs tests that are written into environmental legislation in France, Spain, Italy, Canada and also now Mexico and Taiwan. The majority of our investment in 2018 has been directed at redesigning and upgrading the M500 and the all new Microtox LX will be launched by year end.

We expect this launch to drive a product upgrade cycle in 2019, which will then feed through to growth in consumables sales. Consumables and test kits represent c.50% of the overall division's revenue and, as they are manufactured in-house, are high margin so growth in this area should improve profitability further in 2019.

5 DETAILS OF THE OPEN OFFER

5.1 Structure

The Board has given careful consideration as to the structure of the Open Offer and has concluded that the Open Offer is the most suitable option available to the Company and its Shareholders at this time. Up to 10,042,705 New Ordinary Shares will be issued through the Open Offer at 9 pence per Open Offer Share to raise gross proceeds of up to approximately £0.9 million.

The Issue Price represents a 4.3 per cent. discount to the Closing Price of 9.4 pence per Ordinary Share on the Record Date, and a 18.8 per cent. discount to the 90 day volume weighted average price.

5.2 Principal terms of the Open Offer

The Board considers it important that Qualifying Shareholders have the opportunity to participate in the Open Offer.

The Open Offer provides an opportunity for all Qualifying Shareholders to participate (on and subject to the terms and conditions of the Open Offer) by both subscribing for their respective Basic Entitlements and by applying for Excess Shares under the Excess Application Facility, subject to availability.

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer will not exceed 10,042,705 New Ordinary Shares.

a) Basic Entitlement

Qualifying Shareholders have a Basic Entitlement of:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in the name of the relevant Qualifying Shareholder on the Record Date rounded down to the nearest whole number of Open Offer Shares. Fractions of Open Offer Shares will be disregarded in calculating Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility.

b) Excess Application Facility

Subject to the Allocation Policy set out below and assuming that an individual Qualifying Shareholder has accepted his Basic Entitlement in full, the Excess Application Facility enables that Qualifying Shareholder to apply for any whole number of Excess Shares in addition to his Basic Entitlement.

The Company proposes to adopt the following Allocation Policy:

- i. subject always to sub-paragraph (ii) below, the Excess Shares will be allocated at the Board's absolute discretion; and**
- ii. valid applications by Qualifying Shareholders for Excess Shares will be allocated up to such number of Excess Shares (rounded down to the nearest whole number of Excess Shares) as would enable such Qualifying Shareholder to maintain his percentage holding in Ordinary Shares immediately following the Open Offer at his Current Percentage Holding.**

Save to the extent stated above, no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

c) New Ordinary Shares not taken up under the Open Offer

In the event that valid acceptances are not received in respect of all of the Open Offer Shares under the Open Offer, unallocated Open Offer Shares will be allotted in such manner as the Directors may, in their absolute discretion, determine.

5.3 Application procedure under the Open Offer

Qualifying Shareholders may apply for any whole number of Open Offer Shares.

In the case of Qualifying Non-CREST Shareholders, the number of Open Offer Shares in respect of his Basic Entitlement is shown in Box 4 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlements.

Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and also in respect of their Excess CREST Entitlement as soon as practicable after 8:00 a.m. on 12 October 2018.

Application will be made for the Basic Entitlements and Excess CREST Entitlements to be admitted to CREST. The Basic Entitlements and Excess CREST Entitlements will also be enabled for settlement in CREST as soon as practicable after 8:00 a.m. on 12 October 2018. Applications through the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part II of this document and, where relevant, on the Application Form.

5.4 Conditionality

The Open Offer is conditional, inter alia, upon Admission occurring by no later than 8:00 a.m. on 30 October 2018 (or such later times and/or dates as may be agreed between the Company and W H Ireland, being no later than 8:00 a.m. on 6 November 2018).

If the condition is not satisfied or waived the Open Offer will lapse and any Basic Entitlements and Excess CREST Entitlements admitted to CREST will, after that time and date, be disabled and application monies under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders and by way of a CREST payment in the case of Qualifying CREST Shareholders, without interest, as soon as practicable thereafter.

5.5 Application for Admission

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Admission of the New Ordinary Shares is expected to take place, and dealings on AIM are expected to commence, at 8:00 a.m. on 30 October 2018 (or such later times and/or dates as may be agreed between the Company and W H Ireland). No temporary document of title will be issued.

The New Ordinary Shares will, following Admission, rank pari passu in all respects with the Existing Ordinary Shares in issue at the date of this document and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

5.6 Important notice

Shareholders should note that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. Qualifying Shareholders should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market on behalf of, or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility.

Qualifying Shareholders are being invited to participate in the Open Offer and (subject to certain exceptions) will have received an Application Form with this document.

In issuing this document and structuring the Open Offer in this manner, the Company is relying on the exemption from issuing a prospectus in section 86(1)(e) and on paragraphs 43 and 60 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to the date on which the shares are marked 'ex-entitlement' is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

6 EFFECT OF THE OPEN OFFER

Assuming full take-up under the Open Offer upon completion the New Ordinary Shares will represent approximately 9.1 per cent. of the Enlarged Share Capital.

7 ACTION TO BE TAKEN IN RESPECT OF THE OPEN OFFER

7.1 Qualifying Non-CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in certificated form)

If you are a Qualifying Non-CREST Shareholder you will receive an Application Form which gives details of your Basic Entitlement under the Open Offer (as shown in Box 4 of the Application Form). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 4.1 of Part II of this document and on the Application Form itself.

Qualifying Non-CREST Shareholders who wish to subscribe for more than their Basic Entitlements should complete Boxes 6, 7, 8 and 9 on the Application Form. Completed Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1 of Part II of this document, should be posted using the accompanying reply-paid envelope (if posted from the UK only) or returned by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, in either case, as soon as possible and in any event so as to be received by no later than 11:00 a.m. on 26 October 2018. If you

do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form.

7.2 Qualifying CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in uncertificated form)

If you are a Qualifying CREST Shareholder you will not be sent an Application Form. You will receive a credit to your appropriate stock account in CREST in respect of your Basic Entitlement under the Open Offer and also an Excess CREST Entitlement for use in connection with the Excess Application Facility. You should refer to the procedure for application set out in paragraph 4.2 of Part II of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.2 of Part II of this document by no later than 11:00 a.m. on 26 October 2018.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

8 OVERSEAS SHAREHOLDERS

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, subject to certain exceptions, custodians, nominees, trustees and agents), or who have a contractual or other legal obligation to forward this document, the Form of Proxy or (if applicable) an Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part II (Terms and Conditions of the Open Offer) of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including, without limitation, the United States or any other Restricted Jurisdiction) should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Open Offer.

9 RISK FACTORS

Shareholders should carefully consider the risks described in Part III of this document before making a decision to invest in the Company.

10 RECOMMENDATION

The Directors consider that the Open Offer is in the best interests of the Company and its Shareholders.

Yours faithfully,

Alan Wilson
Non-Executive Chairman
Modern Water plc

PART II
TERMS AND CONDITIONS OF THE OPEN OFFER

1 INTRODUCTION

As explained in Part I of this document the Company proposes to issue 10,042,705 Open Offer Shares at the Issue Price in order to raise approximately £0.9 million (before expenses) by way of the Open Offer.

The Open Offer is an opportunity for Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer. Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Basic Entitlements to the extent that other Qualifying Shareholders do not take up their Basic Entitlements in full.

The New Ordinary Shares to be issued pursuant to the Open Offer will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to 8:00 a.m. on 11 October 2018, when the Existing Ordinary Shares are marked 'ex' the entitlement to the Open Offer, is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchaser(s) under the rules of the London Stock Exchange.

The Open Offer is not conditional upon the level of applications made to subscribe under the Open Offer or upon any minimum level of proceeds being raised. For the purposes of section 578 of the Act, the Open Offer is being made on the basis that the Open Offer Shares subscribed for will be allotted in any event to applicants under the Open Offer (subject to the terms and conditions set out in this document and the Application Form).

A summary of the arrangements relating to the Open Offer is set out below. This document and, for Qualifying Non-CREST Shareholders, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part II which gives details of the procedure for application and payment for the Open Offer Shares. The attention of Overseas Shareholders is drawn to paragraph 6 of this Part II.

2 THE OPEN OFFER

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares (subject to the limit on the number of Excess Shares that can be applied for using the Excess Application Facility) at the Issue Price (payable in full on application and free of all expenses) and will have a Basic Entitlement of:

1 Open Offer Share for every 10 Existing Ordinary Shares

registered in the name of each Qualifying Shareholder on the Record Date. Valid applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

Basic Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Shareholders may apply to acquire less than their Basic Entitlements should they so wish.

Subject to the Allocation Policy, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Basic Entitlements in full, to apply for further Open Offer Shares in excess of their Basic Entitlements.

Please refer to paragraphs c) and c) of this Part II for further details of the Excess Application Facility.

Please note that holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.

Qualifying CREST Shareholders will have their Basic Entitlements and Excess CREST Entitlements credited to their stock accounts in CREST and should refer to paragraph 4.2 of this Part II and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for any whole number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to above. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 4 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST.

Subject to the Allocation Policy, Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlements should complete Boxes 6, 7, 8 and 9 on the Application Form.

Qualifying Shareholders should note that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess CREST Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Qualifying Shareholders should be aware that in the Open Offer, unlike with a rights issue, any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlements will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and that the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding(s) of Existing Ordinary Shares prior to 8:00 a.m. on 11 October 2018 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchaser(s) under the rules of the London Stock Exchange.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application will be made for the Basic Entitlements and Excess CREST Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Basic Entitlements and Excess CREST Entitlements will be admitted to CREST as soon as practicable after the admission date.

The Open Offer Shares will be issued credited as fully paid and will rank pari passu in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3 CONDITIONS AND FURTHER TERMS OF THE OPEN OFFER

The Open Offer is conditional upon Admission becoming effective by not later than 8:00 a.m. on 30 October 2018 (or such later times and/or dates as the Company and W H Ireland may agree, being no later than 8:00 a.m. on 6 November 2018).

Accordingly, if this condition is not satisfied or waived, the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or before 6 November 2018. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares will be credited to their stock accounts maintained in CREST as soon as practicable after Admission.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 30 October 2018, when dealings in the Open Offer Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a separate non-interest bearing bank account opened solely for the Open Offer.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4 PROCEDURE FOR APPLICATION AND PAYMENT

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has an Application Form in respect of his Basic Entitlement or a Qualifying Shareholder has a Basic Entitlement credited to his CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form (that is, not in CREST) will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form (that is, in CREST) will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Shares into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph g) of this Part II.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements and Excess CREST Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess CREST Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

4.1 If you have an Application Form in respect of your entitlement under the Open Offer

a) General

Subject as provided in paragraph 6 of this Part II in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 3. It also shows the number of Open Offer Shares which represents their Basic Entitlements under the Open Offer as shown by the total number of Basic Entitlements allocated to them set out in Box 4. Box 5 shows how much they would need to pay if they wish to take up their Basic Entitlements in full. Qualifying Non-CREST Shareholders wishing to take up their Basic Entitlements in full should complete Boxes 6, 8 and 9.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Non-CREST Shareholders' Basic Entitlements and will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlements should they wish to do so. Qualifying Non-CREST Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlements may do so by completing Boxes 6, 8 and 9 of the Application Form. Subject to availability, and assuming that Qualifying Shareholders have accepted their Basic Entitlements in full, Qualifying Non-CREST Shareholders may also apply for any whole number of Excess Shares in excess of their Basic Entitlements by completing Boxes 6, 7, 8 and 9 of the Application Form (see paragraph 4.1c) of this Part II). Qualifying Non-CREST Shareholders may hold an Application Form by virtue of a bona fide market claim (see paragraph 4.1b) of this Part II).

The instructions and other terms set out in the Application Form part of the terms of the Open Offer to Qualifying Non-CREST Shareholders.

b) Bona fide market claims

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy bona fide market claims up to 3:00 p.m. on 24 October 2018. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 11 on the Application Form and immediately send it to either the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the Receiving Agent in accordance with the instructions set out in the accompanying Application Form. Subject to certain exceptions, the Application Form should not, however, be forwarded to or transmitted in or into a Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph b) of this Part II.

c) Excess Application Facility

Subject to the Allocation Policy, and assuming that a Qualifying Non-CREST Shareholder has accepted its Basic Entitlement in full, a Qualifying Non-CREST Shareholders may apply to acquire Excess Shares using the Excess Application Facility, should it wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Boxes 6, 7, 8 and 9 of the Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Excess Applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in accordance with the Allocation Policy and no assurance can be given that the applications by Qualifying Non-CREST Shareholders will be met in full or in part or at all.

Any Shareholder with a holding of less than 10 Ordinary Shares at Record Date will not receive a Basic Entitlement but may apply to acquire Excess Shares using the Excess Application Facility.

Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

Fractions of Excess Shares will not be issued under the Excess Application Facility and allocations of Excess Shares will be rounded to the nearest whole number equal to or lower than the number of Excess Shares applied for.

d) Application procedures

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Application Form in accordance with the instructions printed on it. Completed Application Forms should be posted in the accompanying reply-paid envelope or returned by post or by hand (during normal office hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer), so as to be received by the Receiving Agent by no later than 11:00 a.m. on 26 October 2018, after which time Application Forms will not be valid (subject to certain exceptions described below). Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery.

Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided.

Completed Application Forms should be returned with a cheque drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through facilities provided by any of those companies or committees. Such cheques must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on the application.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to Link Market Services Limited Re: Modern Water plc Open Offer A/C and crossed 'A/C Payee Only'. Third party cheques may not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds by completing the account name on the back of the cheque or draft and adding the branch stamp) may not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques will be presented for payment on receipt and it is a term of the Open Offer that cheques will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. If cheques are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

The Company may in its sole discretion (but shall not be obliged to) treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- i. Application Forms received after 11:00 a.m. on 26 October 2018; or
- ii. applications in respect of which remittances are received before 11:00 a.m. on 26 October 2018 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted and issued to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, W H Ireland or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

e) Effect of application

By completing and delivering an Application Form, the applicant:

- i. represents and warrants to the Company and W H Ireland that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- ii. agrees with the Company and W H Ireland that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;

- iii. confirms to the Company and W H Ireland that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Group contained in this document;
- iv. confirms to the Company and W H Ireland that in making the application he is not relying and has not relied on W H Ireland or any other person affiliated with W H Ireland in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- v. confirms to the Company and W H Ireland that no person has been authorised to give any information or to make any representation concerning the Group or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company or W H Ireland;
- vi. represents and warrants to the Company and W H Ireland that he is the Qualifying Shareholder originally entitled to the Basic Entitlements or that he received such Basic Entitlements by virtue of a bona fide market claim;
- vii. represents and warrants to the Company and W H Ireland that if he has received some or all of his Basic Entitlement from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a bona fide market claim;
- viii. requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles of Association of the Company;
- ix. represents and warrants to the Company and W H Ireland that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- x. confirms that the Open Offer Shares have not been offered to the applicant by the Company, W H Ireland or any of their affiliates, by means of any: (a) 'directed selling efforts' as defined in Regulation S under the US Securities Act; or (b) 'general solicitation' or 'general advertising' as defined in Regulation D under the US Securities Act;
- xi. acknowledges and agrees that, pursuant to the General Data Protection Regulation as implemented in the United Kingdom by the Data Protection Act 2018 (GDPR) the Company and/or the Registrars and/or WH Ireland, may hold personal data (as defined in the GDPR) relating to past and present Shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Company, the Registrars and/or WH Ireland will only process such information for the purposes set out below (collectively, the **Purposes**), being to:
 - a. process his personal data to the extent and in such manner as is necessary for the performance of their obligations under the contractual arrangements between them, including as required by or in connection with his holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on him;
 - b. communicate with him as necessary in connection with his affairs and generally in connection with his holding of Ordinary Shares;

- c. provide personal data to such third parties as the Company, the Registrars and/or WH Ireland may consider necessary in connection with his affairs and generally in connection with his holding of Ordinary Shares or as the GDPR may require, including to third parties outside the European Economic Area;
 - d. without limitation, provide such personal data to their respective affiliates for processing, notwithstanding that any such party may be outside the European Economic Area; and
 - e. process his personal data for the Company's, the Registrars' and/or WH Ireland's internal administration;
- xii. by becoming registered as a holder of Open Offer Shares, he acknowledges and agrees that the processing by the Company and/or the Registrars and/or WH Ireland of any personal data relating to him in the manner described above is undertaken for the purposes of:
- a. the performance of the contractual arrangements between them; and
 - b. complying with applicable legal obligations.
- xiii. represents and warrants to each of the Company, the Registrar and W H Ireland that he has notified any data subject of the processing of their personal data (including the details set out above) by the Company, the Registrars and/or WH Ireland and any of their respective affiliates and group companies, in relation to the holding of, and using, their personal data for the Purposes.
- xiv. acknowledges that any individual whose personal information is held or processed by a data controller has the right to:
- a. ask for a copy of their personal information held;
 - b. ask for any inaccuracies to be corrected or for his personal information to be erased;
 - c. object to the ways in which his information is used, and ask for his information to stop being used or otherwise restricted; and
 - d. ask for his personal information to be sent to him or to a third party (as permitted by law). A data subject seeking to enforce these rights should contact the relevant data controller. Individuals also have the right to complain to the UK Information Commissioner's Office about how his personal information has been handled; and
- xv. represents and warrants to the Company and W H Ireland that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

For all enquiries in connection with the procedure for application and completion of the Application Form, please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. – 5:00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

4.2 If you have Basic Entitlements and Excess CREST Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer

a) General

Subject as provided in paragraph 6 of this Part II in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST in respect of his Basic Entitlement and also in respect of his Excess CREST Entitlement (subject to the Allotment Policy) (see paragraph 4.2c) of this Part II for further details). Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess CREST Entitlements have been allocated.

If for any reason the Basic Entitlements and/or Excess CREST Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by close of business on 12 October 2018, or such later time and/or date as the Company and W H Ireland may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Entitlements which should have been credited to his stock account in CREST. In these circumstances, the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. – 5:00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

b) Bona fide market claims

Each of the Basic Entitlements and the Excess CREST Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and the Excess CREST Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and the Excess CREST Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as 'cum' the Basic Entitlement and the Excess CREST Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess CREST Entitlement(s) will thereafter be transferred accordingly.

c) Excess Application Facility

Subject to availability, and assuming that a Qualifying CREST Shareholder has accepted its Basic Entitlements in full, that Qualifying CREST Shareholder may apply to acquire Excess Shares using the Excess Application Facility, should it wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess Shares in excess of their Basic Entitlements subject always to the Allocation Policy.

An Excess CREST Entitlement may not be sold or otherwise transferred other than as part of a bona fide market claim.

Subject as provided in paragraph 6 of this Part II in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of bona fide market claims only). Neither the Basic Entitlements nor the Excess CREST Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2d) below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as 'cum' the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess CREST Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess CREST Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE

instruction must be sent to Euroclear in respect of any application under the Excess CREST Entitlement.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded to the nearest whole number equal to or lower than the number of Excess Shares applied for.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility, subject always to the Allocation Policy.

Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's sole risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

d) USE instructions

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlements and Excess CREST Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- i. the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Basic Entitlements and/or Excess CREST Entitlements corresponding to the number of Open Offer Shares applied for; and
- ii. the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2d)i above.

e) Content of USE instruction in respect of Basic Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- i. the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Receiving Agent);
- ii. the ISIN of the Basic Entitlement. This is GB00BFXCLH10;
- iii. the CREST participant ID of the accepting CREST member;
- iv. the CREST member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- v. the participant ID of Link Asset Services in its capacity as Receiving Agent. This is 7RA33;
- vi. the member account ID of Link Asset Services in its capacity as Receiving Agent. This is 29898MOD;
- vii. the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2e)i above;
- viii. the intended settlement date. This must be on or before 11:00 a.m. on 26 October 2018; and
- ix. the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 26 October 2018.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- i. a contact name and telephone number (in the free format shared note field); and

- ii. a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 11:00 a.m. on 26 October 2018 in order to be valid is 11:00 a.m. on that day.

In the event that the Open Offer does not become unconditional the Open Offer will lapse, the Basic Entitlements and Excess CREST Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

f) Content of USE instruction in respect of Excess CREST Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- i. the number of Open Offer Shares for which the application is being made (and hence the number of the Excess CREST Entitlement(s) being delivered to the Receiving Agent);
- ii. the ISIN of the Excess CREST Entitlement. This is GB00BFMWYM82;
- iii. the CREST participant ID of the accepting CREST member;
- iv. the CREST member account ID of the accepting CREST member from which the Excess CREST Entitlements are to be debited;
- v. the participant ID of Link Asset Services in its capacity as Receiving Agent. This is 7RA33;
- vi. the member account ID of Link Asset Services in its capacity as Receiving Agent. This is 29898MOD;
- vii. the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.2f)i above;
- viii. the intended settlement date. This must be on or before 11:00 a.m. on 26 October 2018; and
- ix. the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 26 October 2018.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- i. a contact name and telephone number (in the free format shared note field); and
- ii. a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 26 October 2018 in order to be valid is 11:00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Entitlement security.

In the event that the Open Offer does not become unconditional the Open Offer will lapse, the Basic Entitlements and Excess CREST Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

g) Deposit of Basic Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Basic Entitlements and Excess CREST Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer can be applied for through an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 3:00 p.m. on 23 October 2018. After depositing their Basic Entitlements into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Entitlement.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements or Excess CREST Entitlements in CREST, is 3:00 p.m. on 23 October 2018 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Basic Entitlements or Excess CREST Entitlements from CREST is 4:30 p.m. on 22 October 2018, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and the Excess CREST Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements or in respect of the Excess CREST Entitlements, as the case may be, prior to 11:00 a.m. on 26 October 2018. CREST holders inputting the withdrawal of their Basic Entitlements from their CREST account must ensure that they withdraw both their Basic Entitlements and the Excess CREST Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed 'Instructions for depositing entitlements under the Open Offer into CREST' on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it is/they are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

h) Validity of application

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11:00 a.m. on 26 October 2018 will constitute a valid application under the Open Offer.

i) CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11:00 a.m. on 26 October 2018. In this connection CREST members and (where applicable) their CREST sponsors are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

j) Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- i. to reject the application in full and refund the payment to the CREST member in question, without payment of interest;
- ii. in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, without payment of interest; and

- iii. in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question, without payment of interest.

k) Effect of valid application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- i. represents and warrants to the Company and W H Ireland that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- ii. agrees with the Company to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- iii. agrees with the Company and W H Ireland that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England;
- iv. confirms to the Company and W H Ireland that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained herein and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Group contained in this document;
- v. confirms to the Company and W H Ireland that in making the application he is not relying and has not relied on W H Ireland or any other person affiliated with W H Ireland in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- vi. confirms to the Company and W H Ireland that no person has been authorised to give any information or to make any representation concerning the Group or the Open Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company or W H Ireland;
- vii. represents and warrants to the Company and W H Ireland that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess CREST Entitlements or that he has received such Basic Entitlements and Excess CREST Entitlements by virtue of a bona fide market claim;
- viii. represents and warrants to the Company and W H Ireland that if he has received some or all of his Basic Entitlement and Excess CREST Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Basic Entitlements and Excess CREST Entitlements by virtue of a bona fide market claim;
- ix. requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company;
- x. represents and warrants to the Company and W H Ireland that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has

been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- xi. confirms that the Open Offer Shares have not been offered to the applicant by the Company, W H Ireland or any of their affiliates, by means of any: (a) 'directed selling efforts' as defined in Regulation S under the US Securities Act; or (b) 'general solicitation' or 'general advertising' as defined in Regulation D under the US Securities Act;
- xii. acknowledges and agrees that, pursuant to the General Data Protection Regulation as implemented in the United Kingdom by the Data Protection Act 2018 (GDPR) the Company and/or the Registrars and/or WH Ireland, may hold personal data (as defined in the GDPR) relating to past and present Shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Company, the Registrars and/or WH Ireland will only process such information for the purposes set out below (collectively, the **Purposes**), being to:
 - a. process his personal data to the extent and in such manner as is necessary for the performance of their obligations under the contractual arrangements between them, including as required by or in connection with his holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on him;
 - b. communicate with him as necessary in connection with his affairs and generally in connection with his holding of Ordinary Shares;
 - c. provide personal data to such third parties as the Company, the Registrars and/or WH Ireland may consider necessary in connection with his affairs and generally in connection with his holding of Ordinary Shares or as the GDPR may require, including to third parties outside the European Economic Area;
 - d. without limitation, provide such personal data to their respective affiliates for processing, notwithstanding that any such party may be outside the European Economic Area; and
 - e. process his personal data for the Company's, the Registrars' and/or WH Ireland's internal administration;
- xiii. by becoming registered as a holder of Open Offer Shares, he acknowledges and agrees that the processing by the Company and/or the Registrars and/or WH Ireland of any personal data relating to him in the manner described above is undertaken for the purposes of:
 - a. the performance of the contractual arrangements between them; and
 - b. complying with applicable legal obligations.
- xiv. represents and warrants to each of the Company, the Registrar and W H Ireland that he has notified any data subject of the processing of their personal data (including the details set out above) by the Company, the Registrars and/or WH Ireland and any of their respective affiliates and group companies, in relation to the holding of, and using, their personal data for the Purposes.
- xv. acknowledges that any individual whose personal information is held or processed by a data controller has the right to:
 - a. ask for a copy of their personal information held;
 - b. ask for any inaccuracies to be corrected or for his personal information to be erased;
 - c. object to the ways in which his information is used, and ask for his information to stop being used or otherwise restricted; and
 - d. ask for his personal information to be sent to him or to a third party (as permitted by law). A data subject seeking to enforce these rights should contact the relevant data controller. Individuals also have the right to complain to the UK Information Commissioner's Office about how his personal information has been handled; and
- xvi. represents and warrants to the Company and W H Ireland that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates

referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

l) Company's discretion as to the rejection and validity of applications

The Company may in its sole discretion but with the prior consent of W H Ireland:

- i. treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II;
- ii. accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- iii. treat a properly authenticated dematerialised instruction (in this sub-paragraph the 'first instruction') as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- iv. accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5 MONEY LAUNDERING REGULATIONS

5.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the 'verification of identity requirements'). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the 'acceptor'), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the 'relevant Open Offer Shares') and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity and address within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its

absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Receiving Agent and the Company and W H Ireland from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- i. if the applicant is an organisation required to comply with the Fourth Money Laundering Directive 2015/849/EU of the European Parliament and of the Council of 20th May 2015 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing and the Funds Transfer Regulation 2015/847/EU of the European Parliament and of the Council of 20th May 2015 on information accompanying transfers of funds; or
- ii. if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- iii. if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- iv. if the aggregate subscription price for the Open Offer Shares is less than €10,000 (approximately £8,740 as at the Latest Practicable Date).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- v. if payment is made by cheque in sterling drawn on a branch in the UK of a bank or building society which bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, should be made payable to 'Link Market Services Limited Re: Modern Water plc Open Offer A/C' in respect of an application by a Qualifying Shareholder and crossed 'A/C Payee Only' in each case. Third party cheques may not be accepted. The account name should be the same as that shown on the Application Form; or
- vi. if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 5.1v above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, the Republic of Korea, the Republic of South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent. If the agent is not such an organisation, it should contact the Receiving Agent at Link Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

To confirm the acceptability of any written assurance referred to in paragraph 5.1vi above, or in any other case, the acceptor must contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. – 5:00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €10,000 (approximately £8,740 as at the Latest Practicable Date) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11:00 a.m. on 26 October 2018, the Receiving Agent has not received evidence

satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the applicant (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid) .

5.2 Basic Entitlements and Excess CREST Entitlements in CREST

If you hold your Basic Entitlements and Excess CREST Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements and Excess CREST Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence as to the identity of the person or persons on whose behalf the application is made.

6 OVERSEAS SHAREHOLDERS

The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this document and the Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company or W H Ireland or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or application forms relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK.

Receipt of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Due to restrictions under the securities laws of the Restricted Jurisdictions, Application Forms will not be sent to, and neither Basic Entitlements nor Excess CREST Entitlements will be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use any such Application Form and/or credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form and/or credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees for any such person) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company or W H Ireland (nor any of their respective representatives) is making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess CREST Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST is received by any person in any such territory, or by his custodian, agent, nominee or trustee, he must not seek to apply for Open Offer Shares unless the Company and W H Ireland determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements or Excess CREST Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part II and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.6 below, any person (including, without limitation, custodians, agents, nominees and trustees for any such person) outside the UK wishing to apply for Open Offer Shares must satisfy himself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and pay any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched by an Excluded Overseas Shareholder or on behalf of such a person by their agent or intermediary or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of Basic Entitlements or Excess CREST Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted Jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 to 6.6 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Qualifying Shareholder who is an Excluded Overseas Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such an Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of a Basic Entitlement or an Excess CREST Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 United States

Subject to certain exceptions, this document is intended for use only in connection with offers of Open Offer Shares outside the United States and neither this document nor any Application Form is to be sent or given to any person within the United States. The Open Offer Shares offered hereby are not being registered under the US Securities Act, for the purposes of sales outside of the United States.

This document may not be transmitted in or into the United States and may not be used to make offers or sales to US Overseas Shareholders of Existing Ordinary Shares.

Subject to certain exceptions, the Open Offer Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the US Securities Act.

Each person to which the Open Offer Shares are distributed, offered or sold outside the United States will be deemed by its subscription for the Open Offer Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing the Open Offer Shares, as the case may be, that:

- i. it is acquiring the Open Offer Shares from the Company in an 'offshore transaction' as defined in Regulation S under the US Securities Act; and
- ii. the Open Offer Shares have not been offered to it by the Company or W H Ireland or any of their affiliates by means of any 'directed selling efforts' as defined in Regulation S under the US Securities Act.

Each subscriber acknowledges that the Company and W H Ireland will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber by its subscription for the Open Offer Shares are no longer accurate, it shall promptly notify the Company and W H Ireland. If such subscriber is subscribing for the Open Offer Shares as a fiduciary or agent for one or more investor accounts, each subscriber represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber acknowledges that it will not resell the Open Offer Shares without registration or an available exemption or safe harbour from registration under the US Securities Act.

6.3 Other Restricted Jurisdictions

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

6.4 Other overseas territories

Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements or Excess CREST Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

6.5 Representations and warranties relating to Overseas Shareholders

a) Qualifying Non-CREST Shareholders

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, W H Ireland and the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- i. such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction;
- ii. such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares or to use the Application Form in any manner in which such person has used or will use it;
- iii. such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and
- iv. such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it:
 - v. appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
 - vi. provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or
- vii. purports to exclude the representation and warranty required by this sub-paragraph 6.5a).

b) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II represents and warrants to the Company and W H Ireland that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- i. neither it nor its client is within any Restricted Jurisdiction;
- ii. neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares;
- iii. it is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in ii above at the time the instruction to accept was given; and
- iv. neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6.6 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion with the prior consent of W H Ireland. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7 NO WITHDRAWAL RIGHTS

An application under the Open Offer once made is irrevocable and cannot be withdrawn or changed.

8 ADMISSION, SETTLEMENT AND DEALINGS

The result of the Open Offer is expected to be announced on 29 October 2018. Application will be made to AIM for admission to trading of the New Ordinary Shares. It is expected that, subject to the Open Offer becoming unconditional in all respects (save for Admission). Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8:00 a.m. on 30 October 2018.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Basic Entitlements and Excess CREST Entitlements held in CREST are expected to be disabled in all respects after 11:00 a.m. on 26 October 2018 (being the latest time for receipt for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, the Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for the Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 30 October 2018, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 30 October 2018). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess CREST Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be despatched by post by 6 November 2018. No temporary documents of title will be issued and, pending the issue of definitive certificates transfers will be certified against the register of members of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part II, and the Application Form.

The result of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as reasonably practicable after the results are known.

9 TIMES AND DATES

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall make an announcement on a Regulatory Information Service.

10 SHARE OPTION SCHEMES

The Open Offer is not being extended to the holders of Options, save to the extent that any such Options are or have been validly exercised and Ordinary Shares have been allotted in consequence of such exercise prior to the Record Date.

11 GOVERNING LAW AND JURISDICTION

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Application Form Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART III RISK FACTORS

Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part III contains what the Directors believe to be the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Group's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the New Ordinary Shares could decline and an investor may lose all or part of their investment. There can be no certainty that the Group will be able to implement successfully the strategy set out in this document or documents referred to in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Group.

This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

1 PRINCIPAL RISKS AND UNCERTAINTIES RELATING TO THE GROUP

The business of the Group is subject to a number of potential risks and uncertainties including those listed below. The occurrence of any of these risks may materially and adversely affect the business, financial condition, results of operations and future prospects of the Group.

1.1 Customer acceptance of the Group's technologies and emergence of competing technologies

The Group's success depends on potential customer acceptance of its products and processes. There are significant risks in predicting the size and timing of material revenue. The target customers of the Group's products and processes are often in developing countries which carry additional potential risks. The Group seeks to address these risks by building a track record and proving technology capabilities to future customers and industry players. The Group has increased investment in business development as product development progresses. The Company has formed a number of strategic partnerships to create local presence in target countries, overcome pre-qualification criteria on contract tendering and establish new routes to market. The range of applications for the Group's products provides mitigation against the risk of failure in a specific country or application. The Group continues to invest in research and development (R&D) to mitigate the risk of the emergence of competitor technologies.

1.2 Socio-political risks

Modern Water operates, and is looking to secure further contracts and sales, in a number of countries around the world. This exposes the Group to a range of social and political developments and consequentially to potential changes in the operating, regulatory and legal environment. The Group operates and generates revenue in countries where political, economic and social transition is taking place. Some countries have experienced, or may experience in the future, political instability, changes to the regulatory environment, changes in taxation, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections. Any of these conditions occurring could disrupt our operations and revenue. The Group seeks to manage these risks through diversifying the regions in which it operates.

1.3 Scaling up the technology

The Group's Membrane Division and certain monitoring products are not yet well established commercially. They have been developed over recent years and whilst the proving of the technology is largely complete there remain significant risks associated with commercialising technology and a

portfolio of new products. There are technology and procurement risks in scaling up the products through to large scale commercial deployment. The Group seeks to mitigate these risks through the use of partners with proven manufacturing and fabrication capabilities, rather than developing in-house capabilities, and through the development and operation of pilot plants prior to full commercial deployment.

Additionally there are risks related to developing the optimum contract, royalty and licensing models to derive value from the products. The Group manages these risks through employment of executives and senior management with significant experience both in the water industry and in the development and growth of early stage companies.

1.4 Intellectual Property (IP) protection

The Group's ability to generate value from its products depends in part on the development and protection of its IP. The Group assigns significant resources, both internally through the Company's General Counsel and technical staff, and externally through patent attorneys, to enhance and protect its patented and non-patented IP.

1.5 Recruitment and retention of key personnel

The Group's directors and employees are highly qualified and experienced. Recruiting and retaining key staff is critical to the Group's overall success. Knowledge and experience of the Group's products and customer base is retained by a relatively small number of individuals. The risk of staff loss is mitigated through its HR policies, competitive remuneration (including the Modern Water plc Incentive Plan), performance appraisals and training.

1.6 Health and safety

There are inherent health and safety risks with the deployment of the core membrane and monitoring products. The mitigation of any health and safety events involving the Group's products is key to the strategy for growth. The Group mitigates its health and safety risks through its Group Health and Safety Policy, which includes regular reporting to the Board and to the Management Team.

1.7 Capital risks

It may be desirable for the Company to raise additional capital by way of the further issue of Ordinary Shares to enable the Company to progress through further stages of development. Any additional equity financing may be dilutive to shareholders. There can be no assurance that such funding, if required, will be available to the Company.

2 RISKS RELATING TO THE ORDINARY SHARES

2.1 The market of the Ordinary Shares may fluctuate significantly

The market price of the Ordinary Shares may, in addition to being affected by the Group's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Group's control, including among others:

- a. changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- b. fluctuations in stock market prices and volumes, and general market volatility;

Any or all of these events could result in a material decline in the market price of the Ordinary Shares, regardless of the actual performance of the Group. Shareholders should be aware that the value of the Ordinary Shares may go down as well as up and may not reflect the underlying asset values or prospects of the Group.

2.2 Future need for access to capital

Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions in financing and operating activities. In addition, there can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on

terms favourable to it. If the Group is unable to obtain additional financing as needed it may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

2.3 Investment in publicly quoted securities

Investment in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the 'Official List' in the UK and traded on the London Stock Exchange's main market for listed securities. An investment in Ordinary Shares traded on AIM may be difficult to realise. Admission to AIM does not guarantee that there will be a liquid market for New Ordinary Shares. An active public market for New Ordinary Shares may not develop or be sustained after Admission and the market price of the Ordinary Shares may fall below the Issue Price. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

2.4 Potentially volatile share price and liquidity

The share price of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Group and its operations and some which affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of Ordinary Shares in the Company, legislative changes and general, economic, political or regulatory conditions.