



Anglian Water Services Financing Plc

(incorporated with limited liability in England and Wales under the United Kingdom Companies Act 1985, as amended from time to time, with registered number 4330322)

€10,000,000,000

Global Secured Medium-Term Note Programme unconditionally and irrevocably guaranteed by, *inter alios*,

Anglian Water Services Limited

(incorporated with limited liability in England and Wales with registered number 2366656)

This Supplement (the “**Supplement**”) to the prospectus dated 30 September 2019 (the “**Base Prospectus**”) (which comprises a base prospectus together with a supplementary prospectus dated 3 December 2019 (together with the Base Prospectus, the “**Prospectus**”)) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the €10,000,000,000 Global Secured Medium Term Note Programme (the “**Programme**”) established by Anglian Water Services Financing plc (the “**Issuer**”).

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Issuer. The purpose of this Supplement is to (a) update the disclosure in the Prospectus for (i) regulatory developments relating to Ofwat’s Final Determination in respect of the revenues and other matters of Anglian Water Services Limited (“**AWS**”) and AWS’ subsequent appeal to the Competition and Markets Authority (the “**CMA**”) and (ii) the risks associated with the Coronavirus Pandemic (“**COVID-19**”) and (b) incorporate by reference into the Prospectus the preliminary financial results of AWS for the year ended 31 March 2020 (such preliminary financial results being consolidated to include the Issuer). The Issuer and Anglian Water Services Limited, being the persons responsible for the financial information included in the consolidated preliminary financial results, approve such preliminary financial information.

Unless otherwise defined in this Supplement, terms defined in the Prospectus have the same meaning when used in this Supplement. Unless stated otherwise, page numbers referred to in this Supplement refer to pages in the Prospectus.

The Issuer and each of Anglian Water Services Limited, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited (together with the Issuer, being the “**Obligors**”) accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the other Obligors (as appropriate) (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The following updates impact on the Risk Factors section (the risks described under “*Price Controls*” and “*Revenue Control*”) and Chapter 10 of the Prospectus covering the regulation of the water industry.

Update on the Final Determination

On 16 December 2019, Ofwat published its final determination (the “**FD**”) of price controls for the five-year period commencing on 1 April 2020.

Notable changes from the Draft Determination (the “**DD**”) published by on 18 July 2019 include the following:

- The total wholesale revenue allowed in the FD is £5,708.1 million compared with £5,432.3 million in the DD and £6,341.3 million in the submitted company business plan.

- The underlying appointee allowed rate of return is 2.96 per cent. on the CPIH-indexed portion of the RAV, and 1.96 per cent. on the RPI-indexed portion of the RAV, which is 23 basis points lower than the rate of return allowed in the DD.

- The FD provides total investment of £5,712.7m compared to the £6,460.5m contained in the business plan. This reflects an investment challenge of around £747.8m.

Despite some modifications from DD, Ofwat’s performance targets so that they are less demanding. However, they continue to be more stretching than those proposed by the business. As a result, taken as a package, the ODIs put forward in the FD would be expected to deliver a RoRE (return on regulated equity) range of minus 1.93 per cent. to plus 0.77 per cent. compared with minus 3.14 per cent. to plus 0.47 per cent at the DD stage.

Anglian Water’s appointed area faces specific challenges such as changing climate and a population growing faster than almost anywhere else in the UK. The business plan was specifically tailored to address these challenges. With this in mind, on 14 February 2020, the board of AWS requested that Ofwat refer the FD for its wholesale price control to the CMA for re-determination as AWS considered that the FD did not achieve the right balance between bill reductions, capital maintenance and investment. Three other companies (Bristol Water, Yorkshire Water and Northumbrian Water) also requested that Ofwat refer their FDs to the CMA. Ofwat formally made all four references to the CMA on 19th March 2020.

Throughout the CMA process AWS will remain focused on continuing to deliver operational excellence in serving its customers.

Process of appeal to the CMA

The CMA referral is ongoing and a final decision is not expected from the CMA until March 2021. The table below outlines the key milestones in the appeals process:

Date	Action
18 March 2021	Statutory deadline
End November/start December 2020	Target for determination(s) to be sent by CMA to Ofwat
Early October - mid November 2020	CMA analysis phase
Early October 2020	Deadline for responses to provisional determination
Mid September 2020	Publish provisional determination
Late July 2020	Deadline for main party submissions
July 2020	Main party hearings
Early June 2020	Deadline for third party submissions
Late May to late August 2020	CMA analysis phase
Late May 2020	Deadline for affected water companies’ responses to Ofwat’s reply
May 2020	Third party hearings
Mid May 2020	Parties (Ofwat) present to Group
Early May 2020	Deadline for Ofwat’s response to the affected water companies
Early to mid April 2020	Parties (water companies) present to Group

Date	Action
Early April 2020	Affected water companies submit details of the grounds for redetermination(s)

The outcome of the CMA re-determination process is uncertain and reflects an independent CMA view on the entire price determination. As such the findings could be favourable or adverse to the FD provided by Ofwat and therefore may have a positive or adverse impact on AWS – it is not possible to provide any guidance on the likelihood of any outcome at this stage.

Updates on the impact of COVID-19

As with other organisations, AWS has been carefully considering the impact of COVID-19 on its business, operations and resilience.

In the short term, the primary impacts of the crisis have been related to people and logistics, in terms of ensuring safe working practices for colleagues and customers, and adequate supplies of vital chemicals and PPE – challenges to which AWS have been able to meet thanks to a longstanding focus on risk management and forward planning. There has been shifting demand for water, with a commensurate shift in revenue, as domestic customers use more water at home, while commercial customers have, inevitably, used far less. Thus far AWS has not experienced significant levels of delayed payments or bad debt from domestic customers, although the situation has been more difficult in relation to our commercial customers, and it is expected that this although this may change or increase in coming months. Furthermore, it is expected that cash receipts from both household customers and non-household retailers may be volatile due to the actions of the UK Government and regulators (including Ofwat and MOSL (Market Operator Services Limited)) as they support the nascent non-household retail market.

AWS has exposure to retailers in the non-household retail market (who provide a competitive water and sewerage supply market to businesses) (“**NHH Retailers**”) as NHH Retailers pass on payments to AWS, in respect of the wholesale water and sewerage services provided by AWS, to the customers of NHH Retailers. Market changes introduced by Ofwat in April 2017 saw AWS exit the non-household retail market; albeit AWS continues to supply water to non-household businesses in its licensed area and charges NHH Retailers in accordance with credit terms consistent with the MOSL Market Codes. Due to the impact of COVID-19, many businesses have ceased or reduced operations or are facing financial difficulties and are therefore unable to pay NHH Retailers; this is expected to have a subsequent effect on AWS through a reduction in Net Cash Flow.

On 30 March 2020, MOSL implemented certain changes to the Wholesale Retail Code, including in respect of an ability for retailers to defer up to 50 per cent of payments due to wholesalers in March, April and May 2020 (the “**NHRR Payment Holiday**”). The impact of the NHRR Payment Holiday will result in a deferral in Net Cash Flow for AWS. Furthermore, following the outcome of its latest consultation on the impact of COVID-19, Ofwat have outlined further forbearance measures in respect of NHH Retailers: Ofwat has consulted and now decided on a more medium-term solution to the liquidity problem. This WRC change (CPW096) was implemented on 1 May 2020. Its key aspects are summarised below:

Retailers who opt into the deferral scheme will be required to make a minimum monthly payment to wholesalers of:

- i) 94 per cent of money received from customers (X factor = money collected by retailers from customers, less retailer operational costs); or
- ii) 60 per cent of charges due to wholesalers (Y factor = minimum percentage of wholesale charges payable each month. The Y factor will remain fixed until the end of July 2020, but will increase thereafter over time up to the pre Covid-19 percentage of 100),

whichever is higher.

AWS has sought to maximise its liquidity position to weather any period of uncertainty, including the recent drawdown of £600m of committed bank facilities in March 2020 to provide additional liquidity in light of the broader market uncertainty.

Investors should be aware that a change in demand, delayed payment, including as a result of payment holidays, or non-payment of bills and charges or disruption to the receipt of bills by customers may have an impact on Net Cash Flow from operating activities, liquidity and working capital position and consequently the company’s ability to comply with certain financial ratios.

Financial Results

On 16 June 2020, AWS published their consolidated preliminary financial results for the year ended 31 March 2020. A copy of those preliminary financial results has been filed with the United Kingdom Financial Conduct Authority (the “**FCA**”) and, by virtue of this Supplement, those preliminary financial results are incorporated in, and form part of, the Prospectus. The consolidated preliminary financial results have been compiled and prepared on a basis which is both (a) comparable with the consolidated historical financial information for the year ended 31 March 2019 and (b) consistent with the AWS’s accounting policies. The projected total of outperformance payments has been compiled and prepared on a basis which is both (a) comparable with the consolidated historical financial information for the year ended 31 March 2019 and (b) consistent with the AWS’s accounting policies. Copies of all documents incorporated by reference in the Prospectus can be obtained from the website of Anglian Water Services Limited at <http://www.anglianwater.co.uk> and from the Anglian Water headquarters at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, United Kingdom PE29 6XU and from the specified offices of the Paying Agents for the time being, as described in the Prospectus. Please note, however, that the content of the website is not being incorporated by reference into the Prospectus by way of this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

An investor should be aware of its rights arising pursuant to Section 87Q (4) of the FSMA.

If documents which are incorporated by reference to this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference or where this Supplement is specifically defined as including such information.

This Supplement has been approved by the FCA, which is the United Kingdom competent authority for the purposes of Article 23 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Regulation.