

EMBARGOED UNTIL 7AM THURSDAY 17 JUNE 2021

Anglian Water Services Financing plc (“AWSF”) and Anglian Water (Osprey) Financing Plc (“AWOF”)

NEW FINANCING STRATEGY AND STRUCTURE FOR ASSET MANAGEMENT PERIOD 2020-2025 (“AMP7”)

AWSF and Anglian Water Services Limited (“AWS” or “Opco”), the regulated entity that trades as Anglian Water, announce a new financing structure to support AWS’s AMP7 investment commitments. This follows a full review, announced on 30 March 2021 of the AWS financing strategy. Following that review, AWS committed to reduce total gearing in order to maintain its current solid investment grade credit ratings and ensure it has a sustainable and efficient capital structure in the interest of customers and investors, the environment and long-term viability.

AWSF and AWOFF (together, the “Issuers”) can now confirm that a new financing structure is today being put in place to refinance existing debt at AWSF and AWOFF and support AWS in meeting its commitments outlined above. The key elements of the new financing structure and proposed deleveraging at Opco (together, the “Refinancing and Deleveraging Transaction”) are as set out below.

A three tiered financing structure at Opco, Midco and Holdco: The new financing structure comprises financing arrangements at each of the three following levels (i) Aigrette Financing Limited (“New HoldCo” and “AFL”), which indirectly holds 100% of the shares in MidCo, (ii) Osprey Acquisitions Limited (“MidCo” and “OAL”), which indirectly holds 100% of the shares in AWS and (iii) AWS. While the gearing will remain broadly unchanged at group level, with the ratio of net debt to regulated capital value of c.86% on an aggregate basis, the new financing structure shifts the balance of debt between Opco, Midco and the New Holdco in order to enable companies at the various levels to access the debt markets more efficiently.

Substantial reduction in debt and gearing at AWS: Approximately £1bn of new debt is intended to be raised at New HoldCo and MidCo which will be contributed as equity capital to AWS. This would reduce the ratio of net debt to regulated capital value at AWS from c.82% currently to below 70% and support AWS in maintaining its current solid investment grade ratings at A-/A3/A- by Standard and Poor’s, Moody’s and Fitch respectively. The credit rating agencies will be making their own announcements and investors should refer to the relevant websites to obtain details of such announcements.

AWSF Class B deed poll, prepayment of Class B private placement notes and the option for Class B bondholders to convert into Class A: AWSF and AWS intend to enter into a deed poll (“OpCo Deed Poll”) to grant additional financial covenants for the benefit of all secured creditors in the Opco securitisation structure in order to bring the Class B covenants relating to restricted payments in line with existing Class A covenants and to ensure that no new Class B debt is raised at Opco. Further, AWS and AWSF intend to repay the Class B private placement notes that are due to mature in the near term and, in due course, to offer the outstanding Class B AWSF bondholders the option to convert into Class A bonds.

New investment grade “Midco” financing platform: OAL has established a new ring-fenced financing platform (“New Midco Financing Platform”) through AWOFF and will issue debt that is expected to be rated investment grade by at least one credit rating agency. The consolidated net debt to regulated capital value at Midco will be reduced from c.86% to just below 80%. AWOFF has raised an additional committed term loan facility of approximately £150m and an additional committed bridge facility of approximately £450m. The existing £250m revolving credit facility has been amended and restated and included within the New MidCo Financing Platform alongside these additional facilities.

The New Midco Financing Platform is designed to operate alongside the existing Euro Medium Term Note Programme and the existing intercreditor arrangements while the two series of bonds (the £210m 5% Notes due 30 April 2023 and the £240m 4 % Notes due 8 March 2026) remain outstanding. The bondholders in these respective bonds will, in due course, be offered the opportunity to become part of the New MidCo Financing Platform if they wish to do so.

New Holdco financing platform: a newly established holding company Aigrette Financing Limited, which indirectly holds 100% of the shares in OAL, has raised committed term loan facility of £200m and bridge facility of £360m with the net proceeds to be contributed as equity to its subsidiaries in order to reduce the gearing at Midco and Opco as stated above. The consolidated net debt to regulated capital value at New Holdco will c.86%.

New Refinancing Debt: As of today, OAL (through AWOFF) and New HoldCo have committed term loan and bridge facilities as described above, that are sufficient to implement the Refinancing and Deleveraging Transaction. OAL intends to raise longer term debt by issue of public bonds and private placement bonds through AWOFF and New HoldCo intends to raise private placement debt. The combination of any such longer term debt proceeds and any drawings under the committed term loan and bridge facilities and would be used to reduce gearing in AWS and implement the Refinancing and Deleveraging Transaction. As a condition to drawing any of the new debt facilities, AWSF and AWS will be required to execute the OpCo Deed Poll.

While OAL and New Holdco expect to raise the longer term debt before 30 September 2021, this remains subject to market conditions and there is no certainty that it will be raised by that date.

Information contained in this announcement would have been deemed inside information for the purposes of UK version of Regulation (EU) No 596/2014 which is part of English law by virtue of the European (Withdrawal) Act 2018, as amended, until the release of this announcement.

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