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9 August 2016

**AFFINITY WATER PROGRAMME FINANCE LIMITED ANNOUNCES EXCHANGE OFFER**

Affinity Water Programme Finance Limited (the "**Issuer**") hereby announces an invitation to holders (the "**Holder**s") (subject to the "*Offer and Distribution Restrictions*" described below) of the Sub-Class A1 £80,000,000 3.625 per cent. Guaranteed Bonds due 2022 issued by the Issuer and guaranteed by Affinity Water Holdings Limited, Affinity Water Limited and Affinity Water Finance (2004) PLC (the "**Existing Bonds**") to offer to exchange any and all of their Existing Bonds for Sub-Class A4 sterling-denominated fixed rate guaranteed bonds due 2042 (the "**New Bonds**") to be issued by the Issuer under its £2,500,000,000 Multicurrency Programme for the issuance of Guaranteed Bonds. In order to participate in the Exchange Offer, a Holder must validly offer for exchange at least £100,000 in nominal amount of Existing Bonds.

The Exchange Offer is being made on the terms and subject to the conditions set out in an exchange offer memorandum dated 9 August 2016 (the "**Exchange Offer Memorandum**"). Capitalised terms used and not otherwise defined in this announcement have the meanings given in the Exchange Offer Memorandum.

The purpose of the Exchange Offer is to extend the maturity profile of the Existing Bonds. The Exchange Offer provides Holders with the opportunity to exchange their position in the Existing Bonds for the New Bonds.

The Existing Bonds and the New Bonds for which they may be exchanged are as follows:

**Existing Bonds**

<b>Bonds</b>	<b>ISIN</b>	<b>Outstanding Nominal Amount</b>	<b>2022 Reference Gilt</b>	<b>2022 Exchange Spread</b>	<b>2022 Exchange Value</b>
Sub-Class A1 £80,000,000 3.625% Guaranteed Bonds due 2022	XS0883690090	£80,000,000	UKT 1.75% due July 2022 (ISIN: GB00B7L9SL19)	90 basis points	To be determined on the pricing date

**New Bonds**

<b>New Issue Price</b>	<b>2042 Reference Gilt</b>	<b>2042 Exchange Spread</b>	<b>2042 Exchange Yield</b>	<b>Maturity</b>	<b>Exchange Ratio</b>
100%	UKT 4.5% due July 2042 (ISIN: GB00B1VWPJ53)	125 basis points	To be determined on the pricing date	August 2042	1:1

**Pricing and New Bonds Coupon**

The New Bonds Coupon will be calculated, using an iterative process within the conventional market method for bond pricing, at or around 12.00 p.m. (London time) on 18 August 2016 (the "**Pricing Time**") and shall be the coupon that is produced by the 2042 Exchange Yield, when the 2042 Exchange Value is equivalent to the 2022 Exchange Value. This coupon shall then be rounded to the nearest 0.001 per cent. (with 0.0005 per cent. rounded upwards).

The 2022 Exchange Value will be determined at or around the Pricing Time on the basis of the yield to maturity of the Existing Bonds calculated as the sum of the 2022 Exchange Spread and the 2022 Reference Gilt Yield. The 2042 Exchange Yield will be determined at or around the Pricing Time on the basis of the yield to maturity of the New Bonds calculated as the sum of the 2042 Exchange Spread and the 2042 Reference Gilt Yield. The

New Issue Price is 100 per cent. See "*Hypothetical Pricing Illustration*" in the Exchange Offer Memorandum for a hypothetical illustration of the calculation of the New Bonds Coupon).

The Issuer has received informal indications from an investor representing approximately 35 per cent. of the outstanding nominal amount of the Existing Bonds, that it intends to offer its Existing Bonds for exchange pursuant to the Offer.

### **Accrued Interest**

The Issuer will pay accrued and unpaid interest from and including the interest payment date of the Existing Bonds immediately preceding the Settlement Date to but excluding the Settlement Date (the "**Accrued Interest Payment**") in respect of all Existing Bonds validly offered and delivered and accepted for exchange by the Issuer pursuant to the Exchange Offer.

### **New Bonds**

The New Bonds will be issued under the Programme pursuant to the New Bonds Conditions and the draft Final Terms contained in the Annex to the Exchange Offer Memorandum. The New Bonds are expected to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**").

### **Additional Bonds**

In addition to New Bonds to be exchanged for Existing Bonds in the Exchange Offer, the Issuer may issue up to £20,000,000 in aggregate nominal amount of New Bonds prior to or on the Settlement Date outside the terms of the Exchange Offer (the "**Additional Bonds**"). The decision as to whether any Additional Bonds will be issued will be announced as soon as practicable after the Pricing Time.

### **Expiration and Announcement of Results**

**THE EXCHANGE OFFER WILL EXPIRE AT 4 P.M. (LONDON TIME) ON 17 AUGUST 2016, UNLESS EXTENDED, RE-OPENED OR TERMINATED AS PROVIDED IN THE EXCHANGE OFFER MEMORANDUM. THE DEADLINE SET BY ANY INTERMEDIARY OR CLEARING SYSTEM WILL BE EARLIER THAN THIS DEADLINE. EXCHANGE INSTRUCTIONS ARE IRREVOCABLE ONCE SUBMITTED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE EXCHANGE OFFER MEMORANDUM.**

The Issuer will announce (the "**Announcements of Results**"), as soon as reasonably practicable after the Pricing Time:

- (a) its decision whether to accept valid offers of Existing Bonds for exchange pursuant to the Exchange Offer and, if so accepted, the final aggregate amount of:
  - (i) Existing Bonds accepted for exchange; and
  - (ii) New Bonds to be delivered and any Additional Bonds to be issued; and
- (b) the 2022 Exchange Value, the 2022 Reference Gilt Yield, the 2042 Exchange Yield, the 2042 Reference Gilt Yield and the New Bonds Coupon.

Each Holder whose Existing Bonds are accepted for exchange will receive on the settlement of the Exchange Offer, which is expected to take place on or around 22 August 2016 (the "**Settlement Date**"), (i) an equal aggregate nominal amount of New Bonds for each £1,000 in nominal amount of Existing Bonds validly offered and accepted for exchange by the Issuer and (ii) the Accrued Interest Payment.

## Expected Timetable of Events

The times and dates below are indicative only.

### Events

### Times and Dates

#### *Announcement and Commencement of the Exchange Offer*

Exchange Offer announced. Notice of the Exchange Offer submitted to the Clearing Systems. Exchange Offer Memorandum available from the Exchange Agent upon request.

9 August 2016

Notice of the Exchange Offer published via the RNS.

#### *Exchange Offer Deadline*

Final deadline for receipt of valid Exchange Instructions by the Exchange Agent in order for Holders to be able to participate in the Exchange Offer.

4 p.m. (London time) on 17 August 2016

*End of Exchange Period, subject to the right of the Issuer to extend, re-open, amend and/or terminate the Exchange Offer.*

#### *Pricing Time*

Determination of 2022 Exchange Value, 2022 Reference Gilt Yield, 2042 Exchange Yield and the 2042 Reference Gilt Yield for the purpose of calculating the New Bonds Coupon.

At or around 12.00 p.m. (London time) on 18 August 2016

#### *Announcement of Exchange Offer Results and Pricing*

Announcement of:

- whether the Issuer will accept valid offers of Existing Bonds for exchange pursuant to the Exchange Offer, and, if so (i) the aggregate nominal amount of Existing Bonds accepted for exchange and (ii) the aggregate nominal amount of New Bonds to be delivered and any Additional Bonds to be issued; and
- the 2022 Exchange Value, 2022 Reference Gilt Yield, 2042 Exchange Yield, the 2042 Reference Gilt Yield and the New Bonds Coupon.

As soon as practicable following the Pricing Time.

#### *Settlement*

Expected settlement date for Exchange Offer, including:

22 August 2016

- delivery of New Bonds in exchange for Existing Bonds validly offered for exchange by a Holder and accepted by the Issuer;
- delivery of Additional Bonds, if any; and
- payment of Accrued Interest Payment.

## **Participation in the Exchange Offer**

Holders are advised to read carefully the Exchange Offer Memorandum for full details of, and information, the procedures for participating in the Exchange Offer.

To offer Existing Bonds for exchange pursuant to the Exchange Offer where such Existing Bonds are held in a Clearing System, a Holder must deliver, or arrange to have delivered on its behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Exchange Instruction that is received by the Exchange Agent by 4.00 p.m. (London time) on 17 August 2016 (the "**Exchange Offer Deadline**").

Holders are advised to check with any bank, securities broker, or other intermediary through which they hold their Existing Bonds whether such intermediary needs to receive instructions from a Holder before the deadlines specified in the Exchange Offer Memorandum in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offer. **The deadlines set by each Clearing System for the submission and withdrawal of Exchange Instructions will also be earlier than the relevant deadlines specified in the Exchange Offer Memorandum.**

Subject to applicable law and as provided in the Exchange Offer Memorandum, the Issuer may, at its option and in its sole and absolute discretion, amend, modify or terminate the Exchange Offer at any time up to (and including) the Announcement of Results.

## **For Further Information**

A complete description of the terms and conditions of the Exchange Offer is set out in the Exchange Offer Memorandum. Further details about the transaction can be obtained from:

### **The Dealer Manager**

**HSBC BANK PLC**  
8 Canada Square  
London E14 5HQ  
United Kingdom

For information by telephone: +44 20 7992 6237  
Attention: Liability Management Group  
Email: [liability.management@hsbcib.com](mailto:liability.management@hsbcib.com)

### **The Exchange Agent**

**LUCID ISSUER SERVICES LIMITED**  
Tankerton Works  
12 Argyle Walk  
London WC1H 8HA  
United Kingdom

For information by telephone: +44 20 7704 0880  
Attention: Yves Theis / Thomas Choquet  
Email: [affinity@lucid-is.com](mailto:affinity@lucid-is.com)

A copy of the Exchange Offer Memorandum is available to eligible persons upon request from the Exchange Agent.

## **DISCLAIMER**

This announcement must be read in conjunction with the Exchange Offer Memorandum. No offer or invitation to acquire or exchange any securities is being made pursuant to this announcement. This announcement and the Exchange Offer Memorandum contain important information, which must be read carefully before any decision is made with respect to the Exchange Offer. In particular, Holders should read the section entitled "*Risk Factors and Other Considerations*" in the Exchange Offer Memorandum. If any Holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax and financial advice, including as to any tax consequences, from its stock broker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Existing Bonds are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Exchange Offer. None of the Issuer, the Dealer Manager, the Exchange Agent or any person who controls, or is a director, officer, employee or agent of such persons, or any affiliate of such persons, makes any recommendation as to whether Bondholders should participate in the Exchange Offer.

## **OFFER AND DISTRIBUTION RESTRICTIONS**

*This announcement and the Exchange Offer Memorandum do not constitute an invitation to participate in the Exchange Offer in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or for there to be such participation under applicable securities laws. The distribution of this announcement and the Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and the Exchange Offer Memorandum comes are required by each of the Issuer, the Guarantors, the Dealer Manager and the Exchange Agent to inform themselves about, and to observe, any such restrictions. No action has been or will be taken in any jurisdiction in relation to the Exchange Offer that would permit a public offering of securities.*

### **United States**

The Exchange Offer is not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States or to any U.S. Person (as defined in Regulation S of the United States Securities Act of 1933, as amended). This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. Accordingly, copies of this announcement and the Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to U.S. Persons, and the Existing Bonds cannot be offered for exchange in the Exchange Offer by any such use, means, instrumentality or facilities or from within the United States or by U.S. persons. Any purported offer of Existing Bonds for exchange resulting directly or indirectly from a violation of these restrictions will be invalid, and any purported offer of Existing Bonds for exchange made by a U.S. Person, a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. Person will be invalid and will not be accepted.

This announcement and the Exchange Offer Memorandum are not an offer of securities for sale in the United States or to U.S. persons. Securities may not be offered or sold in the United States absent registration under, or an exemption from the registration requirements of, the Securities Act. The New Bonds and the Existing Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons. The purpose of this announcement and the Exchange Offer Memorandum is limited to the Exchange Offer and this announcement and the Exchange Offer Memorandum may not be sent or given to a person in the United States or otherwise to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each Holder participating in the Exchange Offer will represent that it is not located in the United States and is not participating in the Exchange Offer from the United States, that it is participating in the Exchange Offer in accordance with Regulation S under the Securities Act and that it is not a U.S. Person or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Exchange Offer from the United States and is not a U.S. Person.

As used herein and elsewhere in this announcement and the Exchange Offer Memorandum, "**United States**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

### **United Kingdom**

The communication of this announcement, the Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer is not being made by, and such documents and/or materials have not been approved by, an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**")) or persons who are within Article 43(2) of the Financial Promotion Order or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order.

### **France**

The Exchange Offer is not being made, directly or indirectly, to the public in the Republic of France ("**France**"). Neither this announcement, the Exchange Offer Memorandum nor any other document or material relating to the Exchange Offer has been or shall be distributed to the public in France and only (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, in each case acting on their own account and all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier* are eligible to participate in the Exchange Offer. This announcement, the Exchange Offer Memorandum and any other such offering material has not been and will not be submitted for clearance to nor approved by the *Autorité des Marchés Financiers*.

### **Italy**

None of the Exchange Offer, this announcement, the Exchange Offer Memorandum or any other documents or materials relating to the Exchange Offer have been or will be submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa ("**CONSOB**").

The Exchange Offer is being carried out in the Republic of Italy as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Holders or beneficial owners of the Existing Bonds that are located or resident in Italy can offer to exchange the Existing Bonds through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

*Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Existing Bonds or the invitations.*

### **Cayman Islands**

No invitation or solicitation whether directly or indirectly will be made to the public in the Cayman Islands in respect of the Exchange Offer or the New Bonds.

### **General**

The distribution of this announcement and the Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and the Exchange Offer Memorandum

comes are required by the Issuer, the Guarantors, the Dealer Manager and the Exchange Agent to inform themselves about and to observe any such restrictions.

The Dealer Manager and the Exchange Agent (and their respective directors, employees or affiliates) make no representations or recommendations whatsoever regarding this announcement, the Exchange Offer Memorandum or the Exchange Offer. The Exchange Agent is the agent of the Issuer and owes no duty to any Holder. None of the Issuer, the Guarantors, the Dealer Manager or the Exchange Agent makes any recommendation as to whether or not Holders should participate in the Exchange Offer or refrain from taking any action in the Exchange Offer with respect to any of such Holder's Existing Bonds, and none of them has authorised any person to make any such recommendation.

This announcement and the Exchange Offer Memorandum do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy the Existing Bonds and/or New Bonds, as applicable, and offers of Existing Bonds for exchange pursuant to the Exchange Offer will not be accepted from Holders in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require an exchange offer to be made by a licensed broker or dealer and any of the Dealer Manager or its affiliates is such a licensed broker or dealer in any such jurisdiction, the Exchange Offer shall be deemed to be made by the Dealer Manager or such affiliate (as the case may be) on behalf of the Issuer in such jurisdiction.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantors, the Dealer Manager or the Exchange Agent that would permit a public offering of the New Bonds.

In addition to the representations referred to above in respect of the United States, each Holder participating in the Exchange Offer will also be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in the section entitled "*Procedures for Participating in the Exchange Offer*" in the Exchange Offer Memorandum. Any offer of Existing Bonds for exchange pursuant to the Exchange Offer from a Holder that is unable to make these representations will not be accepted. Each of the Issuer, the Dealer Manager and the Exchange Agent reserves the right, in its absolute discretion, to investigate, in relation to any offer of Existing Bonds for exchange pursuant to the Exchange Offer, whether any such representation given by a Holder is correct and, if such investigation is undertaken and as a result the Issuer determines (for any reason) that such representation is not correct, such offer shall not be accepted.