

Affinity Water Finance (2004) PLC
(the "Company")

£250m of 5.875% Sterling Denominated Guaranteed Notes Due 2026
issued by the Company and guaranteed by Affinity Water Limited ("Affinity Water")

**AFFINITY WATER ACCEPTS FINAL DETERMINATION FROM OFWAT AND ANNOUNCES PLANNED
EQUITY INJECTION**

17 February 2025

Affinity Water is pleased to announce its acceptance of the Final Determination from the industry regulator, Ofwat, for the investment period covering the 2025-2030. This plan sets out a comprehensive investment programme of £2.3 billion, designed to ensure the long-term sustainability, resilience, and affordability of our water services for the diverse communities we serve.

In order to support the planned investment, shareholders have entered into a legally binding and unconditional agreement to inject £150 million equity into Affinity Water Limited before 31st March 2026.

Investment Focus Areas

The approved Business Plan prioritizes significant investment in the following key areas:

1. **Enhancing Water Quality:** Further enhancing the provision of high-quality drinking water for our customers through investment in water treatment facilities and strategic distribution network.
2. **Leakage Reduction:** Delivering a significant reduction in leakage across our network, utilizing advanced detection technologies and innovative infrastructure solutions.
3. **Water Efficiency:** Supporting customers to reduce water consumption through tailored advice, education programmes, and smart metering initiatives.
4. **Resilience to Climate Change:** Strengthening our infrastructure to adapt to the challenges posed by climate change, including enhanced flood protection and drought preparedness measures.
5. **Environmental Improvements:** Enhancing biodiversity and improving water quality in rivers and catchments through targeted environmental schemes and partnerships.
6. **Customer Experience:** Continuing to innovate and improve our service delivery to meet the expectations of our customers, including faster response times, digital service enhancements, affordable bills, and extending our social tariff.
7. **Maintaining Asset Health and Resilience:** Ensuring the ongoing reliability and efficiency of our infrastructure through proactive maintenance and long-term investment in asset resilience.

Commitment from Our Shareholders

We are delighted to confirm a legally binding and unconditional commitment by our shareholders to inject **£150 million equity before 31st March 2026** to support the delivery of this ambitious investment programme. This substantial financial contribution underscores their confidence in Affinity Water's long-term strategy and their dedication to ensuring the success of our business. The equity injection will play a pivotal role in strengthening our financial resilience and enabling the efficient execution of our investment priorities.

Capital Structure and Gearing Commitment

The Board of Affinity Water reaffirm their commitment to maintaining strong levels of financial resilience throughout AMP8, which has been a cornerstone of the Business Plan since inception. The Board is committed to ensuring that our covenant gearing level falls to around 70% by 31st March 2026 and sees this level of gearing as a sustainable level for AMP8. Based on current rating agency methodologies, we believe that this will underpin our current Class A credit ratings of A3, BBB+, and BBB+ (Moody's, Fitch, S&P).

This level of financial resilience aligns with industry standards and ensures that Affinity Water maintains a robust financial position while continuing to invest in essential infrastructure improvements.

Dividend Policy and In-the-Round Assessment

Affinity Water remains focused on **a responsible and sustainable dividend policy**, ensuring that distributions to shareholders take account of performance for customers and the environment, investment needs, and financial resilience. The in-the-round assessment of our financial position considers our projected cash flows, investment requirements, and gearing strategy, reinforcing our ability to deliver long-term value to all stakeholders. The commitment to a **prudent and transparent approach** ensures that investment priorities and financial stability remain at the forefront of our strategy.

Statement from the Chief Executive Officer, Keith Haslett

"The Final Determination is substantially aligned to our Business Plan; this is our reward for creating a high quality and ambitious Business Plan, with a clear delivery strategy. Our £2.3bn investment programme will deliver improvements for customers and the environment throughout the 2025-2030 period and beyond. We have an unwavering commitment to delivering high-quality, sustainable, and affordable water services for our customers.

The legally binding and unconditional £150 million equity commitment from our shareholders is a testament to their belief in our strategy and their dedication to supporting the ambitious investments required to meet the challenges ahead. This investment will enable us to deliver long-term resilience while ensuring we maintain a balanced and sustainable capital structure. Our shareholders' commitment to maintaining gearing at around 70% provides a strong financial foundation to support infrastructure enhancements.

Furthermore, our approach to dividend policy remains responsible and aligned with long-term sustainability. We are committed to a balanced framework that supports new investment while ensuring that returns to shareholders remain consistent with our financial stability and obligations to our stakeholders. By taking an in-the-round approach, we ensure that our strategic priorities, financial resilience, and customer interests are fully aligned as we implement our ambitious plans."

Statement from the Chair, Mike Brown

"The approval of our Business Plan marks an important milestone for Affinity Water, reinforcing our commitment to being a responsible and forward-thinking provider of essential water services. The legally binding and unconditional £150 million equity commitment from our shareholders underscores their confidence in our vision and supports the execution of this critical investment programme.

In addition to this significant capital commitment, our commitment to maintaining gearing at around 70%, ensures that we maintain a robust financial structure that enables continued investment in essential infrastructure. This approach not only safeguards our financial resilience but also ensures that we can continue to provide high-quality water services.

Our dividend policy remains firmly grounded in responsibility and sustainability, striking the right balance between shareholder returns and investment in the business. Our in-the-round assessment on dividends will take account of performance for customers and the environment, financial stability, and the need to attract equity capital to support delivery for customers. I would like to thank our employees, customers, and stakeholders for their support in shaping this plan, which will secure a resilient and sustainable water future for the communities we serve."

Affinity Water remains committed to delivering these priorities and will provide regular updates on progress throughout the 2025-2030 regulatory period.

ENDS

For further information, please visit our website or contact:

Company.secretary@affinitywater.co.uk

Please direct any media queries to the publicaffairs@affinitywater.co.uk

Affinity Water Limited
Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ

DISCLAIMER – INTENDED ADDRESSEES

This announcement is a communication to the market. Nothing in this announcement constitutes an offer of securities for sale in the United States or any other jurisdiction. This announcement does not constitute a prospectus or a prospectus equivalent document.

This announcement has been delivered to you on the basis that you are a person into whose possession this announcement may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorised to, deliver this announcement to any other person. The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. Your right to access this service is conditional upon complying with the above requirements.