

## INNOVATIVE STRUCTURE ENABLES UK WATER COMPANY TO ACCESS LOW-COST FINANCING

### Inflation-Linked Funding Achieved with Ambac Guarantee



Despite significant upward pressure on credit pricing in the capital markets in April 2005, Anglian Water accessed inflation-linked financing at record low cost thanks to an innovative repackaging structure provided by HSBC and enhanced by Ambac Assurance UK Limited.

Anglian Water issued £402 million of 30-year Class A inflation-linked notes through its MTN programme, which were acquired via a private placement by Freshwater Finance plc, an independent special purpose company established in connection with this transaction. Freshwater subsequently entered into a swap with HSBC and issued £402 million of fixed rate notes and sought to strengthen the large majority of this issuance with a triple-A financial guarantee. Ambac, with extensive experience in whole business securitisations and the UK water sector, was asked to provide this guarantee.

Although this transaction was launched at a time of significant market volatility and spread widening, a well-executed marketing effort by the company and the lead managers, together with Ambac's guarantee, resulted in strong demand for the deal from a broad investor base. The £400 million Ambac-wrapped notes priced tightly and enabled Anglian Water to access the long-term inflation-linked Sterling market at a cost that would otherwise have been unachievable, closing the deal in April 2005.

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