Annington Funding plc

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Tel: (020) 7960 7500

Noteholder Q&A

What are the series of Notes being redeemed at make-whole using the optional prepayment provisions within the Notes?

Answer: Annington has announced it intends to redeem the following series of Notes:

Maturity	Make Whole Provision
2025 Notes	Higher of UKT 5.00% Mar-25 + 25bps or par
2033 Notes	Higher of UKT 0.875% Jul-33 + 45bps or par

What are the series of Notes targeted by the tender offer?

Answer: Annington has invited holders of the following Notes to tender their Notes at the following prices:

2029 Notes	UKT 4.125% Jul-29 + 45 bps
2032 Notes	UKT 4.25% Jun-32 + 45bps
2034 Notes	UKT 4.250 Jul-34 + 45bps
2047 Notes	UKT 1.50% Jul-47 + 45bps
2051 Notes	UKT 1.25% Jul-51 + 45bps

The tender offer will be open until Tue Jan 7th and will settle on Tue Jan 14th. An additional Early Tender Payment of £10 per £1000 of notes will be payable for all notes which are tendered by 4:00 pm on Monday Dec 23rd.

How were the respective tender prices calculated?

Answer: The tender offer consideration was priced to give current noteholders an attractive premium to the market value of these notes prior to the issuance of the RNS notices giving noteholders an attractive and immediate opportunity to receive cash for all their holdings.

In addition, noteholders who tender by 23 December will receive an Early Tender Payment of £10 per £1000 of Notes.

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Is the tender spread for each issuance the same for all noteholders in each respective class?

Answer:

The tender offer consideration for each series of notes is priced using the same spread of 45bps over the relevant UK gilt. This is also consistent with the redemption spread on the 2033 make-whole (subject to underlying rates at the time of redemption).

How will accrued interest be handled in the tender offer?

Answer: Accrued interest will be payable on settlement as per normal convention

Is the tender offer capped in size?

Answer: No, the tender offer is for any and all of each series of Tender Offer Notes.

Why have you decided to call some note and tender others?

Answer: The decision to redeem certain series contractually was driven by the relative difference between their contractual redemption prices and implied pricing if they were to be included in the tender offer.

How were the tender spreads determined?

Answer: Annington's primary objective was to provide all noteholders with broadly equivalent repayment terms that represent a material uplift in value for Noteholders as compared to the respective trading prices of their notes prior to announcement of the transaction.

How will Annington finance this tender offer?

Answer The Group will fund the tender offer from the proceeds of the Transaction between Annington and the UK's Ministry of Defence.

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What impact will the tender offer have on the company's financial leverage?

Answer: The tender offer will reduce Annington's current level of overall debt, the extent to which will depend on the ultimate result of the tender offer. Following completion of the Transaction with the MoD and the completion of the tender offer process, Annington intends to invest in residential real estate assets and Annington currently expects that the principal of its outstanding remaining Notes will be around 55% of the value of its cash, property and other assets**.**

Annington's objective continues to be to acquire stable quality assets with an attractive yield. Sufficient capital will be maintained within the Group to support these investments, and to ensure continued compliance with the obligations under our existing finance documents. This includes (but is not limited to) making all remaining payments of principal and interest on the outstanding Notes as and when due.

Will Annington maintain its Investment Grade Rating?

Answer: The Group has briefed the rating agencies on the transaction but is not in a position to comment on any actions they may take.

Annington does not envisage further debt raising transactions in the capital markets in the near term. Going forward, Annington's financial policy will be focused on continued compliance with all the covenants of any Notes not tendered.

What will Annington's investment strategy look like going forward?

Answer: Following completion of the Transaction and the reshaping of the Group's capital structure and rationalisation of the Group's current debt structure, Annington will continue to be a property investment company with a long-term business plan and will utilise its substantial experience as an investor and manager of UK residential real estate to make further investments, which will likely focus on single family homes but may also include other residential/living sector real estate investments.

Following the transaction and tender offer, what is Annington's target portfolio size?

Answer: Annington does not have a target portfolio size, it will depend on the outcome of the tender exercise. As stated, Annington currently expects that the principal of its outstanding remaining Notes will be around 55% of the value of its cash, property and other assets.

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What will be the size of Annington's portfolio immediately after the transaction with the MoD?

Answer: Following completion of the transaction, Annington will continue to own and manage a substantial property portfolio, consisting of its current portfolio of non-MQE properties and (i) the 159 units to be released within c. 4 months of the completion of the transaction and (ii) the further yet to be identified properties with an aggregate value of £55m to be transferred by the MoD within 12 months of completion of the transaction. Subsequently, as stated in the RNS announcements, Annington also plans to further grow the property portfolio using retained proceeds from the sale of the MQE.

What are the tax implications of participation in the tender offer? What about if we only agree to a partial resale of the bonds?

Answer: All noteholders will have to take their own advice on the tax implications of tendering notes.

What do I need to do to participate in the tender offer?

Answer: If you wish to participate, you will need to instruct the relevant Clearing System to submit a valid Tender Instruction such that it is received by the Tender Agent ahead of the Expiry Deadline. Please refer to the Tender Offer Memorandum or contact the Dealer Managers for further details.

What is the deadline for accepting the tender offer?

Answer: The last day of the tender offer will be 7th January as per the timetable included in the Tender Offer. All noteholders submitting their notes for the tender prior to the early bird deadline of 4:00pm London time on 23rd December will receive an Early Tender Payment of £10 per £1000 of Notes.

What will happen to the bonds that are not tendered?

Answer: Any Notes that are not repurchased or redeemed by Annington will remain outstanding and will remain on the balance sheet to support Annington's long term business plan for investment in residential real estate assets.

When will payment be made?

Answer: The settlement date is expected to be Tuesday 14th January.

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What will happen to Annington's financial situation if the tender sees only limited uptake?

Answer: If the tender only has a limited uptake, Annington will have more cash to invest into the residential real estate sector.

There is no minimum take-up condition to the tender offer.

What is the financial condition of Annington following the exchange of contracts with the MoD?

Answer: The deal provides immediate financial certainty, allowing Annington to avoid the risks and costs of prolonged litigation. Annington will be able to take some of the proceeds and invest in UK residential properties, looking to help solve some of the problems of the UK housing crisis. Separate to the sale, Annington will continue to own a portfolio of non – MQE properties.

The Transaction economics imply that Annington could make a sizeable distribution to shareholders. Will shareholders continue to support the Group, even if they have taken a considerable amount of cash off the table?

Answer: Annington intends to maintain leverage at a level where the principal of its outstanding remaining notes will be around 55% of the value of its cash, property and other assets. It expects to then distribute surplus equity to its shareholders following the completion of this process. Annington's shareholders remain fully supportive of the business. Irrespective of tender offer uptake, there will still be significant equity value in the Group post-transaction as underscored by Annington's target of maintaining leverage at around the 55% level.

What conditions need to be met prior to the completion of the Transaction with the MoD?

Answer: The Transaction with the MoD is subject only to payment of funds on 9 January 2025.

What conditions need to be met prior to the settlement of the tender offer?

Answer: Settlement of the tender offer is conditional on the receipt of funds from the MoD upon completion of the Transaction. The Transaction is scheduled to close on 9 January 2025, with settlement of the tendered notes and contractual redemption of the 2025 and 2033 notes scheduled to occur on 14 January 2025.

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How was the purchase price of c. £6b determined?

Answer: The price and terms were subject to negotiation between the MoD and Annington's shareholder over a period of time to achieve an outcome that was fair for both parties.

Does the sale constitute an Event of Default under the Notes?

Answer: No. As stated in the relevant RNS announcements, the Group will continue its property investment business and following the sale of the MQE portfolio a sizable residential real estate business will continue with plans to grow that business using available proceeds from the sale of the MQE to invest in UK residential real estate. The company has more than enough resources to pay all interest and principal on the notes and will continue to comply with all of its covenants in the notes. The company has taken legal advice that there is no Event of Default under the Trust Deed and the Notes.