

Investor Presentation



Peter Simpson

Chief Executive Officer,
Anglian Water

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Chief Financial Officer,
Anglian Water

09 December 2020



Before we get started !

Disclaimer

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Any forward-looking statements made in this document represent management’s judgment as to what may occur in the future. However, the group’s actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors including some which will be outside the control of the group.

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Peter Simpson

Chief Executive Officer,
Anglian Water



Anchored by our Purpose in challenging times

Focusing on delivering for communities and the environment in the public interest



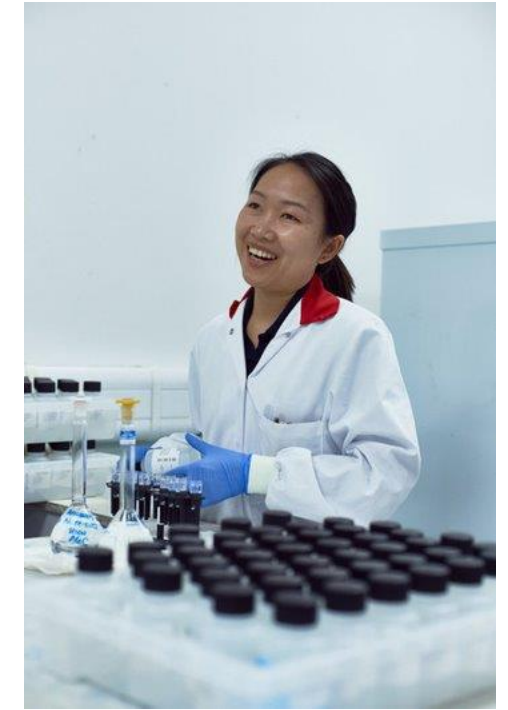
Stepping up to deliver for our customers through Covid



Facing into our region's long-term challenges



Safeguarding and enhancing the environment for the future



Continuing to focus on doing the basics brilliantly

Video

- 3 minute video featuring James Edmondson, Ian Rule and Susannah (plus customer testimonials) to sum up how we've delivered for customers in a challenging year

Staying agile to address Covid impacts

Stepping up to deliver BAU and beyond in a year of rapidly changing needs



Offering a crucial lifeline to vulnerable customers and communities...

220,000 customers offered financial support through ExtraCare

127,000 customers now signed up to Priority Services Register

100+ community groups and **88,000** beneficiaries supported through first tranche of £1m Positive Difference Fund



Creating Covid-safe workplaces and supporting colleagues' safety and wellbeing



Putting more water into supply than ever before as customers spend more time at home



Meeting continuing demand for new connections in face of ongoing housing boom



AMP7 investment underway

Our most ambitious programme ever



Up to 1 million smart meters to be fitted



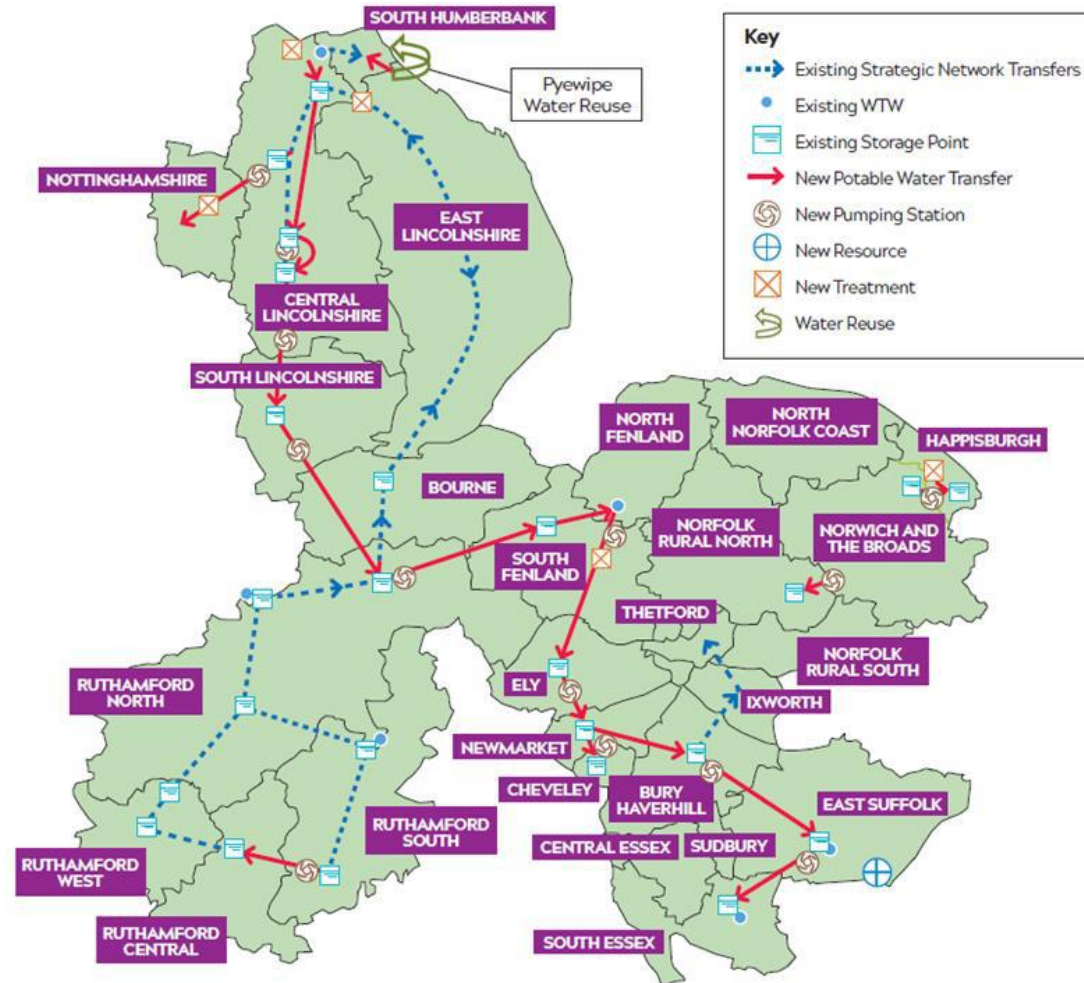
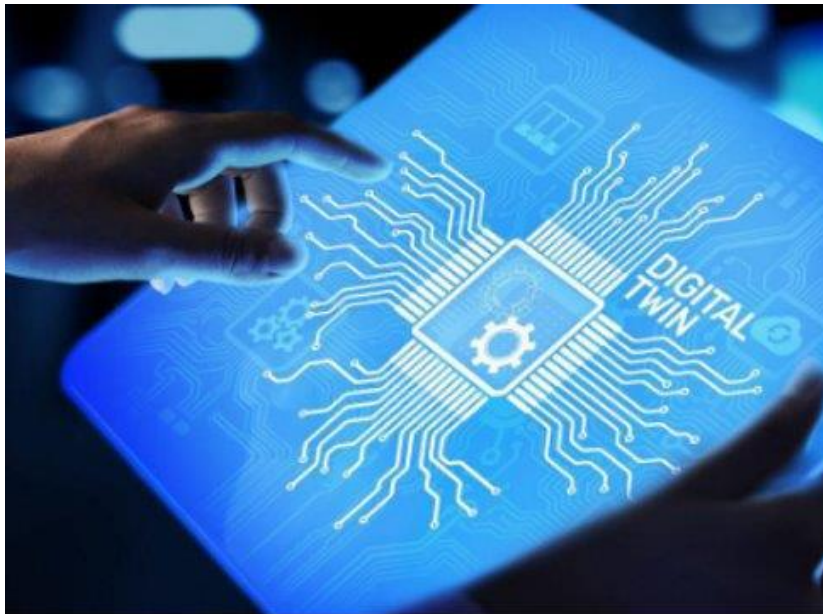
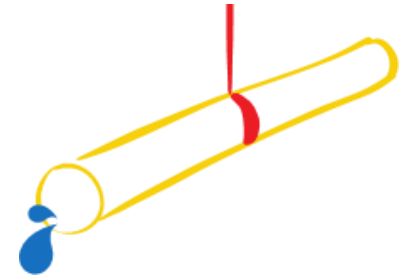
Investment to advance frontier position on leakage reduction



Biggest ever Water Industry National Environment Programme

AMP7 lynchpin: the strategic pipeline

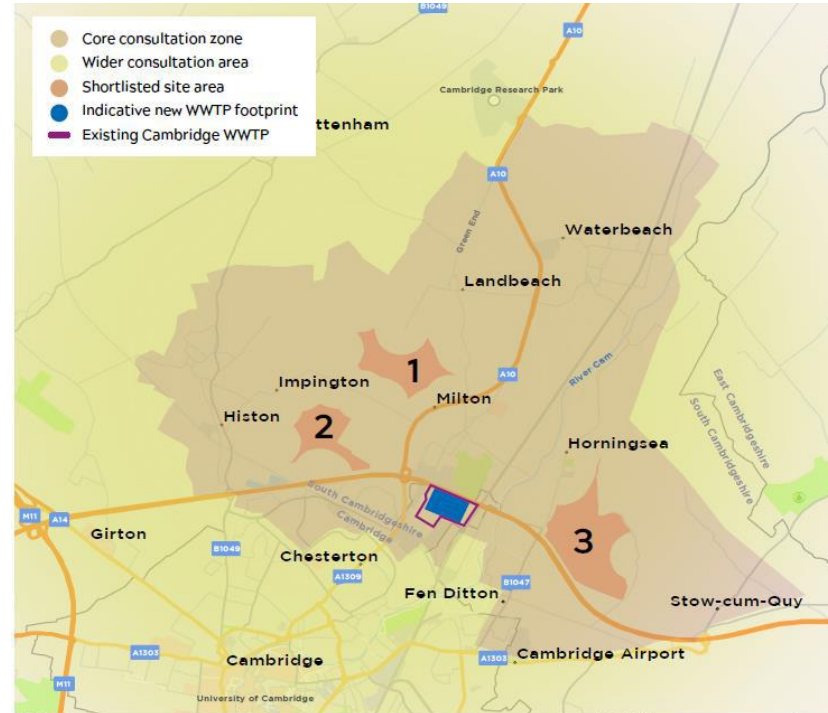
Providing resilient infrastructure for a sustainable future



Cambridge Waste Water Treatment Plant relocation

Modern carbon-efficient plant to serve community and environment while unlocking potential for sustainable growth

- Relocation to facilitate South Cambridgeshire District Council and Cambridge City Council’s vision for a new low-carbon city district in North East Cambridge
- First stage consultation complete; preferred site to be announced in late January 2021
- Submission of application for Development Consent Order anticipated late 2022



1,683 visitors to our virtual exhibition



5,780 visitors to our digital engagement platform



559 feedback forms by FREEPOST and email



Unlock potential for 8,000 new homes and 20,000 jobs



Provide a mix of homes, workplaces, shops and community spaces



Reduce the footprint of the plant



Create new parks and open spaces



Reduce carbon emissions through sustainable design

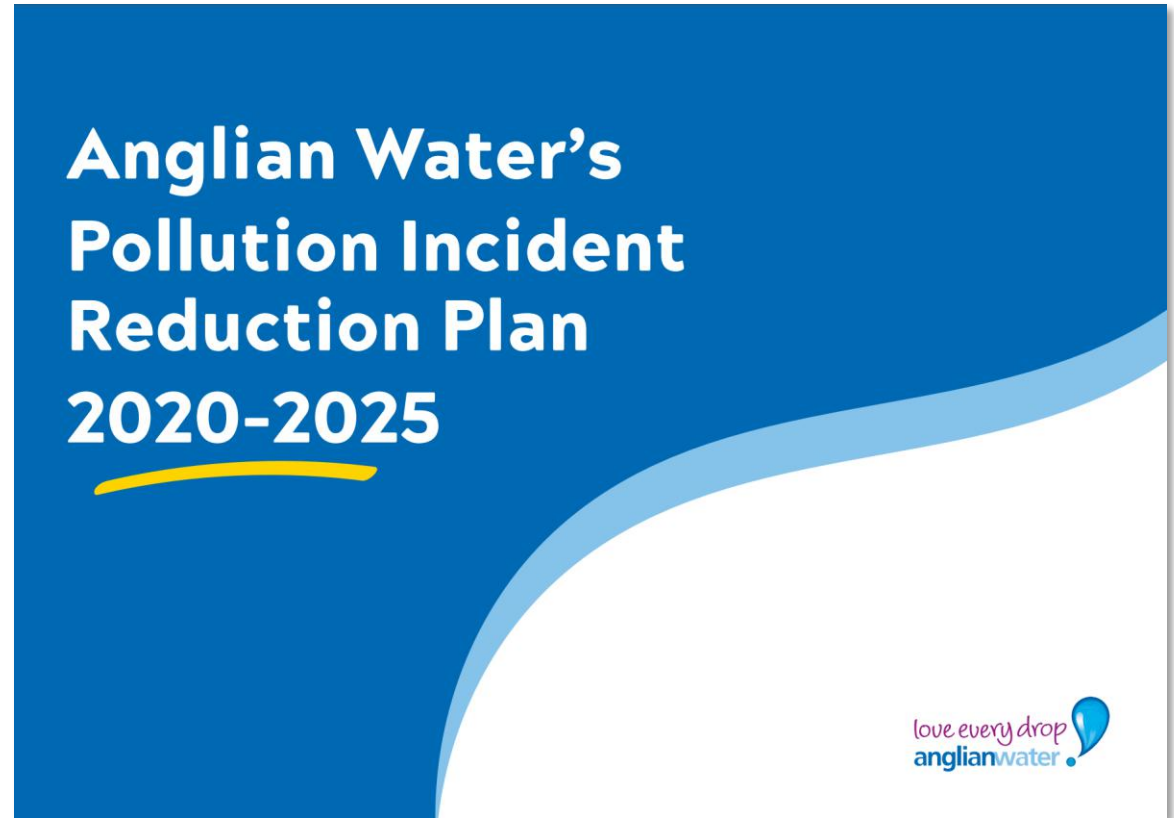


Driving out pollutions



Action plan tackling pollutions through proactive prevention and management coupled with behavioural change

- ✓ Nine-step Pollution Incident Reduction Plan at the heart of strategy
- ✓ Supported by educational and behavioural change campaigns
- ✓ Incident-level focus and response to potential incidents



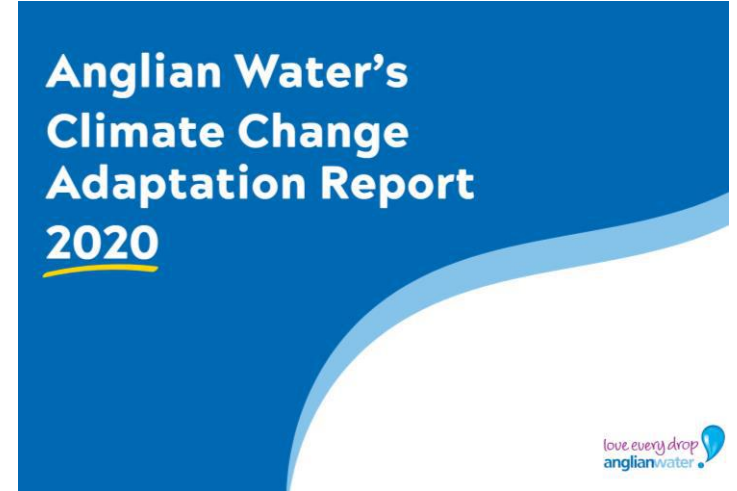
Anglian Water leading industry action on carbon and climate change

Company plays key role in setting out water industry net zero routemap and influencing public discourse on the race to zero and the race to resilience

“ Anglian Water is one of a small number of high-performing companies out of 5,800+ that were scored. Through demonstrable action on climate, Anglian Water is leading on corporate environmental ambition, action and transparency worldwide ”

CDP, December 2020

- ✓ Joint water industry routemap to net zero by 2030 launched in November; leadership from Anglian Water as co-sponsors and chair of the steering group
- ✓ Anglian Water secures A-list status from CDP on climate action
- ✓ Anglian Water CEO Peter Simpson chairs UN Race to Zero Dialogue



CLIMATE



Carbon video placeholder slide

- Carbon video (2m 55s) will be supplied separately to Hawk for them to play at this point – here is the link for review:
- <https://www.youtube.com/watch?v=zxHu8PVP7co&feature=youtu.be>

Anglian Venture Holdings

Trading holding up despite Covid-19 challenges

Anglian Venture Holdings manages the Group's commercial assets including our 50% share of the Wave Joint Venture.



JV with Northumbrian Water providing non-household retail services

- Covid-19 has impacted Wave and its customers, however additional liquidity facility has been secured and all wholesale bills have been paid in full.



Driving value from land assets in the Anglian region and Scotland

- Increased rental portfolio with 6 assets now producing income of over £1m in passing rent.



Alpheus

Providing design, build and operational services to Irish Water and various UK industrial customers.

- Both businesses performing and operating well despite Covid-19 challenges. Government-owned Irish Water is the sole customer of CAW.



Providing digital services to conveyancers and other utilities as well as domestic insurance products in the Anglian region.

- All businesses performing well. Geodesys has seen upturn due to increase in housing market following stamp duty holiday.



AMP7 and the CMA



Cautious optimism as Provisional Findings recognise need to address growth and climate change



29 September 2020

27 October 2020

Mid-February 2021

18 March 2021

Provisional Determination

Responses to Provisional Determination

Indicative timing for Final Redetermination

Statutory deadline

Companies appealing:



Steve Buck

Chief Financial Officer,
Anglian Water



Ofwat's service delivery report – last year of AMP6



Performance strong on majority of metrics, impacted by Leighton Linlade incident

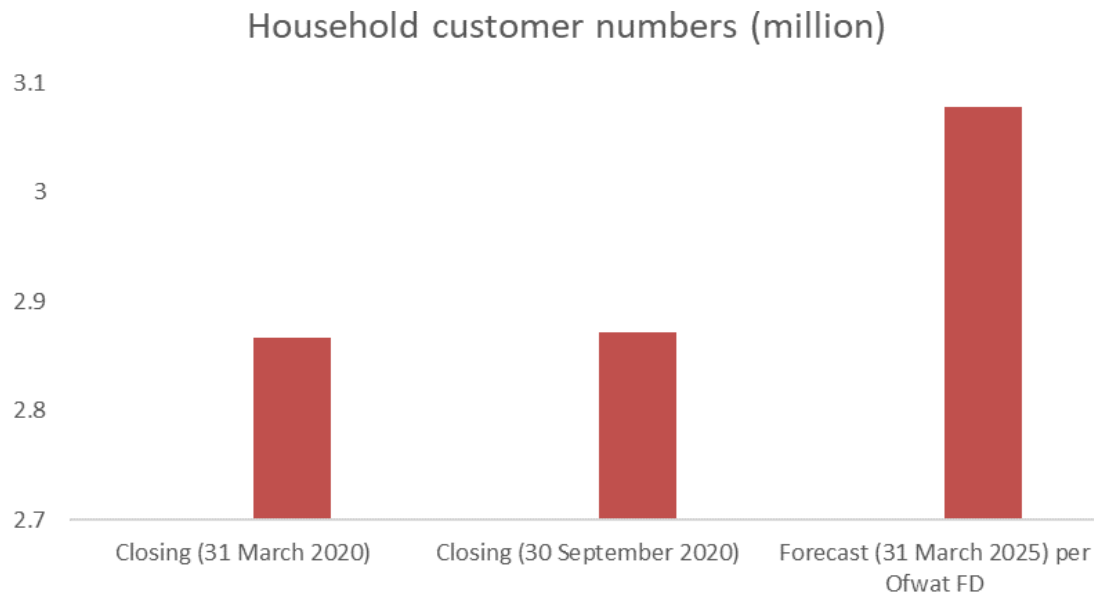
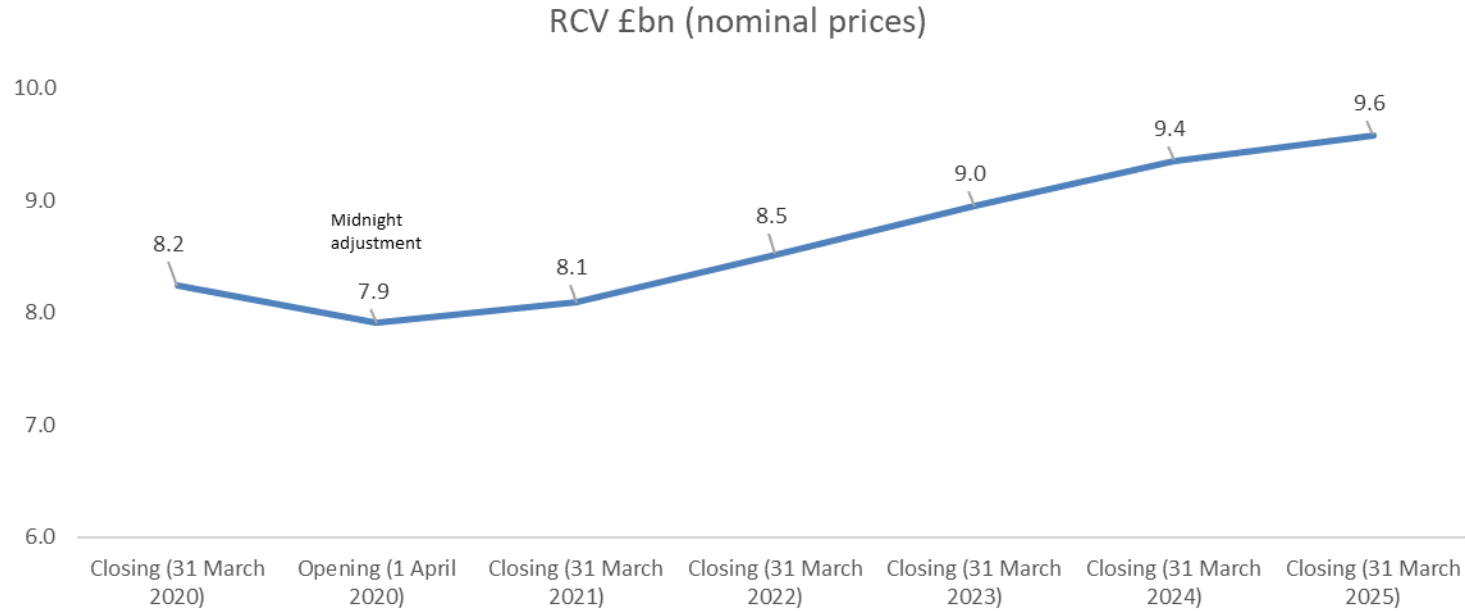
Overall assessment of efficiency and effectiveness of service delivery Page 5

	Total expenditure		Outcomes								
	Wholesale	Residential retail	Customer service	Meeting performance commitments	Earning financial incentives	Leakage	PCC	Supply interruptions	Water quality contacts	Internal sewer flooding	Pollution incidents
Better performance											
Northumbrian Water	-	-		▲	-	-	-	▲	▲	-	-
Wessex Water	-	-		-	▲	-	-	▼	▼	-	-
Bristol Water	-	-		▲	▲▲	▲	-	▲	▲	-	-
South Staffs Water	▲	-		▲	▲	-	-	-	-	-	-
Average performance											
Anglian Water	-	-		▼	▼▼	-	-	▼	-	-	-
Dŵr Cymru	-	-		-	-	-	-	-	-	▲	▲
Severn Trent Water	-	-		-	-	▼	-	-	-	-	-
South West Water	-	-		-	▼	-	-	-	-	▼	-
United Utilities	-	-		▼	▼	-	-	-	-	-	▼
Yorkshire Water	-	-		▲	-	▲	-	-	-	-	▲
Portsmouth Water	-	-		-	-	-	-	-	-	-	-
South East Water	▲	-		-	-	▼	-	-	-	-	-
SES Water	-	-		▲	-	-	-	▲▲	-	-	-
Poorer performance											
Hafren Dyfrdwy	-	-		-	-	-	-	-	-	-	-
Thames Water	-	-		-	-	-	-	-	-	-	-
Southern Water	▼	-		▼	-	-	-	▼	-	▲	-
Affinity Water	▼	-		▼	-	-	-	▼	-	-	-

Key		
Top 25%	▲	Moves up a category
Middle 50%	▲▲	Moves up two categories
Bottom 25%	▼	Moves down a category
	▼▼	Moves down two categories

AMP7 - a period of significant growth

Housing growth in the region and significant infrastructure investment driving strong real RCV growth



210,000 new household customers in AMP7



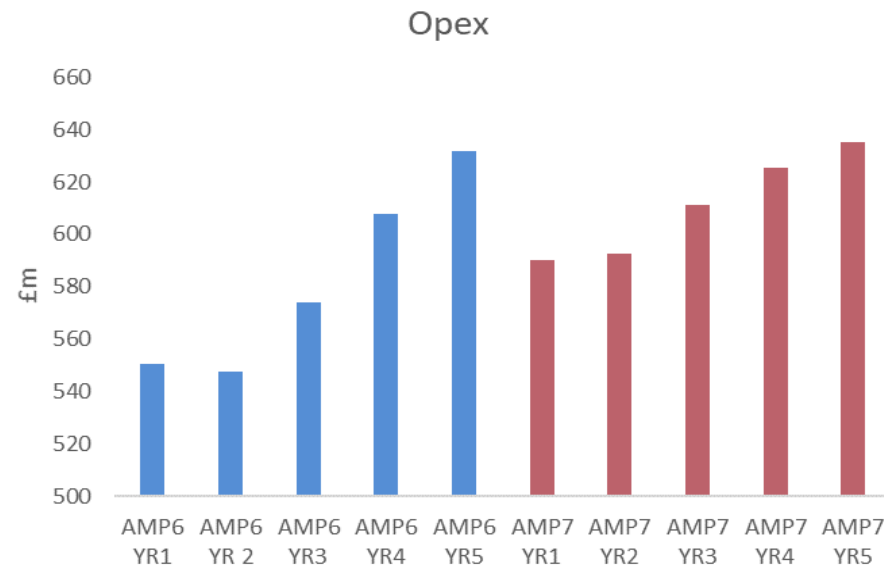
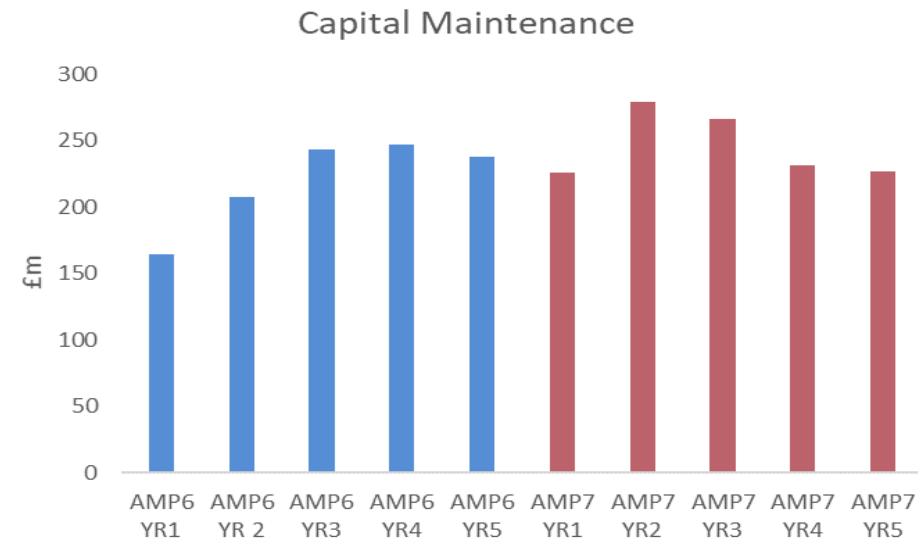
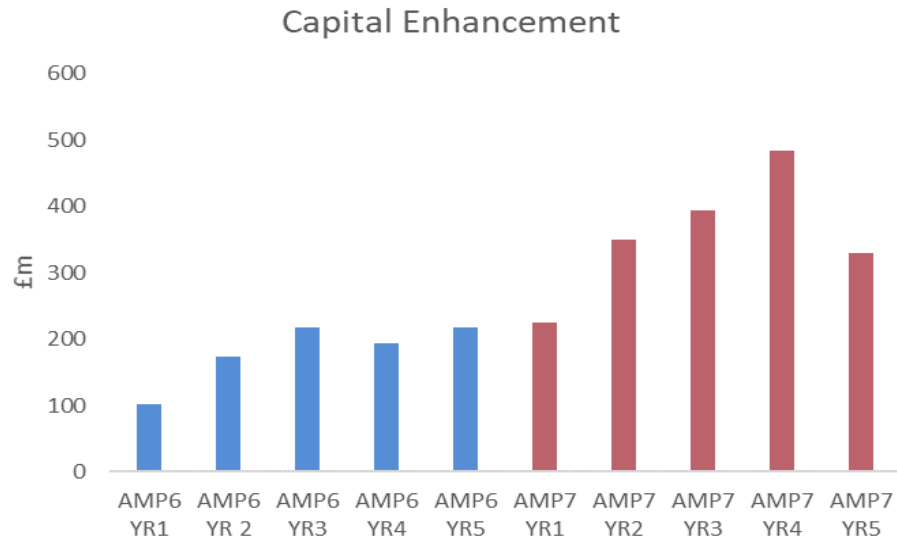
14% increase in RCV in AMP7



**191,000 water meter connections,
218,000 water recycling connections**

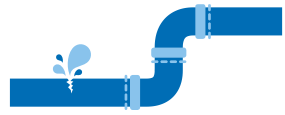


Largest investment period ever with lower opex allowance



Concentrating on delivering for customers in challenging times

Operational performance to 30 September 2020



Leakage – in a position to build on best ever performance in 2019/20 to meet ODI commitments



Water quality risk measures – scoring well on Compliance Risk Index measure



Customer service – CMeX Q2 score puts us fourth among water and sewage companies, fifth overall



Pollutions – significant reduction in number of pollutions seen in 2019; strenuous efforts being made to regain 3* EPA status



Flood risk – low numbers of incidents so far this year but winter weather expected to pose challenges



Water supply interruptions – solid performance year to date; no room for complacency, however, as we head into the winter months



Per capita consumption – challenging for the whole industry due to shifting patterns of demand during Covid pandemic combined with long, hot summer; domestic consumption up

Covid-19 has impacted the first six months

Revenue and opex mix has changed and early delays followed by rapid recovery

Higher household
consumption 12%,
£32m



Non-household revenue
down by 23%, £(29)m



Housebuilding activity
returning after lockdown:
£(11)m reduction in
grants & contributions



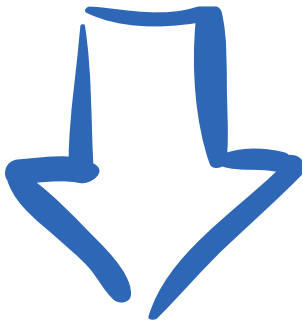
Increased spend on
PPE offset by reduced
travel costs

Wholesale retailers'
deferrals largely repaid
and due to be fully repaid
by March 2021

On track to deliver
FD profile of
capital investment

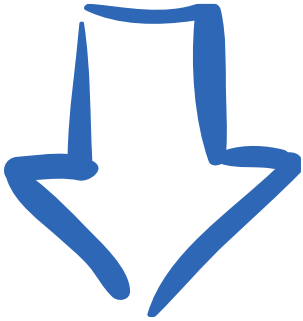
Anglian Water financial highlights

EBITDA
 £382.6m
 (2019: £403.8m)



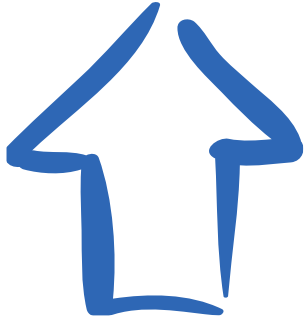
£21.2m
 5.3%

Operating profit
 £209.3m
 (2019: £223.0m)



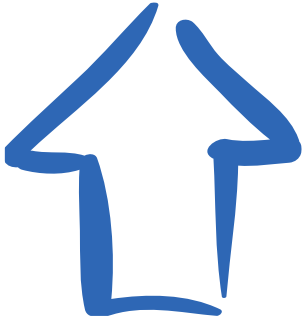
£13.7m
 6.1%

**Underlying profit
 before tax¹**
 £85.2m
 (2019: £54.7m)



£30.5m
 55.8%

**Underlying profit
 after tax¹**
 £68.2m
 (2019: £43.9m)



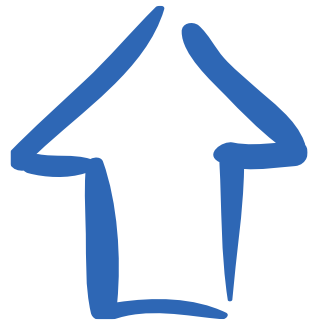
£24.3m
 55.4%

¹ Shown before mtm loss on derivatives of £100.6m (2019: loss of £171.3m).

Anglian Water financial highlights

Operating cash flow¹

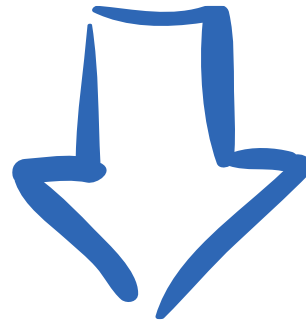
£344.0m
(2019: £322.0m)



£22.0m
6.8%

Capital investment

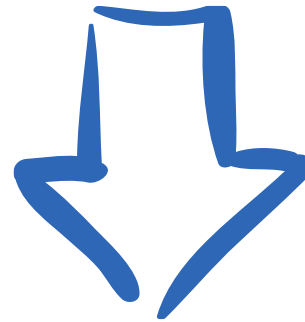
£205.6m
(2019: £228.2m)



£22.6m
9.9%

Net interest - cash

£125.6m
(2019: £128.1m)



£2.5m
2.0%

Net debt²

£6,469.7m
(March 2020: £6,459.7m)



£10.0m
0.2%

¹ Shown on a CTA basis. Net cash inflow from operating activities after tax on a statutory account basis is £354.4m (30 September 2019: £325.9m).

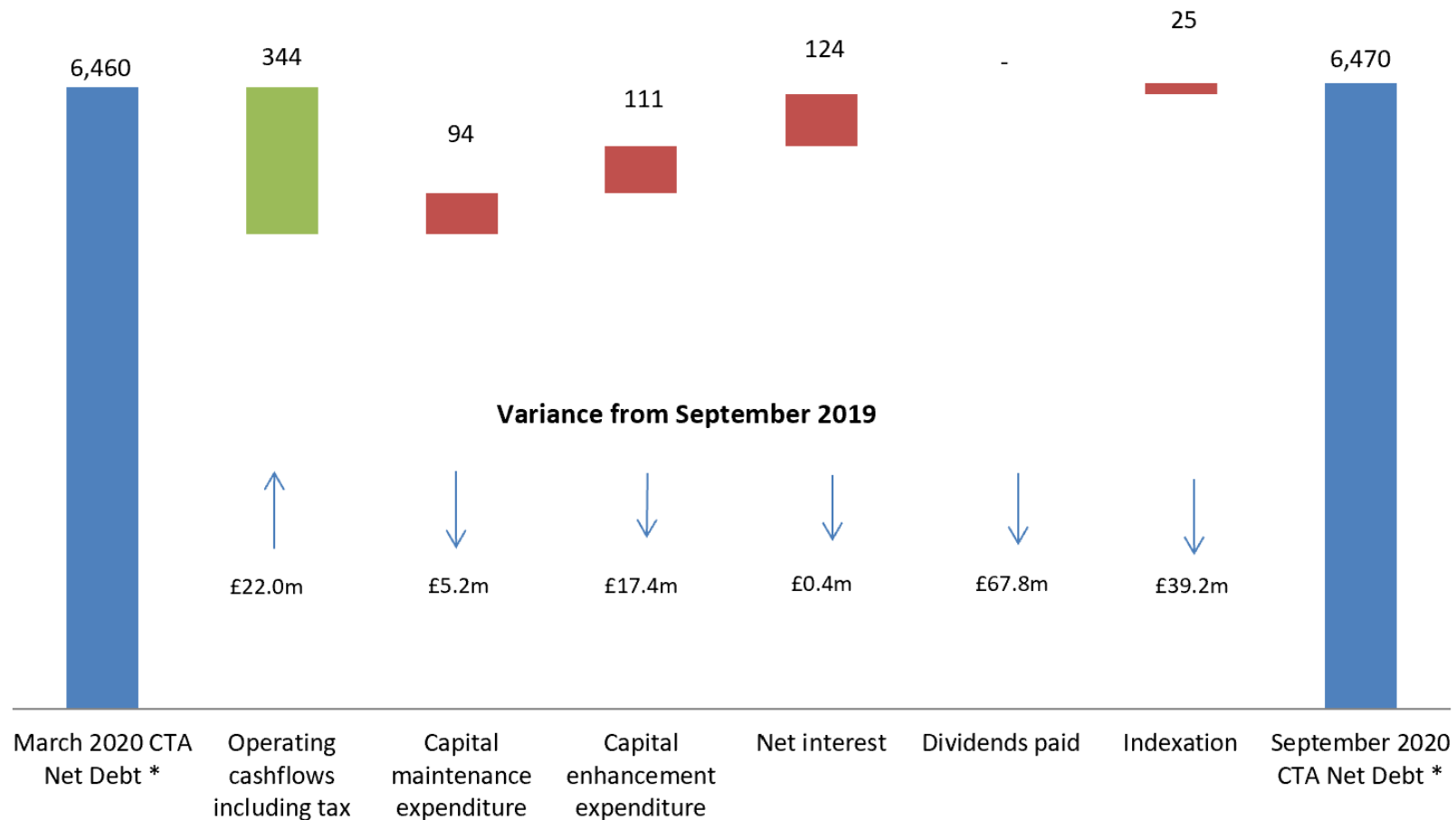
² Shown on a CTA basis, excluding derivatives. Net debt on a statutory account basis is £6,697.4m (31 March 2020: £6,677.2m).

Anglian Water underlying profit/(loss) after tax

September 2019	£43.9m				
Reduction in customer prices	£(36.4m)	Revenue ¹	EBITDA	Operating profit	Profit after tax
Increase in household consumption	£32.0m				
Decrease in non-household consumption	£(29.4m)				
Reduction in grants and contributions	£(11.3m)				
Growth and other revenue increases ¹	£6.7m				
Living with the Final Determination	£18.6m				
Other opex movements	£(1.4m)				
Reduction in depreciation	£7.5m				
Non cash finance costs due to decrease in inflation	£44.2m				
Tax	£(6.2m)				
September 2020	£68.2m				

¹ Includes decrease in other operating income.

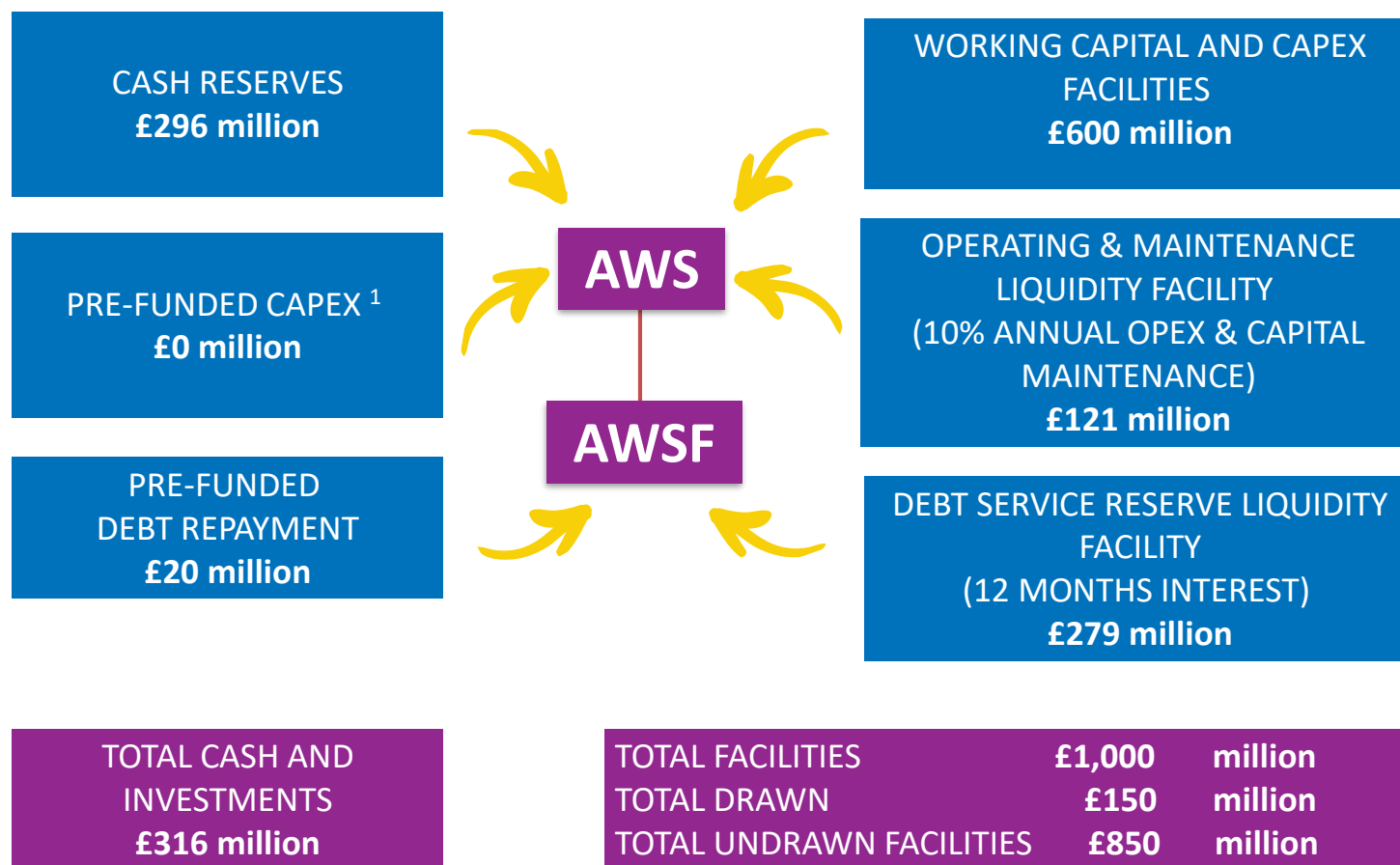
Sources and uses of cash



¹ CTA cashflows are on a different basis to those presented in the financial statements

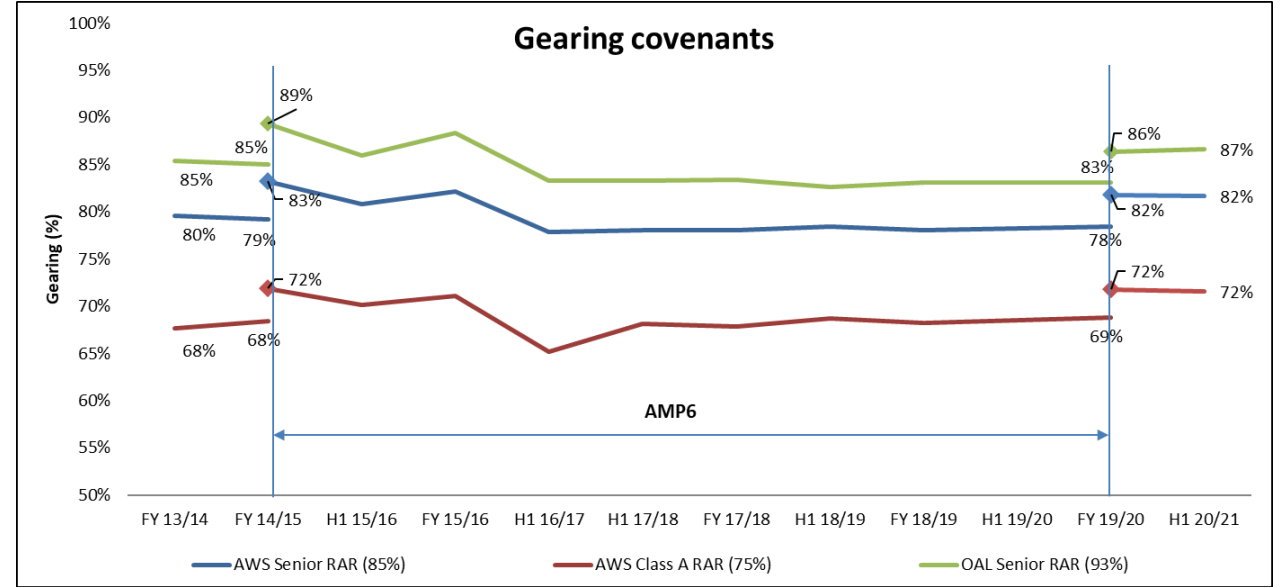
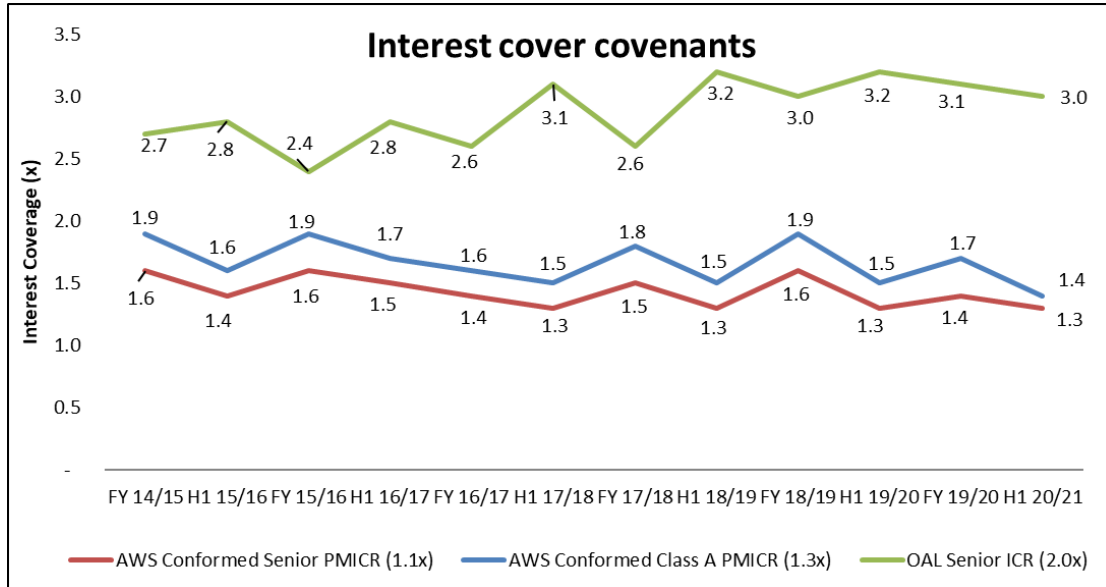
- CTA cashflows at September 2020 are £315.7m (March 2020: £1,047.1m)
- Debt principal repayment in the period totalled £748.1m

Anglian Water liquidity



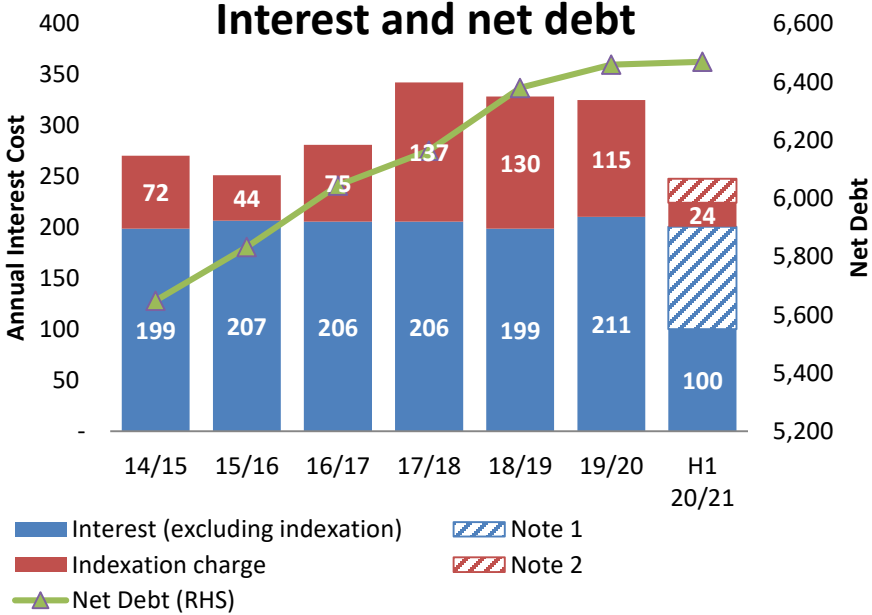
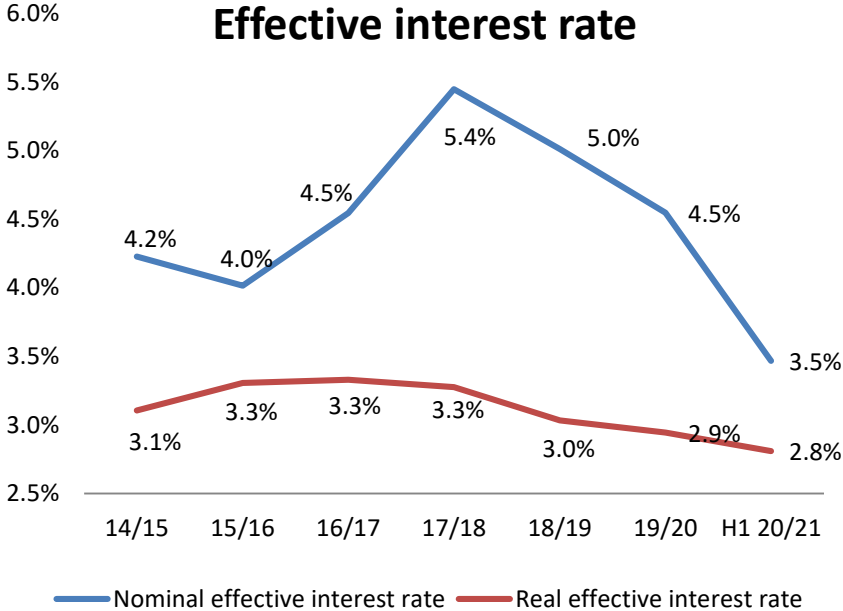
Note 1: Funds raised under green bonds are held in the prefunded capex account pending investment of funds; no funds held pending investment at September 2020

Covenants and credit metrics



Interest rate management

Net finance costs down marginally as impact of higher average debt is offset by lower effective interest rate.



Note 1: Annualised based on current H1

Note 2: Decrease in nominal effective interest rate is due to the decrease in inflation



Delivering sustainable finance for AMP7

Building on strong AMP6 track record to finance our biggest ever capital programme in AMP7

AMP6 summary



6 Green Bonds issued since 2017



£876 million funding secured for capital projects



c.850 schemes in operation across our region



62% reduction in capital carbon on Green Bond projects



AMP7 overview

Vast majority of capital funding to be raised through sustainable finance transactions under our AMP7 framework



Multi-billion-pound capital programme already underway



Framework sets out 11 sustainable categories in under which all capital schemes will be delivered



65% reduction in capital carbon on Green Bond projects

Anglian Water Services Ltd
Anglian Water Services Financing Plc

Sustainability Finance Framework

2020



Summary

Outlook for AMP7; laying the groundwork for future environmental and social prosperity



- Purpose at the heart of all our activity and planning
- Delivering well to date in the face of Covid-19 and financial constraints
- AMP7 programme vital to future resilience of our region
- Maintaining focus on customer metrics and well prepared for a challenging winter ahead
- AVH businesses driving additional revenue streams

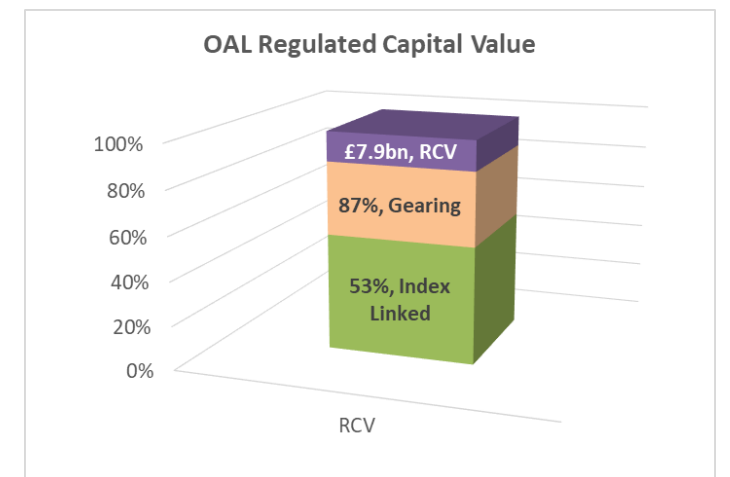
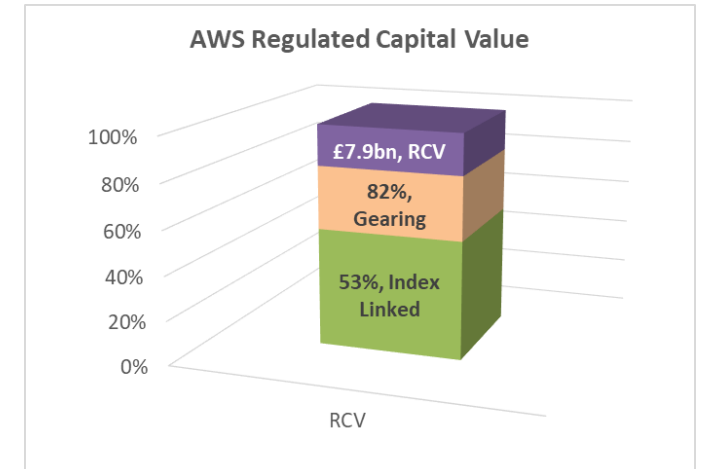
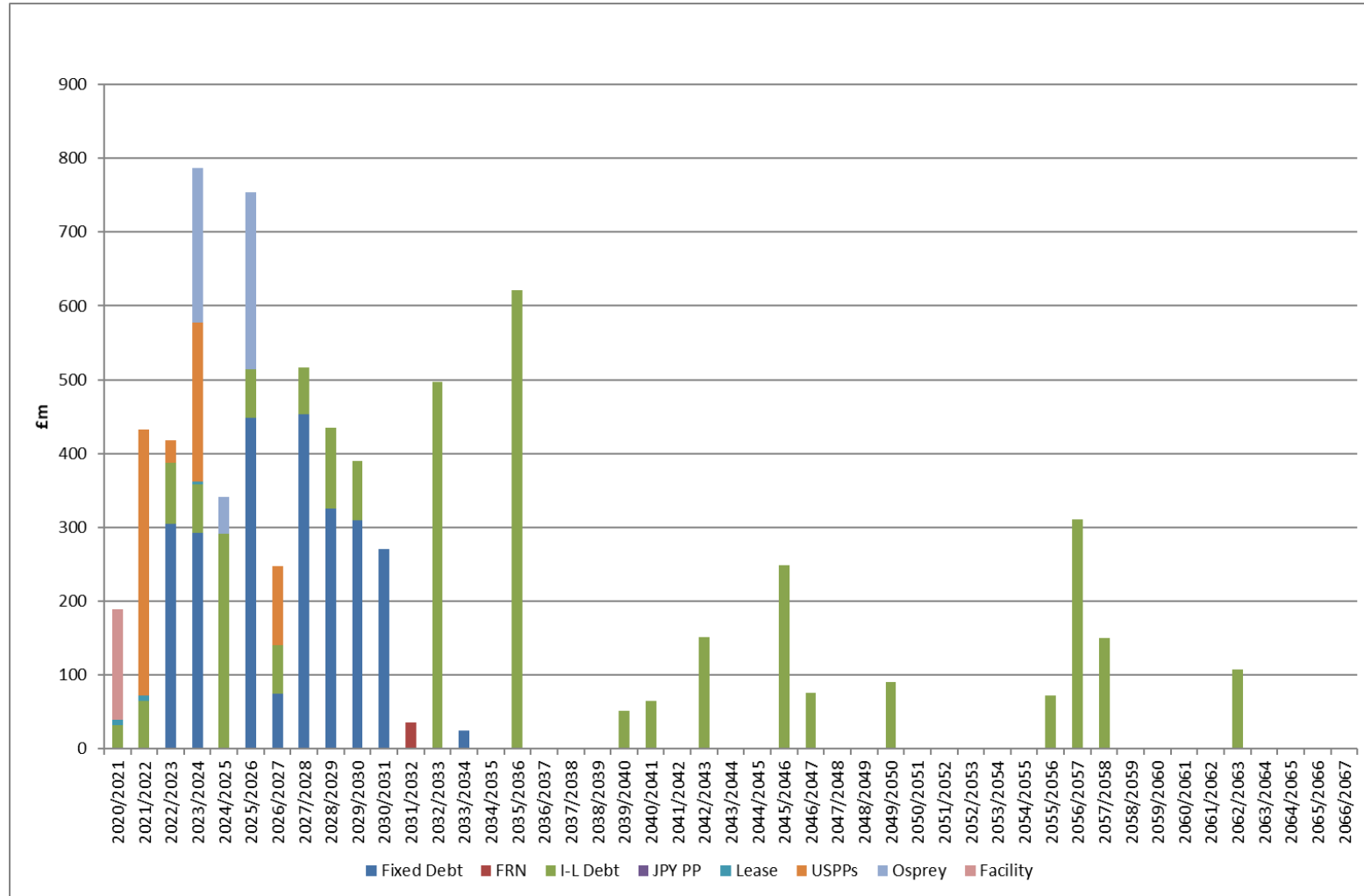


Any questions?



Appendices

Debt maturity profile as at 30 September 2020



Derivatives

Derivatives mark to Market Valuation

Swap Type	Notional £m	MTM £m ¹
Interest Rate Swap	2,417.5	(214.4)
Cross Currency Interest Rate Swap	795.8	181.2
RPI Swap	565.9	(621.2)
CPI Swap	765.9	(164.1)
	<hr/>	
	4,545.1	(818.5)

Energy Derivatives

LEBA³ Power Swaps

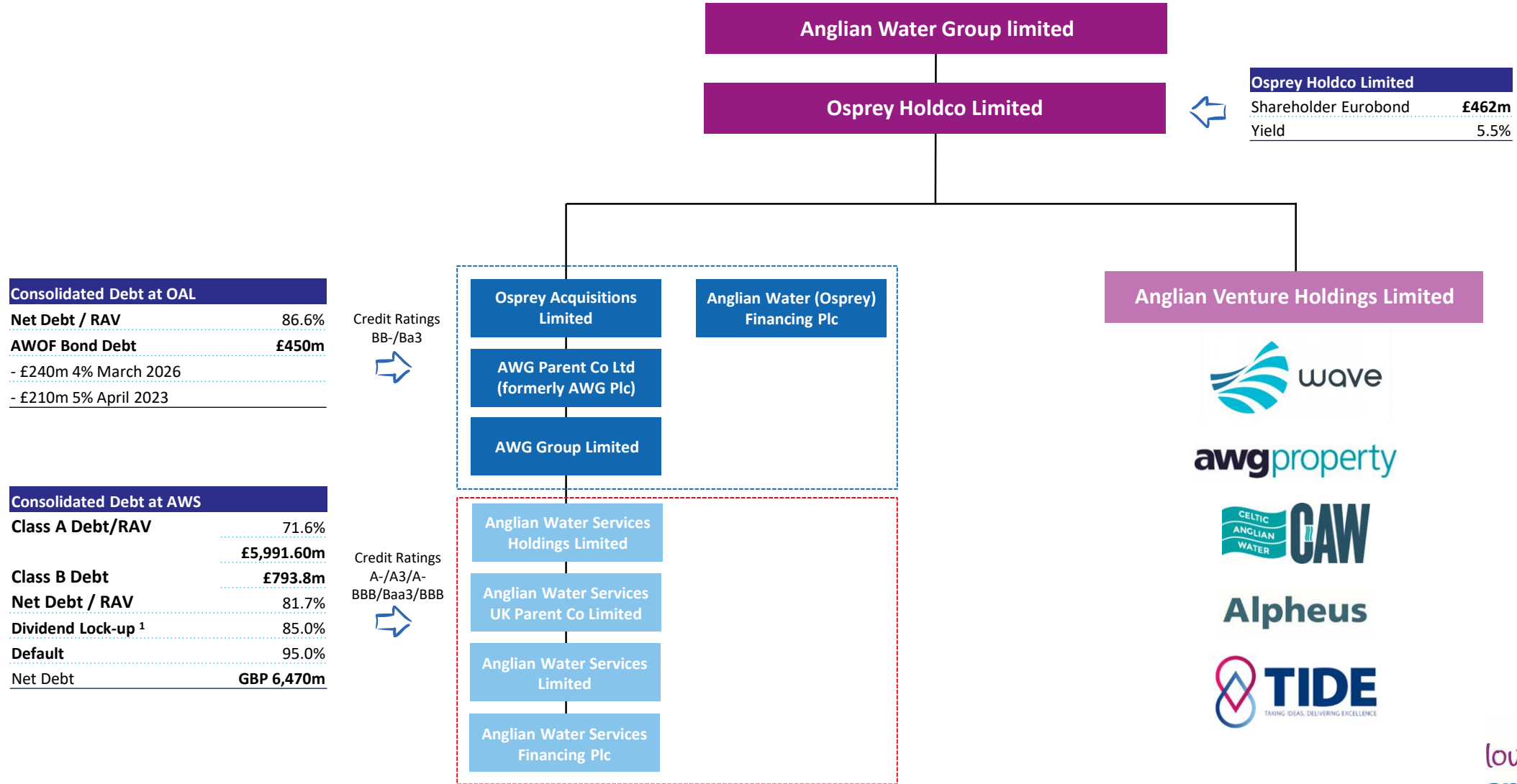
Notional £m ²	MTM £m
37.4	4.5

¹ Mark-to-Market valuations include accrued interest to valuation date

² Notional value for Energy Derivatives represents locked in purchase price for power

³ LEBA = London Energy Brokers Association

Consolidated capital structure



¹ Senior RAR Trigger Event is 90%, with Dividend lock up at 85%

AW reconciliation of CTA operating cash flow

Six months to 30 September

	2020 £m	2019 £m
Operating cash flow - statutory accounts basis	345.4	366.2
Tax paid	-	(40.3)
Commissions on debt facilities not drawn	(1.0)	(1.5)
Other ¹	(0.4)	(2.4)
Net cash inflow from operating activities - CTA basis	344.0	322.0

¹ Primarily relates to issue costs on new debt

AW reconciliation of CTA net debt

	30 September 2020 £m	31 March 2020 £m
Net debt - statutory accounting basis¹	6,697.4	6,677.2
Unpresented cheques and lodgements	0.1	0.1
Capitalised issue costs	31.4	31.7
IFRS 16 leases	(30.3)	(30.8)
IFRS 9 adjustments	(228.9)	(218.5)
Net debt - CTA basis ¹	6,469.7	6,459.7

¹ The CTA net debt continues to be on old UK GAAP basis, while statutory net debt is on an IFRS basis, excluding derivatives

AW reconciliation of CTA underlying profit before tax

Six months to 30 September

	2020 £m	2019 £m
Profit before tax on an underlying basis	85.2	54.7
Finance costs - fair value losses on financial derivatives	(100.6)	(171.3)
Loss before tax as reported on a statutory basis	(15.4)	(116.6)

Summary new loans and repayments

Six months to 30 September

	2020 £m		2019 £m
New Debt raised		New Debt raised	
S88 A CPI 0.835 2040 GBP £65m	65.0	S61 A Fix 2.870 2029 GBP 65m	65.0
		S62 A Fix 0.855 2039 JPY 7bn	50.9
			<u>115.9</u>
Non cash debt raised		Non cash debt raised	
IFRS 16 lease agreements	1.1	IFRS 16 lease agreements	36.8
Total debt raised	<u>66.1</u>	Total debt raised	<u>152.7</u>
Debt repaid		Debt repaid	
S01 A RPI 4.125 2020 GBP 150m	(263.8)	S31 A Fix 3.220 2019 JPY 5bn	(34.7)
L02 A RPI 0.530 2027 GBP 75m	(4.6)	L01 A RPI 1.626 2019 GBP 50m	(67.9)
L02 A RPI 0.790 2027 GBP 75m	(4.6)	L02 A RPI 0.530 2027 GBP 75m	(4.5)
L03 A RPI 0.000 2028 GBP 150m	(8.9)	L02 A RPI 0.790 2027 GBP 75m	(4.5)
L04 A RPI 0.010 2030 GBP 60m	(3.4)	L03 A RPI 0.000 2028 GBP 150m	(8.9)
L04 A RPI 0.410 2029 GBP 65m	(3.8)	L04 A RPI 0.410 2029 GBP 65m	(3.8)
L04 A RPI 0.100 2029 GBP 125m	(7.1)		
F14 F BAR 0.35 2024 GBP 550m	(400.0)		
F15 F BOC 0.35 2024 GBP 50m	(50.0)		
	<u>(746.2)</u>		<u>(124.3)</u>
Settlement of leases	(1.9)	Settlement of leases	(2.0)
Total debt repaid	<u>(748.1)</u>	Total debt repaid	<u>(126.3)</u>