

Investor presentation



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Before we get started !!



Disclaimer

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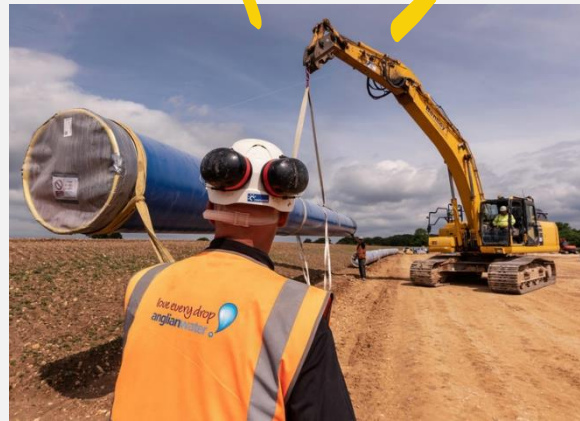
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Presentation overview



Purpose-driven solutions for our region's challenges



Delivering for customers, environment and investors in the public interest



2021 Key financial and sustainability metrics

A look at the big picture: strategic goals and ambitions driven by purpose



Our four key goals for 2020-2025 are guided by the views and needs of our stakeholders

- 1 To **make life better** for our customers, every single day
- 2 To **deliver our 2020–2025 Final Determination**
- 3 To **deliver our identified business priorities**
- 4 To **create a sustainable future** for our region

Our 25-year strategic ambitions are shaped to deliver on our purpose and drive us to achieve more, for everyone



By 2030, be a **net zero carbon** business and reduce the carbon in building and maintaining our assets by 70%.



Work with others to **achieve significant improvement in ecological quality** across our catchments.



Make the **East of England resilient** to the risks of drought and flooding.



Enable **sustainable economic and housing growth** in the UK's fastest growing region.

Scale of the challenges in addressing climate change, population growth and environmental protection



Climate change

Total impact by 2045: 58MI/d



Environmental needs

Total impact by 2045: 85MI/d



Population growth

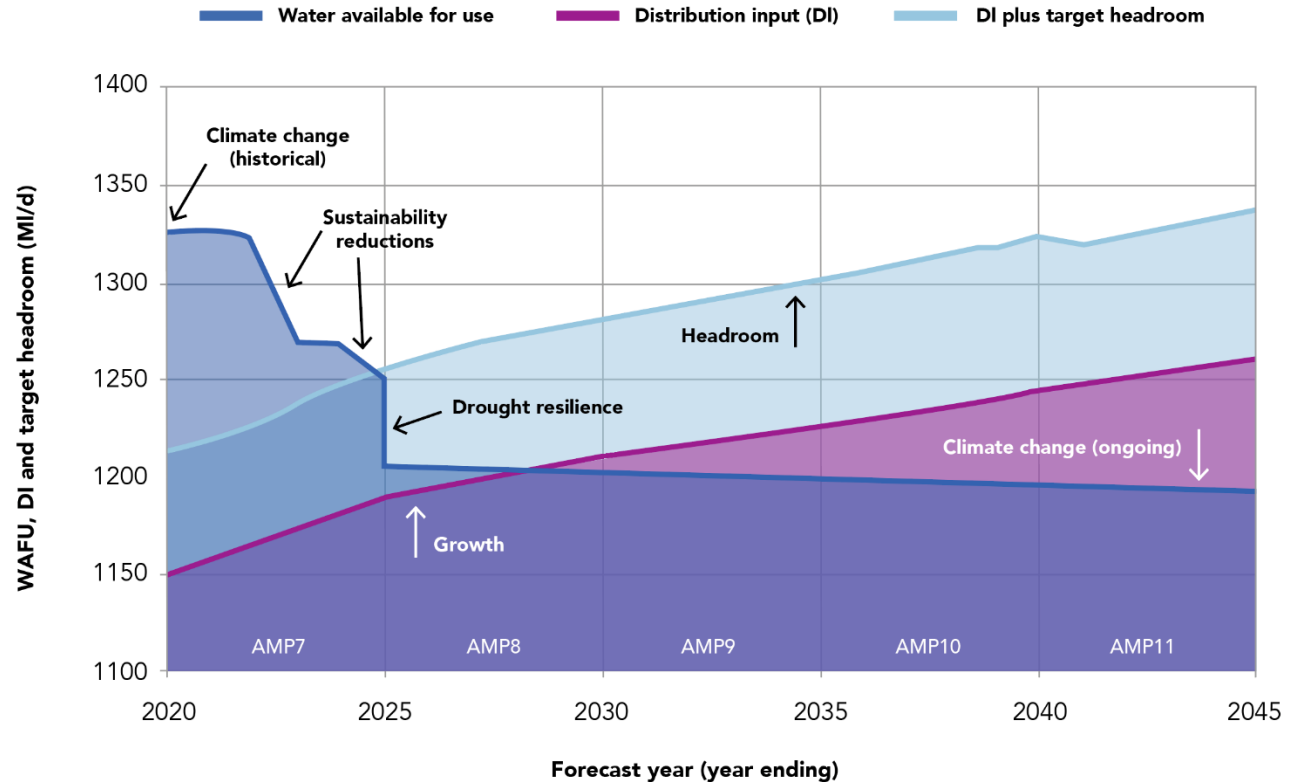
Total impact by 2045: 109 MI/d



Drought resilience

Total impact by 2045: 26MI/d

Availability of water in the East of England to 2045



Taking bold actions for the long term



Plans progressing for new multi-sector South Lincolnshire and Fens reservoir systems to address long-term water supply challenges



Each of the two new reservoirs will be the size of Grafham Water

Construction begins AMP8 (2025-2030)
Projected completion mid-2030s

- Water resilience**
- Flood protection**
- Biodiversity net gain**
- Public amenity**
- Multi-beneficiary**

Gateway funding secured through RAPID (Regulators' Alliance for the Progression of Infrastructure Delivery)



Two new reservoir systems: South Lincolnshire Reservoir and Fens Reservoir to deliver up to 250 million litres a day and serve at least 750,000 people

Reservoir systems will meet the needs of homes, businesses and agriculture

Next step: regional plans consultation

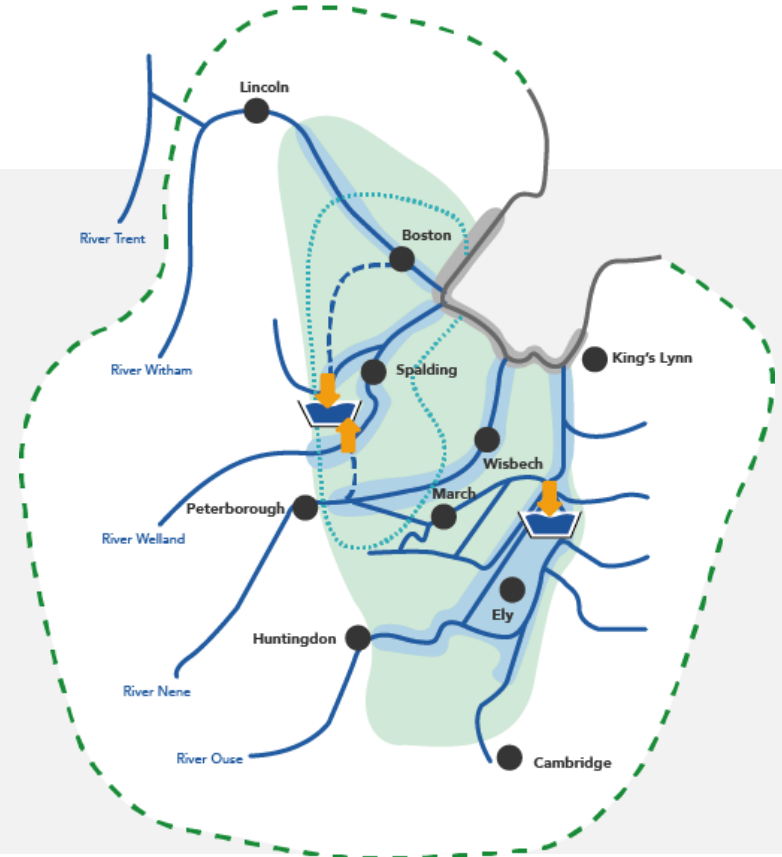
Working collaboratively to pioneer long-term resilience



Holistic approach breaks down traditional silos to deliver a step change in environmental and social prosperity



-  New reservoir intake
-  New flood risk management strategy
-  Adaptive plan for The Wash
-  Landscape boundary within which water strategy will be aligned with land use management (ie National Flood Risk Management and Environmental Land Management Strategy)
-  New open water transfers
-  New reservoir (indicative location)
-  Boston to Peterborough wetland corridor



Leading the UK water sector at COP26

Co-led the Water Theme at first ever COP Resilience Hub, raising profile of adaptation in the water industry

RESILIENCE HUB



Peter Simpson spoke at 4 Blue Zone events, including alongside former PM Theresa May



Hosted a Blue Zone event – the only UK water company to do so



Pictured: Environment Agency Chair Emma Howard Boyd, Tony Juniper, Chair of Natural England and Peter Simpson at our event

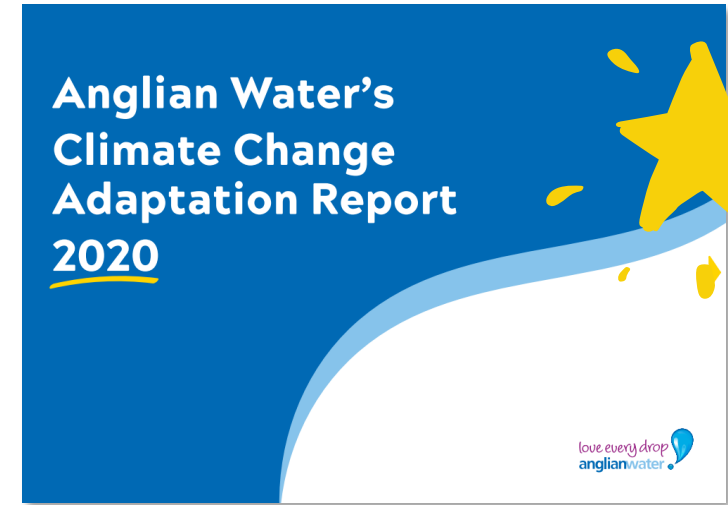
Forged new international connections and committed to join Race to Resilience



Featured by Microsoft (principal partner of COP26) as one of four case studies



The credentials that got us to COP: our leadership on mitigation and adaptation



First company in UK to publish Climate Change Adaptation Report



Water company world first
£300m bond linked to 2025 transitional carbon targets

61.2% ↓
reduction in capital carbon

10k tonnes
of operational carbon saved this AMP



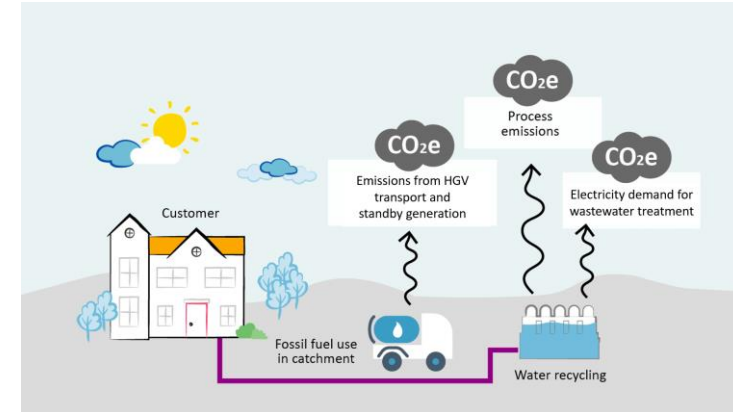
Delivering state-of-the-art water recycling for Greater Cambridge



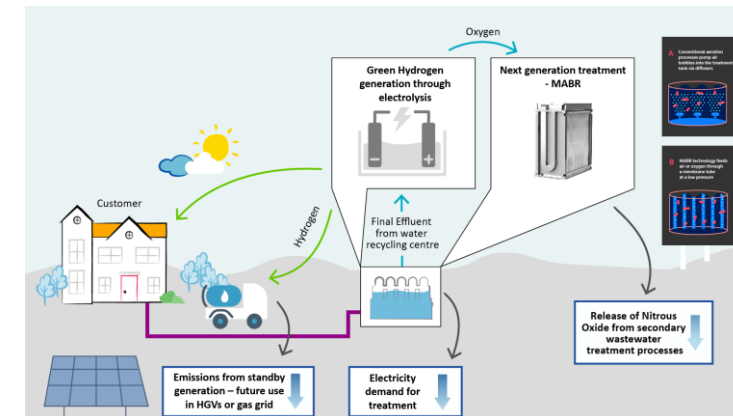
Providing vital services for the community and environment, going above and beyond our net zero goals and helping Cambridge to grow sustainably



Current state water recycling process



Future state water recycling process



- New site, to be delivered by 2028, gives us an unparalleled opportunity to deliver the water recycling centre of the future
- Carbon positive design that supports and enhances the natural environment
- Recycling water and nutrients, producing green energy direct to the grid and supporting hydrogen ambitions
- Using technologies that avoid process emissions
- Increasing biodiversity and creating new wildlife habitats

Delivering for customers, environment and investors in the public interest

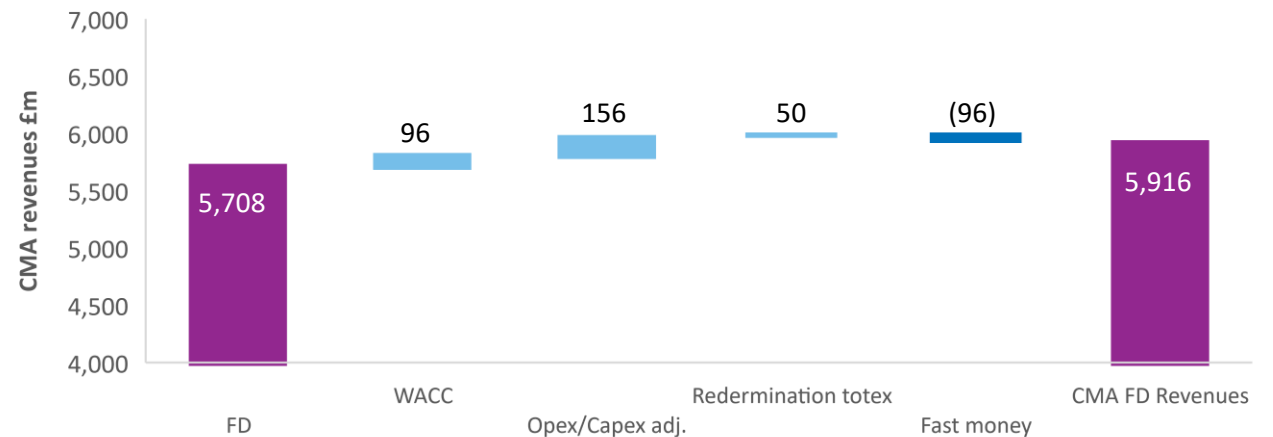
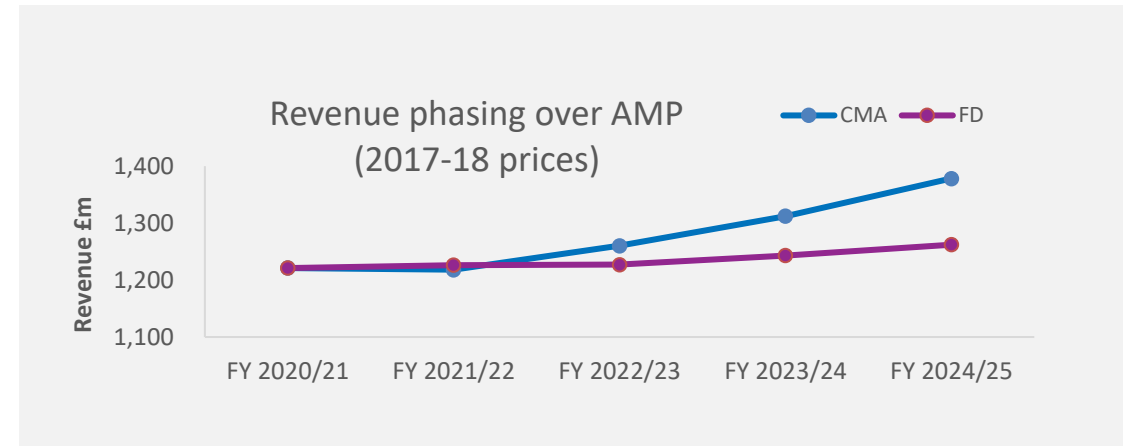


Putting in place the building blocks for success



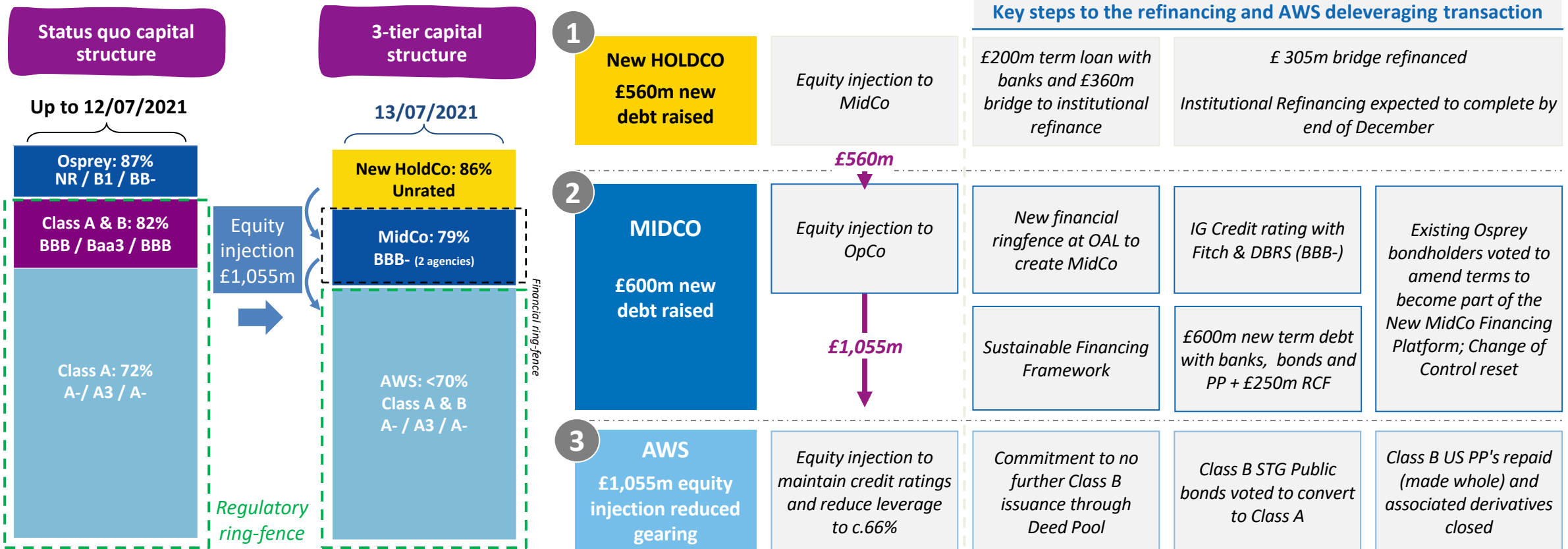
Purpose-led challenge through CMA unlocked regulatory settlement that facilitates investment for customers

- Outcome factors in growth: key driver for appeal and important precedent set
- Better balance of risk for owners and investors supports stronger credit profile
- An additional £208m of revenue in AMP7... and a better platform for AMP8 and beyond



Delivering a sustainable, efficient capital structure

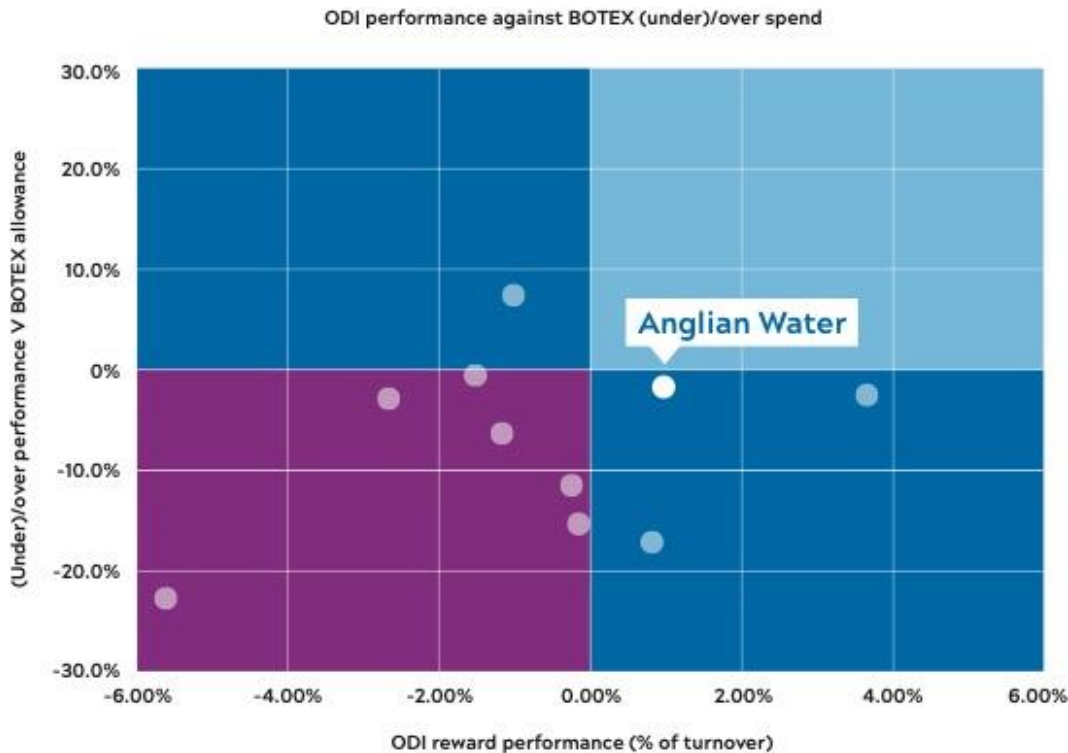
Stabilising strong investment grade rating at the regulated OpCo and designing capital structure in the interest of customers and investors, the environment and long-term viability



Year one summary: delivering for environment, customers and investors



Strong performance against our peers



10th Successive year of meeting leakage targets

£448m of capital investment delivered

20% reduction in volume of pollutions

£11.7m reward earned for 2020/21

Anglian described as **'sector-leading'**

in Ofwat Service and Delivery Report for 2021 - top performance in leakage and sewer flooding

Top two water and water recycling company performance

81% of 45 performance commitments on track at year end

Biggest ever single year WINEP programme delivered

Maintaining focus in the face of significant headwinds



In a volatile world, we've risen to the challenges and continued to deliver against our AMP7 plan

Delivering consistently through Covid-19



Addressing supply chain challenges



Managing rising inflation



Rising to environmental challenges



Welcome scrutiny on water recycling and pollutions



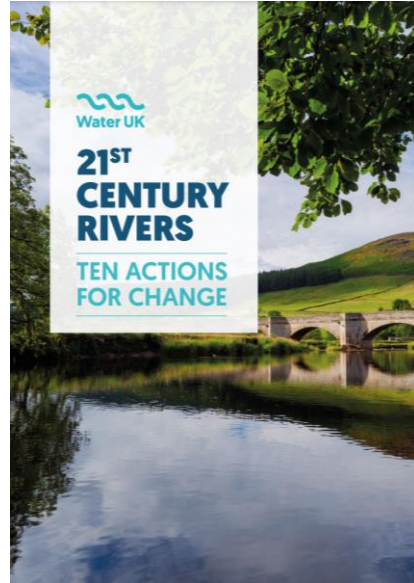
Increasing regulatory, political and public focus directed on this crucial area for ongoing investment at national and company level: expectations are shifting

Setting the scene: the big picture

Across the UK combined sewer overflows contribute just 4% of the reasons why UK rivers are not high quality (and only 1% in the East of England).

Other drivers impacting river water quality include:

- Agriculture and rural management
- Urban development and transport
- Non-native species
- Misconnected plumbing

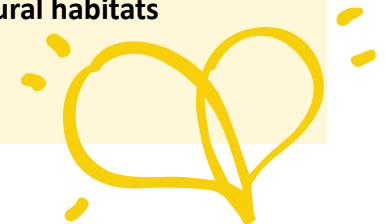


Anglian Water and environmental protection

- We welcome the recently announced reviews by the Environment Agency and Ofwat in light of growing public concern
- We share the concern and have been working for years to address it
- In response we've already accelerated our £800 million AMP7 Water Industry National Environment Programme investment – the sector's biggest
- We've reported to the regulator that we've found no evidence of environmental impacts from storm tank spills
- We're confident our proactive investigations in AMP6 have ensured the right investment for AMP7

The future we want to see

- **The statutory need to tackle storm overflows ensuring prioritisation through the price review process**
- **A new, jointly owned national plan for rivers**
- **An end to the automatic right to connect**
- **A ban on wet wipes that don't meet Fine to Flush standards**
- **Collaborative action to restore rivers and natural habitats**



Doing the right thing for our environment & the planet



We're taking robust, targeted and, crucially, swift action to enhance river water quality and prevent harm

Delivering the largest AMP7 Water Industry National Environment Programme of any water company

Accelerated programme set to be completed well ahead of schedule: 520 schemes delivered by year end 2021 towards AMP7 total of 1,200

£300 million investment and 200 schemes accelerated at no extra cost to customers through Green Recovery plan

86% of WINEP AMP7 commitments set to be complete by end of 2022

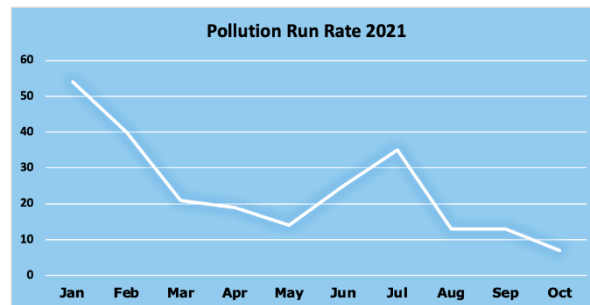
River restoration programme to benefit 250km of river catchment including rare and precious chalk streams

3* Environmental Performance Assessment status regained

Full coverage of event duration monitors by 2023

Pollution Incident Reduction Plan: Agile methodology and J-cells approach adopted

Continuing progress on longstanding successful campaigns delivering behavioural change



Storm spills investment in numbers

Our accelerated £200 million+ AMP7 programme

Installing more storm tanks: £80 million

Increasing capacity at water recycling centres, reducing the risk of spills to the environment: £56 million

Targeting investment to increase monitoring, directly reduce spills and pollutions, and protect the environment: £46 million

Improving bathing water quality: £21.5 million

Installing sustainable drainage solutions: £20 million

Doing the right thing for our environment & the planet



Delivering our most ambitious ever programme with sustainability, resilience and innovation at the heart of our strategy



- Anglian Water's biggest ever infrastructure project
- Boots on the ground delivering up to 84m a day
- 8.5km complete by mid-December; 14km to be complete by March 2022
- Delivering low carbon solutions
- Digital twin developed in parallel

Reaching our 2025 and 2030 carbon goals

- Net zero 2030 routemap published July 2021 – the sector's most detailed carbon reduction plan
- Ofwat-funded Triple Carbon Reduction and Whole Life Carbon innovation projects underway
- 10,000 tonnes of operational carbon saved this AMP to date
- 62% reduction in capital carbon

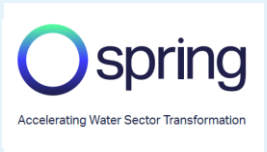


The innovation platforms accelerating our progress

Ofwat Innovation Fund – Anglian Water secures nearly a third of £36m Breakthrough funding



New nationwide centre of excellence for innovation led by Anglian Head of Innovation



Delivering smart systems to optimise our network



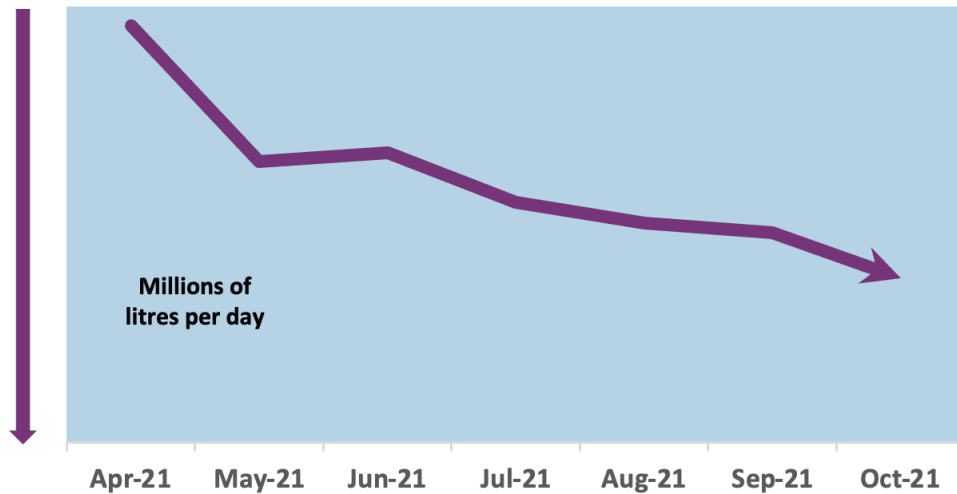
- £7.5 million funding secured from Ofwat Breakthrough Innovation Challenge to progress Safe Smart Systems initiative
- Identifying, predicting, and managing vulnerabilities to reduce leakage, interruption, and pressure issues across the whole water cycle

Reducing leakage to world-leading lows



Making strong progress towards achieving a 16.4% reduction by 2025

Leakage reduction so far this year



- On track to meet most stretching ever performance commitment
- World's largest fixed network hydrophone monitoring system connected
- First UK water company to find and fix leaks in live water mains
- Reducing leaks using satellite detection, thermal imagery with drones, in-pipe fibre optics, CCTV and revolutionary Electroscan technology

Always exploring by pushing the boundaries of the art of the possible



We already have the lowest level of leakage in the water industry at half the national average. But being ahead of the curve means we're now tracking down really hard to find leaks, long before they're visible to the naked eye.

James Hargrave, Regional Operational Leakage Manager

Delivering for our customers and communities



Striving to make life better for the people we serve, every single day

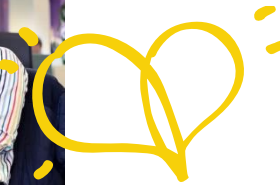
Installing 1.1 million smart meters



- 261,000 smart meters connected and sharing data, putting customers in control of their usage
- MyUse app driving engagement and behaviour change



Making today great for our customers



- More than £2m reward for customer and developer service in Y1
- On track for reward in Y2
- 76% customers agree we provide good value for money
- Digital channels supporting choice for customers
- Increased visibility through marketing campaigns driving understanding and boosting CMEx

Reducing flood risk for our communities



- On track for outperformance against internal/external sewer flooding targets
- £12m investment in flood partnerships
- Working with partners including Water Resources East, the Environment Agency, Defra, local MPs and authorities to manage water effectively
- Playing a key role in shaping future flood responses through Norfolk Strategic Flooding Alliance led by Lord Dannatt

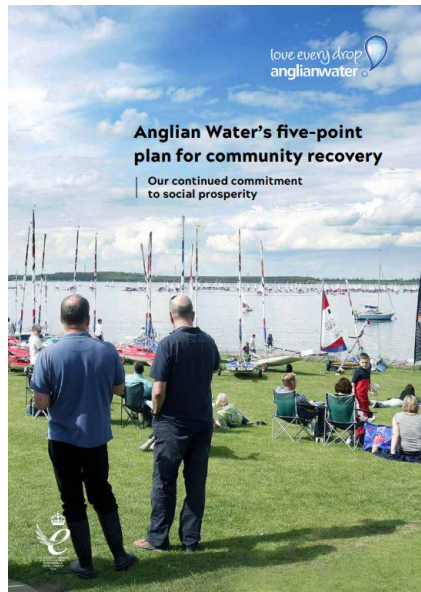
Delivering for our customers and communities



Supporting customers and communities in a challenging world

Helping communities thrive

- £1m Positive Difference Fund invested through 160 community groups – 100,000 beneficiaries
- Community recovery plan underway



Supporting vulnerable customers



- 285,000 people benefiting from affordability schemes
- Priority Services registrations up to 237,000 with 54.3% awareness – taking a targeted approach rather than blanket sign ups
- Ofwat Service Delivery Report makes clear Anglian has most ambitious targets of any water company

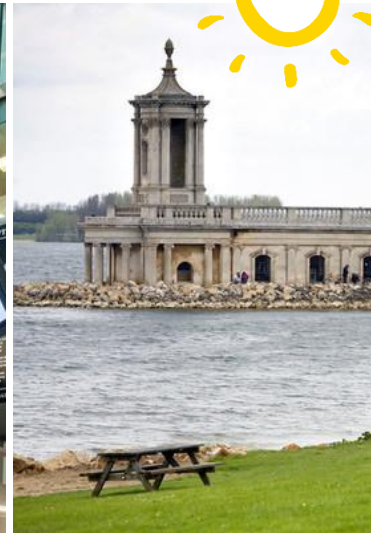
“ Our purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop ”

- Tracking 30% above our cohort on Business in the Community Responsible Business Tracker
- Awarded the Queen’s Award for Sustainable Development 2020-2025
- Best Use of Purpose as a Business Driver, Strategic Comms Awards 2021





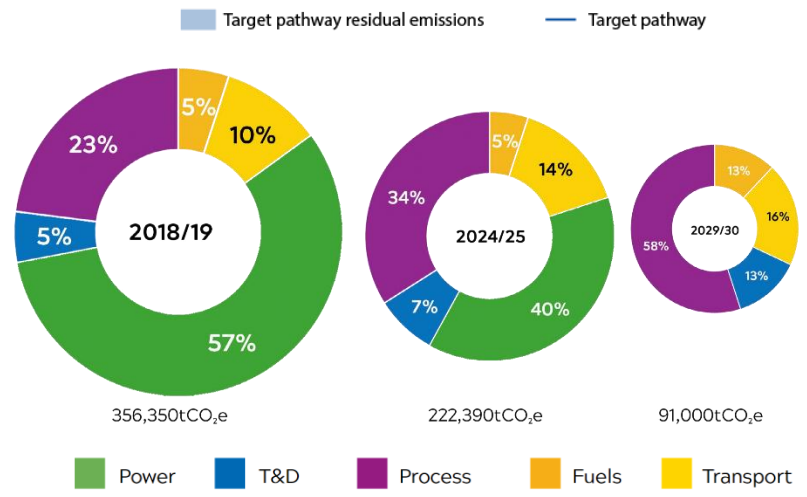
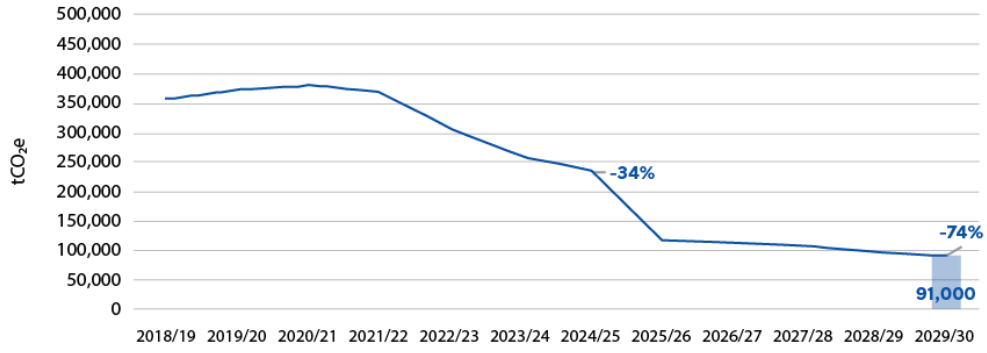
2021 key financial and sustainability metrics



Pathway to net zero



Sustainability embedded in financing strategy



Our decarbonisation focus areas

- Purchased electricity and renewables**
- UK electricity grid decarbonisation
 - Energy efficiency measures (incremental and systemic)
 - Leakage reduction
 - Water efficiency
 - Alternative treatment processes
 - Catchment management
 - Nature-based solutions
 - Solar, Wind PPAs
 - Energy storage
 - CHP
 - Green electricity, sleeving (for offsetting residual emissions from power consumption)

- Process emissions**
- Targeted monitoring for N₂O emissions
 - Alternative treatment processes
 - Operational optimisation for fugitive emissions

- Biogas**
- CHP efficiencies
 - Biomethane to grid
 - Biomethane to transport (HGVs)

- Alternative fuels**
- HVO
 - Hydrogen (green, grey)
 - Biomethane to transport (HGVs)

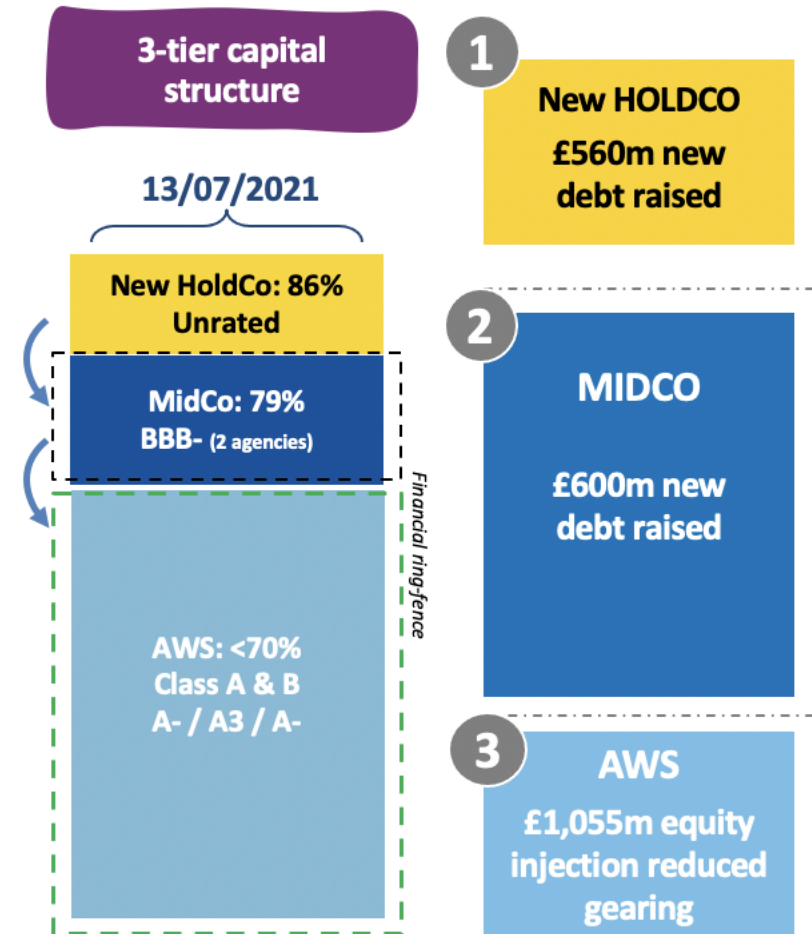
- Transport**
- EV small vans
 - Electrifying components of large vehicles
 - HGVs to LNG
 - HGVs to hydrogen
 - Behavioural travel changes

- Removals and offsets**
- Insets (trees, grassland, seagrass)
 - Regional offsets (soil sequestration)
 - National, international offsets (carbon offset credits)

Financing infrastructure investment for the long term

Sustainability embedded in financing strategy

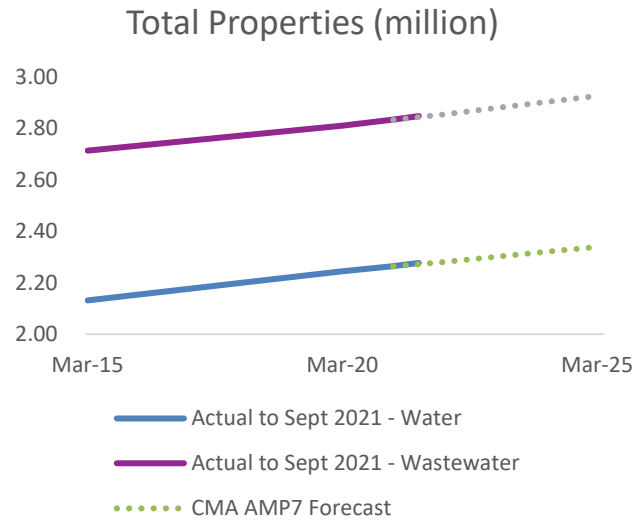
- £1bn+ sustainable finance raised since 2017
- Vast majority of capital funding to be raised as “Use of Proceeds bonds” through sustainable finance transactions under our AMP7 framework
- Now set up to raise sustainability linked bonds to help finance our journey to Net Zero in 2030
- Sustainability KPI measures within debt facilities at AWS, Osprey and Aigrette in new corporate structure





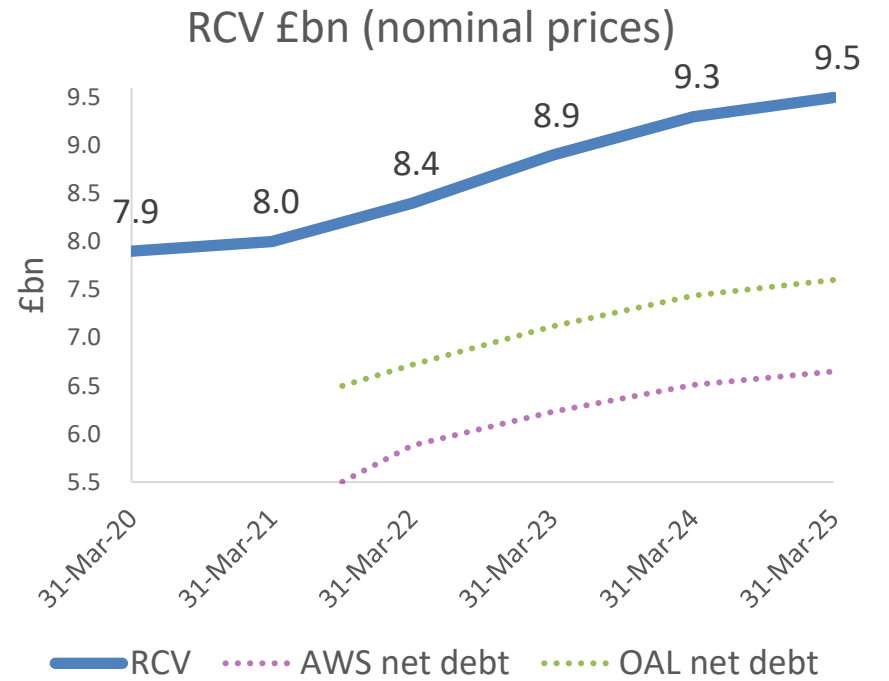
The business continues to grow

 **c.4-8% increase in property numbers by the end of AMP7**



Where a property is served both water and wastewater services, they are included in both lines

 **c.20% increase in RCV**



AWS net debt assumes c.70% gearing
 OAL net debt assumes c.79% gearing

Anglian Water key financials summary

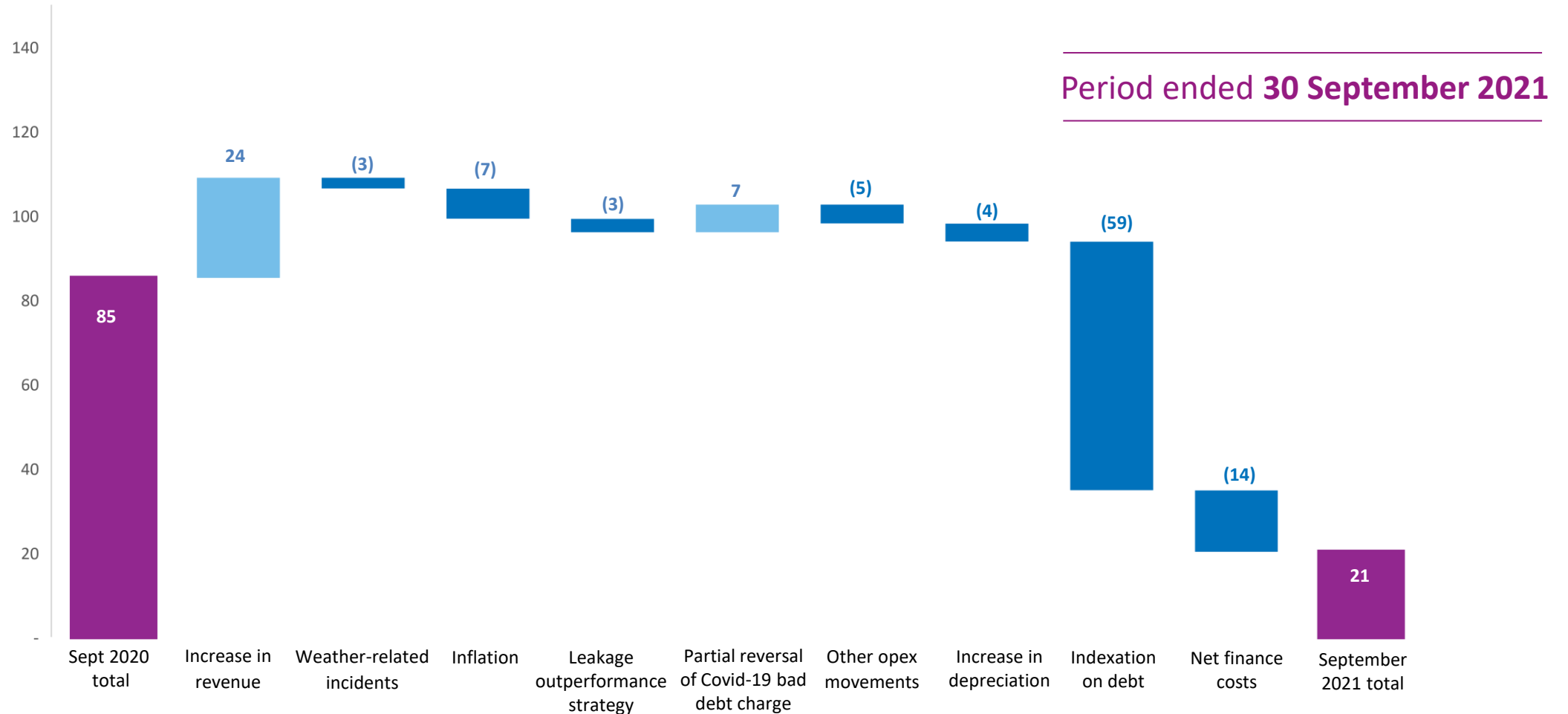
Delivering strong financials despite challenging environment



| | | |
|--|---|---|
| <h2>Revenue</h2> <p>2021: £704m 2020: £680m</p> | <h2>Operating profit</h2> <p>2021: £218m 2020: £209m</p> | <h2>Strong credit ratings</h2> <p>A3/A-/A- stable</p> |
| <h2>Underlying profit before tax¹</h2> <p>2021: £21m 2020: £85m</p> | <h2>Operating cash flow</h2> <p>2021: £376m 2020: £345m</p> | <h2>Gearing</h2> <p>2021: 67% Senior AWS 2020: 82% Senior AWS</p> |



Anglian Water Financials – profit before tax¹



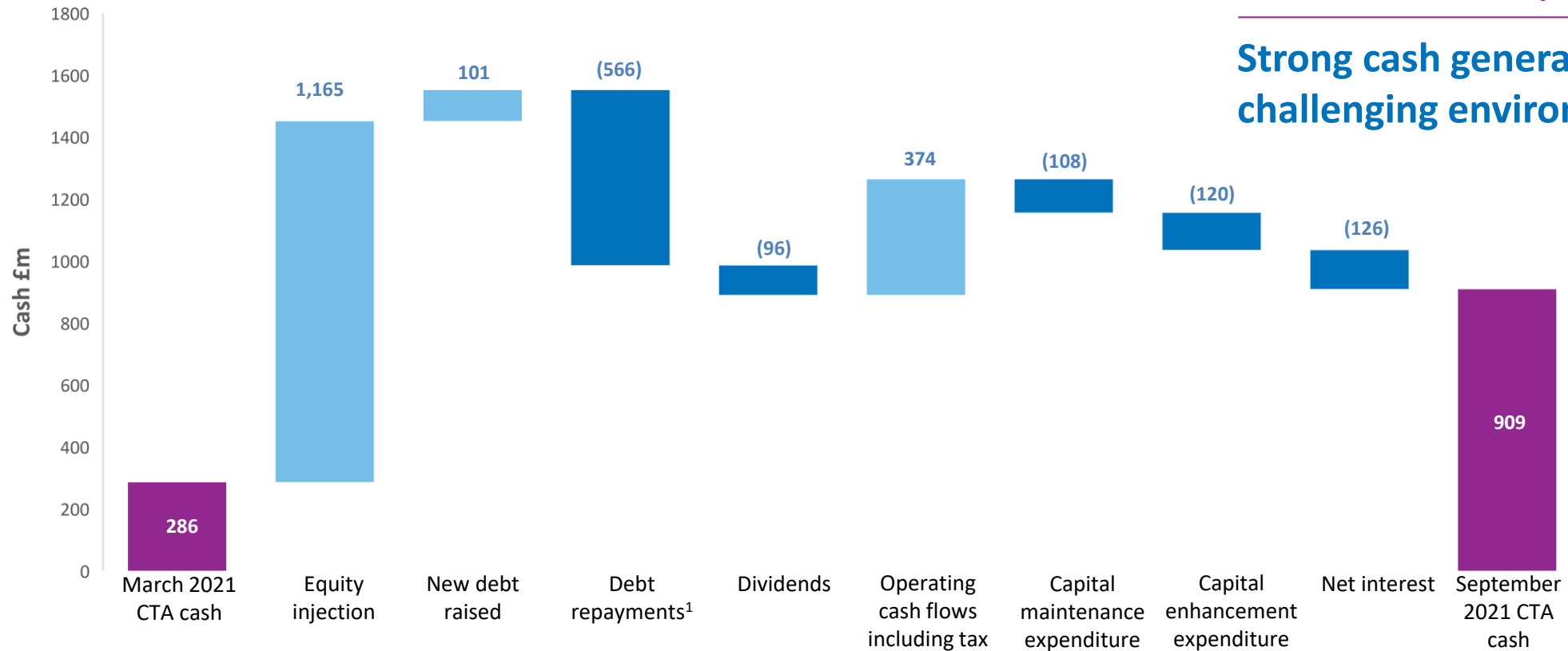
¹ Shown before loss on derivatives of £91.6m (2020: £100.6m).



Anglian Water Financials – sources and uses of cash £m

Period ended 30 September 2021

**Strong cash generation despite
challenging environment**



¹ Includes £1.4m of non-CTA debt repayments relating to property and other lease repayments. Includes £14.5m of make-whole on debt.

Financials – financing strategy



Funded for the future

Net debt¹

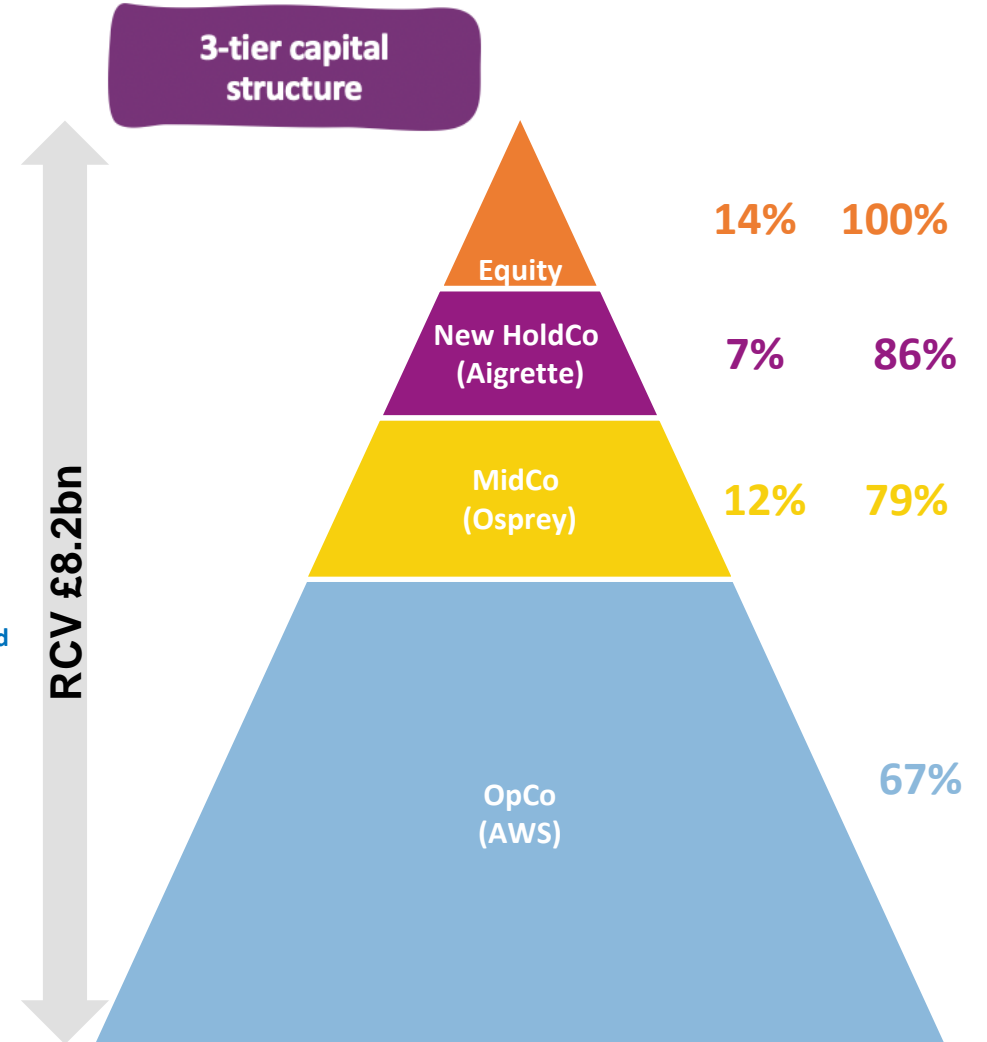
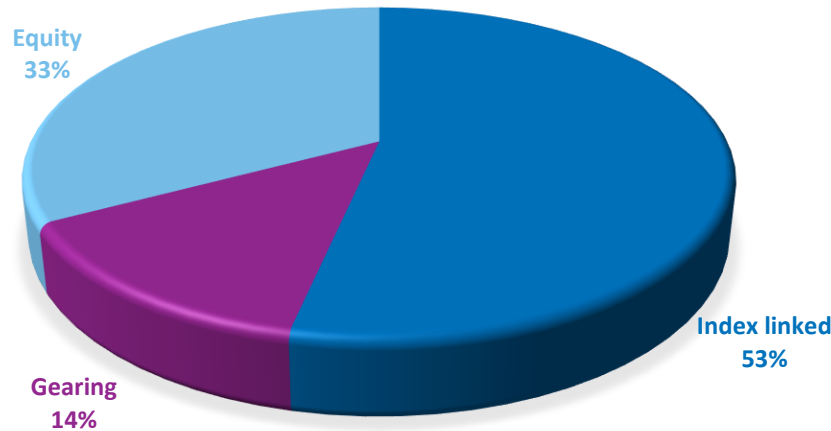
AWS: £5,524m
 Osprey: £6,546m
 Aigrette: £7,083m

AMP 7 debt issues

AWS²: £319m
 OAL³: £602m
 Aigrette: £560m

Period ended 30 September 2021

AWS funding mix (% of RCV)



¹ Shown on a CTA basis, Statutory net debt (excluding derivatives) was £5,548m in AWS, £6,657m in OAL and £7,188m in AFL.

² Excluding AWS RCF drawdown which was drawn and repaid within the AMP.

³ Excluding group leases. Excluding OAL RCF drawdown which was drawn and repaid during the same period.

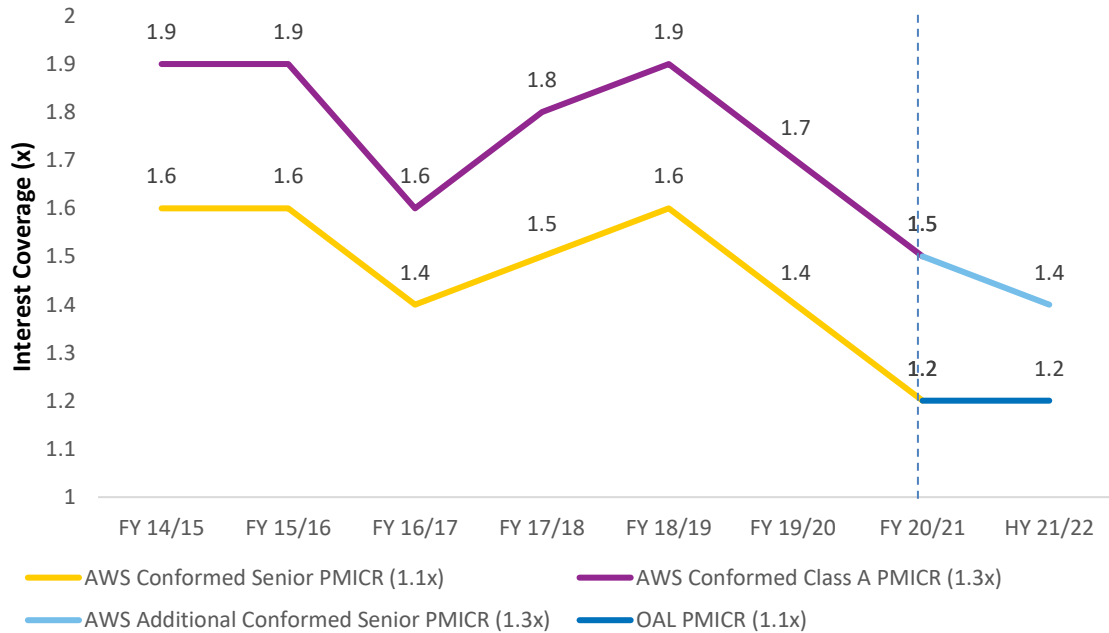


Financial covenants

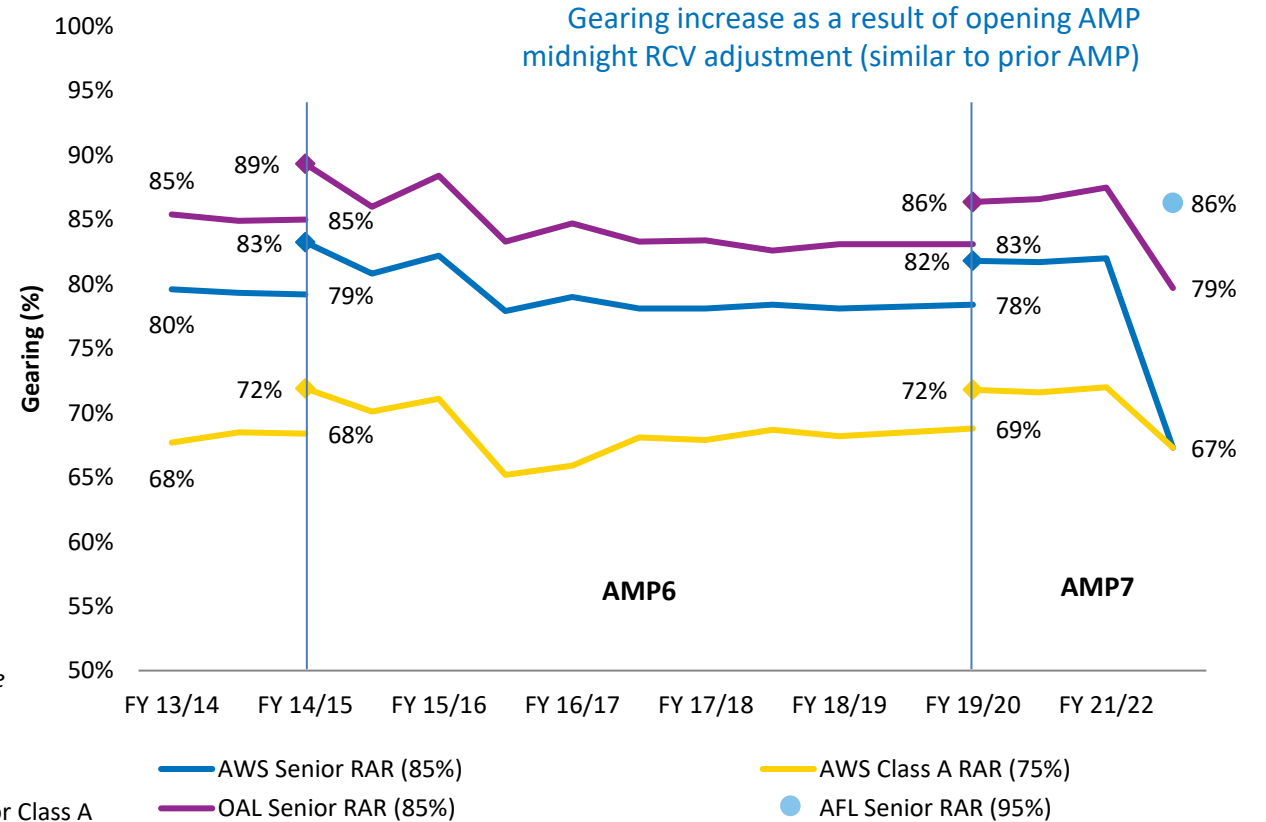
Interest cover ratios

Period ended 30 September 2021

Gearing



AWS Additional Conformed Senior PMICR and OAL PMICR were introduced in the new financing structure

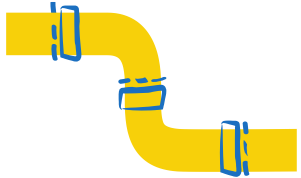







*Class B debt terms were changed in the period to be the same as for Class A

*Net debt as defined under the Anglian Water Common Terms Agreement (CTA)

Demonstrating that leading with purpose works

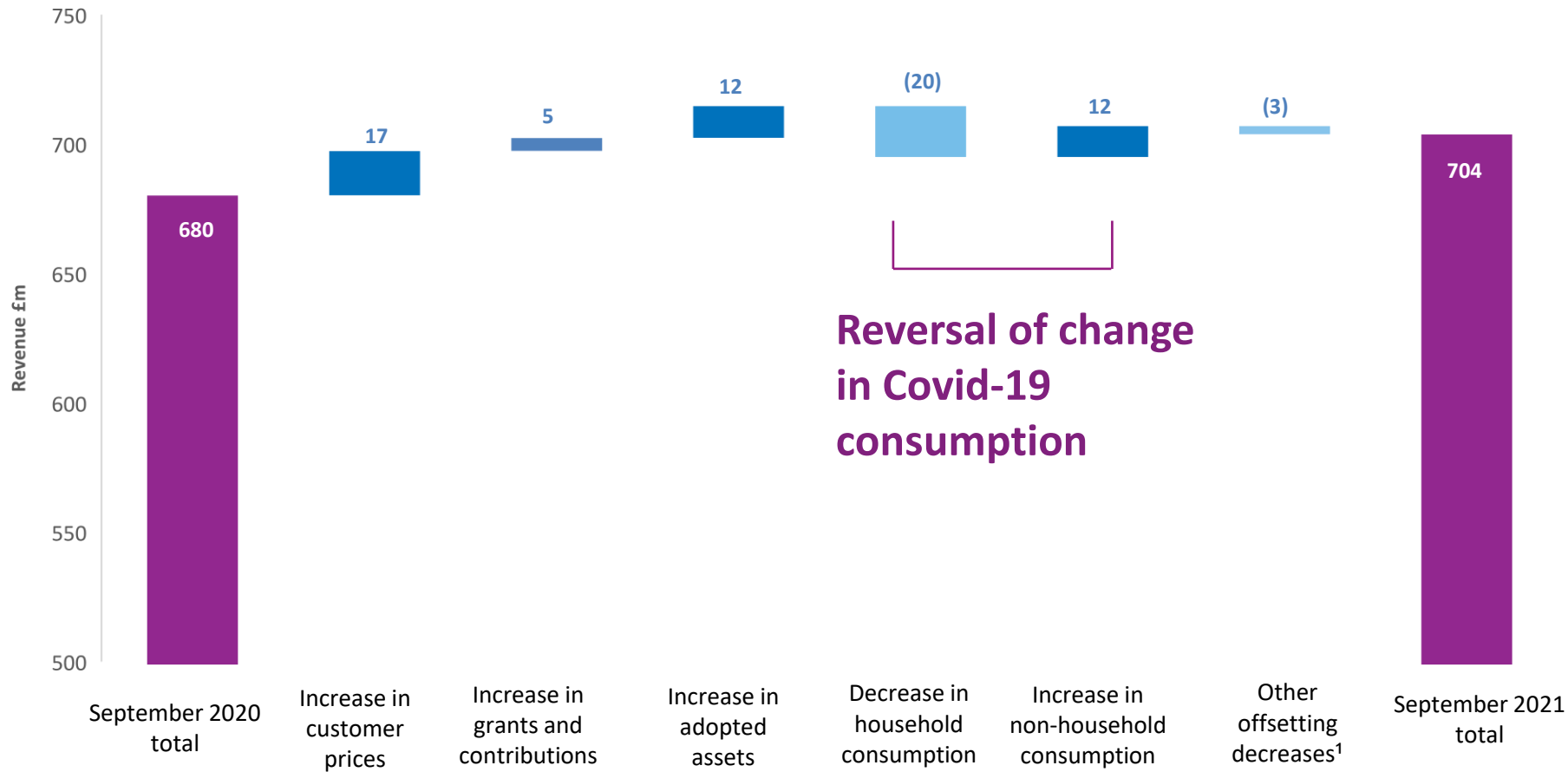
A successful business with customers, the environment and sustainability at the heart of everything we do

| | | |
|--|---|---|
|  <p>Long-term strategic vision underpinned by purpose delivering resilience to our region</p> |  <p>Purpose-driven challenge to AMP7 business plan creates positive foundation for AMP7 and beyond</p> |  <p>Resilient capital structure sets us up to continue our success</p> |
|  <p>Sector-leading performance driving Outcome Delivery Incentive rewards</p> |  <p>Meeting macro challenges head on; designing and delivering brilliant solutions at pace</p> |  <p>Driving fair returns for equity and debt investors while delivering for customers and environment</p> |



Appendices

Financials – revenue breakdown



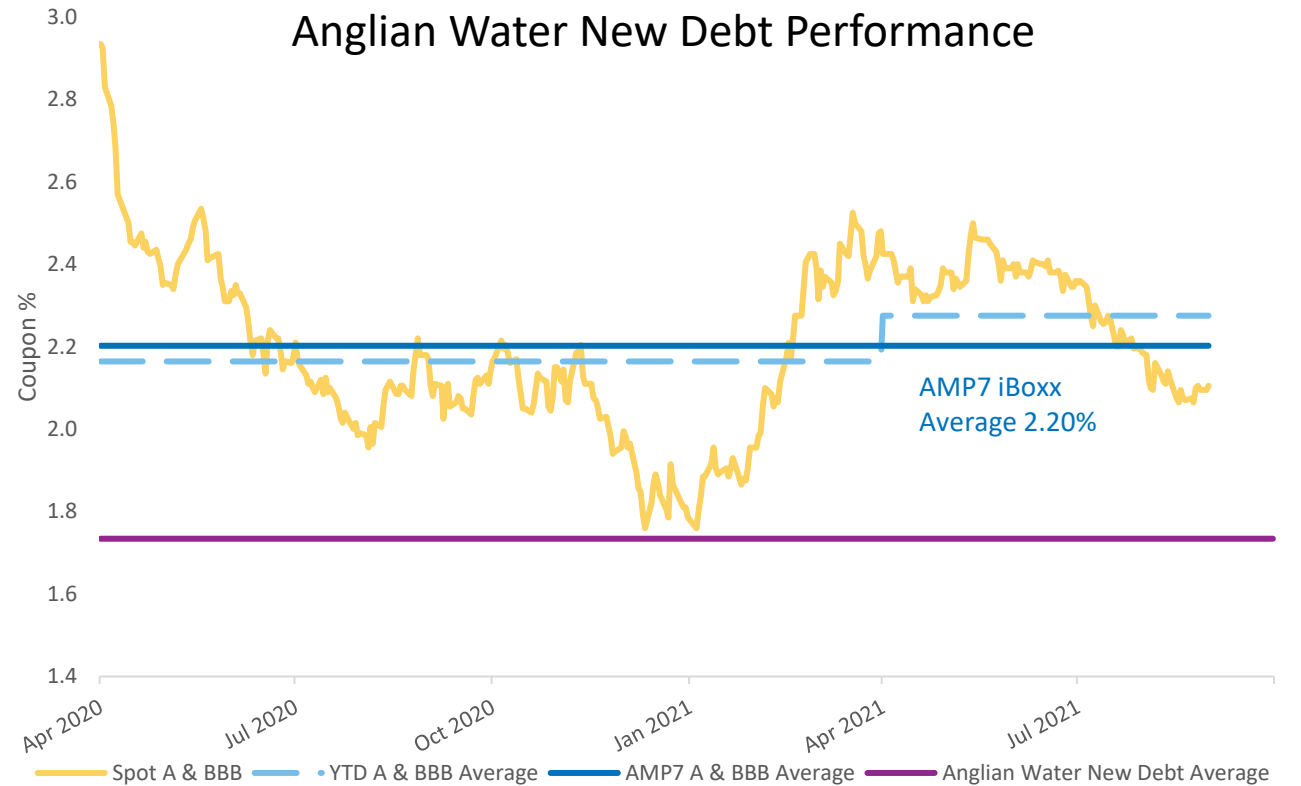
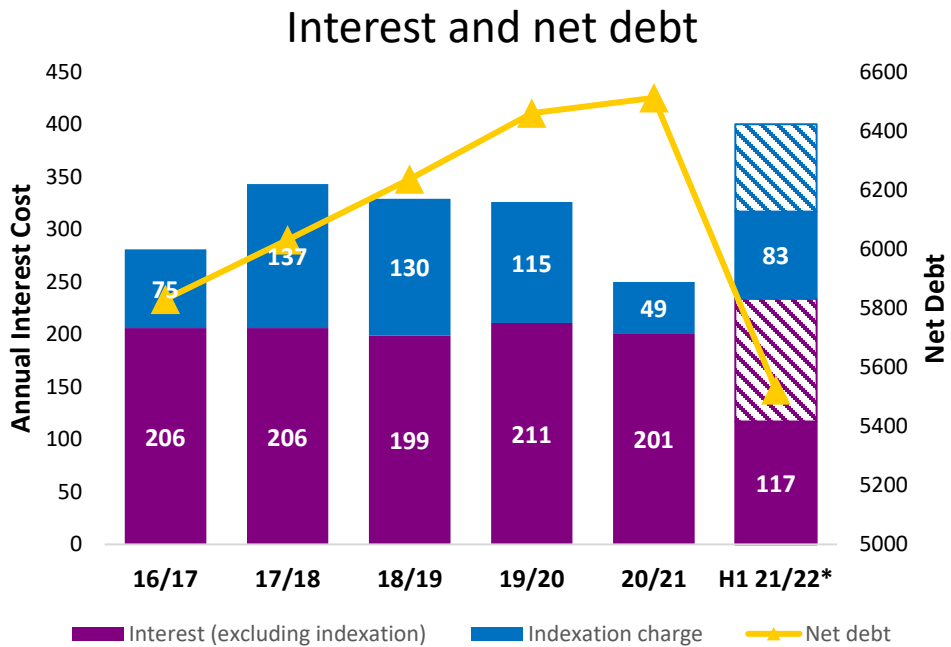
Period ended **30 September 2021**

¹ Includes change in customer numbers and prior year accrual and billing adjustments.



Financials – interest performance

Net finance costs down as impact of low inflation and cost-effective new debt raised



Profit after tax reconciliation

Anglian Water

| | Sep 2021 | Sep 2020 | Mar 2021 |
|----------------------------------|----------------|---------------|-------------|
| | £m | £m | £m |
| Underlying profit before tax | 20.5 | 85.2 | 142.2 |
| Fair value losses on derivatives | (91.6) | (100.6) | (23.2) |
| Tax (charge)/credit | (324.4) | 2.1 | (20.2) |
| Reported (loss)/profit after tax | <u>(395.5)</u> | <u>(13.3)</u> | <u>98.8</u> |