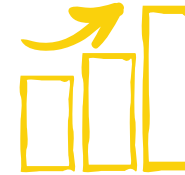


Anglian Water preliminary results 2021/22



Peter Simpson

Chief Executive Officer,
Anglian Water

Steve Buck

Chief Financial Officer,
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Group Treasurer,
Anglian Water

Wednesday 15 June 2022



Before we get started



Disclaimer

For the purposes of the following disclaimer, references to this “document” shall mean this presentation pack and shall be deemed to include references to the related speeches made by or to be made by the presenters, any questions and answers in relation thereto and any other related verbal or written communications.

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.

Such factors could cause the group’s actual results for current and future periods to differ materially from those expressed in any forward-looking statements made in this document. Unless otherwise required by applicable law, accounting standard or regulation, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Presentation overview



A purpose-driven company on the front foot in the face of challenge



Delivering for customers, environment and investors in the public interest



2021/22 Key financial and sustainability metrics



Balancing long-term vision with decisive action in the here-and-now

Our purpose is to bring environmental and social prosperity to the region we serve through our commitment to *love every drop.*

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.



Anglian Water in context: the world we're operating in

Crucial role in addressing societal and environmental challenges in the public interest



Business seen as 53 points more competent than government and a highly effective agent of positive change.
Edelman Trust Barometer 2022

Societal and economic challenges

 <p>Cost of living crisis</p>	 <p>War in Ukraine</p>
 <p>Supply chain</p>	 <p>Ongoing impact of Covid</p>

Environmental challenges

 <p>River water quality</p>	 <p>Climate change</p>	 <p>Floods in East of England</p>
 <p>Pollutions</p>	 <p>Regulatory scrutiny</p>	

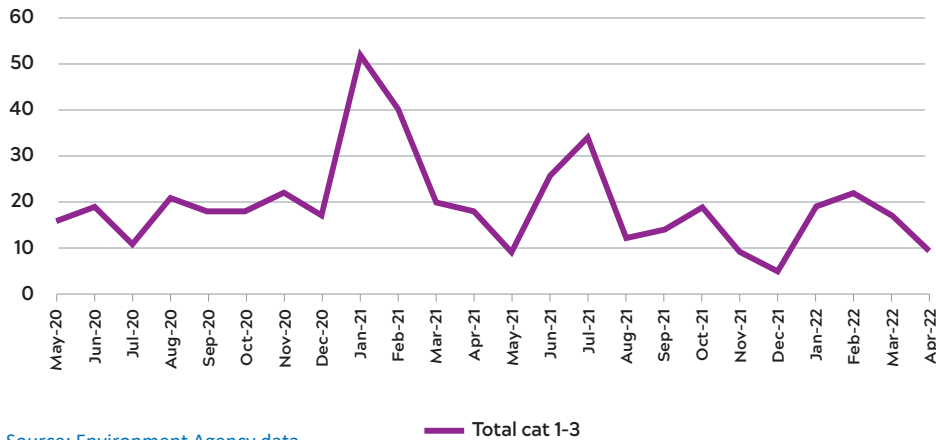


Impact of 2020/21 floods proves a catalyst for positive change



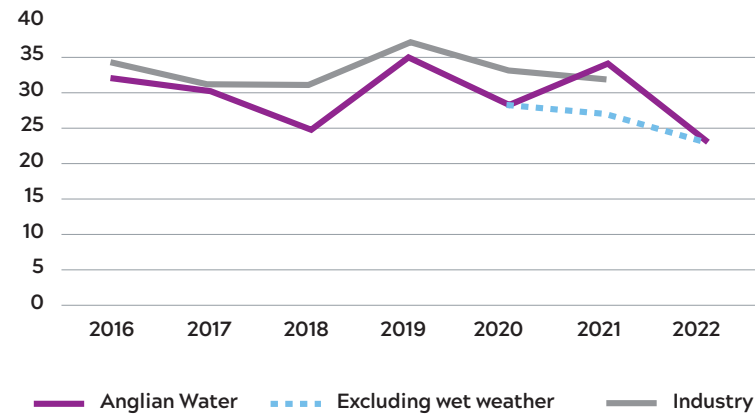
As we'll set out, it's been a tough year - but we've taken the opportunity to drive change both within our own operations and beyond. Standing still was not an option

Anglian Water pollution incidents (water recycling cat 1-3)



Source: Environment Agency data

Pollution incidents per 10,000km sewer



Source: Environment Agency data

Steps taken in our own operations:

- New Water Recycling Director appointed
- Quality and Environment Directorate created
- Targeted and accelerated investment
- All employees given incident role

Working in partnership with others:

- Norfolk Strategic Flood Alliance: a blueprint to be rolled out regionally
- Get River Positive commitments made



Taking action on the environment since privatisation

We have a long track record on protecting and enhancing our environment and our commitment continues, guided by our 25-year Strategic Direction Statement and delivered through five-year business plans

Action on bathing waters

94% of our bathing waters rated as excellent (Blue Flag) or good, with continued investment to get to **100%**



Action on abstraction

85 million litre/day reduction by 2025 through delivery of hundreds of kilometres of strategic pipelines, as well as restoration of rivers and chalk streams



Action on rivers



Get River Positive: five shared commitments with Severn Trent to enhance river water quality

- 1** Ensure storm overflows and sewage treatment works do not harm rivers
- 2** Create more opportunities for everyone to enjoy our region's rivers
- 3** Support others to improve and care for rivers
- 4** Enhance our rivers and create new habitats so wildlife can thrive.
- 5** Be open and transparent about our performance and our plans.



Our accelerated Water Industry National Environment Plan (WINEP)

£800 million programme for 2020-2025, the largest in England and Wales, delivers benefits across the entire Anglian Water region

Programme includes:

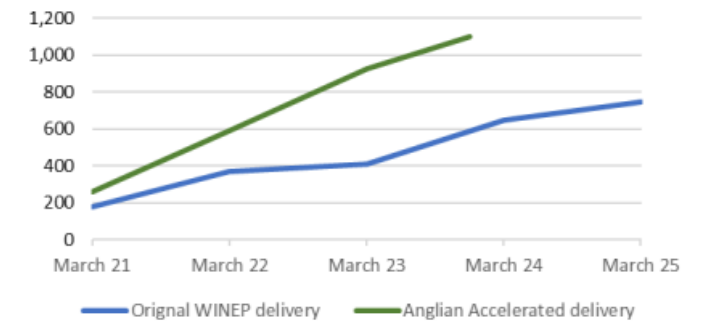
- **Increasing capacity at water recycling centres**, reducing the risk of spills to the environment by installing new/expanded storm tanks: **66 of 162 total installed ahead of schedule**
- **25+ new treatment wetlands** to be created
- Installing sustainable drainage solutions.
- Increased monitoring with **100 percent coverage of Event Duration Monitors by December 2023**, installing hundreds of extra monitors not funded in the business plan

1,184 schemes delivered by April 2022

Accelerated programme set to be completed well ahead of schedule:

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

Anglian accelerated delivery of EDM monitoring



Our AMP7 improvement commitment

Phosphorus

390km river enhanced
120km protected from deterioration

Chemicals

30km protected from deterioration

Eel schemes

Screening and eel pass improved across 200km of river habitat

Physical habitat restoration

Improving access to 120km of river



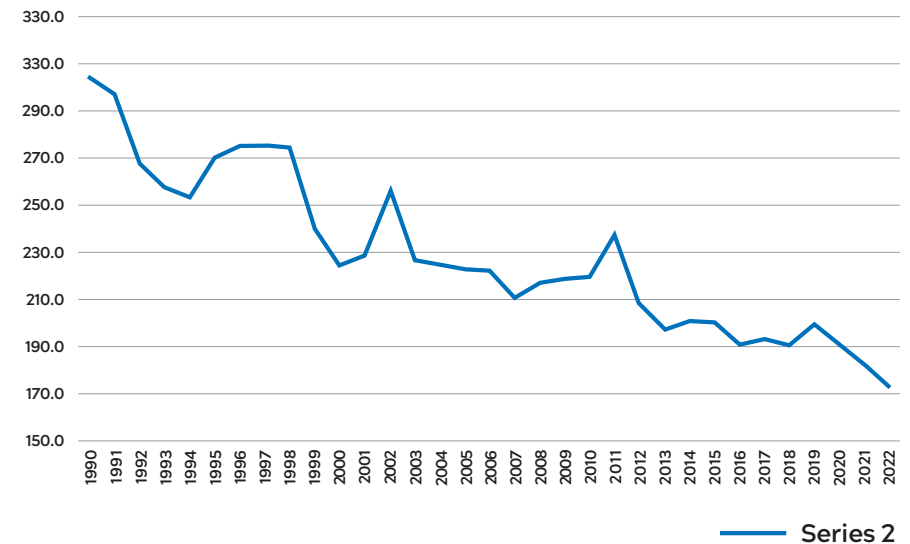
Leakage - world-class innovation in action

We've delivered an industry first - delivering an AMP's worth of leakage reduction in a single year. And we're not stopping there

Working with our partners to push boundaries on what's possible:

- Satellite leak detection, thermal imagery with drones
- In-pipe fibre optics
- CCTV
- Revolutionary Electroscan technology
- Live water network tools include ultrasonic metering and Invenio temperature differential flow measurement
- Development of a water meter that can be inserted into the pipe through a fire hydrant

Leakage MI/d



Best-ever year of performance with a **6.1% reduction** from our 2020/21 baseline

World-leading low levels of leakage in our region achieved this year alone

Investing **£77m** in leakage reduction between 2020-2025



New ways of working and technology use has delivered an **82% productivity improvement** for our leakage technicians this year



Ofwat Innovation Funding and collaborative partnerships helping solve current and future challenges

£17.3 million of funding secured from the Ofwat Innovation Fund - more than any other water company - to accelerate progress towards our long-term strategic ambitions



Safe, Smart Systems:

increasing automation to improve long-term resilience

Triple Carbon Reduction:

developing new lower energy, lower emissions water recycling treatment processes, and creating new renewable energy opportunities

Enabling Water Smart

Communities: driving resilience to drought and flood in new developments

Unlocking Bioresource

Market Growth: getting value from bioresources for the environment and customers

Whole Life Carbon:

expanding industry's understanding of whole life carbon emissions



Convening power in action: leading regional, national and international partnerships



Many heads are better than one - and partnering with others multiplies the value of every pound spent many times over. As we head towards AMP8 and beyond, we're harnessing the power of collaboration to benefit customers and the environment through new markets and long-term solutions

Leading the water sector at COP26 as co-lead of Resilience Hub

Ofwat Innovation Fund partnerships accelerating progress

Future Fens: Integrated Adaptation: leading taskforce to transform outcomes

Leading multi-sector action to develop Catchment Management Declaration 2.0

Progressing plans for two major new reservoir systems

Wending Beck: a natural capital market model created through regenerative farming and habitat creation

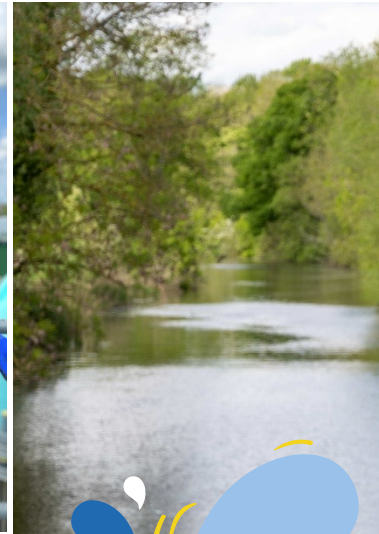
Norfolk Water Strategy securing water resources for the long term through nature-based solutions

Creating East of England natural capital plan with WRE, Biodiversify, WWF and the Coca Cola Foundation

Pioneering Landscape Enterprise Network Model with Nestle



Delivering for customers, environment and investors in the public interest





Making life better for our customers every single day

In the midst of the worst cost-of-living crisis in 40 years and the ongoing impacts of the pandemic, we're supporting customers and helping them maximise income too

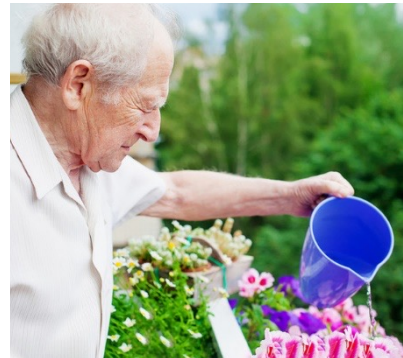
£32 million of support in 2021/22

£232 million direct support in AMP7- £375 million inc partnership contributions and delivery costs

£65 million of support set aside for 2022/23

Almost 325,000 customers helped with affordability support in 2021/22

£6million of potential benefits identified through bespoke benefits calculator: **up to £3,000** for individual customers



Making things easier - ramping up digital

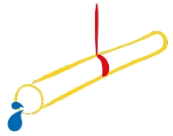
- More than 6 million digital interactions a year
- 70% of interactions are now digital, with 24.7% increase in online services used by customers in 21/22

Working in partnership with more than 150 organisations for better customer outcomes



Tracking our progress against our AMP7 performance commitments

World-class leakage performance, accelerated environmental programme delivery and above-target support for customers facing affordability issues alongside tough operating environment and net ODI penalty, with majority of measures in positive territory



Best-ever leakage results: world-class performance leakage down to record lows



Surpassed targets for support for customers facing affordability and vulnerability challenges



Rated sector-leading in Ofwat's 2021 service delivery report and awarded Utility of the Year



Early delivery of Water Industry National Environment Plan commitments



Best-ever score for water quality contacts: more customers than ever happy with taste and quality of water



Pollutions, treatment works compliance and flooding metrics all impacted by exceptional flooding event of late 2020/21 but trajectory back on track



Strong performance in supporting developer customers, driving in-region growth



Number of customers at risk of low pressure reduced to record lows



External flooding target narrowly missed: 40 properties over target





Sustainable finance: Debt KPI performance for AMP7

Sustainability embedded in financing strategy through £300 million Sustainability Linked Bond issued by Osprey, bank facilities and green bonds



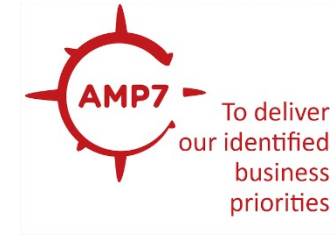
Target	Measure	March 2021	March 2022
Capital carbon	% reduction on 2010 baseline	61%	63%
Operational carbon ¹	₹CO2e reduced on 2018/19 baseline	+33,199	35,495
Water quality ²	Drinking Water Inspectorate Compliance Risk Index score	1.12	4.04
Water leakage	Three-year average megalitres per day	191	173
Pollution incidents ³	Incidents per 10,000km of sewer	28	34
Supporting vulnerable customers	% of customers on priority register	8.5%	9.6%

¹ Operational carbon increase in March 2021 due to changes in the carbon intensity of our grid electricity. ² subject to DWI review. ³ subject to Environment Agency release.



Based on our performance, there was no change to our interest rate on any sustainability-linked debt.

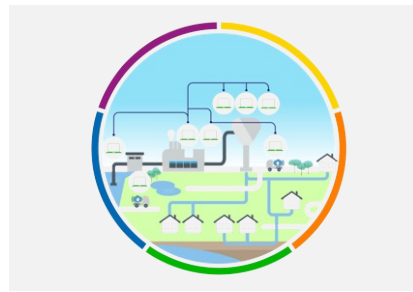
Progressing our plans for AMP7 and beyond



Forging ahead with biggest-ever capex delivery programme and safeguarding our region's future



Water Industry National Environment Programme (WINEP) significantly ahead of target: 1,184 schemes delivered



Advancing on leakage and smart systems

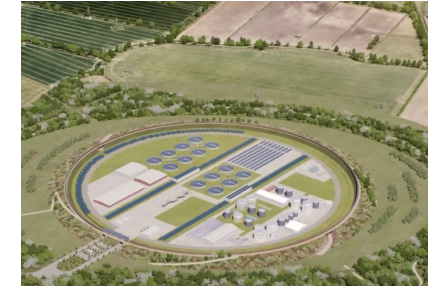


Delivery of the Strategic Pipeline Alliance (SPA), our biggest ever infrastructure development continues apace

Going forward 



Continued progress on the development of two vast new reservoirs



State of the art, carbon efficient and environmentally friendly Water Recycling Centre in Cambridge

£578 million capex
delivered in 2021/22

310,000 of 2025 target of 1.1 million smart meters delivered 

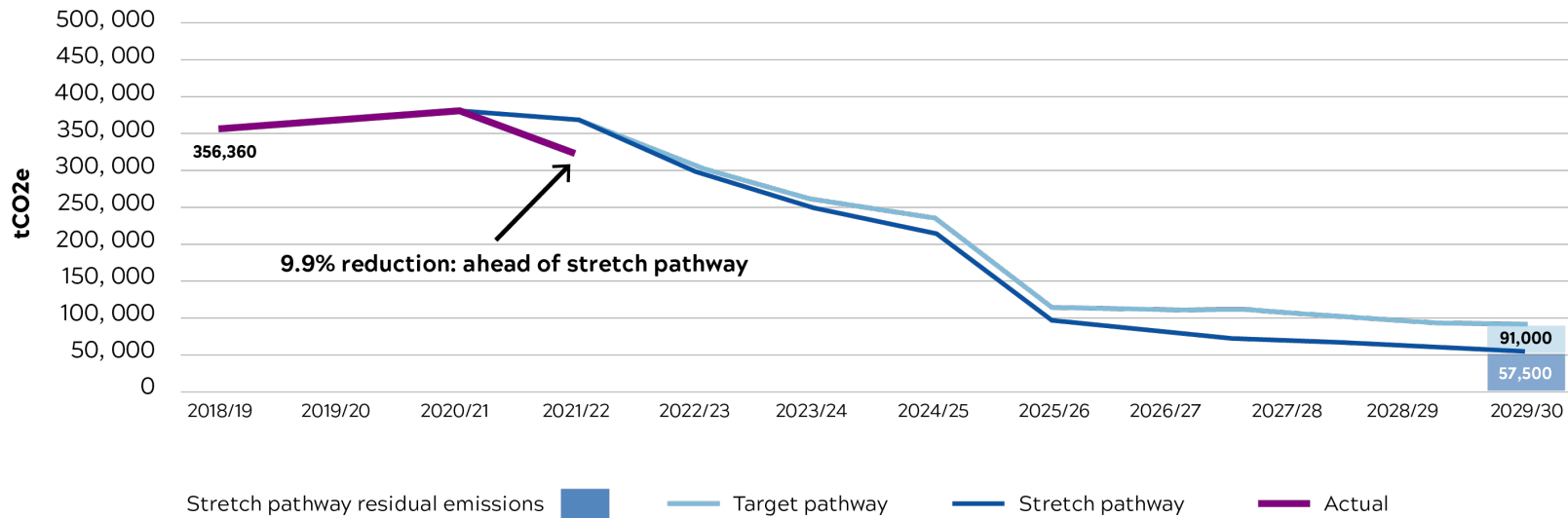




Our pathway to net zero

Tracking ahead of stretch pathway to reach our ambitious 2030 goals

Market-based target and stretch pathway: industry reported H2O EF



33,365 ★

tonnes of CO2e saved so far this AMP

Next steps

- Progressing biomethane strategy with gas to grid strategy
- Collaboration with supply chain partners on HVOs
- Positive progress on private wire renewable connection on large operational sites

Strong performance on solar and wind assets contribute to record renewable use of 153.7GWh

CHP delivering up to 396MWh a day

Fleet transition: 500 electric/hybrid vehicles in fleet or on order

On track against our capital carbon target: 63.1% reduction against 2010 baseline





Delivering AMP7 with an eye to PR24

Driving efficiency and effectively balancing cost, service and quality

Finances on strong foundations

Strong, long-term foundations enabled by new capital structure: **A-/A3/A-** credit ratings

Delivering continuous improvement efficiency in our cost base: **on efficiency glidepath**



One team, thinking differently, working smarter

Highly engaged 5,000 FTE team: **81% proud to work for Anglian Water; connection with purpose up 25 points to 86%**



Mature alliance framework delivering AMP7 outcomes: **more than 3,000 FTE**

Leveraging AVH capabilities: **Cambridge relocation and renewables programme**

Driving environmental and social prosperity

Delivering our net zero commitments: **33,365 tonnes reduction so far this AMP**

Investment in innovation for PR2: **£17.8 million Ofwat funding secured**

Supporting customers: **£32 million in 21/22; £65 million in 22/23**

Using our convening power to solve regional challenges: **Norfolk Water Strategy and Future Fens: Integrated Adaptation)**

Long-term delivery and adaptive planning

Water resource management for next 25 years built on foundations of leakage, SPA and reservoir development

Drainage and wastewater management plan

Addressing balance of investment need and supporting customer affordability

Regional growth



Record year for Anglian Venture Holdings

Anglian Venture Holdings



- Record year, strong free cash flow generation
- Working closely with Anglian Water to identify opportunities and generate cash such as the recent sale of our HPH technology to Haskoning
- AVH focused on supporting Group delivery of self-sustaining energy requirement
- Strong cash collection for Wave through challenging Covid-19 and inflationary environment
- Cambridge Waste Water Treatment Plan Relocation project on track and progressing well despite managing construction inflation challenges
- Formal discharge of the New Zealand PCG of **NZ \$165 million** completed in June
- In excess of **£12.9 million** of new business secured in Celtic Anglian Water and Alpheus with blue-chip clients



Alpheus

awgproperty



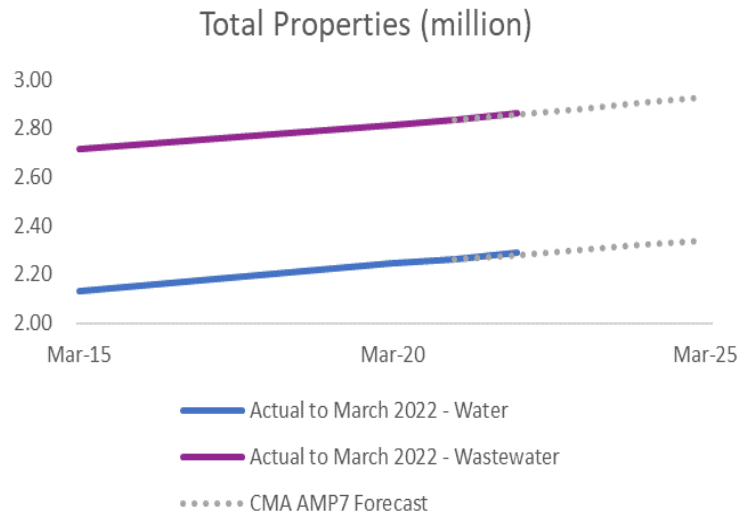
2021/22 key financial metrics



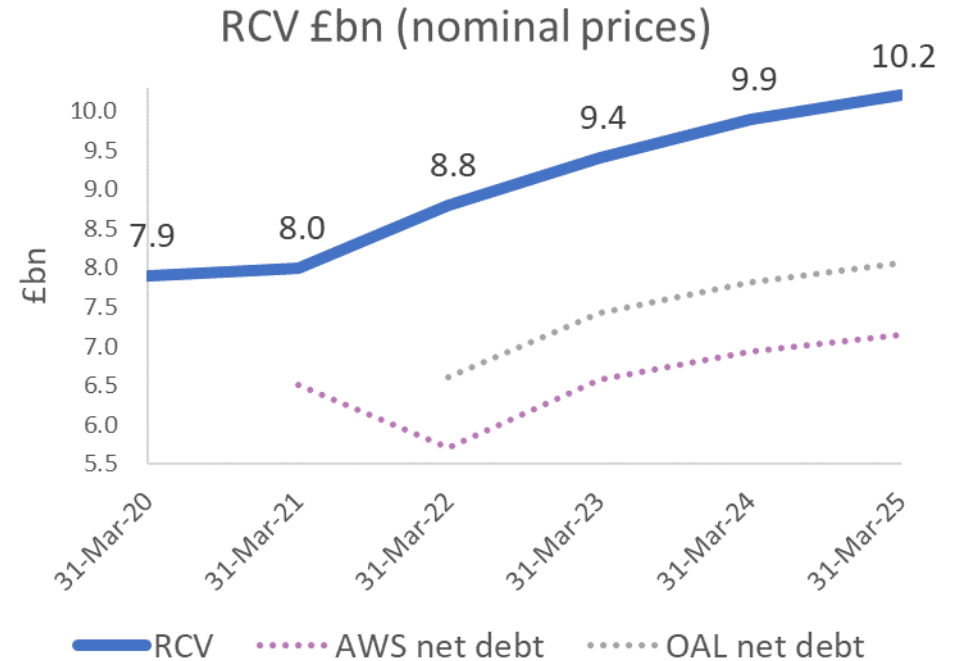
The business continues to grow



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



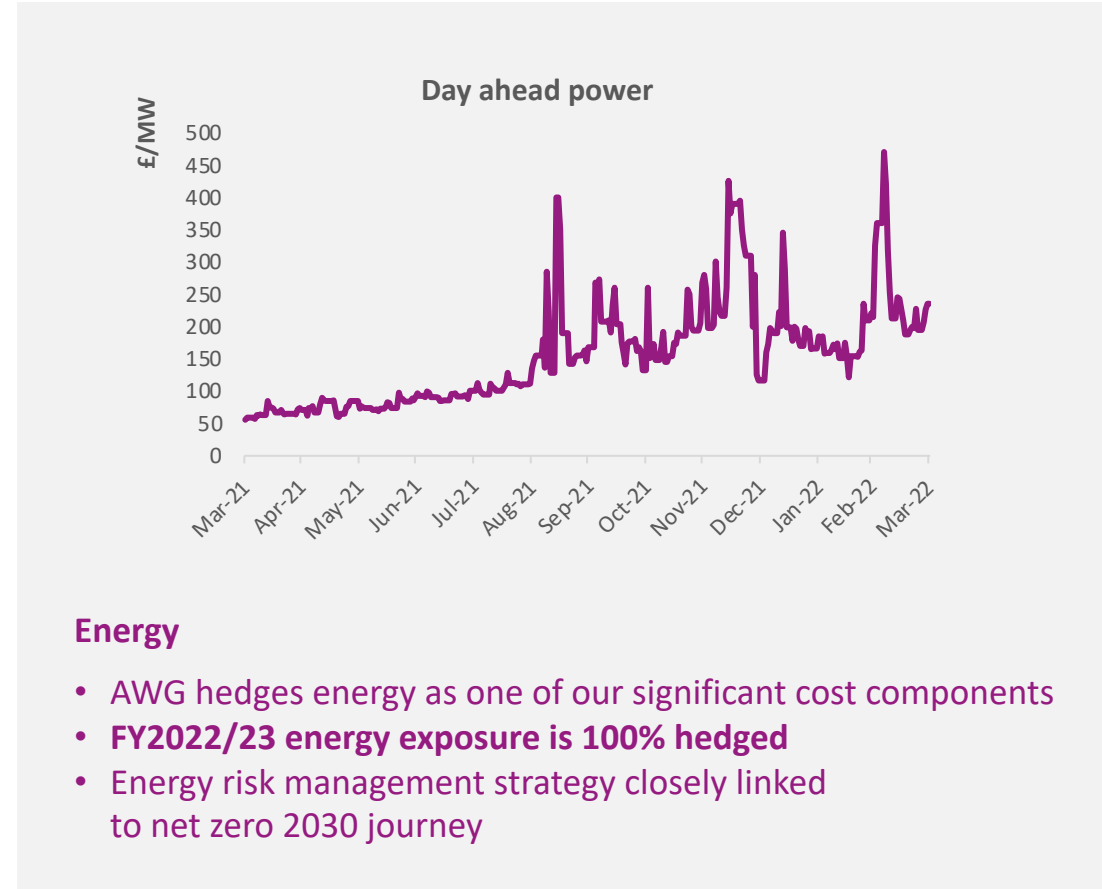
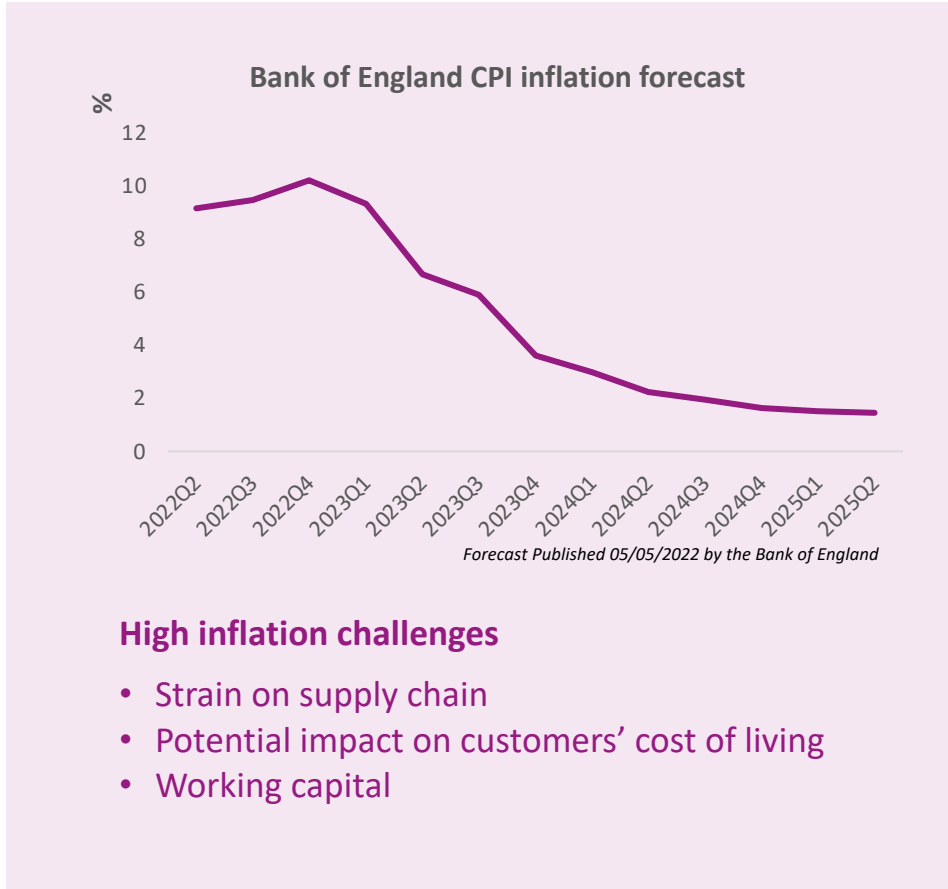
c.29% increase in RCV

Forecast RCV based on March 2022 actual and assumed inflation

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



Managing the impacts of market volatility



Financials - financing strategy

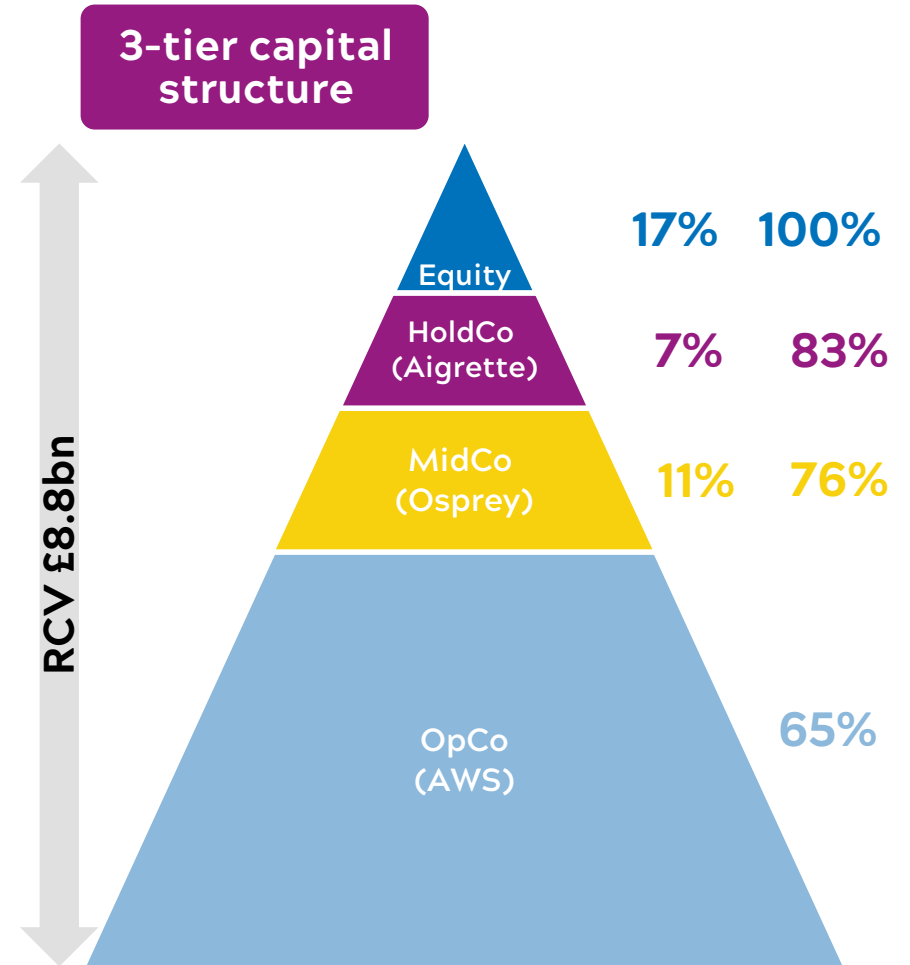
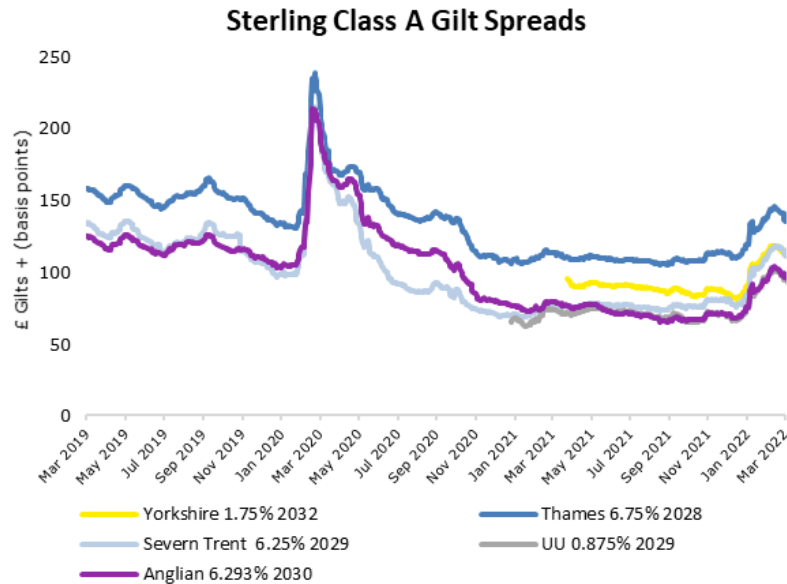


Funded for the future

Year ended
31 March 2022

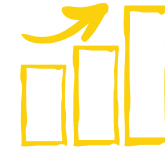
Net debt¹

AWS: £5,694m
Osprey: £6,639m
Aigrette: £7,288m



¹ Shown on a CTA basis, Statutory net debt (excluding derivatives) was £5,621m in AWS, £6,683m in OAL and £7,300m in AFL.

Anglian Water key financials summary



Delivering strong financials despite challenging environment

<p>Revenue</p> <p>2022: £1,399.8m 2021: £1,351.8m</p>	<p>Operating profit</p> <p>2022: £440.8m 2021: £388.9m</p>	<p>Underlying profit before tax¹</p> <p>2022: £(17.5)m 2021: £138.7m</p>
<p>Operating cash flow</p> <p>2022: £749.9m 2021: £632.8m</p>	<p>Gearing</p> <p>2022: 65% Senior AWS 2021: 82% Senior AWS</p>	<p>Dividend proposed</p> <p>2022: £169.0m 2021: £96.3m</p>
<p>Strong credit ratings A-/A3/A-</p>		

¹ Shown before loss on derivatives of £115.1m (2021: £23.2m)



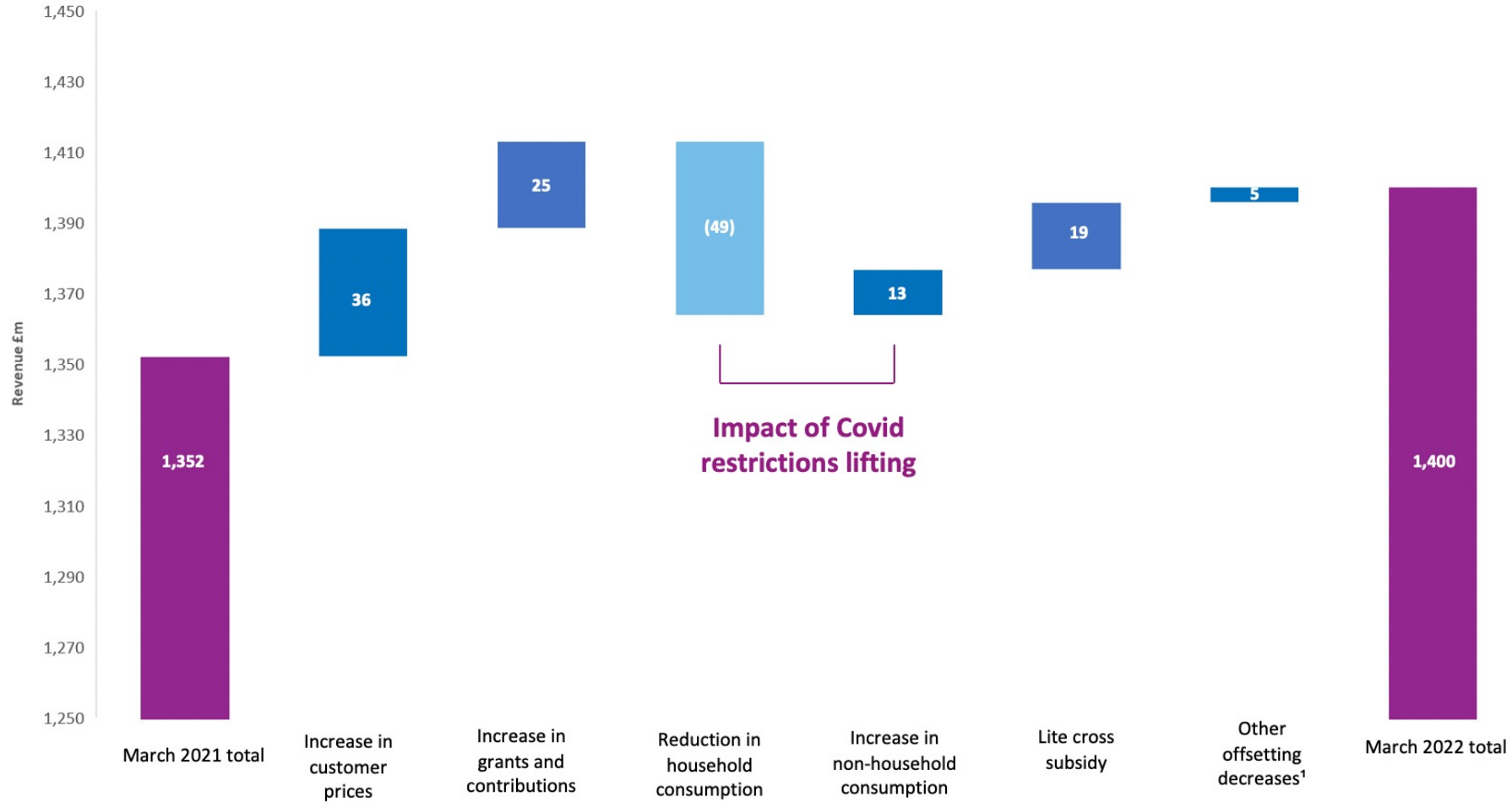
Anglian Water key financials summary



Delivering strong financials despite challenging environment

	2022	2021
	£m	£m
Operating profit	440.8	388.9
Finance costs excluding indexation	(203.3)	(201.6)
Underlying performance excluding indexation on debt	237.5	187.3
Indexation on debt	(255.0)	(48.6)
Underlying performance	(17.5)	138.7
Fair value losses	(115.1)	(23.2)
Tax charge	(310.2)	(19.5)
Statutory loss after tax	(442.8)	96.0

Financials - revenue breakdown

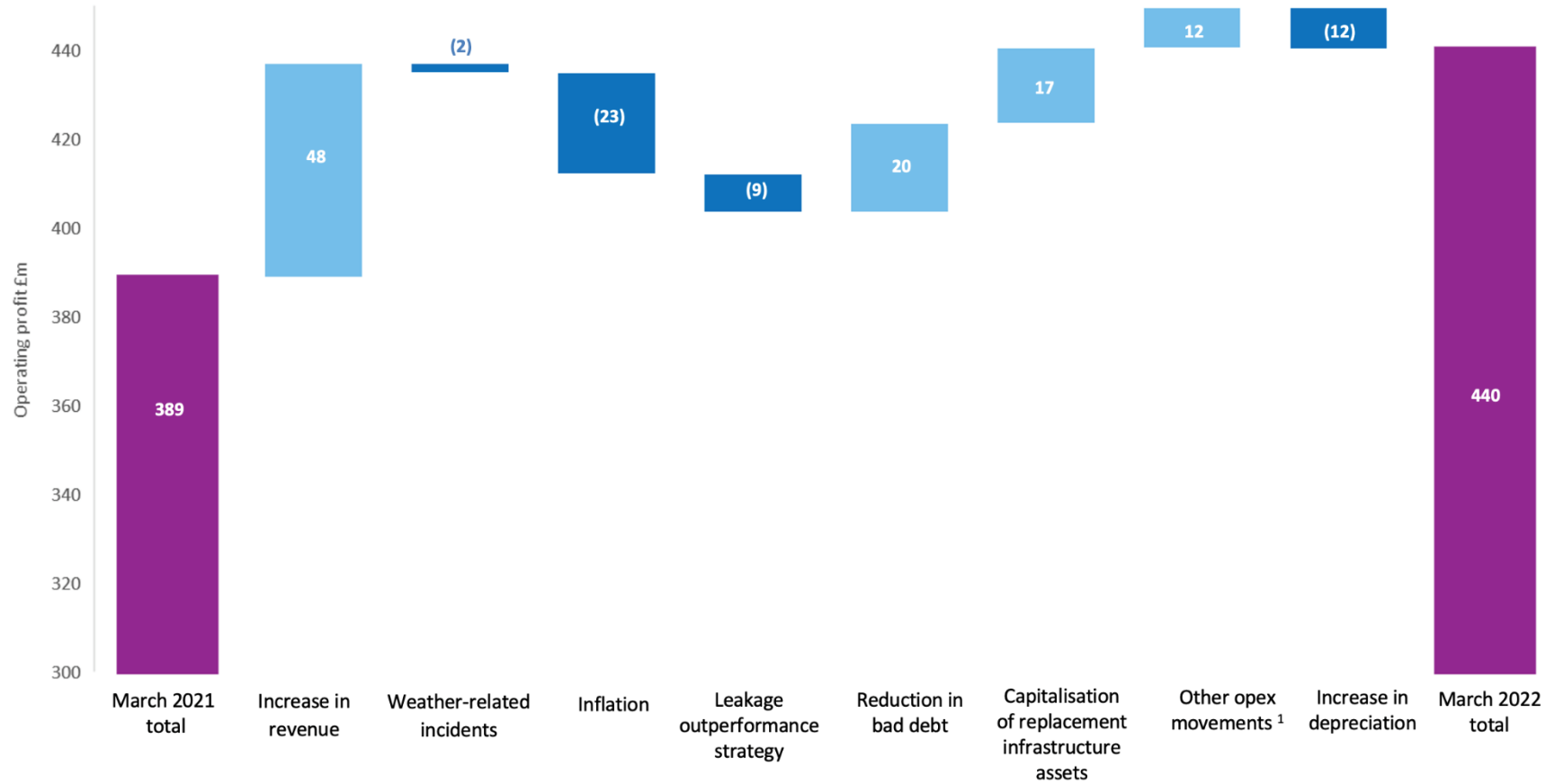


Year ended
31 March 2022

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



Financials - operating profit



Year ended
31 March 2022



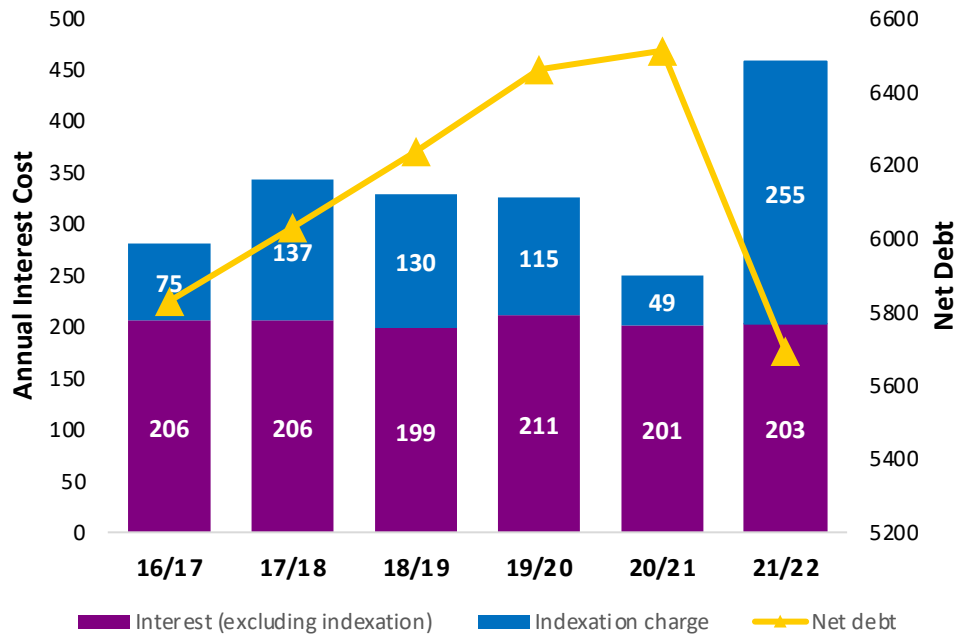
Financials - adjusted profit before tax £m



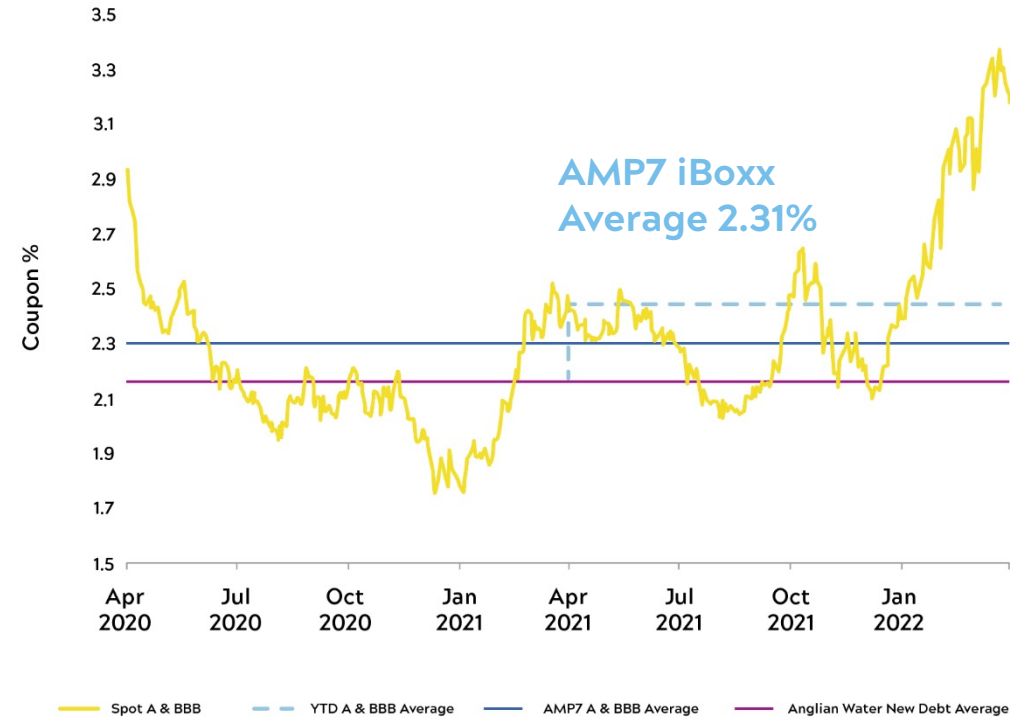
Financials - interest performance

Net finance costs up as impact of high inflation

Interest and net debt



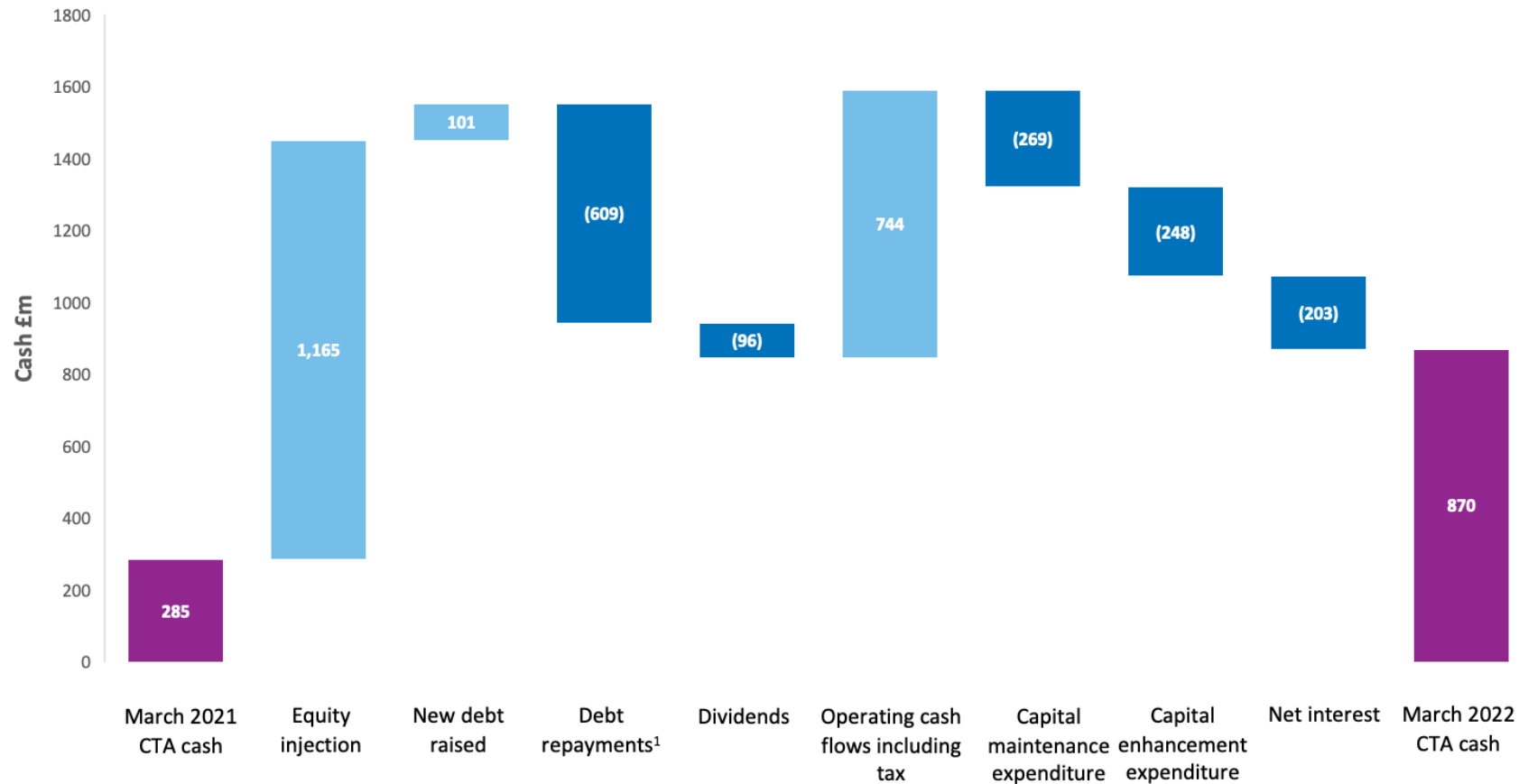
Anglian Water new fixed debt performance



Financials - sources and uses of cash



Strong cash generation despite challenging environment



Year ended
31 March 2022

Debt composition

Balanced debt composition ensures natural hedge to RCV and revenues

Net debt¹

£5,694m

£101m of additional debt raised

RCV

£8,792m

RCV reflects AMP7 capital investment and is adjusted each year in line with inflation

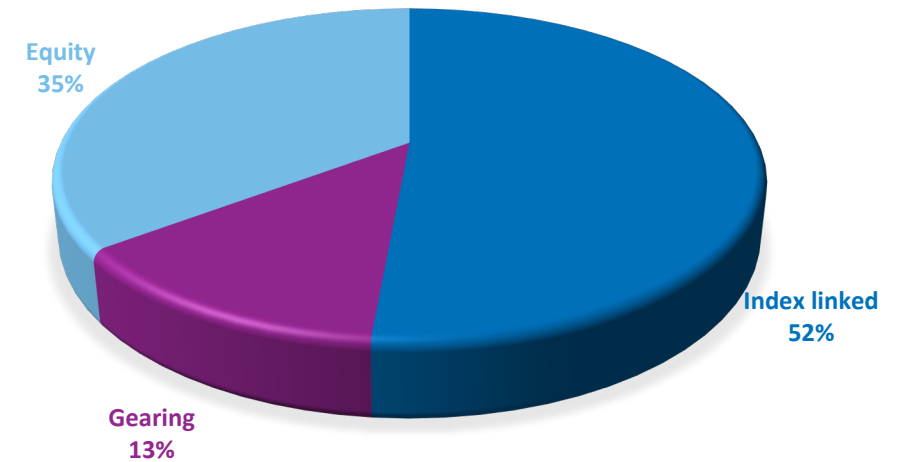
Gearing

65%

AWS Gearing - 65%
Osprey Gearing - 76%
Aigrette Gearing - 83%

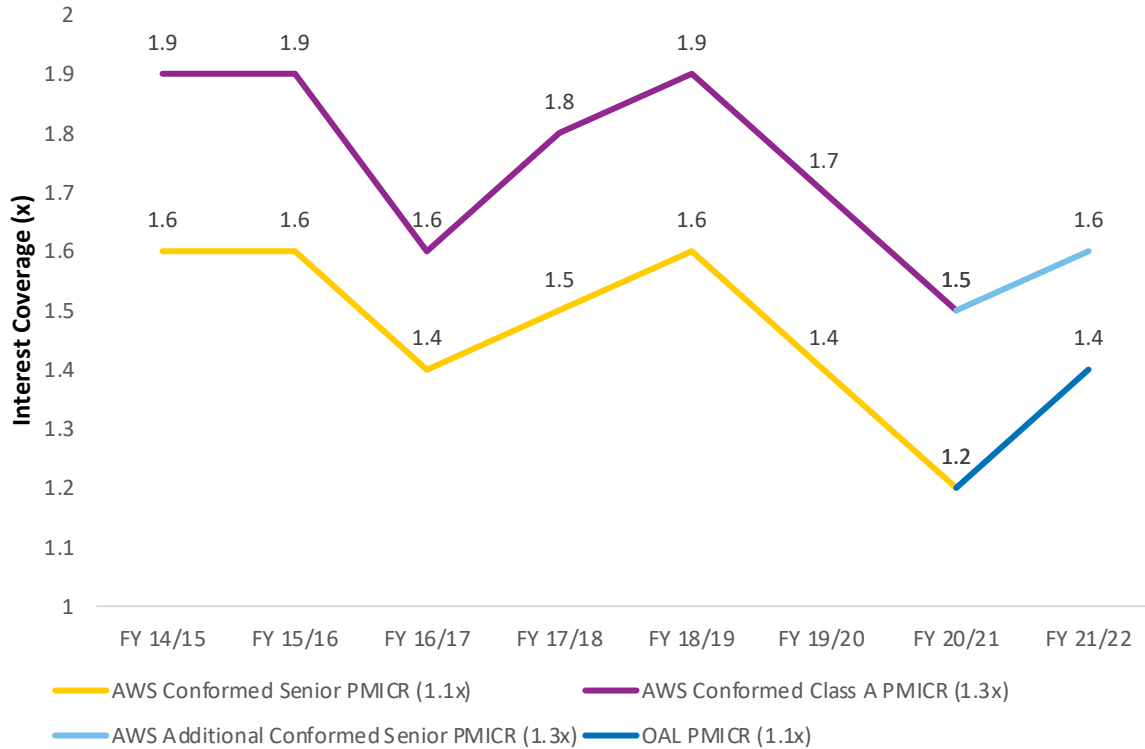
Year ended
31 March 2022

AWS funding mix (% of RCV)



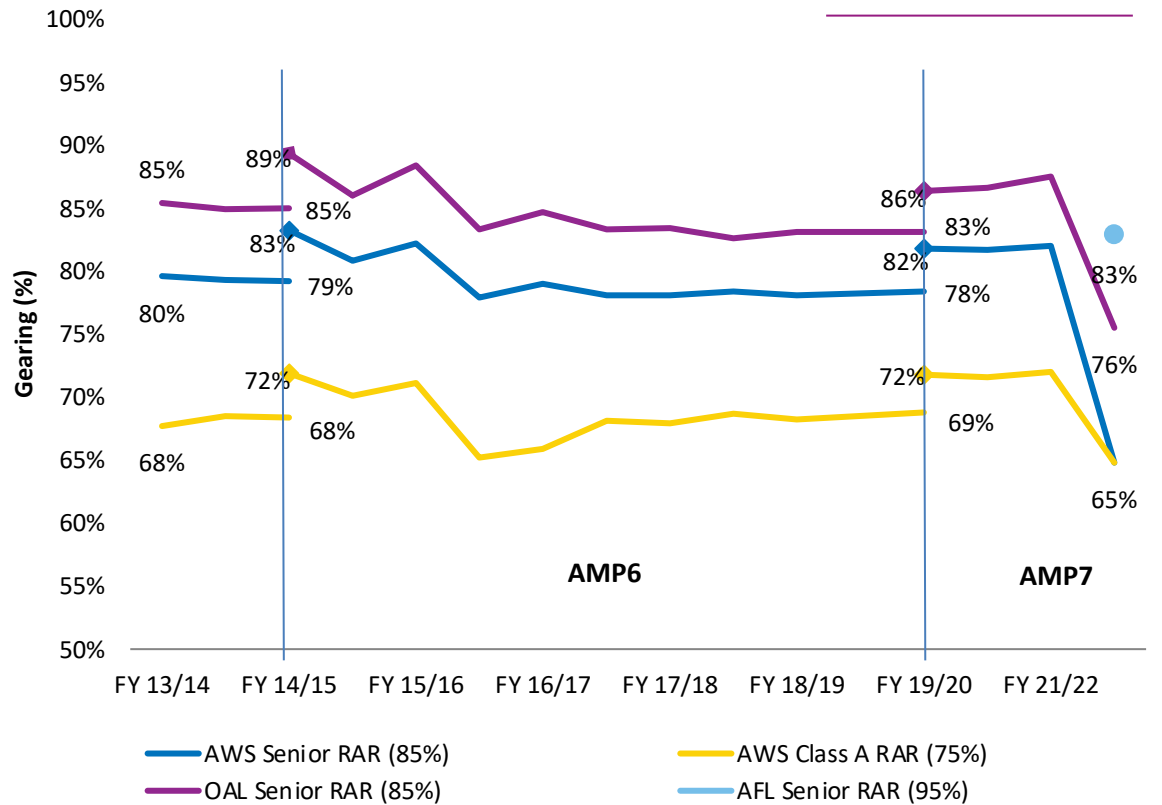
Financial covenants

Interest cover ratios



Gearing

Year ended
31 March 2022



In summary

Utility of the Year 2021: a fast-paced, purpose-driven company on the front foot in the face of challenge

Acting decisively in the face of local, national and global challenges



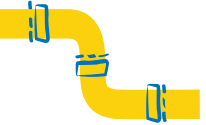
Taking bold action on the environment to enhance rivers and chalk streams



Supporting customers through cost-of-living crisis



Delivering our biggest ever capex programme at pace



Showing leadership on net zero delivery and climate resilience



Working with regulators to create a PR24 plan which attracts investment



New financing structure ensuring a resilient and strong business for the years ahead



Driving additional revenue streams through AVH businesses



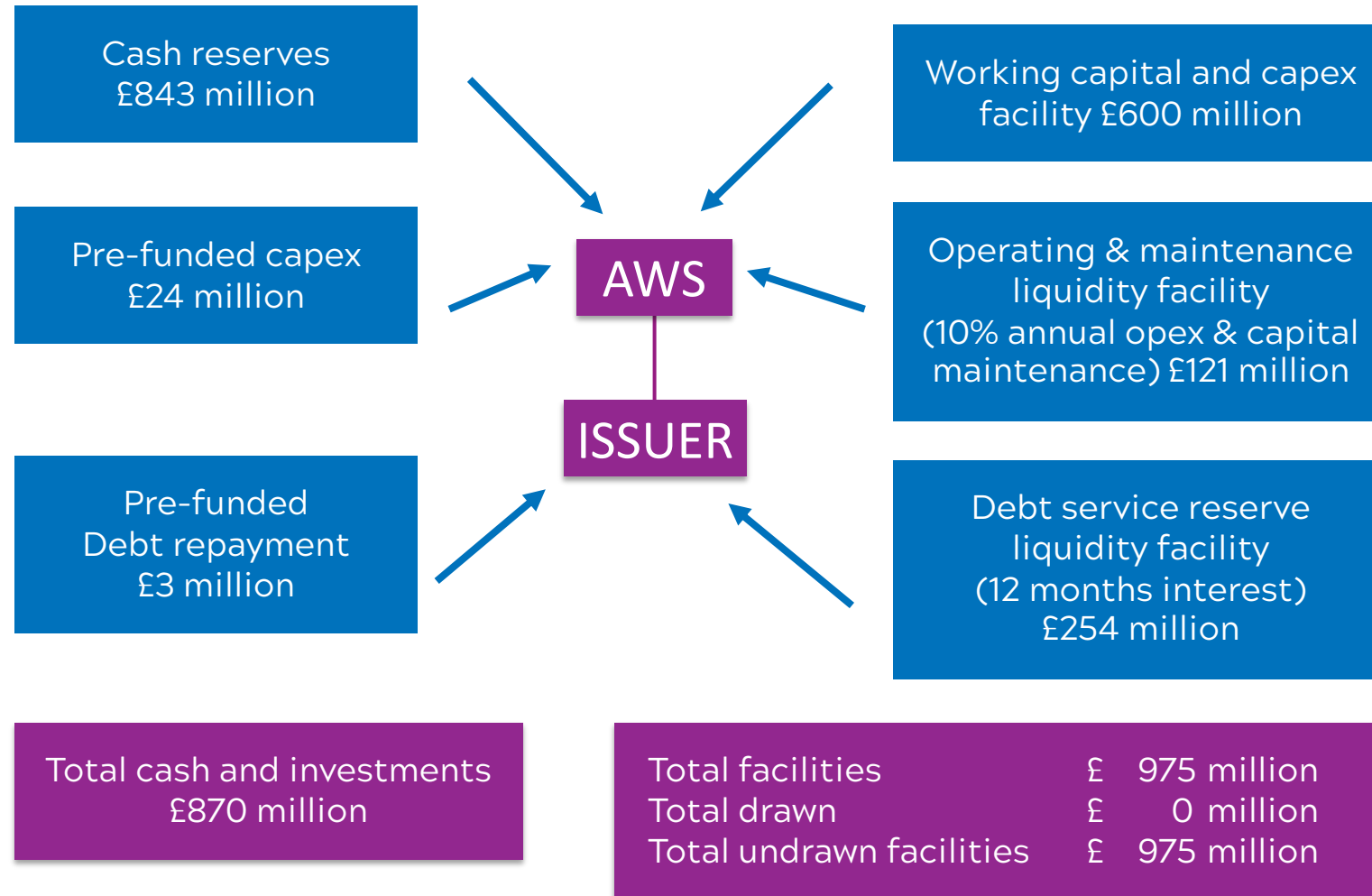
Any questions?



Appendices

Anglian Water liquidity

Substantial £1.8bn of total liquidity to manage unexpected events

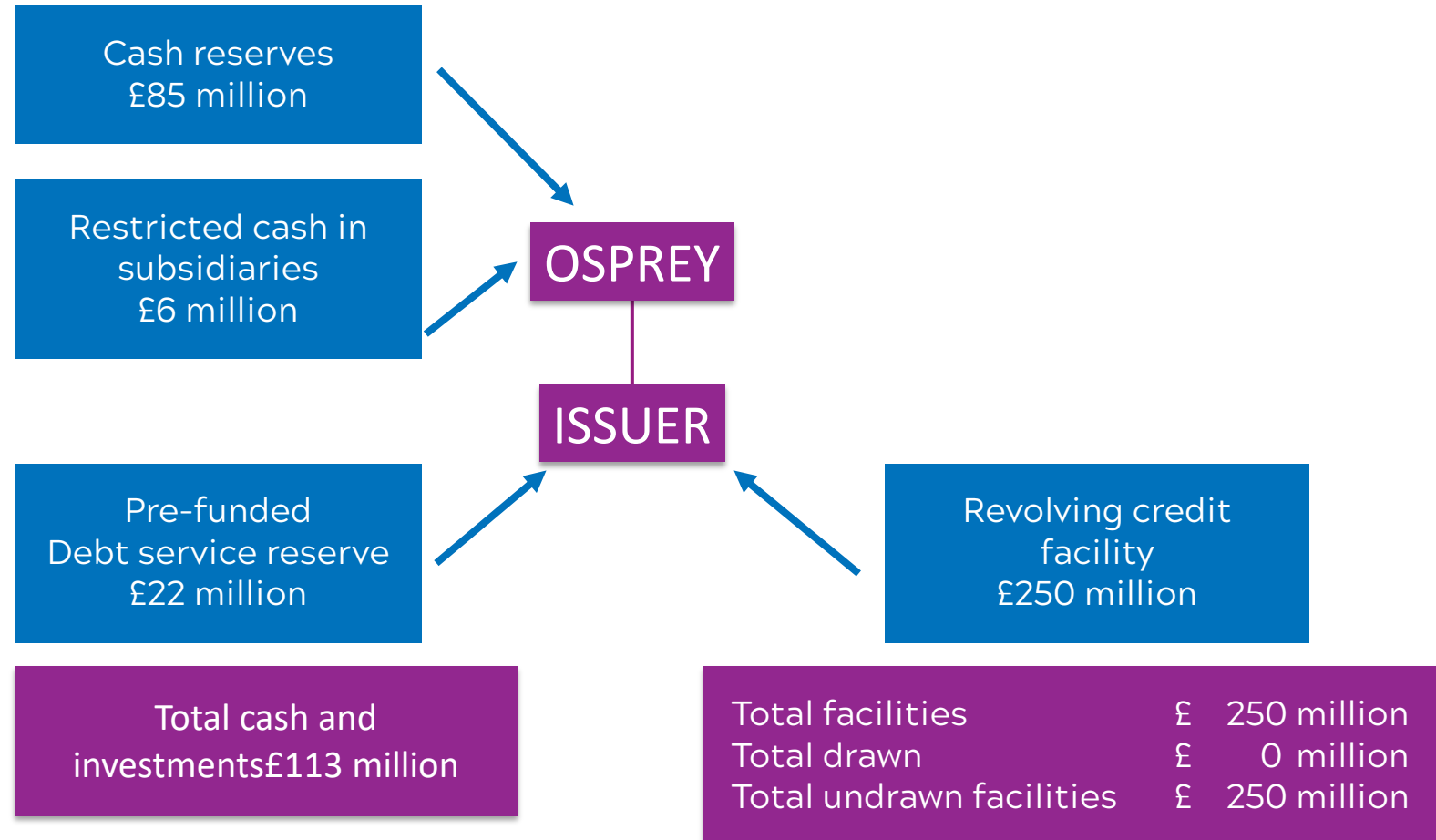


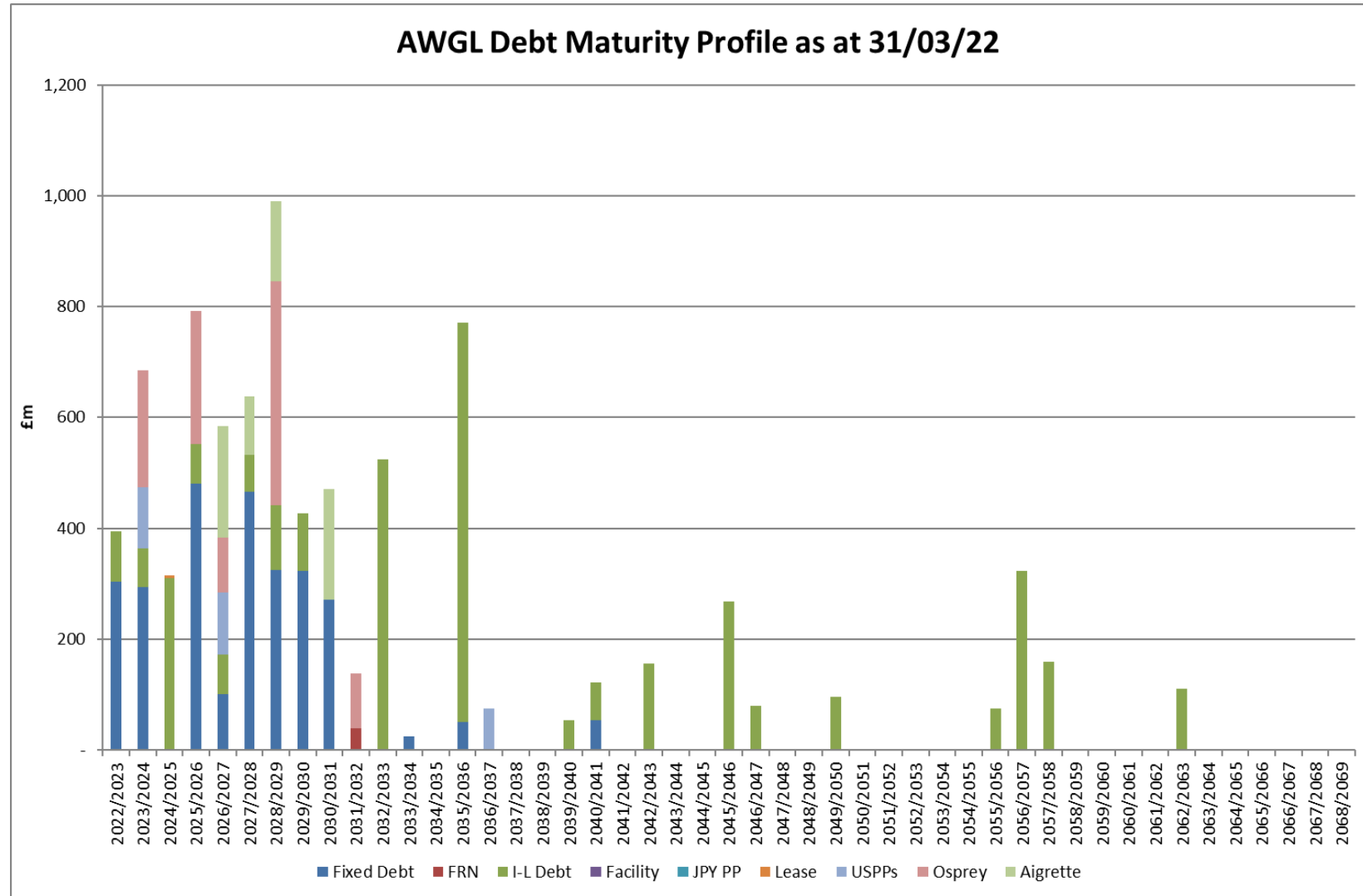
Year ended
31 March 2022

Osprey liquidity

£0.4bn of total liquidity to manage unexpected events

Year ended
31 March 2022





Anglian Water derivatives



Derivative Mark to Market Valuation

Swap Type	Notional £m	MTM £m ¹
Interest Rate Swap	1,971.6	(196.8)
Cross Currency Interest Rate Swap	381.6	11.8
RPI Swap	565.9	(654.5)
CPI Swap	816.2	(322.7)
	3,735.3	(1,162.1)

Energy Derivatives	Notional £m ²	MTM £m
LEBA ³ Power Swaps	47.8	73.5

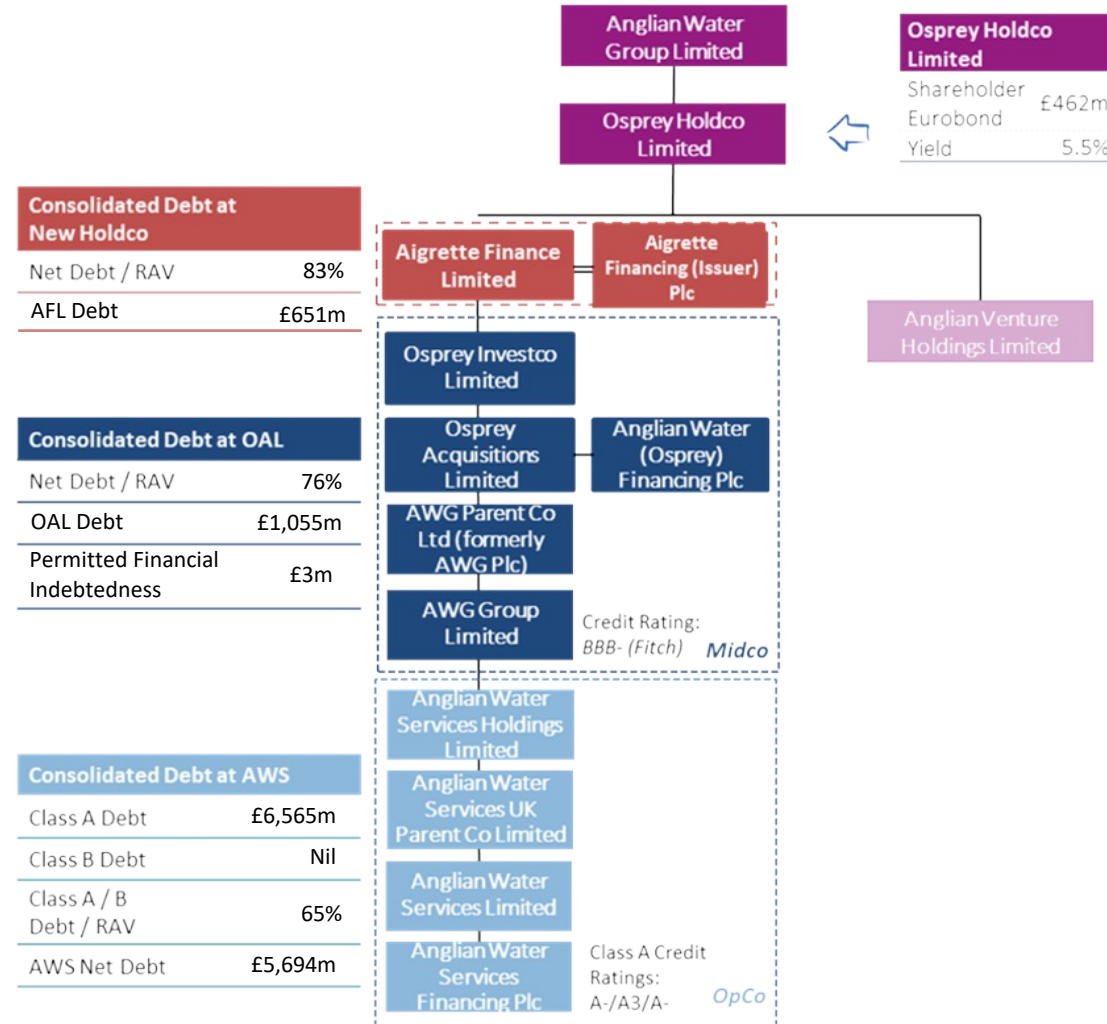
Year ended
31 March 2022

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



Year ended
31 March 2022

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

AW reconciliation of CTA operating cash flow



Year ended
31 March 2022

	2022 £m	2021 £m
Operating cash flow - statutory accounts basis	749.9	632.8
Tax paid	-	(25.4)
Commissions on debt facilities not drawn	(2.7)	(2.2)
Other ¹	(3.1)	(2.9)
Net cash inflow from operating activities - CTA basis	744.1	602.3

¹ Primarily relates to issue costs on new debt

AW reconciliation of CTA net debt



	2022 £m	2021 £m
Net debt - statutory accounting basis ¹	5,621.3	6,649.8
Unpresented cheques and lodgements	-	-
Capitalised issue costs	19.7	22.3
IFRS 16 Leases ²	(30.6)	(29.0)
IFRS 9 adjustments	84.0	(131.3)
Net debt - CTA basis ¹	5,694.4	6,511.8

Year ended
31 March 2022

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

²Property and other leases

AW reconciliation of CTA underlying profit before tax

Year ended
31 March 2022

	2022 £m	2021 £m
(loss)/profit before tax on an underlying basis	(17.5)	138.7
Finance costs - fair value losses on financial derivatives	(115.1)	(23.2)
Profit before tax as reported on a statutory basis	(132.6)	115.5

Summary of AWS new loans and repayments



	2022 £m		2021 £m
New debt raised		New debt raised	
£35 million 2.14% fixed rate 2036	35.0	£65 million 0.835% index-linked bond 2040	65.0
£40 million 2.14% fixed rate 2036	40.0	£50 million 1.760% fixed rate bond 2035	50.0
US\$35 million 1.16% private placements 2026	25.5	JPY 7 billion 0.85% fixed rate bond 2040	50.4
		JP £26.1m 0.010% index-linked term facility 2035	26.1
		BPPT £26.1m 0.010% index-linked term facility 2035	26.1
		RCF £550 million	25.0
	100.5		242.6
Non cash debt raised		Non cash debt raised	
New IFRS 16 lease agreements in year	3.8	New IFRS 16 lease agreements in year	1.2
Total debt raised	104.3	Total debt raised	243.8
Debt repaid		Debt repaid	
US\$160 million 4.52% private placements 2021	(94.4)	£150 million 4.125% index-linked bond 2020	(263.7)
US\$410 million 5.18% private placements 2021	(260.7)	EIB £75 million 0.53% index-linked term facility 2027	(9.2)
EIB £75 million 0.53% index-linked term facility 2027	(9.7)	EIB £75 million 0.79% index-linked term facility 2027	(9.2)
EIB £75 million 0.79% index-linked term facility 2027	(9.7)	EIB £150 million 0% index-linked term facility 2028	(17.9)
US\$47 million 5% private placements 2022	(30.0)	EIB £65 million 0.41% index-linked term facility 2029	(7.6)
EIB £150 million 0% index-linked term facility 2028	(18.8)	EIB £125 million 0.1% index-linked term facility 2029	(14.4)
US\$160 million 4.99% private placements 2023	(100.2)	EIB £60 million 0.01% index-linked term facility 2030	(6.8)
EIB £65 million 0.41% index-linked term facility 2029	(8.0)	RCF £550 million	(550.0)
EIB £125 million 0.1% index-linked term facility 2029	(15.1)	RCF £100 million bilaterals	(50.0)
EIB £60 million 0.01% index-linked term facility 2030	(7.2)	Repayment of accretion on derivatives	(63.5)
RCF £550 million	(25.0)	Capital element of finance lease rental payments	(7.0)
Capital element of finance lease rental payments	(7.7)		
	(586.5)		(999.3)
Settlement of IFRS 16 leases	(1.4)	Settlement of IFRS 16 leases	(4.1)
Total debt repaid	(587.9)	Total debt repaid	(1,003.4)

Year ended
31 March 2022

Summary of OAL new loans and repayments



	2022 £m		2021 £m
New debt raised		New debt raised	
£300 million 2.0% fixed rate bond 2028	300.0	RCF £250 million	60.0
£100 million 2.37% private placements 2031	100.0		
£105 million 2.2% private placements 2028	105.0		
£100 million floating term facility 2026	100.0		
£50 million floating term facility 2026	50.0		
£152 million bridge facility 2021	152.0		
RCF £250 million	110.0		
Other loans	0.7	Other loans	0.5
Total debt raised	<u>917.7</u>	Total debt raised	<u>60.5</u>
Debt repaid		Debt repaid	
£50 million floating term facility 2026	(50.0)	RCF £250 million	(50.0)
£152 million bridge facility 2021	(152.0)		
RCF £250 million	(120.0)		
	<u>(322.0)</u>		<u>(50.0)</u>
Settlement of leases	(1.2)	Settlement of leases	(2.0)
		Other loans	(5.2)
Total debt repaid	<u>(323.2)</u>	Total debt repaid	<u>(57.2)</u>

Year ended
31 March 2022