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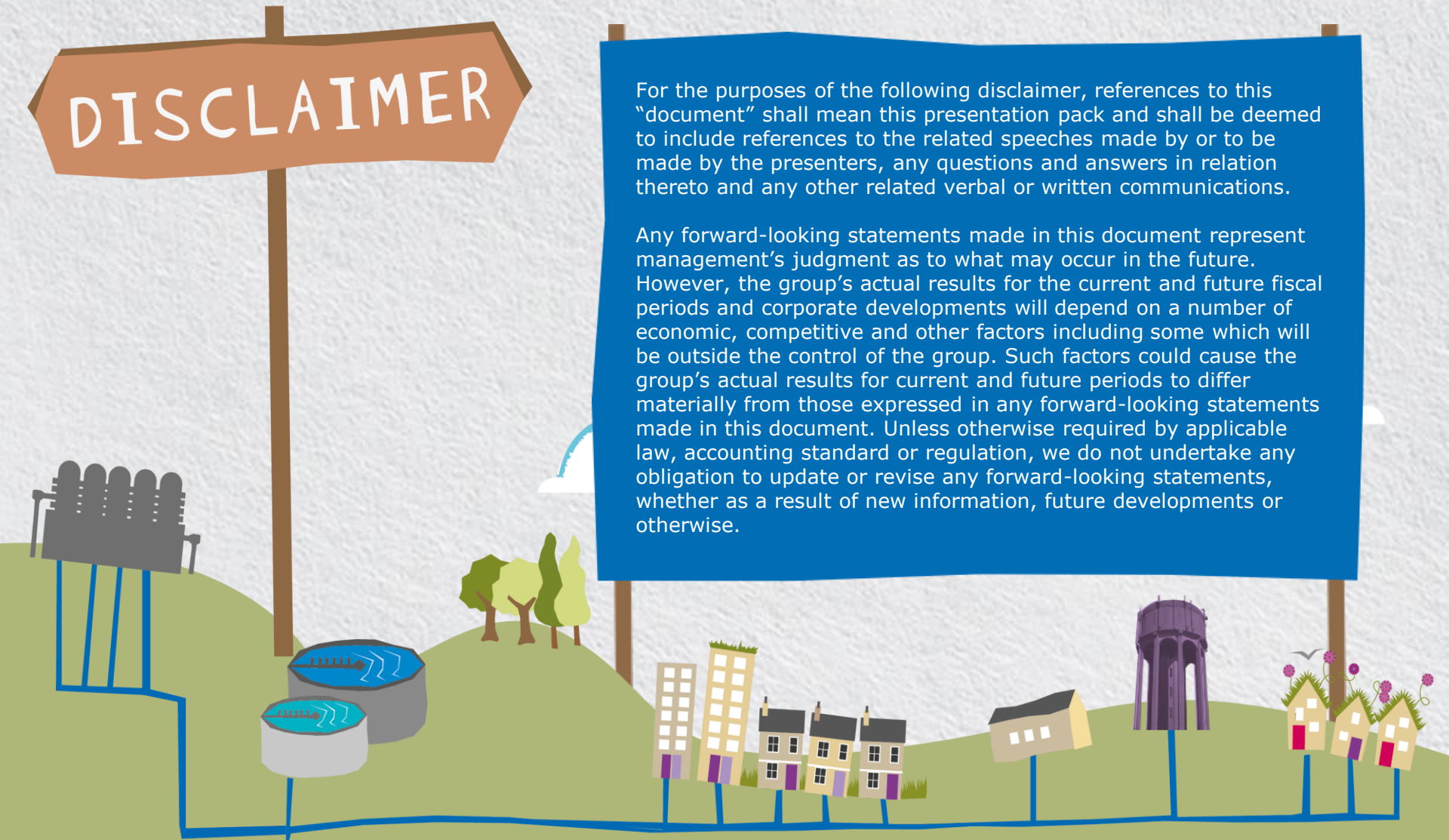
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Any forward-looking statements made in this document represent management’s judgment as to what may occur in the future. However, the group’s actual results for the current and future fiscal periods and corporate developments will depend on a number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





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every  
drop.



anglianwater

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WATER IS  
OUR BUSINESS.  
WE HANDLE  
WITH CARE,  
AND WE DON'T  
COST THE EARTH

## Company Overview

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# A CHANGING CLIMATE, A GROWING POPULATION AND PROTECTING THE ENVIRONMENT

By the 2050s, the demand for water will exceed the available supply in many catchments in England, and some in Wales and Scotland. Without further action, the demand for water during drier periods may not be met in many areas.

[www.theccc.org.uk](http://www.theccc.org.uk)

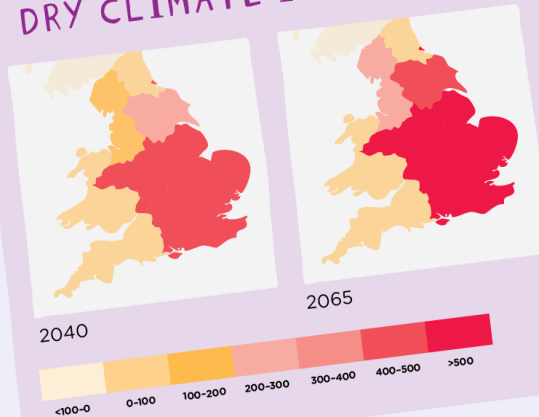
TODAY

12%  
surplus

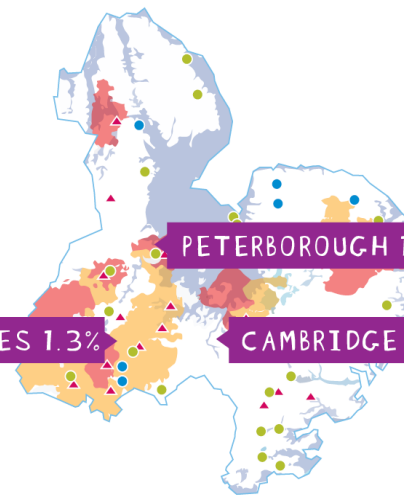
2050s

5-  
17%  
shortfall

## DRY CLIMATE IMPACTS



## AREAS OF GROWTH AND FLOOD RISK IN THE ANGLIAN WATER REGION



- ▲ Towns with >10,000 potential planned properties in the vicinity - 2016 planning data (proportional symbols)
- Wastewater assets which have had, or are planned to have resilience work undertaken (2015-2020)
- Water assets which have had, or are planned to have resilience work undertaken (AMP6\*)

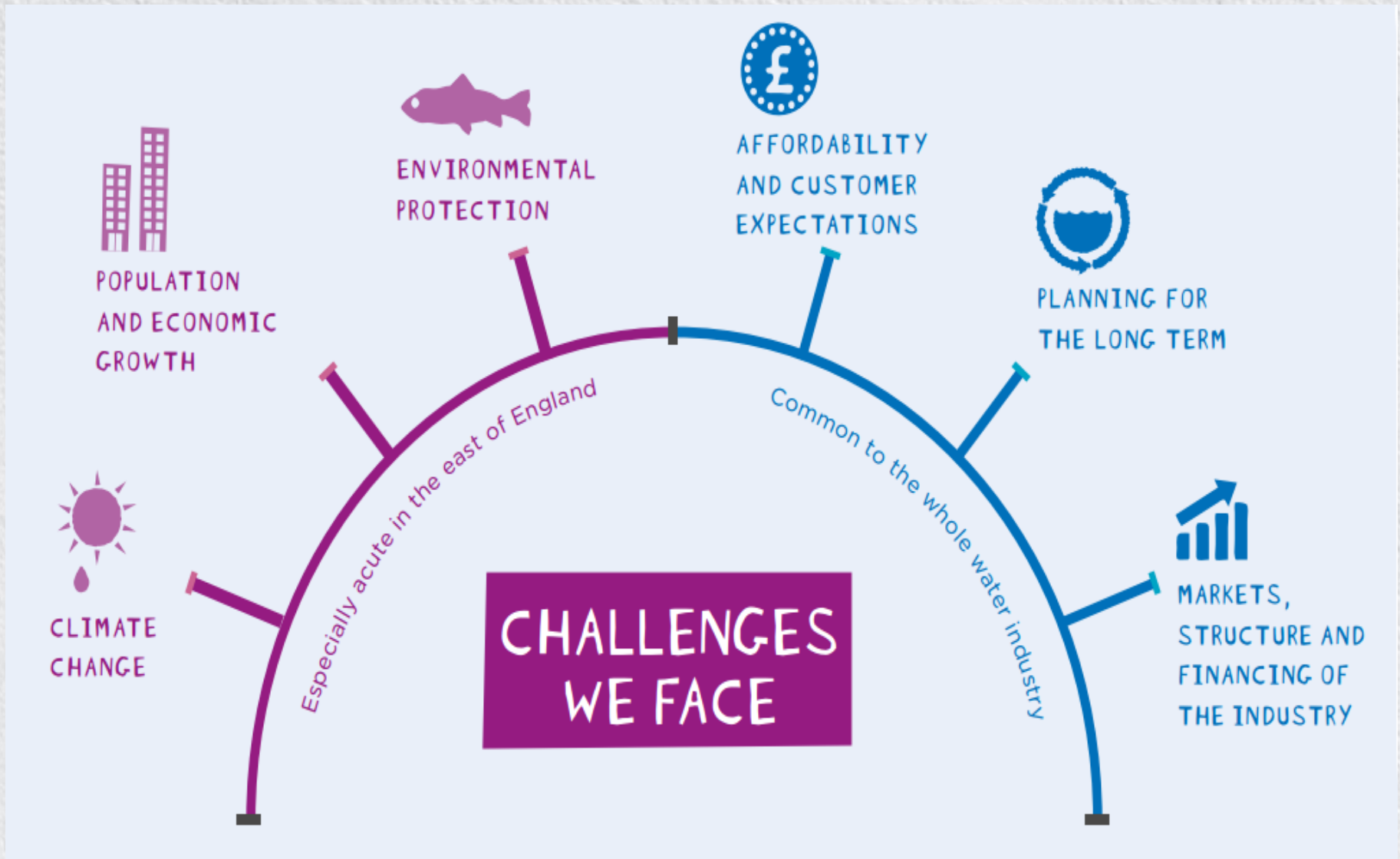
\*AMP = Asset Management Period

- Anglian Water operational boundary
- National flood zone
- Areas of Special Scientific Interest - SSSIs
- Anglian Water distribution zones expected to experience >25% growth 2015-2040
- Anglian Water distribution zones expected to experience >35% growth 2015-2040

Sources: Environment Agency, ONS, Local Government and Anglian Water

**Within 25 years, water available for supply could be cut by half.**

# PREPARING FOR THE CHALLENGES OF TOMORROW

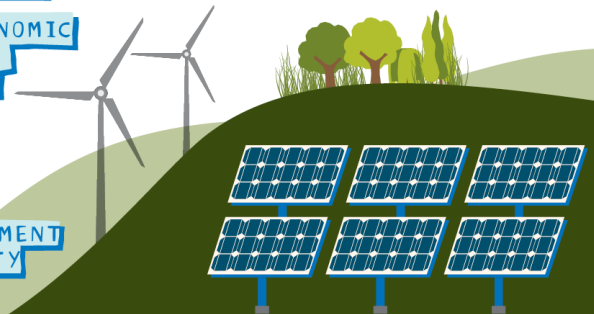


# THE BIG PICTURE



## OUR AMBITIONS FOR THE FUTURE

-  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
-  Be a **CARBON-NEUTRAL BUSINESS** by 2050
-  Work with others to achieve **SIGNIFICANT IMPROVEMENT IN ECOLOGICAL QUALITY** across our catchments



A LEADING CUSTOMER SERVICE BUSINESS  
WITH THE ENVIRONMENT AND SUSTAINABILITY  
AT THE HEART OF EVERYTHING WE DO



# THE WORLD WE'RE WORKING IN

Opinion **Inside Business**

## John McDonnell is right: Britain can easily nationalise water

Real question is whether ownership changes would improve the utilities

As the political debate about the future of Britain's [privatised](#) utilities heats up, battle lines have been drawn over what it might cost to nationalise the water industry.

On the one hand, the Labour party's *soi-disant* Marxist shadow chancellor John McDonnell maintains it would be "cost-free" to revive the old regional water authorities. On the other, some think-tanks say that this would crowd out other spending and even dynamite the public finances.



THE TIMES

Nationalising will be for ever, says John McDonnell



FINANCIAL TIMES

## UNDER A PUBLIC AND POLITICAL MICROSCOPE

**Defra UK**  [Follow](#)

@DefraGovUK

We've published our 25 Year Environment Plan setting out our ambition to be the first generation to leave the [#environment](#) in a better state than we found it. Read it now - [gov.uk/government/new...](#) [#GreenFuture](#) [#GreenBrexit](#) [#25YEP](#) [#PlasticFree](#)

**25 YEAR Environment Plan** 

**A GREENER FUTURE**

This Government's ambition is to leave our environment in a better state than we found it. Our 25 Year Plan outlines the steps we propose to achieve that ambition.

3:08 AM · 11 Jan 2018

668 Retweets 635 Likes 



HM Government

A Green Future: Our 25 Year Plan to Improve the Environment



### 2. Clean and plentiful water

We will achieve clean and plentiful water by:

- Improving at least three quarters of our waters<sup>3</sup> to be close to their natural state<sup>4</sup> as soon as is practicable by:
  - Reducing the damaging abstraction of water from rivers and groundwater, ensuring that by 2021 the proportion of water bodies with enough water to support environmental standards increases from 82% to 90% for surface water bodies and from 72% to 77% for groundwater bodies.

ofwat



# LEGITIMACY: BEING A RESPONSIBLE BUSINESS

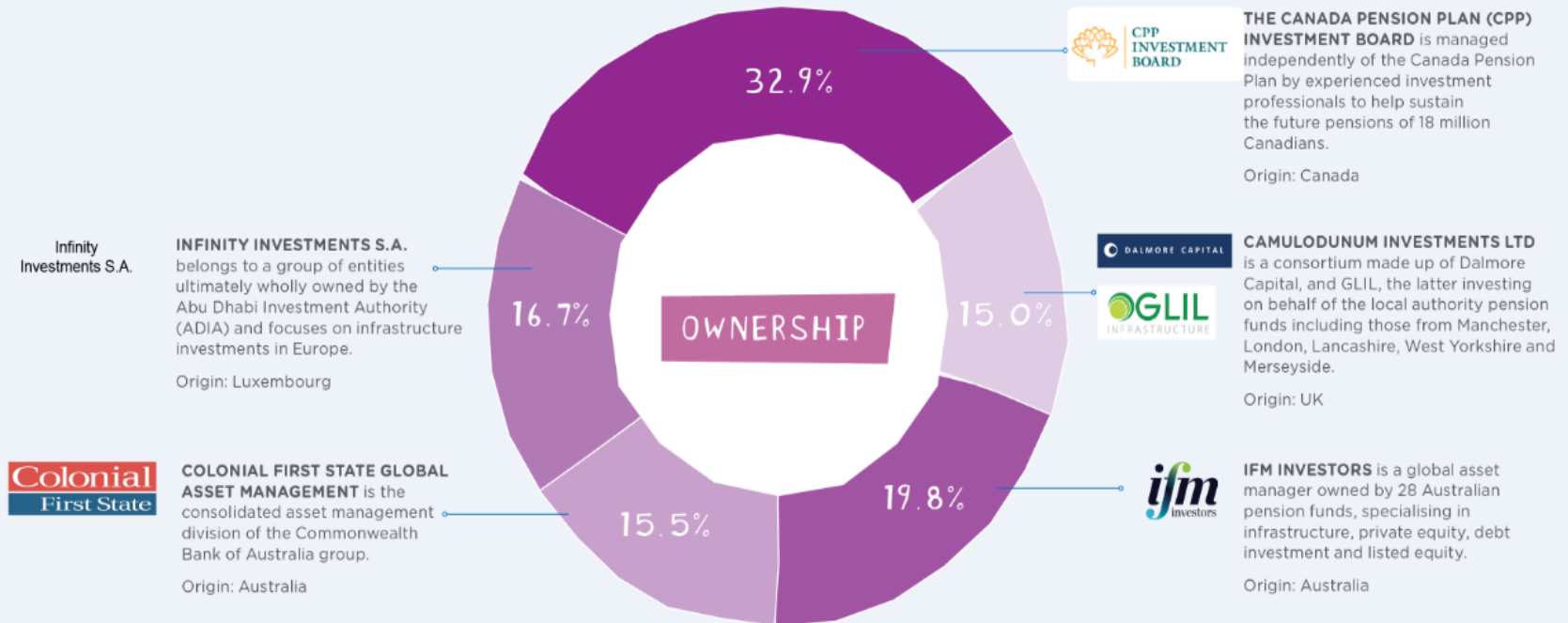
## OUR FINANCIAL AND CORPORATE PLEDGES

- ✓ CAYMANS COMPANY - CLOSED
- ✓ ACCOUNTING PRESENTATION SIMPLIFIED
- ✓ CONSULTING WITH OFWAT TO EMBED PUBLIC INTEREST IN LICENCE
- ✓ MAJORITY INEDS ON BOARD
- ✓ ADDITIONAL £65M RESILIENCE INVESTMENT ON TOP OF £100M, FUNDED BY DIVIDEND REDUCTION RESTRAINT
- ✓ GEARING REDUCED THROUGH DIVIDEND RESTRAINT THROUGH TO 2025

## LATERAL ENDORSEMENT: SUPPORTING TRUST IN WATER



# OUR OWNERS







## Our Business Plan

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# BUSINESS PLAN TIMETABLE

OUR PR19 BUSINESS PLAN  
WILL COVER THE PERIOD  
FROM 2020 TO 2025



CUSTOMER  
SERVICE



RESILIENCE



AFFORDABILITY



INNOVATION

## PHASE ONE - TO FINAL BUSINESS PLAN SUBMISSION

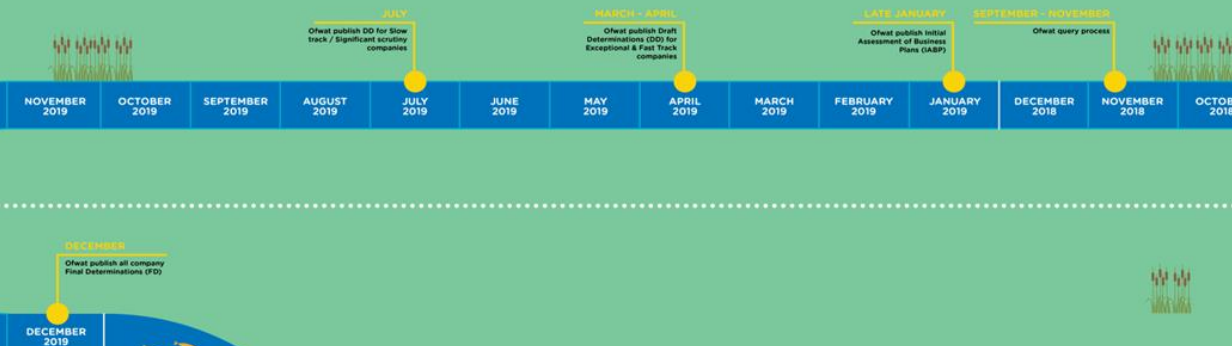
NOVEMBER 2017 - SEPTEMBER 2018

OFWAT CMA



## PHASE TWO - POST FBP SUBMISSION TO FINAL DETERMINATION

SEPTEMBER 2018 - DECEMBER 2019



## PHASE THREE - FD TO POTENTIAL CMA APPEAL

DECEMBER 2019 - DECEMBER 2020

NOTE: Exact timetable if CMA referral made will be determined by the CMA at the start of the referral. This is indicative based on previous referrals.

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# OUR BUSINESS PLAN

Anglian Water

## OUR PLAN AT A GLANCE

AMP7 is a five-year stepping stone in our long term 25-year vision. AMP6 has put us in a great place and, over the coming years, we will move closer to achieving our four Strategic Direction Statement ambitions.

### OUR STRATEGIC DIRECTION STATEMENT 25 YEAR AMBITIONS



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



WORK WITH OTHERS TO ACHIEVE  
SIGNIFICANT IMPROVEMENT  
IN ECOLOGICAL QUALITY  
ACROSS OUR CATCHMENTS



BE A CARBON NEUTRAL  
BUSINESS BY 2050

### c.30% INCREASE

in our proposed investment  
compared to AMP6



### LESS THAN 1% INCREASE IN BILLS

to deliver enhanced resilience  
and environmental obligations



### OVER £1.5 BN

to be invested in  
resilient water  
supplies and a  
flourishing  
environment



### MORE THAN 80%

of our customers  
agreed our  
proposed bill  
changes were  
both affordable  
and acceptable



### OVER HALF A MILLION

customer interactions  
have co-created our  
plan - ten times more  
than our last plan



### ENSURING TRUST AND CONFIDENCE

reducing levels of debt  
and making independent  
non-executives  
the majority of  
our board



### WE WILL OFFER SUPPORT TO 475,000

customers, who have  
affordability issues  
in each year  
of AMP7



### 22% REDUCTION

in leakage by 2025  
and 50% by 2050  
from an already  
frontier position



### SERVING OVER 200,000 new homes in AMP7



# OUR PERFORMANCE

Anglian Water

## OUR LEADING PERFORMANCE

We have a history of strong performance over the last three AMPs which shows that we can deliver exceptional outcomes for our customers. This creates a platform that allows our region and our customers to prosper.



### FRONTIER ODI PERFORMANCE

We have met, or are forecast to meet, 91% of our performance commitments.

WE ARE FORECASTING A **NET ODI REWARD OF £60M** FOR AMP6



### JUST A 10%

increase in our bills  
(smallest of all companies)  
since privatisation compared  
with the industry  
average of 46%



### CUT OUR CARBON EMISSIONS

57% reduction  
on 2010  
levels



### FRONTIER PERFORMANCE ON LEAKAGE

Our leakage is half the national average by water lost per kilometre of pipe



### BILLS HAVE FALLEN AROUND -10%

In the last five years,  
twice the  
industry average



### NUMBER ONE IN SIM

for customer  
service in  
2017/18 and  
consistently  
in the upper  
quartile



### 7 MINS 24 SECS

ahead of target for  
interruptions to supply,  
despite having  
to cope with the  
challenges from  
the freeze-thaw



### £165M OF EFFICIENCIES

reinvested in  
resilience, digital  
and customer  
initiatives



### LEADING ON RESILIENCE

through work with  
Water UK, Water  
Resources East and  
National Infrastructure  
Commission



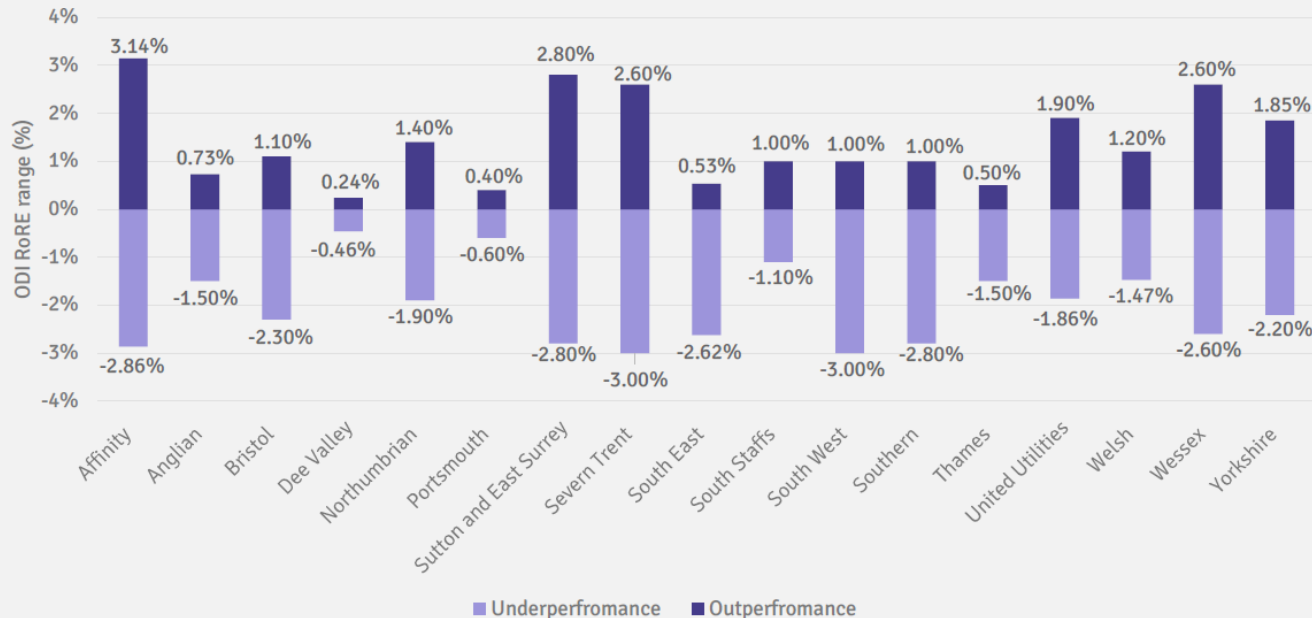
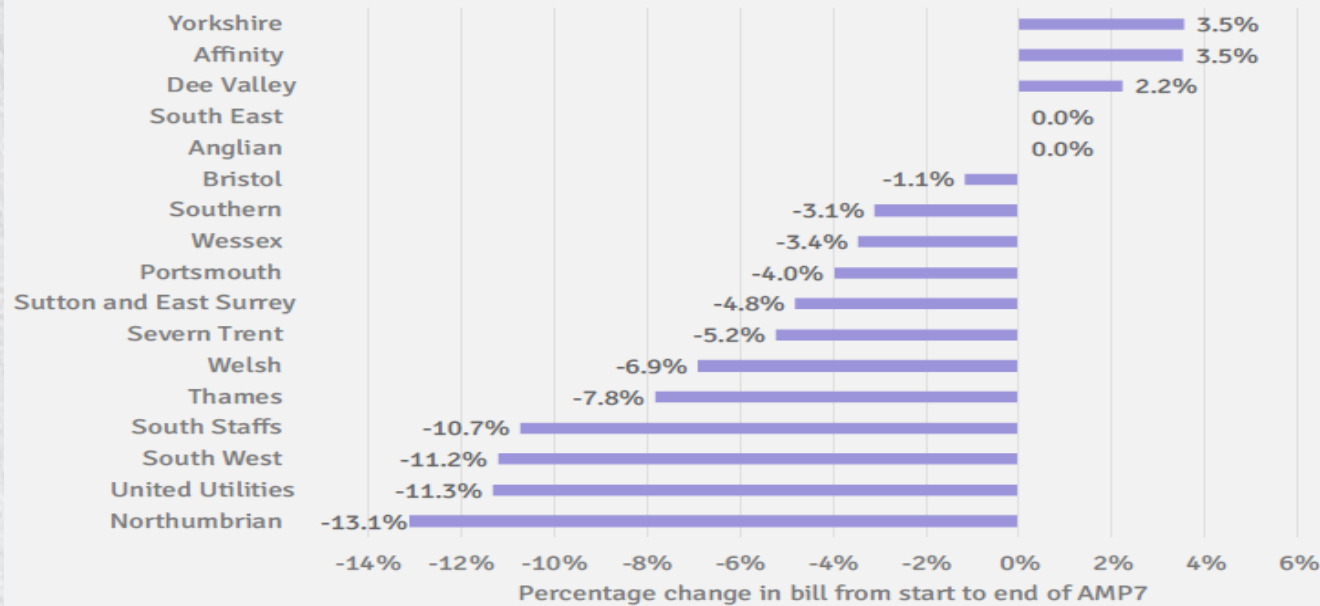
### WATER QUALITY: LESS THAN 5%

of national average since  
the measure was developed





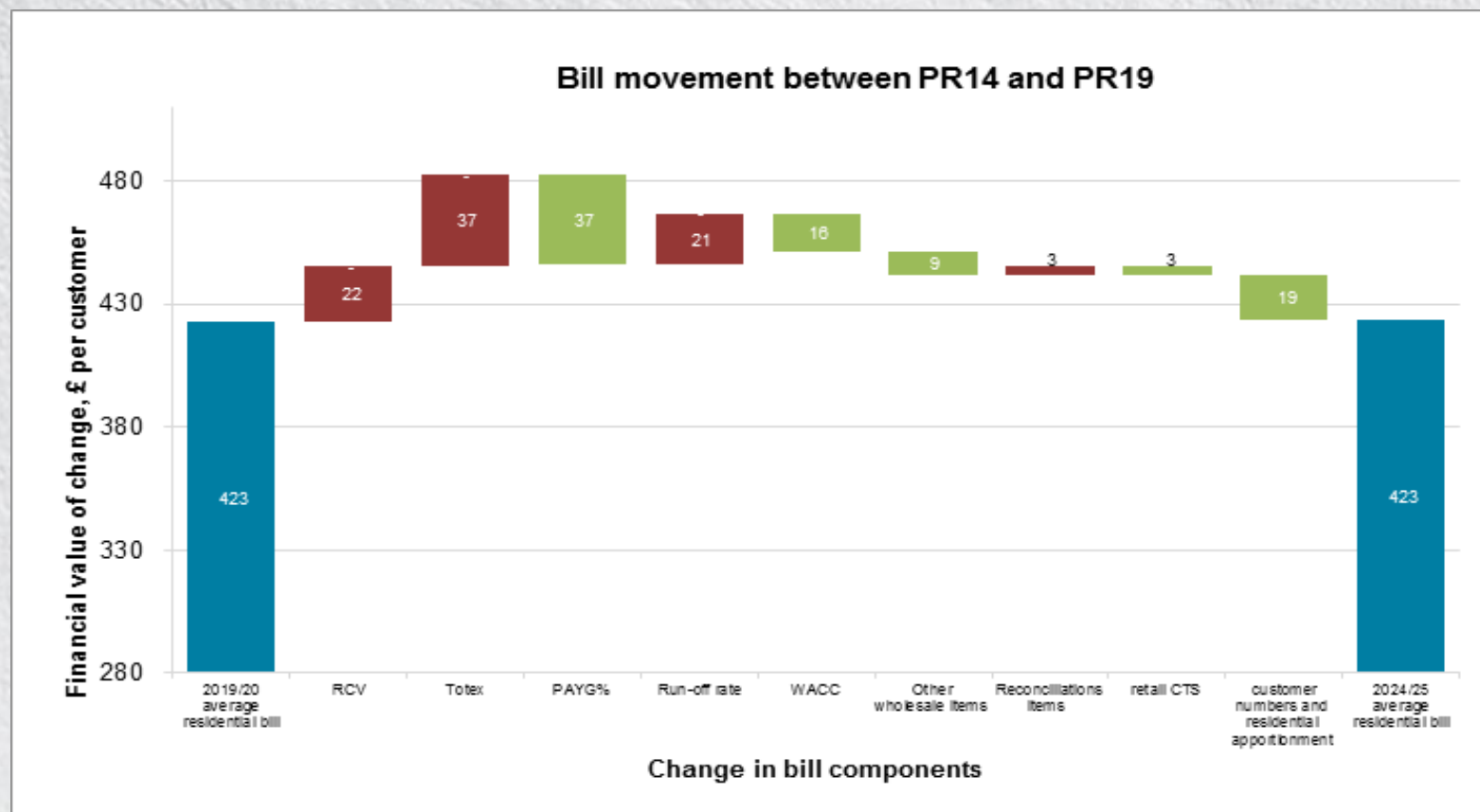
# PR19 – INDUSTRY AT A GLANCE



- Significant variation on average bills across the sector
- This is driven by the size of Totex plans, companies' choice of PAYG, Run-off rates and legacy adjustments.
- Wide spectrum of ODI rewards and penalties across the sector.

**Note:** Graphs reproduced with prior permission from Economic Insight.

# OFWAT – BILLS WATERFALL



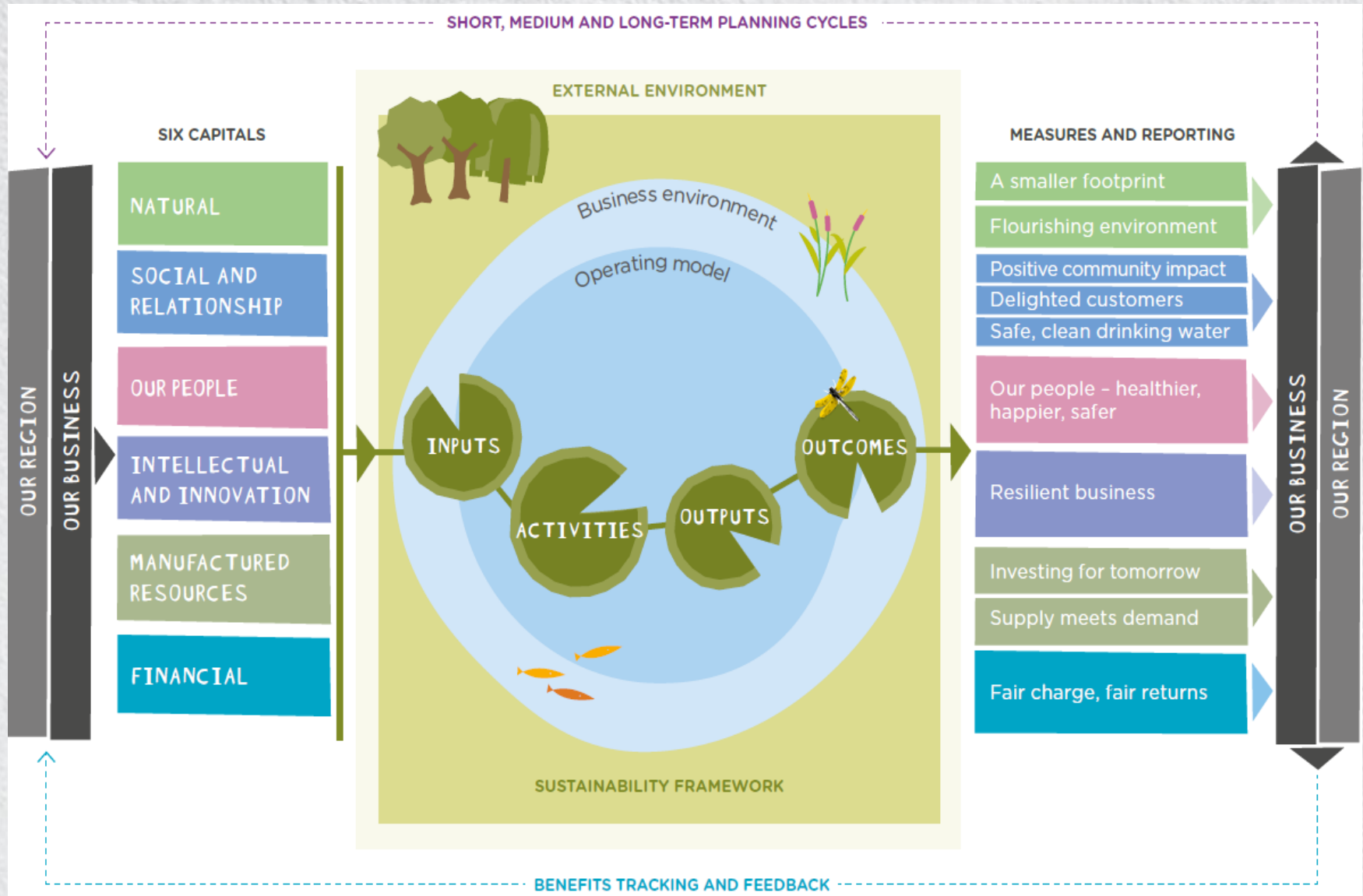
- On average bills are higher by 0.9% across the AMP. However at the end of AMP7, bills return to the same level as the starting bill at 2019/20.
- The bill increase is driven by the scale of the Totex programme (c.30% higher than at PR14 driven by a much larger WINEP and WRMP), and an increase in RCV run-off rates towards the natural rate. This is compensated by a reduced WACC, PAYG moving to natural levels, stretching cost efficiency, and population growth leading to an increase in customer numbers.



# CREATING A BUSINESS BUILT ON THE FOUNDATION OF THE SIX CAPITALS

- We describe ourselves as a natural capital business, relying on healthy ecosystems to supply water, to help manage floods and to help us recycle water after it has been used.
- Natural, Social, Human, Manufactured, Financial and Intellectual.
- We will measure carbon, water foot printing as well as natural capital.
- We will seek to finance the majority of our capital spend through sustainable finance in accordance with the Green Bond Protocols.

# CREATING A BUSINESS BUILT ON THE FOUNDATION OF THE SIX CAPITALS









# WITH INNOVATION AND COLLABORATION AT THE HEART

## NEWMARKET 2045

Bringing everything together to create the water company of the future for our people and our customers, now.







## Financeability

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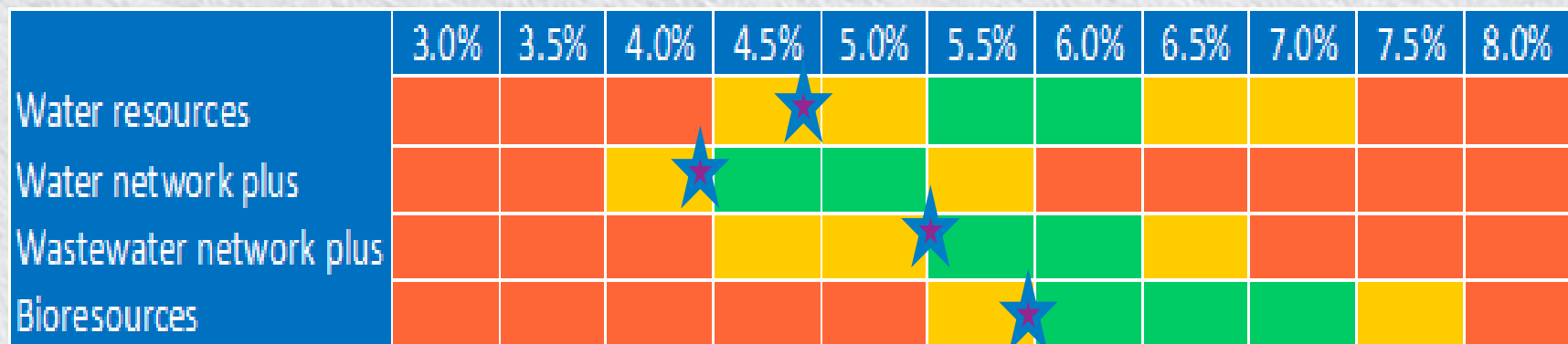


# KEY FINANCIAL HIGHLIGHTS

- *Totex = £6.1 bn (PR14 = £4.9bn)*
- *WACC = 2.4% appointee (Ofwat indicative; includes retail margin = 1%)*
- *PAYG = c 47% (PAYG = IFRS opex in each year, no adjustments)*
- *RCV run-off rate = c. 4.8%*
- *Gross dividends = £374m*
- *New Shareholder equity = £407m*
- *Average bills = 1%*
- *Target credit rating = Baa1 Corporate Family Rating; Debt ratings unchanged*
- *ODIs RORE Range = +0.7% / -1.5% (similar range as at PR14)*

# TRADE-OFF: BILLS VS FAIRNESS VS FINANCIAL RESILIENCE

- In practice, it is difficult to pin-point a natural rate due to the complexities around asset lives with long lived assets and new additions. Green areas suggest indicative best guess RCV run-off rate.



Overall = c 5.25%

Lower bills

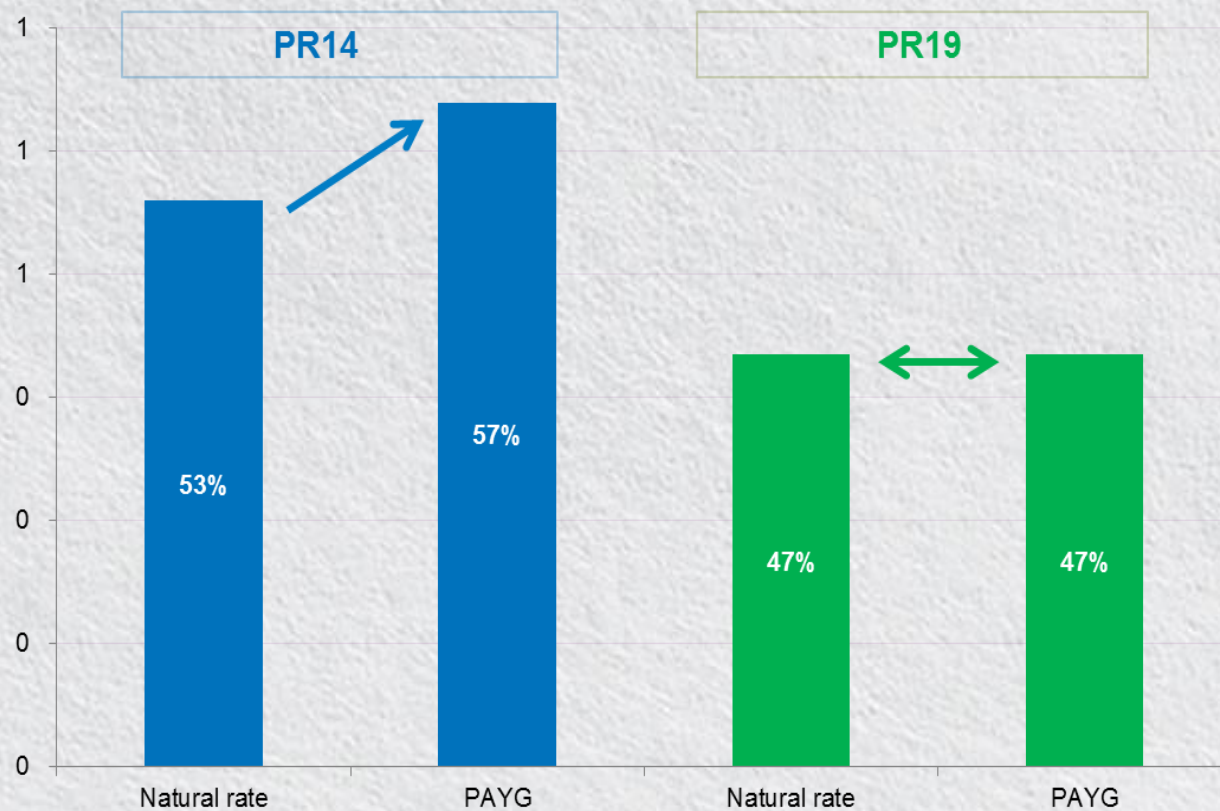


Financial resilience (Notional)

	Run-off rate	Total business base case
Price-control		
Wastewater network plus	5.1%	Average total business = 4.8%
Water network plus	3.95%	
Bioresources	6.0%	
Water resources	5.0%	



# PAY AS YOU GO

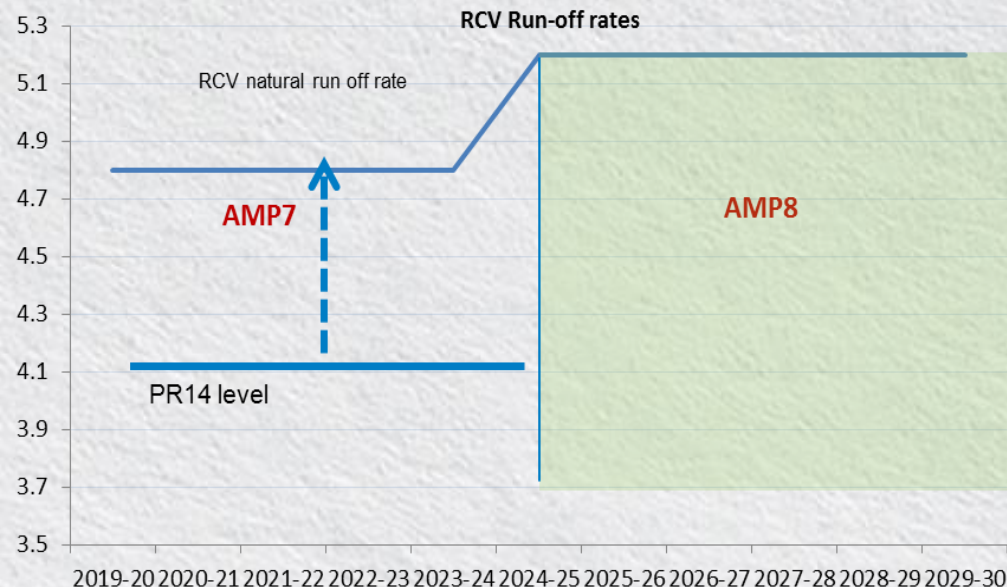
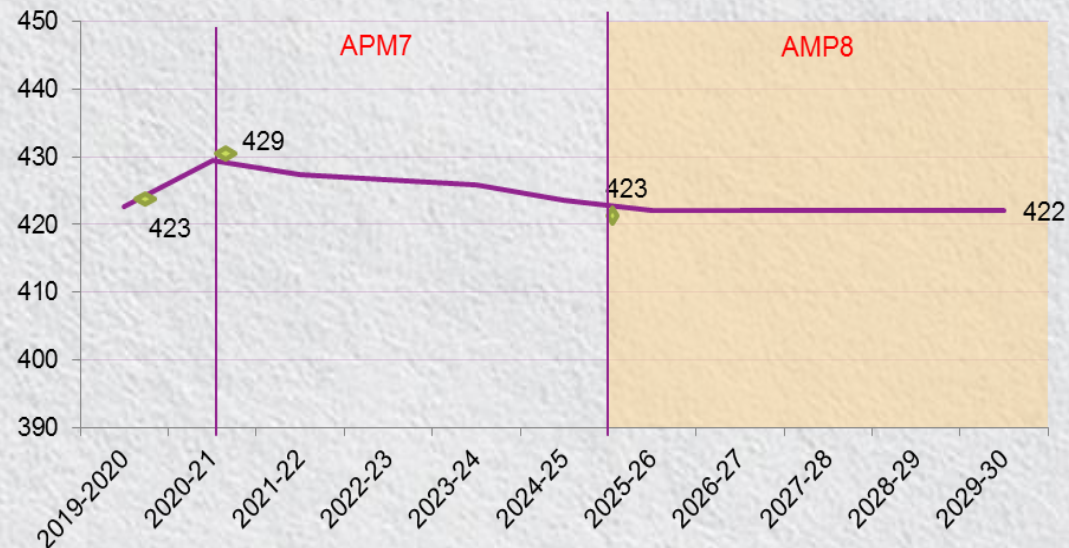


- At PR14, our plan included 4% increase in PAYG adjustment over and above the natural rate.
- Our business plan includes PAYG at the natural rate.

# CUSTOMER BILLS AND RUN OFF RATES OVER 10 YEARS (2017/18 CPIH PRICES)

- Bills are slightly higher in AMP7 driven by unprecedented levels of investment (nearly 30% higher than at PR14) – customers strongly support investment to protect against climate change, and to give greater environmental protection.
- In our online customer engagement “Be the Boss”, over 72% of customers voted for high investment in protecting the environment, and 64% voted to invest now to protect against climate change (WRMP).
- Over 80% of our customers supported bill increases of up to 2.5% to meet the investment levels in our plan. This plan sees bills increasing by less than 1%.
- Our forward estimates suggest that bills are expected to fall over AMP8 whilst providing an opportunity to increase RCV run-off rate to its natural level, thus assuring financeability and keeping bills low.

Future average bills (AMP8 are based on projections)





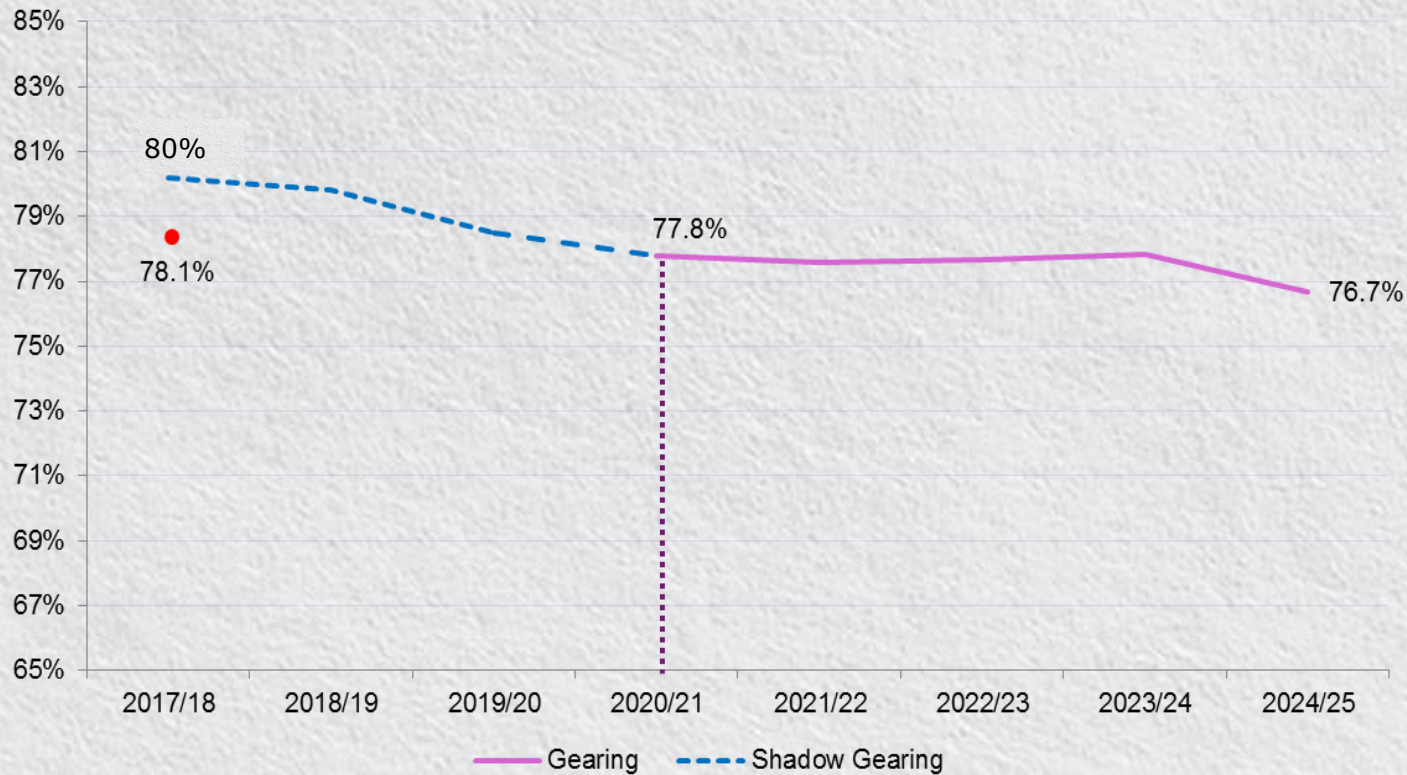
# BUSINESS PLAN DIVIDENDS

£m	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Dividends Net of Equity Injected	(22)	(4)	0	(3)	62	33

- Equity dividends are sized to cover the minimum of three times interest at Osprey Acquisitions Ltd, to maintain current rating levels
- Overall gearing is reducing
- Over the remainder of AMP6 and into AMP7, it is expected that Anglian Water will receive permanent equity injections from its owners



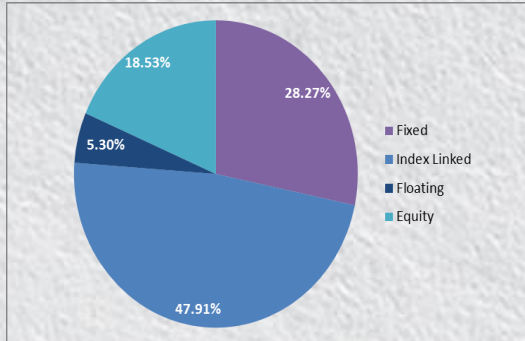
# BUSINESS PLAN GEARING



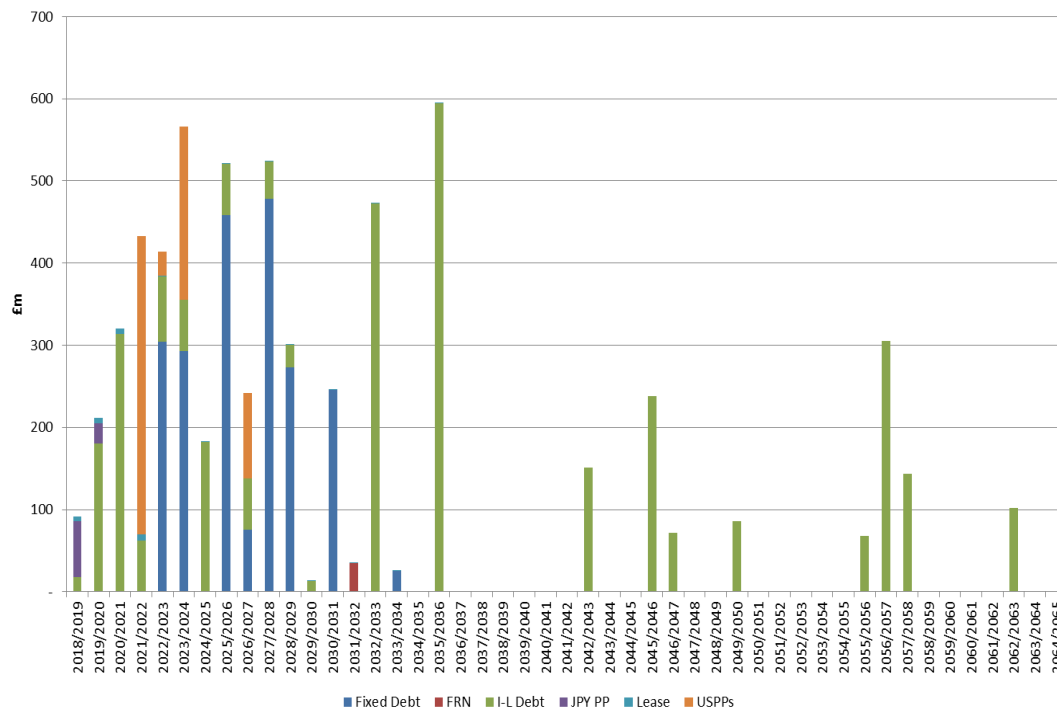
- Shadow Gearing reflects the expected RCV midnight adjustment at 2020.
- Gearing falls throughout AMP7 as a consequence of lower dividends and equity injections.

# BUSINESS PLAN DEBT ISSUANCE

## Proportion of RCV



**AWSL Debt Maturity Profile**



- £3.5bn of debt to be issued in AMP7
- £2.4bn of debt to be repaid





## Performance

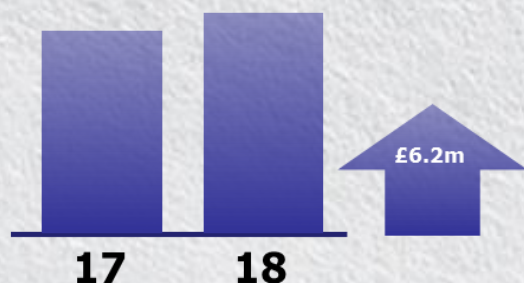
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# ANGLIAN WATER FINANCIAL HIGHLIGHTS

Year ended 31 March

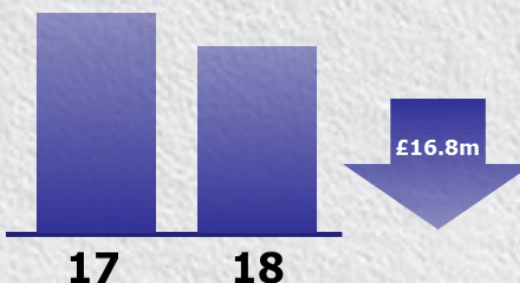
EBITDA

£661.7m £667.9m



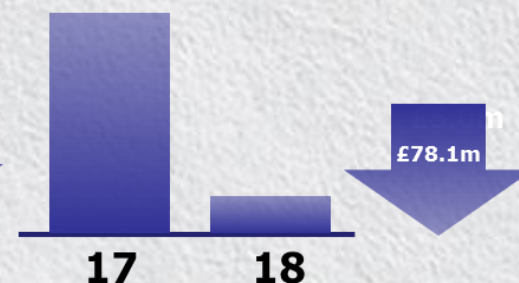
Operating profit

£365.3m £348.5m



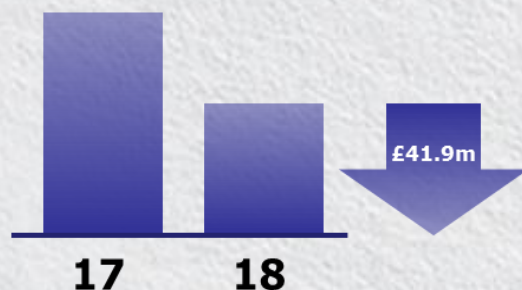
Underlying profit before tax<sup>1</sup>

£84.1m £6.0m



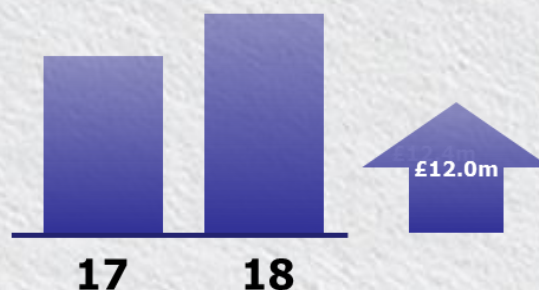
Dividends paid

£128.0m £86.1m



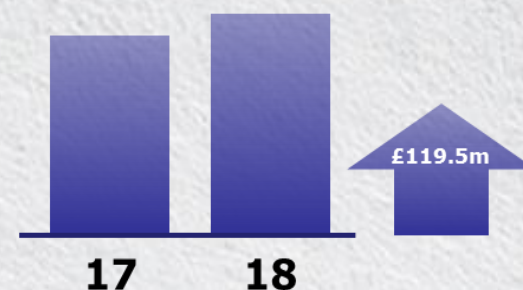
Operating cash flow<sup>2</sup>

£632.0m £644.0m



Net debt<sup>3</sup>

£6,045.1m £6,164.6m



<sup>1</sup> Excludes interest received of £191.8m (2017: £192.3m) from AWS Holdings Ltd and gain on derivatives of £117.6m (2017: loss of £116.0m).

<sup>2</sup> Shown on a statutory accounts basis. Net cash inflow from operating activities after tax on a CTA basis is £614.5m (2017: £604.6m).

<sup>3</sup> Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £6,031.2m (2017: £5,829.5m).



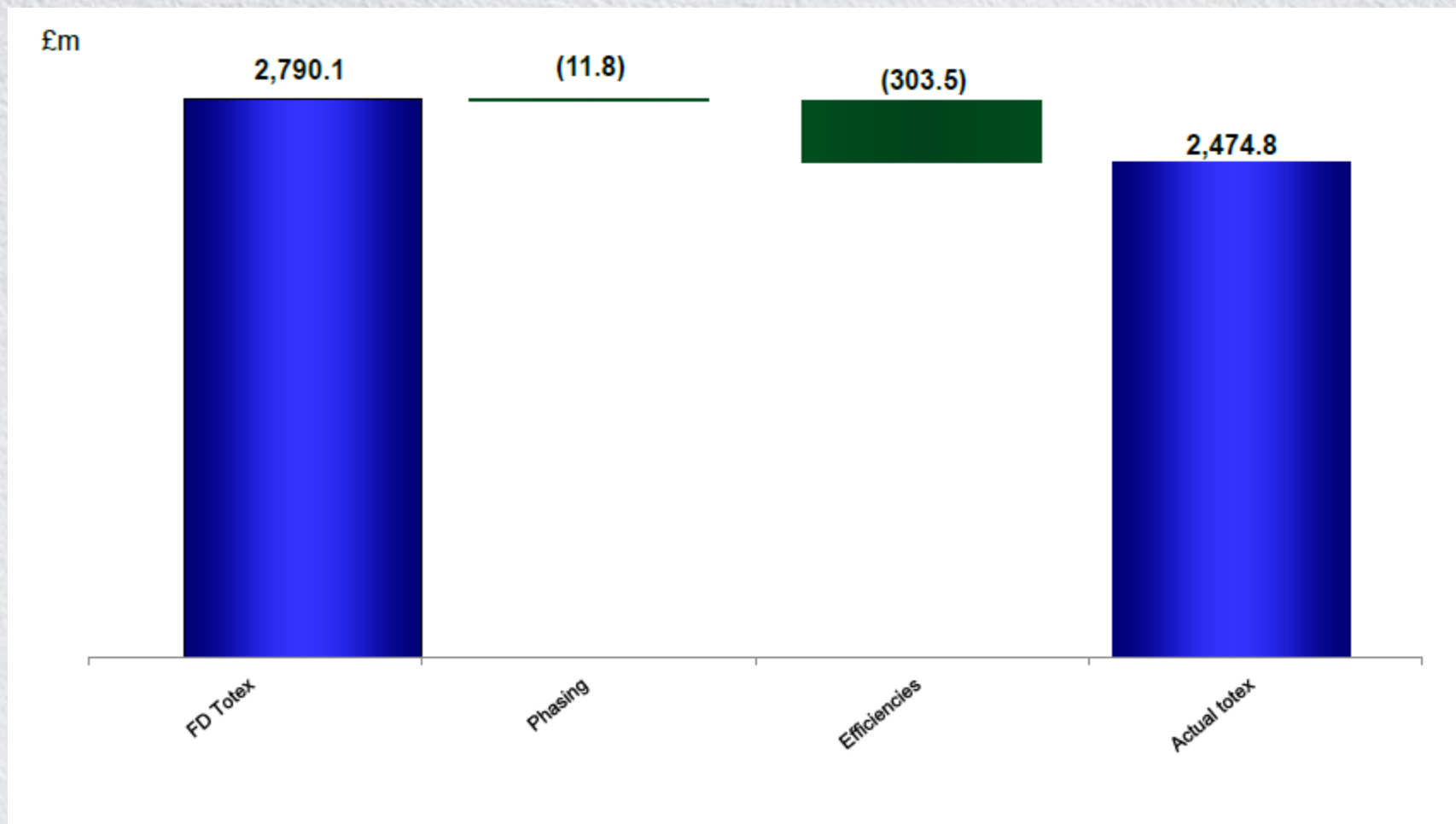
# ODI PERFORMANCE

12-13 Prices	15-16	16-17	17-18	TOTAL
	£m	£m	£m	£m
Interruptions to supply	5.7	0.8	5.7	12.1
Leakage	0.5	2.6	4.5	7.6
Pollution incidents	4.4	2.3	2.3	9.0
Value For Money Perception - Water	0.1	0.0	0.2	0.3
Value For Money Perception - Wastewater	0.1	0.0	0.125	0.225
Fairness of bills perception	0.1	0.1	0.225	0.425
Affordability perception	0.2	0.1	0.25	0.55
Water infra serviceability	0.0	-0.6	0.0	-0.6
<b>Total</b>	<b>11.0</b>	<b>5.3</b>	<b>13.3</b>	<b>29.6</b>



**Potential for ODI  
and SIM reward of  
£50 - £70m.**

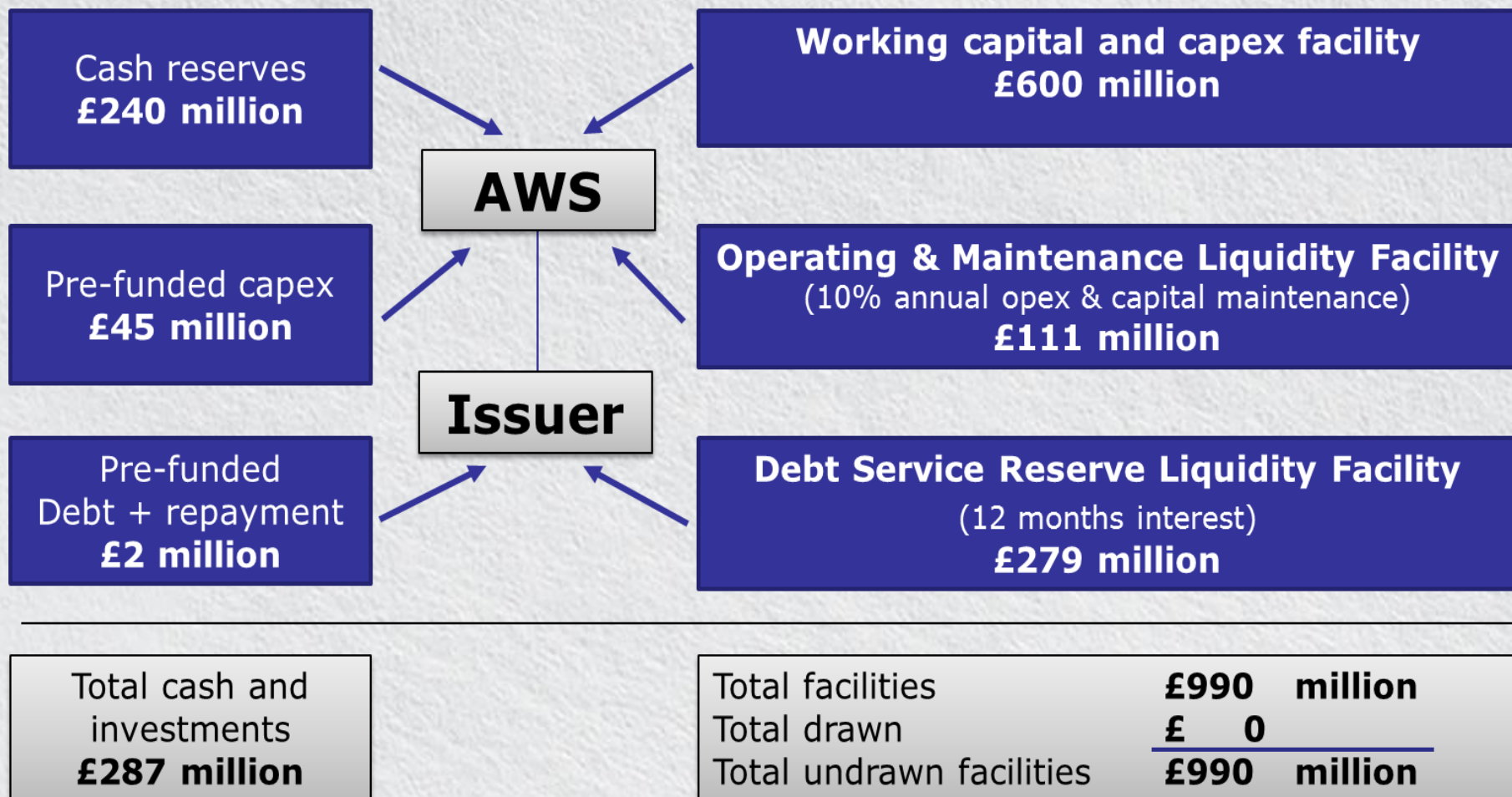
# TOTEX OUTPERFORMANCE THREE YEARS TO MARCH 2018





# ANGLIAN WATER LIQUIDITY

## AS AT 31 MARCH 2018



# ANGLIAN WATER KEY FINANCIAL RATIOS

## Anglian Water Financial Ratios – Year Ended 31 March 2018

	March 2018	Trigger Event	Default	March 2017
Class A RAR	67.9%	75.0%	-	65.9%
Senior RAR	78.1%	85.0%	95.0%	79.0%
Class A ICR	3.6	-	1.6	3.1
Conformed Class A PMICR	1.8	1.3	-	1.6
Conformed Senior PMICR	1.5	1.1	-	1.4
Class A actual maintenance ICR	2.2	-	1.0	2.0

## Osprey Acquisitions Limited Financial Ratios – Year Ended 31 March 2018

	March 2018	Trigger Event	Default	March 2017
Senior RAR	83.4%	93.0%	95.0%	84.6%
Senior ICR	2.6	-	2.0	2.6
Dividend Cover Ratio	4.0	-	2.0	3.5

RAR = Regulated Asset Ratio

ICR = Interest Cover Ratio

PMICR = Post Maintenance interest Cover Ratio



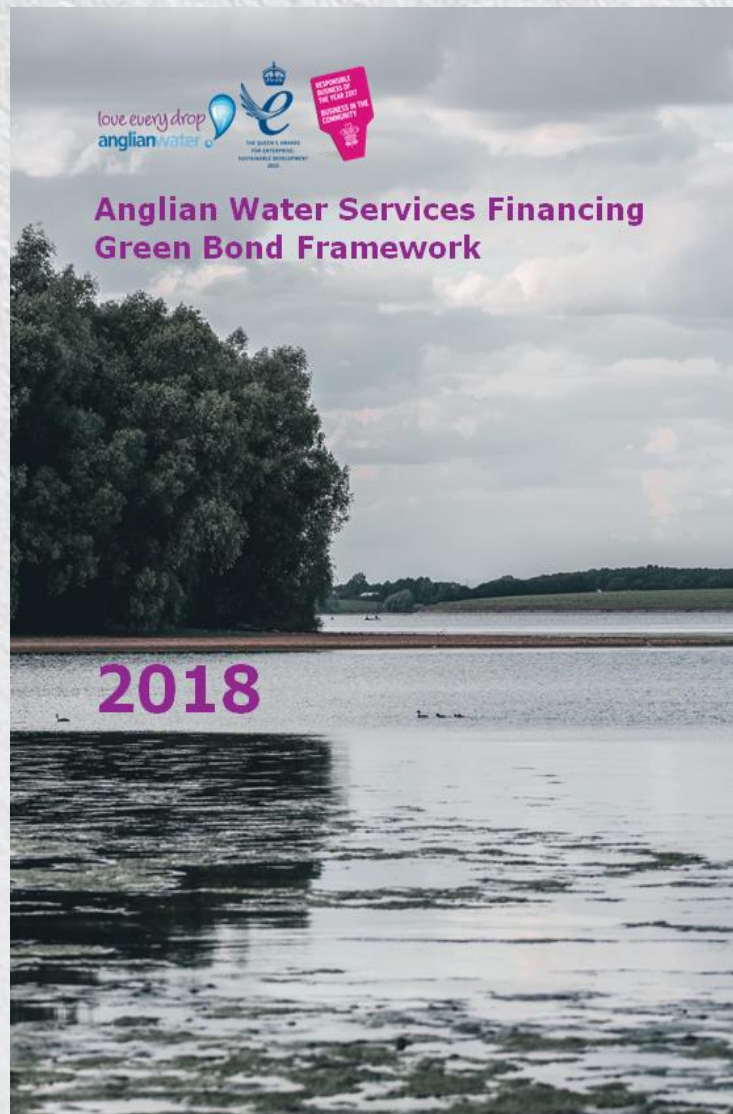


## Sustainable Financing

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# GREEN BOND FRAMEWORK ALIGNED WITH GBP 2018



## Use of Proceeds

Proceeds from Anglian Water's Green Bond(s) will be used to finance new, or re-finance existing projects that:

- Help mitigate climate change impacts by GHG emissions reduction through the use of energy-efficient facilities and conservation of water resources,
- Help to adapt to long term impacts of climate change such as flood risks

## Process for Project Evaluation and Selection

- Strict governance process for investments, which includes risk identification, solution selection and carbon reduction calculations through monitoring, Decision and Delivery Milestones.

## Management of Proceeds

- Funds raised from the Green Bonds will be paid to its Capex Reserve Account. Funds will be transferred to the Payment Account matching the amount of investments and expenditures in the Eligible Green Portfolio . The proceeds of the Green Bonds will be allocated to a portfolio of Anglian Water's Eligible Projects in the company's accounting records..



# REPORTING



## THE 2017 GREEN BOND SUMMARY

£250M

1.625% GREEN BOND  
MATURING 10 AUGUST 2025

c. 200 GREEN PROJECTS FUNDED BY THE GREEN BOND



Actual CO<sup>2</sup> (55,180eT)

Reduction in CO<sup>2</sup> (84,715eT)

61% CO<sup>2</sup>

REDUCTION FROM 2010  
CAPITAL CARBON BASELINE

5

## ENVIRONMENTAL OBJECTIVES



CLIMATE CHANGE MITIGATION



BIODIVERSITY CONSERVATION



CLIMATE CHANGE ADAPTATION



POLLUTION PREVENTION AND CONTROL



NATURAL RESOURCE CONSERVATION

## IMPACT OF £1M INVESTMENT



339  
EQUIVALENT  
TONNES  
OF CARBON (CO<sub>2</sub>)  
REDUCTION



20 JOBS CREATED  
AND/OR PERSON SECURED  
ACROSS OUR COMPANY AND  
SUPPLY CHAIN







£315,000  
EFFICIENCY AGAINST  
THE 2015 BASELINE

As at 25 May 2018

# SECOND PARTY OPINION FROM DNV GL



<b>Pillar 1: Use of Proceeds</b>	<ul style="list-style-type: none"> <li>The Anglian Water/Anglian Water Services Financing Green Bond Framework has declared the eligible green bond categories to be:                             <ul style="list-style-type: none"> <li>Sustainable water management projects with a reduced climate footprint; and</li> <li>Sustainable water recycling projects with a reduced climate footprint.</li> </ul> </li> <li><b>DNV GL concludes that these categories fall within a defined category of sustainable water and wastewater management of the Green Bond Principles 2017.</b></li> </ul>	<p>DNV GL concludes <b>alignment with Green Bond Principles 2017</b></p> 
<b>Pillar 2: Process for Project Evaluation and Selection</b>	<ul style="list-style-type: none"> <li>DNV GL has reviewed the evidence and can confirm that the Eligible Green Project categories and governance framework for project selection meets the eligibility criteria defined by Anglian Water in the Bond documentation, including Anglian Water/Anglian Water Services Financing Green Bond Framework.</li> <li><b>Anglian Water has clearly defined the process by which it will allocate funds to Eligible Green Projects and described the key metrics used as well as the governance team responsible for selecting projects.</b></li> <li>DNV GL note that this is derived from Anglian Water's existing mature governance process that ensures the efficient, sustainable and effective solution is selected for capital expenditure.</li> </ul>	<p>DNV GL concludes <b>alignment with Green Bond Principles 2017</b></p> 
<b>Pillar 3: Management of Proceeds</b>	<ul style="list-style-type: none"> <li>DNV GL has reviewed evidence showing how Anglian Water plans to trace the proceeds from the bond, from the time of issuance to the time of disbursement.</li> <li><b>DNV GL can confirm Anglian Water will also maintain a healthy buffer of investments and expenditures over green funding.</b></li> </ul>	<p>DNV GL concludes <b>alignment with Green Bond Principles 2017</b></p> 
<b>Pillar 4: Reporting</b>	<ul style="list-style-type: none"> <li><b>DNV GL can confirm Anglian Water will report on the use of proceeds within one year from the date of a Green Bond issuance and annually thereafter, until the proceeds have been fully allocated, and as necessary thereafter in the event of material developments.</b></li> <li>The information reported on will include insights into the total amount of the eligible investments and expenditures, the savings /mitigation of embodied and operational carbon measured across the eligible projects and the balance of unallocated cash and/or cash equivalent.</li> </ul>	<p>DNV GL concludes <b>alignment with Green Bond Principles 2017</b></p> 

"The Bond will finance, in whole or in part, projects that help to mitigate climate change impacts by GHG reduction through the use of energy efficient facilities and conservation of water resources, and/or projects helping adapt to long term impacts of climate change such as flood risk"

"On the basis of the information provided by Anglian Water and the work undertaken, it is DNV GL's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles 2017, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".





## Summary

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# CONCLUSIONS

- *Our plan proposes a c.30% higher investment program than the previous AMP period, which in itself was the highest ever investment program the company has carried out since privatisation.*
- *Investment in environment and climate change is strongly supported by our customers and the quality regulators.*
- *Bills have been kept low primarily by the lowest ever cost of capital, moving towards but not all the way to our natural RCV run-off rate, population growth, and targets on cost efficiency.*
- *Our business plan is financeable both on the notional and actual capital structure targeting current credit ratings.*
- *We think differently to drive efficiency: Sustainability, driving innovation, optimising resource management and leakage together with our journey to carbon neutrality.*



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