



Anglian Water Group Results

Year ended
31 March 2016

Investor Presentation
30 June 2016

Peter Simpson
Anglian Water Group
Chief Executive Officer

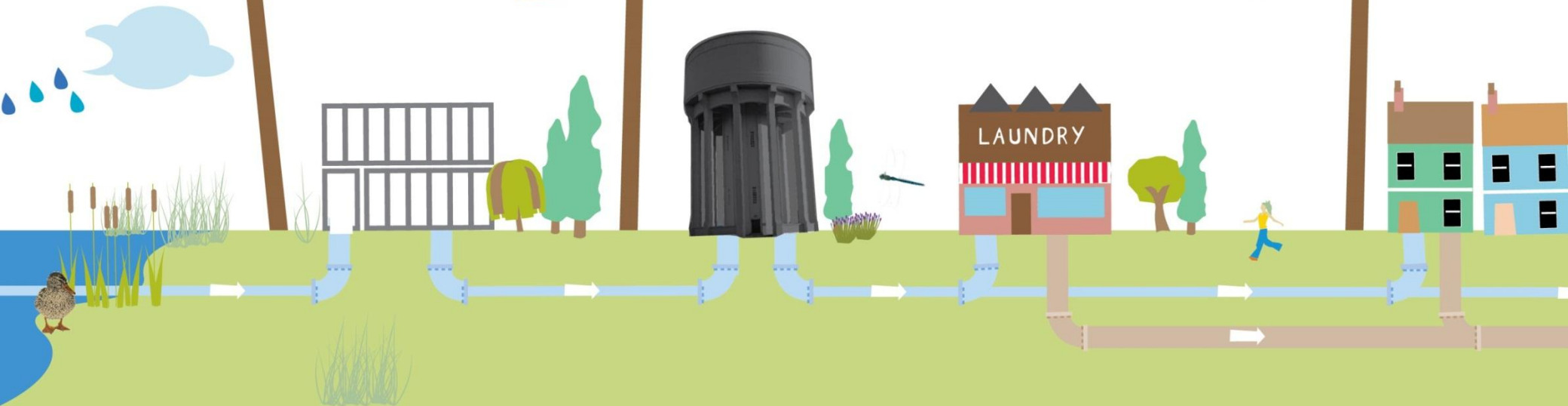
Scott Longhurst
Anglian Water Group
Managing Director, Finance
and Non-Regulated Business



DISCLAIMER

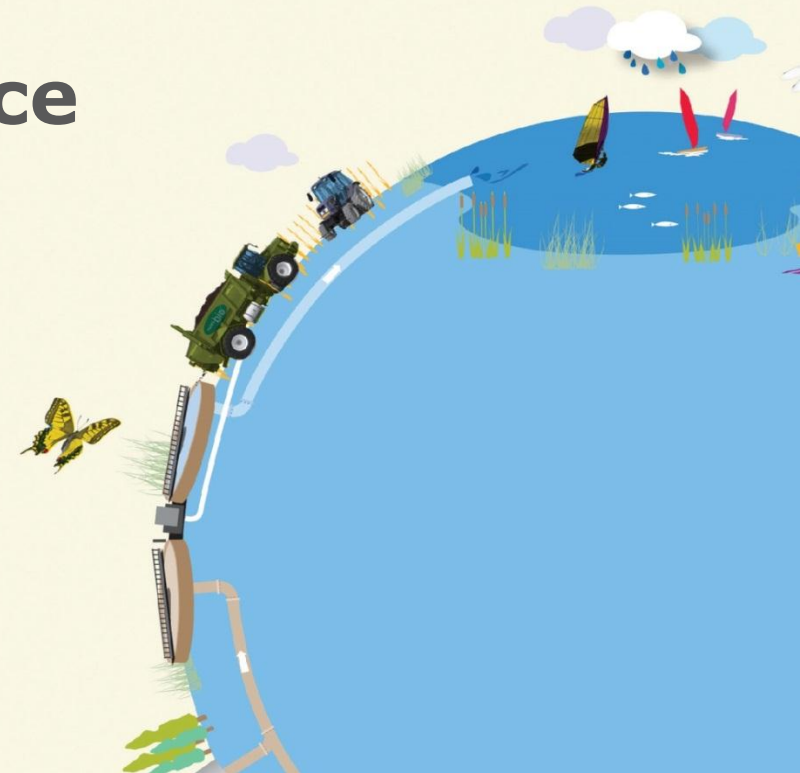
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- **The year in context**
- **Performance update**
- **Financial performance**
- **Summary**





The year in context Performance update

Peter Simpson
Anglian Water Group
Chief Executive Officer

2015/16 FULL YEAR HIGHLIGHTS



A very strong start to AMP6 - a challenging but successful year

A HIGH DEGREEE OF CHALLENGE:

- Biggest drop in customer bills of all WASCs
- Reduction in revenue and EBITDA
- Challenging determination with new ODI challenges
- Low levels of inflation to consider
- Additional Market Reform cost pressures
- Internal challenges from system changes (telemetry, readiness for market opening)

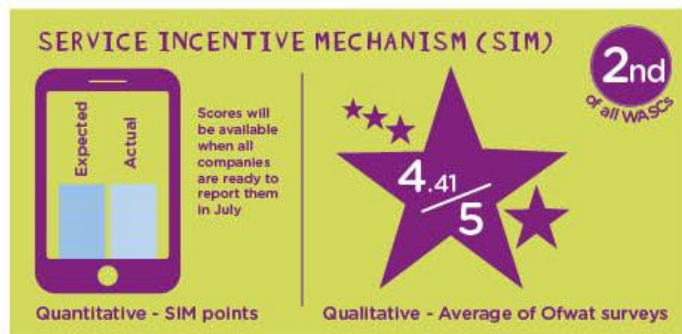
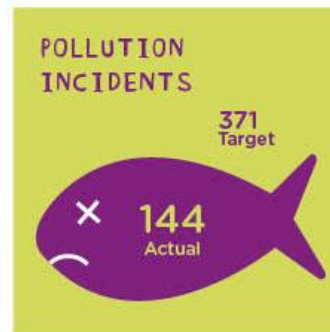
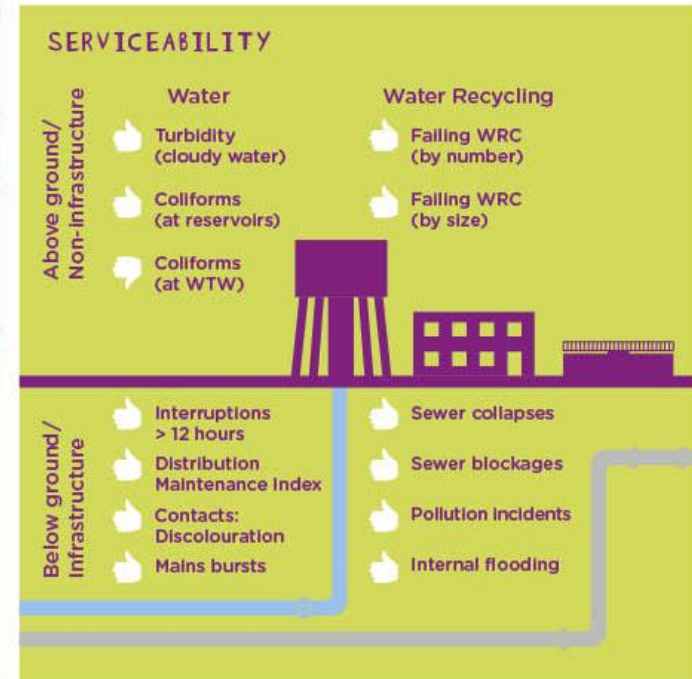
HOWEVER:

- All ODIs have at least met base targets; three achieved max / close to max reward
- Secured £11.2m of net reward against break-even plan expectations
- Best ever performance on leakage, interruptions to supply and pollutions
- Substantial buffer built against future challenges helped by relatively mild winter
- Achieved planned Totex efficiency outperformance



TOP 10 ODIs BY FINANCIAL IMPACT

MARCH 2016 FINAL FIGURES



FINANCIAL ODIs - EXCEPTIONAL PERFORMANCE



- **Excellent start to ODI delivery**
- **Rewards earned on Interruptions to Supply, Leakage and Pollutions**
- **Quality and safety targets met across almost all areas**
- **Great recovery of SIM position following slow start**

Pollutions

- Lowest ever number of Cat 3 Pollutions: reward of approx. £4.7m.

Interruptions to Supply

- Best-ever performance: max reward of £6.0m

Leakage

- Lowest ever result: net reward of £0.5m

Service Incentive Mechanism

- Ended the year in second position overall. Great recovery from early performance.

Serviceability

- Strong performance, with all bar one measure within control limits. No penalty incurred.

Other ODIs

- Performance was at or ahead of target, contributing to outturns in future years



STRONG REPUTATIONAL ODI PERFORMANCE



Reputational quality measures

- Significant improvements in Mean Zonal Compliance (MZC) and Distribution Maintenance indices
- Notable drop in customer complaints following proactive, outbound communications campaign
- Operational and embodied carbon reduction targets met
- Baseline established for community impact perceptions
- Big increase (to 99%) of SSSIs (by area) judged by Natural England to be in favourable condition



IMPRESSIVE TOTEX OUTPERFORMANCE



- **Delivered target savings in 2015/16, increased level for 2016/17**
- **Company-wide efficiency initiative underway**
- **Totex approach resulting in lower overall spend**

Opex efficiency

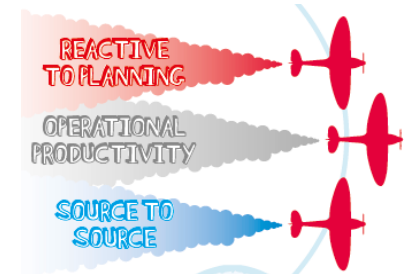
- Source, IRIS, 1Customer programmes all driving efficiency

1CUSTOMER



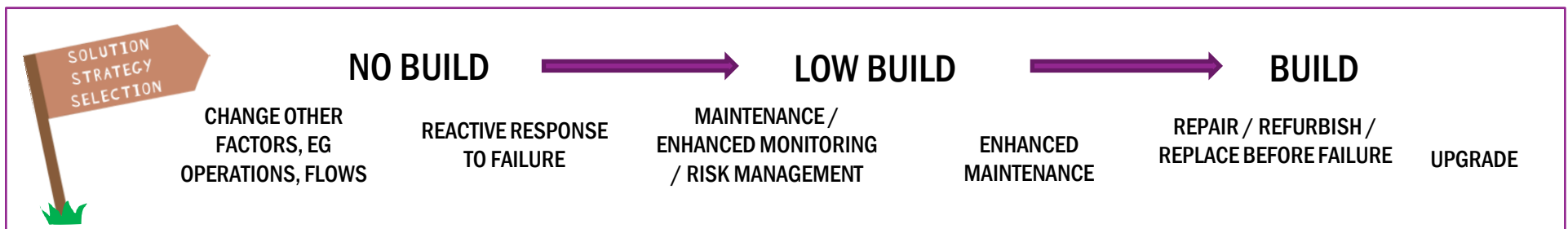
Spitfire

- Spitfire programme establishes further confidence in delivery of AMP6 plan, going beyond base opex budget for 2016/17



Capex efficiency

- Efficiency driven by four Alliances and Totex Asset Solutions Team through revised needs evaluation process, delivering lower cost capital solutions and improved Totex decisions.



WIDER BUSINESS SUCCESS

- **Lowest ever AFR, excellent safety performance across Alliances**
- **IRIS successfully rolled out across all assets**
- **Influencing strategy making the case for water resilience.**
- **Continue to plan and implement changes ready for NHH Market Opening**

IRIS

- Successful implementation of largest radio telemetry system in Europe: more than 640,000 points, 12,000 outstations and 13 billion event and historic data records converted and migrated.



IRIS

Alliances

- Unique approach to programme delivery established and working well.
- All four Alliances successfully delivered year one programme.

SKANSKA

love every drop
anglianwater

@one

MWH.

anglianwater
CapitalSolutions

Claret
CIVIL ENGINEERING LTD

Balfour Beatty

MORRISON
Utility Services

clancydocwra

PUBLIC
SEWER SERVICES

Grontmij

Barhale

KIER

Danaher & Walsh
DW

MMB
Mott MacDonald Bentley

Non Regulated Business

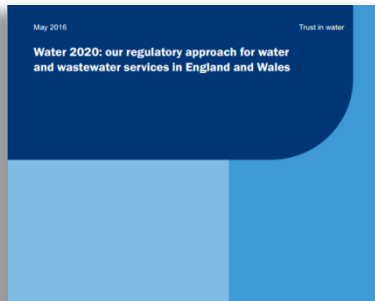
- Still leading the industry in preparation for Market Opening in April 2017.
- Excellent progress made establishing systems and processes for engagement with retailers.



AT THE HEART OF THE EVOLUTION OF THE INDUSTRY



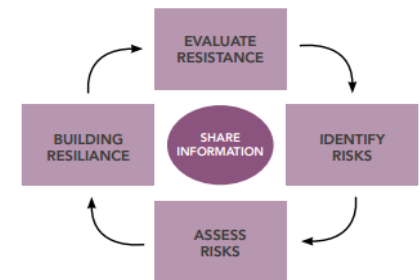
Water 2020: taking a leading role in Ofwat's future thinking



- Significant contribution to Ofwat's thinking.
- Jointly launched the consultation at LSE.
- Many of our ideas included in published approach.
- Fully engaged with market reform agenda, and the evolution of the industry.

Significant progress in making case for improving resilience

- Participation in Ofwat's Resilience Task and Finish Group report.
- Initiating and leading critical national project to develop a water resources long term planning framework.
- Establishing Water Resources East leadership forum.



BUSINESS FOCUS – INTO 2016/17



OUR STRATEGIC PRIORITIES

- 1** Influencing & responding to market reform & regulatory change
- 2** Responding to changing customer influence & power
- 3** Driving business efficiency & ODI performance
- 4** Securing long term water resources & resilience
- 5** Managing quality & environment risks
- 6** Developing our organisation & culture

Market Reform, Regulatory Change

- Non-household competition, shadow and full market opening
- Water2020 programme
- Preparations for PR19

Responding to changing customer influence

- Reclaiming SIM top spot
- Further developing digital and proactive communications

Business efficiency & ODI performance

- 2016/17: highest level of annual spend across the AMP
- Building resilience to guard against adverse weather impact on ODIs

Long term water resources

- Leading National Resource Strategy
- Influence National Infrastructure Commission on resilience
- Water Resources East

Quality and environmental risks

- Catchment management
- Phase two of Renewables Strategy, targeting carbon neutrality by 2050

Our organisation and culture:

- Wellbeing and H&S focus
- Extending Senior leadership development programme
- Cyber-risk management
- Creating the 'shop window' - the water company of the future



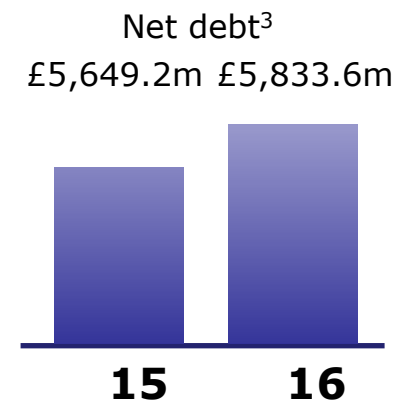
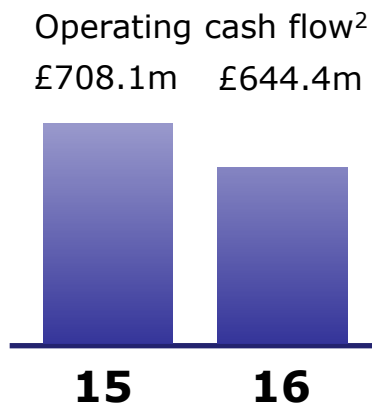
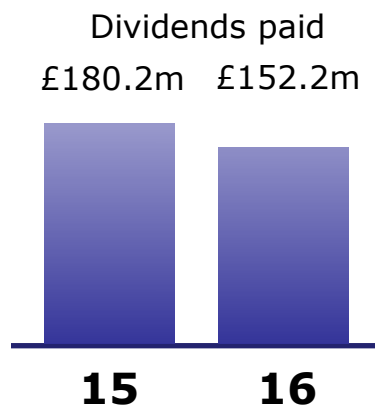
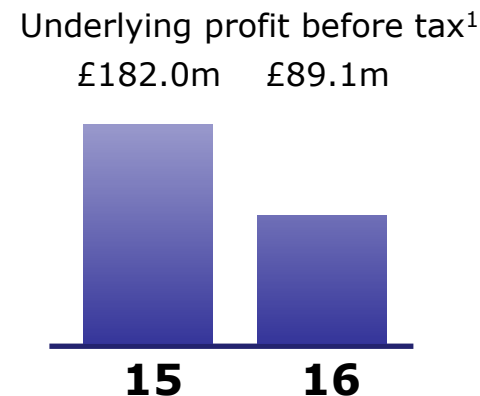
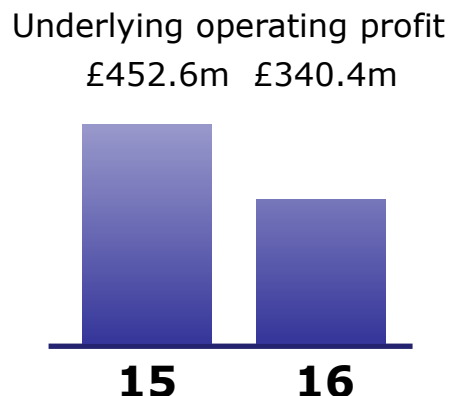
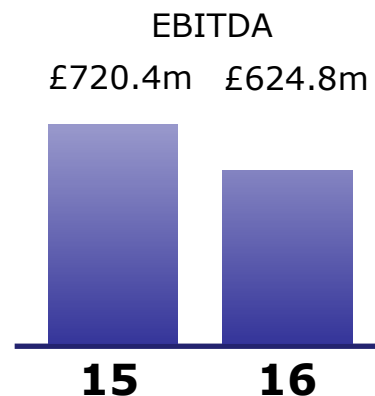
Financial Performance

Scott Longhurst
Anglian Water Group
Managing Director, Finance
and Non-Regulated Business

ANGLIAN WATER FINANCIAL HIGHLIGHTS



Year ended 31 March



¹ Excludes interest received of £192.8m (2015: £192.3m) from AWS Holdings Ltd and loss on derivatives of £89.7m (2015: £213.6m).

² Shown on a statutory accounts basis. Net cash inflow from operating activities after tax on a CTA basis is £621.0m (2015: £748.8m).

³ Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £5,694.7m (2015: £5,632.0m).

ANGLIAN WATER INCOME STATEMENT ¹



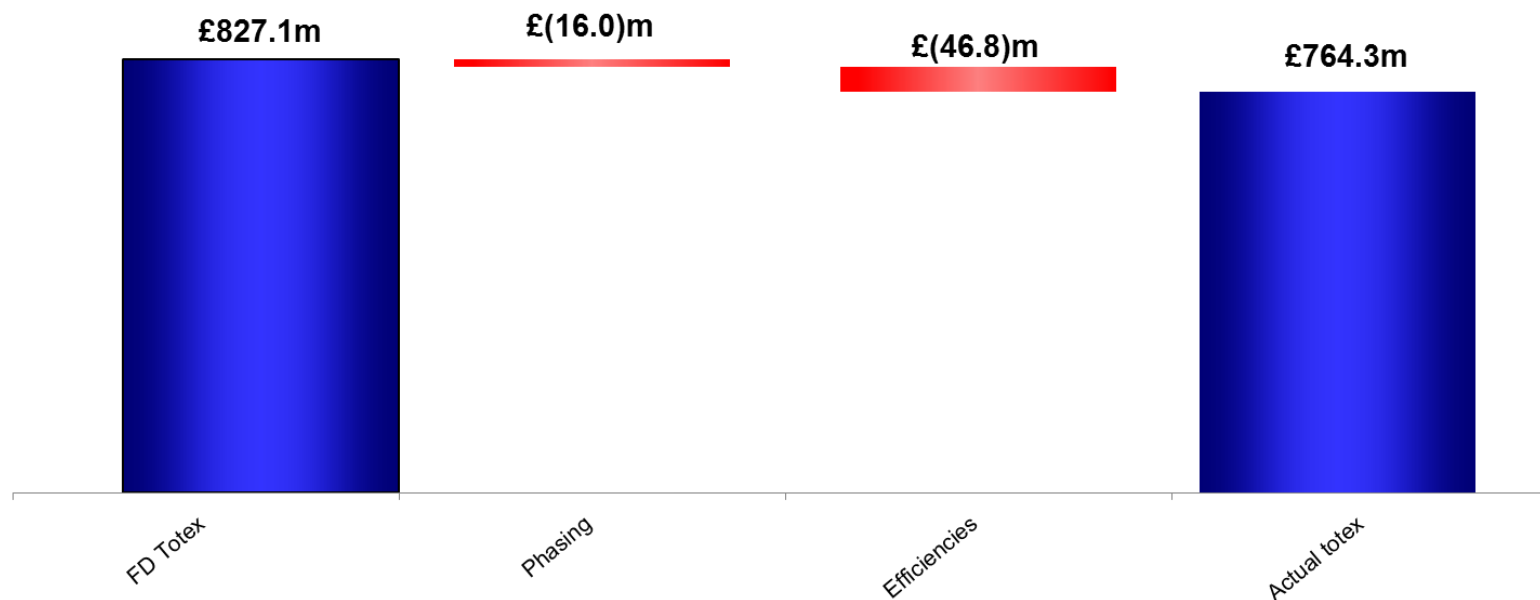
		2016 £m	2015 £m
Revenue	-4.7%	1,185.4	1,244.3
Underlying operating costs		(560.6)	(523.9)
Underlying EBITDA	-13.3%	624.8	720.4
Other operating income	4.7%	13.5	12.9
Depreciation and amortisation		(297.9)	(280.7)
Underlying operating profit		340.4	452.6
Interest (excluding indexation) ²		(206.9)	(198.8)
Indexation charge		(44.4)	(71.8)
<i>Underlying net finance costs</i>		<u>(251.3)</u>	<u>(270.6)</u>
Underlying profit before tax		89.1	182.0

¹ Shown on an underlying basis (i.e. excluding fair value losses on financial and energy derivatives of £89.7m (2015: £213.6m)).

² Interest excludes the intra-group interest receivable of £192.8m (2015: £192.3m). A reconciliation to the statutory profit before tax is provided in appendix 3.

ANGLIAN WATER

TOTEX IN 2015 / 2016 PRICES



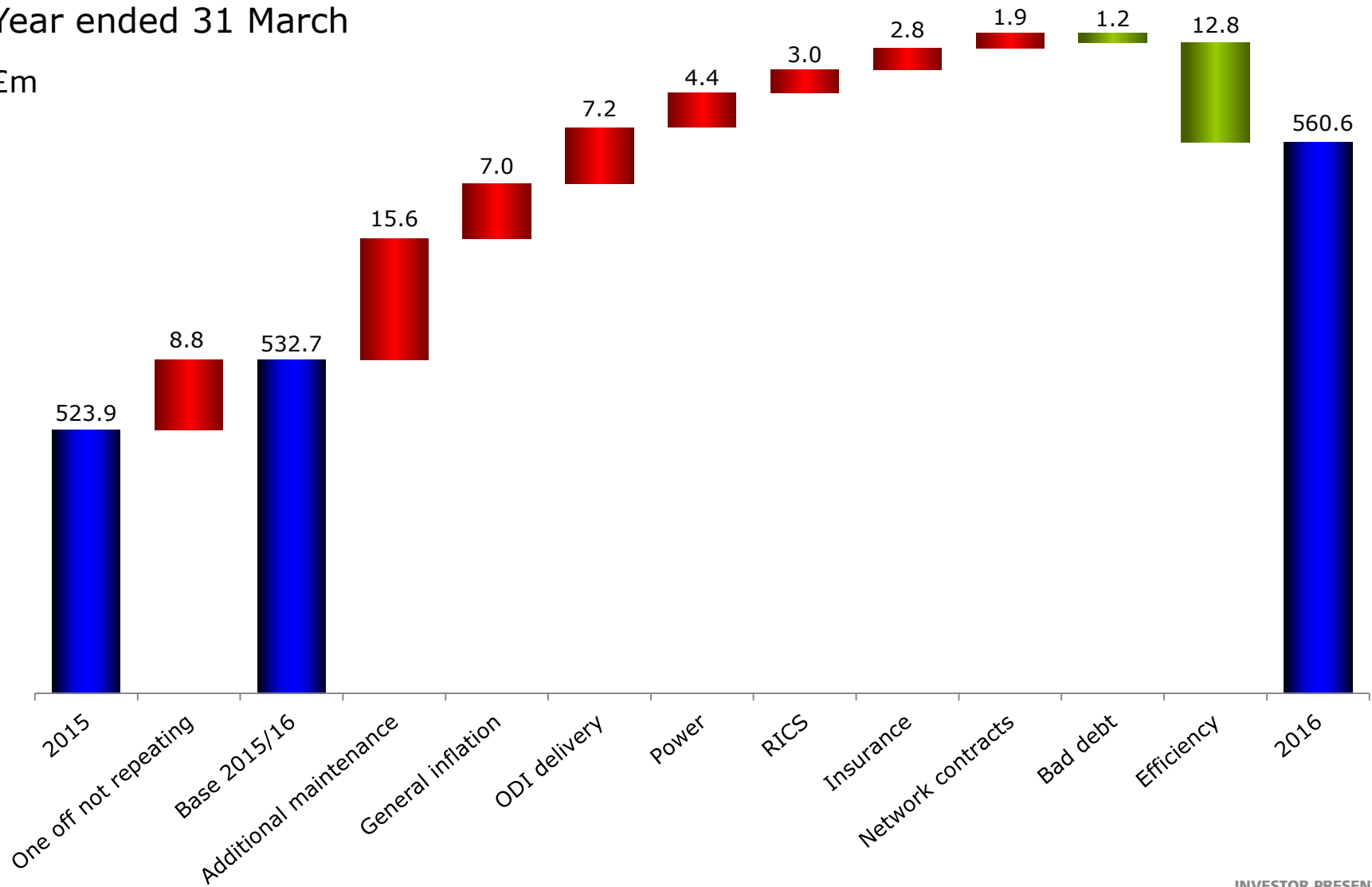
Our 2015-16 totex out-performance of £46.8m is as a result of a number of efficiency measures and initiatives, a number of which started during AMP5. Capital programme efficiencies continue to be driven through our Alliance delivery model and operating cost efficiency has been achieved through supply chain efficiencies and changes to some of our operational processes and structures. These will continue to be key areas of efficiency focus as we progress through the AMP.

ANGLIAN WATER OPERATING COSTS



Year ended 31 March

£m

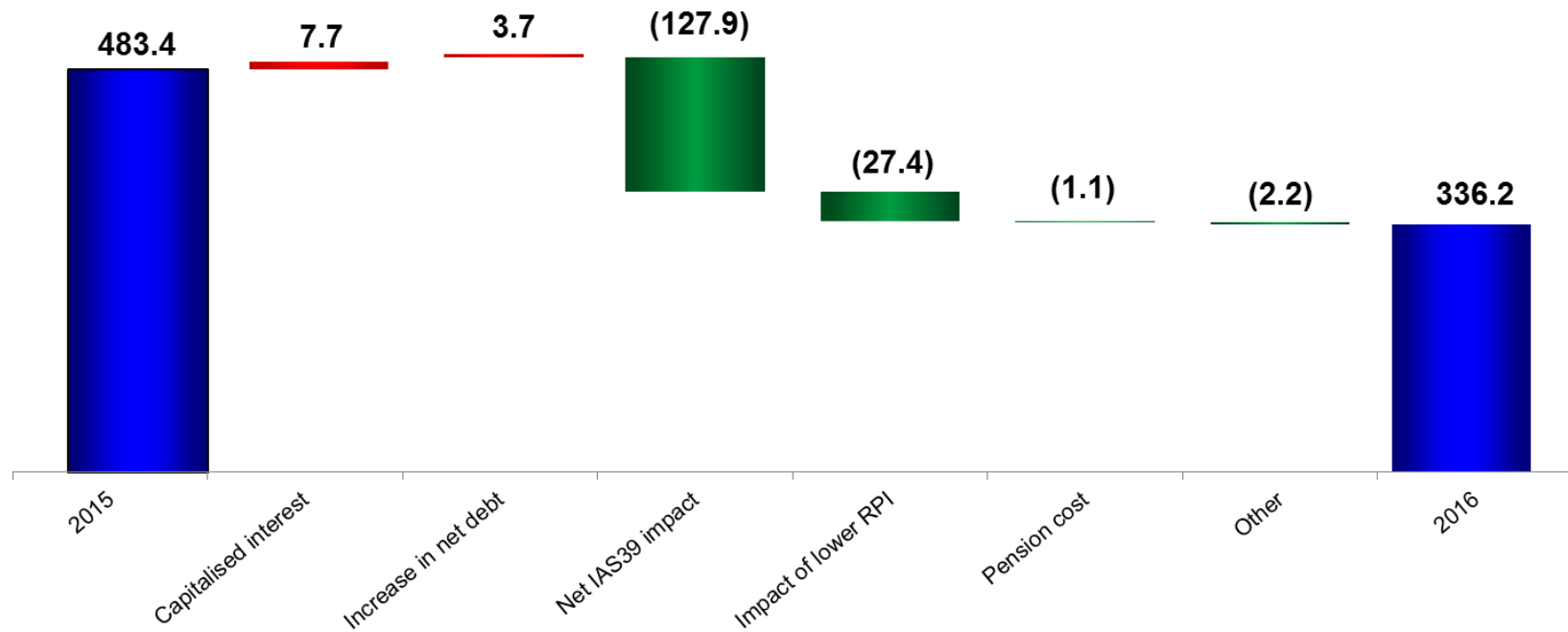


ANGLIAN WATER INTEREST ¹



Year ended 31 March

£m



¹ Includes movement in fair values of derivatives other than energy hedges



ANGLIAN WATER

CASH FLOW ON A CTA DEBT BASIS ¹



Year ended 31 March	2016 £m	2015 £m
Income	1,184.7	1,212.4
Opex and taxation ^{2,3}	(563.7)	(463.6)
Net cash inflow from operating activities	621.0	748.8
Capital maintenance expenditure	(186.8)	(193.5)
Post maintenance expenditure	434.2	555.3
Net interest	(211.6)	(209.8)
Free cash flow	222.6	345.5
Capital enhancement expenditure	(88.6)	(200.1)
Dividends	(152.2)	(180.2)
Customer rebate account ⁴	-	10.5
Pre-financing cash flows per CTA definition	(18.2)	(24.3)

¹ CTA cash flows are on a different basis to those presented in the financial statements (see appendix 1 for reconciliation)

² Includes tax paid of £16.9m (2015: received of £0.5m)

³ The prior year CTA cash flow was prepared on a UK GAAP basis, compared with IFRS for the current year. The principal effect was the classification of £44.6m of infrastructure renewals expenditure as capex in 2014/15, which under IFRS is included in opex.

⁴ Funds transferred to a non-distributable AWS bank account equivalent to reduction in 2014/15 revenue following decision to abate K

ANGLIAN WATER

MOVEMENT IN DEBT ON CTA BASIS ¹

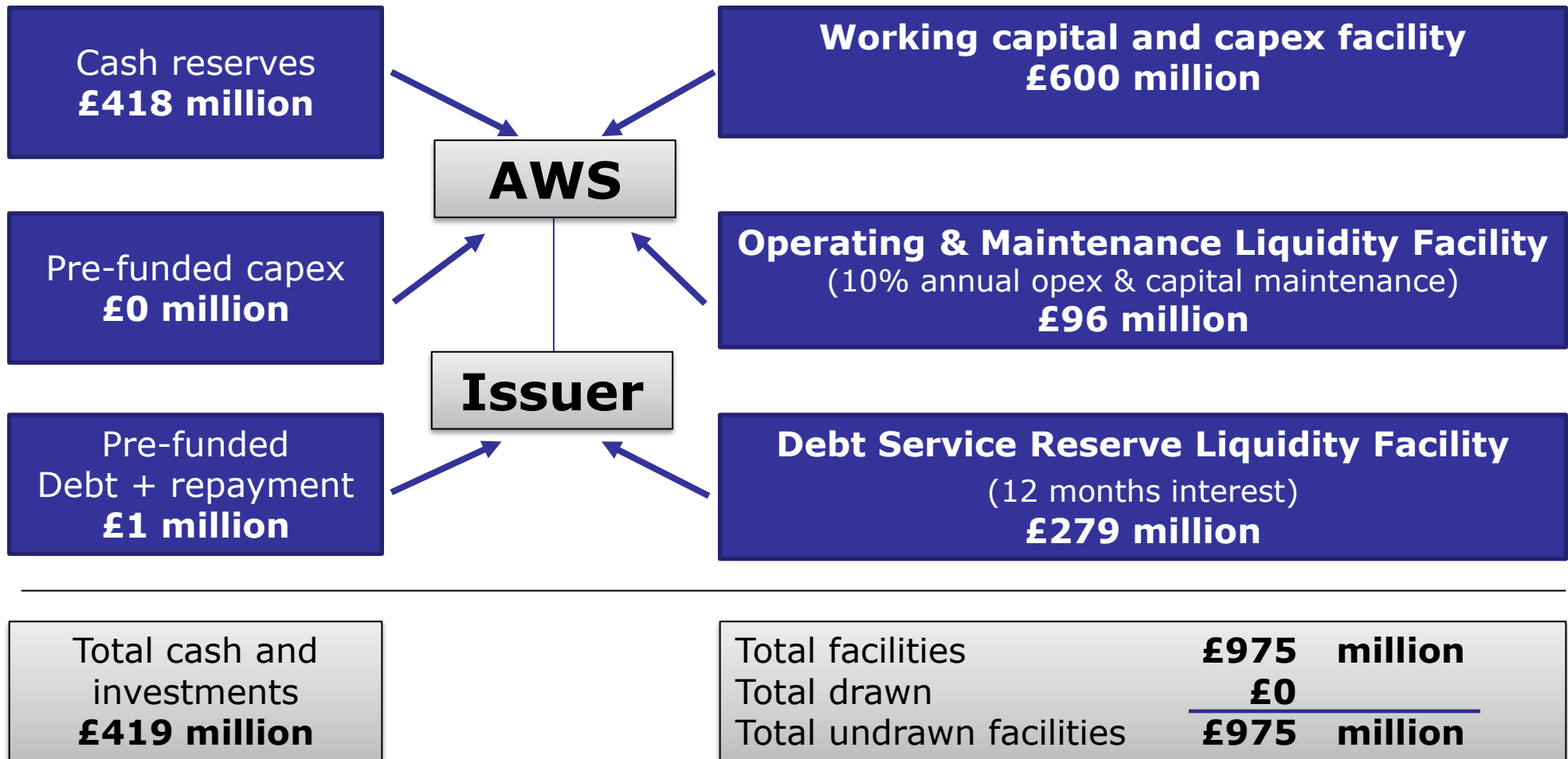


Year ended 31 March

	2016 £m
Gross debt at 31 March 2015	(6,399.2)
New debt raised	-
Debt repaid	330.4
Indexation	(44.4)
Gross debt at 31 March 2016	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (6,113.2)
Less	
- Debt service account	1.4
- Tax reserve	100.0
- Other cash	317.1
Net debt per CTA definition	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (5,694.7)

¹ CTA net debt is on a different basis to that presented in the financial statements (see appendix 2 for reconciliation)

ANGLIAN WATER LIQUIDITY AS AT 31 MARCH 2016



1. The Working Capital facilities were refinanced in March 2015 and May 2015 with a new £500m revolving credit facility and two new bilateral facilities of £50m – these facilities are for general corporate purposes.

ANGLIAN WATER

KEY FINANCIAL RATIOS



Anglian Water Financial Ratios – Year Ended 31 March 2016

	March 2016	Default	Trigger Event	March 2015
Class A RAR	71.1%	-	75.0%	68.4%
Senior RAR	82.2%	95.0%	85.0%	79.2%
Class A ICR	3.5	1.6	-	4.2
Conformed Class A PMICR	1.9	-	1.3	2.2
Conformed Senior PMICR	1.6	-	1.1	1.9
Class A actual maintenance ICR	2.4	1.0	-	3.1

Osprey Acquisitions Limited Financial Ratios – Year Ended 31 March 2016

	March 2016	Trigger Event	Default	March 2015
Senior RAR	88.4%	93.0%	95.0%	85.0%
Senior ICR	2.4	-	2.0	2.7
Dividend Cover Ratio	4.2	-	2.0	2.7

RAR = Regulated Asset Ratio

ICR = Interest Cover Ratio

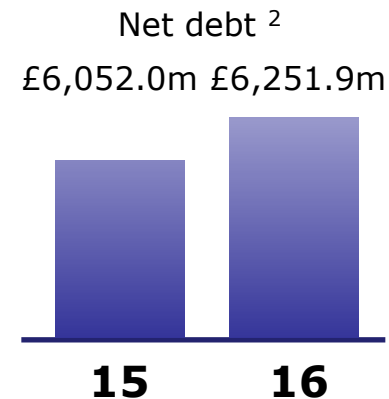
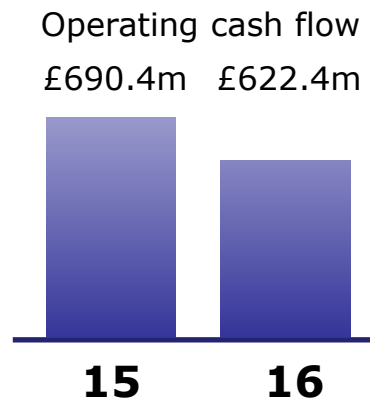
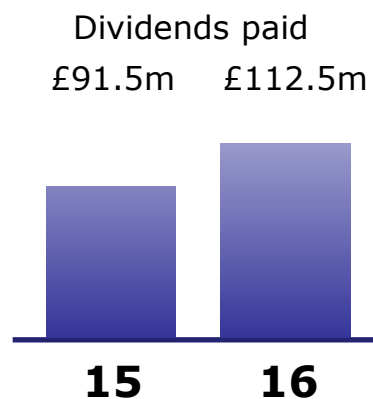
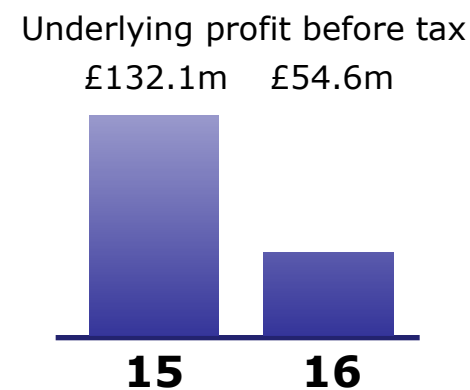
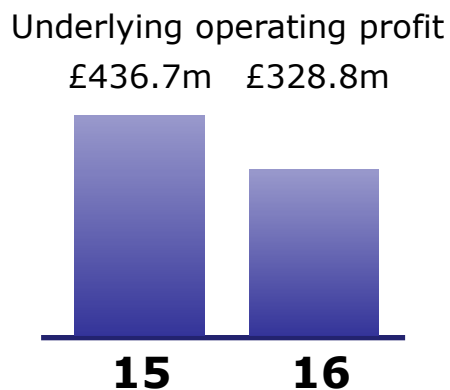
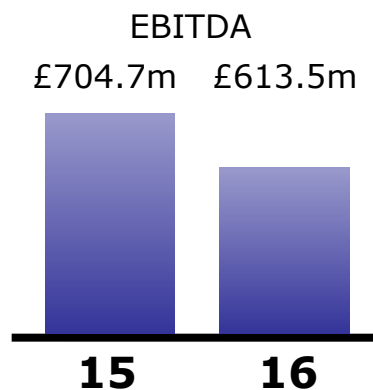
PMICR = Post Maintenance interest Cover Ratio

OSPREY ACQUISITIONS LTD

FINANCIAL HIGHLIGHTS ¹



Year ended 31 March



¹ Results presented here are for Osprey Acquisitions Limited consolidated accounts.

² Excludes loan from parent and fair value adjustment to debt arising on acquisition.

NON REGULATED BUSINESS



- Strong operational performance across the divisions
- Property downsizing continued reducing off balance sheet debt to £42m
- Scottish Procurement retail water contract worth £70m p/a over three years successfully commenced March 2016
- Excellent progress in business development with £2m of new retail water contracts in Scotland, €18m of new work for CAW in Ireland and retention of GSK Irvine by Alpheus with £2m p/a and Sligo Water by CAW worth £1m p/a
- Good progress in business separation of Non Household customers in preparation for market opening in April 2017



OSPREY ACQUISITIONS LTD

OPERATING PROFIT SEGMENTAL ANALYSIS



Year ended 31 March

	2016	2015
	£m	£m
Anglian Water	340.4	452.6
AWG Property	(1.3)	(7.7)
Head Office & other	(7.4)	(5.6)
	<hr/> 331.7	<hr/> 439.3
less JVs operating profit ¹	(2.9)	(2.6)
underlying operating profit	<hr/> 328.8	<hr/> 436.7

¹ Under IFRS reporting, joint ventures operating profit is excluded from reported operating profit. The Group's share of JV's operating profit is then included lower down the income statement.



OSPREY ACQUISITIONS LTD

TAXATION



Year ended 31 March

	2016 £m	2015 £m
loss before tax	(35.7)	(84.1)
tax at UK rate of 20% (2015: 21%)	(7.1)	(17.7)
items not deductible for tax	3.8	4.5
items not taxable	(0.7)	(0.3)
reduction in corporation tax rate ¹	(120.4)	-
prior year adjustment	(13.3)	(19.3)
other items	1.1	(0.2)
tax credit for the year	(136.6)	(33.0)

¹ reduction in future corporation tax rates from 20% to 18% used to calculate deferred tax



OSPREY ACQUISITIONS LTD DIVIDENDS



	2016 £m	2015 £m
10 June 2015 (10 June 2014)	30.7	56.5
10 December 2015 (10 December 2014)	81.8	35.0
Total distributions to parent company	112.5	91.5



SUMMARY



- Being efficient in AMP5 has enabled us to reduce customer bills by more than any other water and sewerage company
- Good start to delivering the AMP6 programme
- Doing well on all our Outcome Delivery Incentives
- Driving sustainable operating cost reductions and innovative asset management solutions.
- Delivering low cost, diversified financing solutions to ensure liquidity



QUESTIONS?





Appendices

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5. Anglian Water - Debt maturity profile
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7. Osprey Acquisitions - Income statement
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10. Osprey Acquisitions - Group cash flow
11. Osprey Acquisitions - Net debt
12. Osprey Acquisitions - Operating cash flow

ANGLIAN WATER

RECONCILIATION OF CTA OPERATING CASH FLOW



Year ended 31 March

	2016 £m	2015 £m
Operating cash flow - statutory accounts basis	644.4	708.1
Infrastructure renewals expenditure ¹	-	44.6
Tax (paid)/received	(16.9)	0.5
Commissions on facilities not used	(2.5)	(2.6)
Other items ²	(4.0)	(1.8)
Net cash inflow from operating activities - CTA basis	621.0	748.8

¹ In 2015 the element of infrastructure renewals expenditure expensed under IFRS was excluded from the CTA cash flow as it was based on UK GAAP. For 2016 the CTA cash flow is IFRS based.

² Other items include issue costs of new debt, adjustments for unpresented cheques, the reallocation of interest on Wing strategic mains refunds and cash in transit.



ANGLIAN WATER

RECONCILIATION OF CTA NET DEBT

	March 2016 £m	March 2015 £m
Net debt - statutory accounting basis ¹	5,833.6	5,649.2
Unpresented cheques and payments ²	0.5	(10.0)
Uncleared statement cash	-	0.1
Capitalised issue costs	25.0	29.7
IAS 39 adjustments	(164.0)	(37.0)
Unsecured solar lease	(0.4)	-
Net debt - CTA basis ¹	5,694.7	5,632.0

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

² March 2015 included a BACS payment run for £10.4m which cleared the bank in April 2015

ANGLIAN WATER

RECONCILIATION OF UNDERLYING PROFIT BEFORE TAX



	2016 £m	2015 £m
Profit before tax on an underlying basis	89.1	182.0
Operating costs - fair value losses on energy hedges	(4.8)	(0.8)
Finance costs - fair value losses on financial derivatives	(84.9)	(212.8)
Finance income - intra group interest receivable	192.8	192.3
Profit before tax as reported in the statutory accounts	192.2	160.7

ANGLIAN WATER

SUMMARY OF NEW LOANS AND REPAYMENTS



Year ended 31 March

	2016 £m		2015 £m
		Debt raised	
		EIB Tranche 2 £125m 0.1% 2029	125.0
		EIB Tranche 3 £60m 0.01% 2030	60.0
Total debt raised	-	Total debt raised	185.0
		Debt repaid	
Debt repaid		£100m Class B 6.75% Bond Fixed to Floating 2024	(60.8)
2015	(250.0)	Finance lease	(8.9)
Finance lease	(4.7)		
£175m RPI swap accretion 2030	(40.8)		
£150m RPI swap accretion 2024	(35.0)		
Total debt repaid	(330.5)	Total debt repaid	(69.7)



ANGLIAN WATER DERIVATIVES

Year ended 31 March

Swap Type	Notional £m	MTM £m
Interest Rate Swap	2,219.2	(102.0)
Cross Currency Interest Rate Swap	1,189.8	136.1
RPI Swap ¹	565.9	(484.3)
	<u>3,974.9</u>	<u>(450.3)</u>
Energy Derivatives	<u>Notional £m³</u>	<u>MTM £m⁴</u>
LEBA ² Power Swaps	<u>112.4</u>	<u>(45.3)</u>

Notes

¹The -£484.3m MTM value of the RPI swaps excludes accrued indexation which has already been charged to the profit and loss account amounting to £68.9m.

²LEBA = London Energy Brokers Association.

³Notional value for Energy Derivatives represents locked in purchase price for power.

⁴Including forward purchases from suppliers MTM of energy hedging instruments is -£51.6m.

Analysis excludes swaption transactions exercisable in June 2016 with a notional value of £300m and a MTM value of -£183.0m.

OSPREY ACQUISITIONS LTD

INCOME STATEMENT



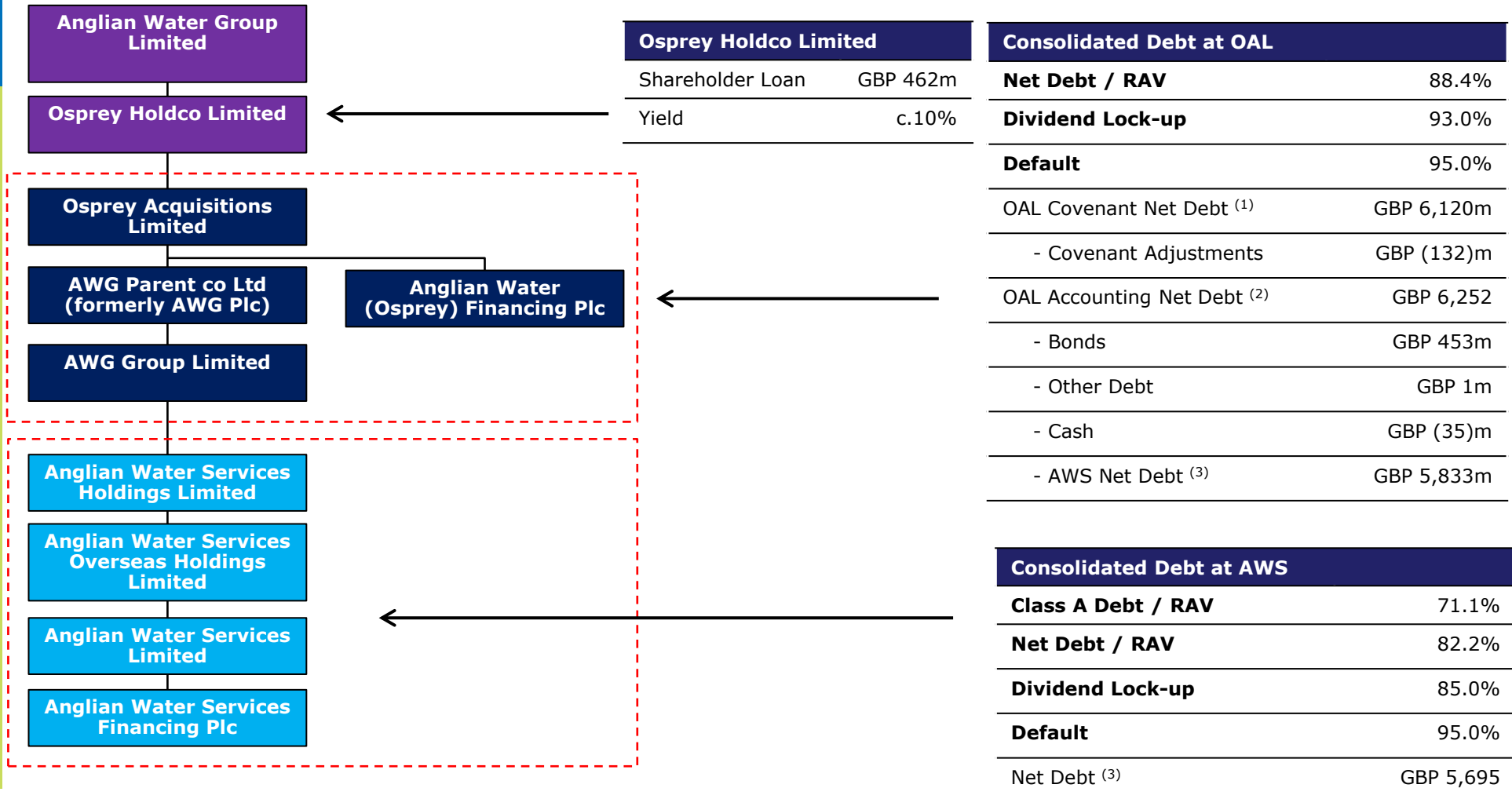
Year ended 31 March

	2016	2015
	£m	£m
Revenue	1,193.7	1,254.4
Underlying operating profit	328.8	436.7
Interest		
Interest	(231.5)	(233.5)
Indexation charge	(44.6)	(72.1)
share of joint ventures	1.9	1.0
PBTGAE	54.6	132.1
fair value losses on energy hedges	(4.8)	(0.8)
fair value losses on financial derivatives	(85.5)	(208.5)
exceptional operating costs	-	(6.9)
Loss before tax	(35.7)	(84.1)



ANGLIAN WATER GROUP FINANCING STRUCTURE

CONSOLIDATED CAPITAL STRUCTURE AT 31 MARCH 2016



¹ OAL Covenant net debt excludes issue costs and IFRS adjustments and includes guarantees of £5.6m

² Excludes Parent Co loan of £729m, fair value adjustments of £215m and derivatives

³ AWS net debt of £5,830 excludes derivatives and is prepared on an IFRS accounting basis, whereas Consolidated Debt at AWS of £5,695 is prepared on a Common Terms Agreement (CTA) basis



OSPREY ACQUISITIONS LTD

REVENUE SEGMENTAL ANALYSIS

Year ended 31 March

		2016 £m	2015 £m
Anglian Water	-4.7%	1,185.4	1,244.3
AWG Property		8.7	10.4
head office and other		-	-
less : intersegmental trading		(0.4)	(0.3)
total revenue	-4.8%	1,193.7	1,254.4

OSPREY ACQUISITIONS LTD

GROUP CASH FLOW



Year ended 31 March

	2016 £m	2015 £m
Group operating cash flow	622.4	690.4
Dividends received from joint ventures	1.3	1.6
Taxation	(10.4)	(10.6)
Capital expenditure	(265.7)	(360.0)
Net interest paid	(261.3)	(251.8)
Repayment of accreted interest	(75.8)	-
Dividends paid	(112.5)	(91.5)
Indexation ¹	(33.7)	(55.1)
Other non-cash movements in net debt	(64.2)	(53.1)
Movement in net debt	(199.9)	(130.1)

¹ In addition to the above indexation on debt, there is a further £10.9m (2015: £17.0m) indexation on derivatives

OSPREY ACQUISITIONS LTD

NET DEBT



	2016 £m	2015 £m
Anglian Water¹	(5,833.6)	(5,649.2)
Non-regulated, including head office	15.1	35.2
	(5,818.5)	(5,614.0)
Osprey Acquisitions Limited		
£350m 7.0% bond 2018	(241.1)	(361.8)
£210m 5.0% bond 2023	(212.3)	-
£125m term facility	1.5	(98.2)
net cash	18.5	22.0
	(6,251.9)	(6,052.0)
Osprey Acquisitions Group²		

¹ Net debt on a UK GAAP statutory basis - see appendix 3 for reconciliation to CTA basis

² Excludes loan from parent company (£728.8m*) and fair value debt adjustments arising on acquisition (£214.7m)

* Total shareholder investment of £1,550m was put into Osprey Acquisitions Ltd from Osprey Holdco Ltd by a mixture of equity and subordinated debt. At 31 March 2016 this quasi-equity subordinated loan stands at £728.8m

OSPREY ACQUISITIONS LTD

OPERATING CASH FLOW



Year ended 31 March

	2016	2015
	£m	£m
Anglian Water	644.4	708.1
AWG Property	(8.5)	(5.7)
Head Office & other	(13.5)	(12.0)
Total operating cash flow	622.4	690.4

love
every
drop. 

anglianwater