



# Anglian Water Group Results

Six months ended  
30 September 2016

Investor Presentation  
02 December 2016

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**Peter Simpson**  
Anglian Water Group  
Chief Executive Officer

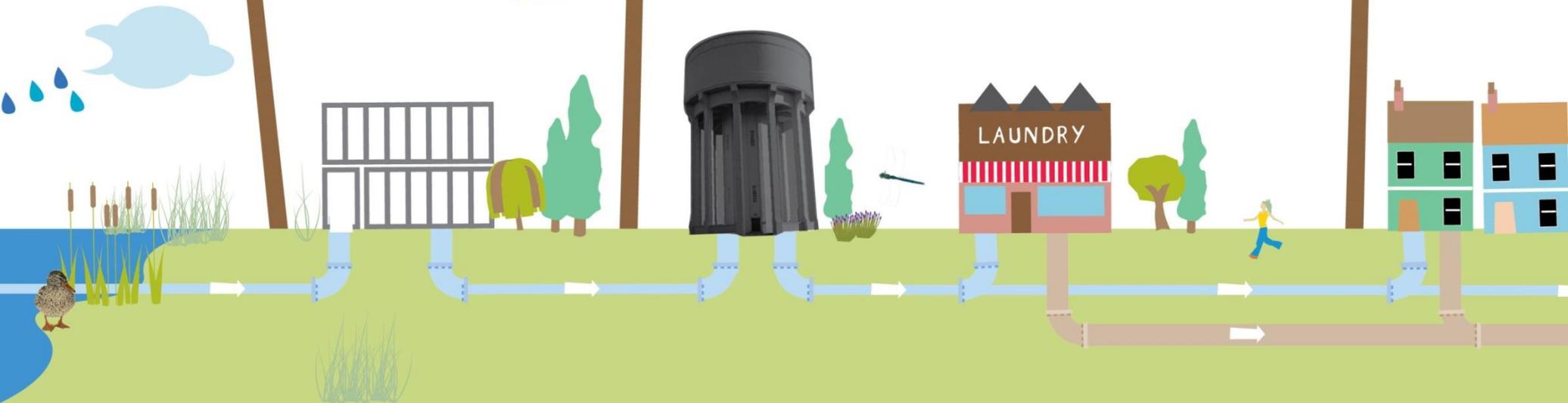
**Scott Longhurst**  
Anglian Water Group  
Managing Director, Finance  
and Anglian Venture Holdings



## DISCLAIMER

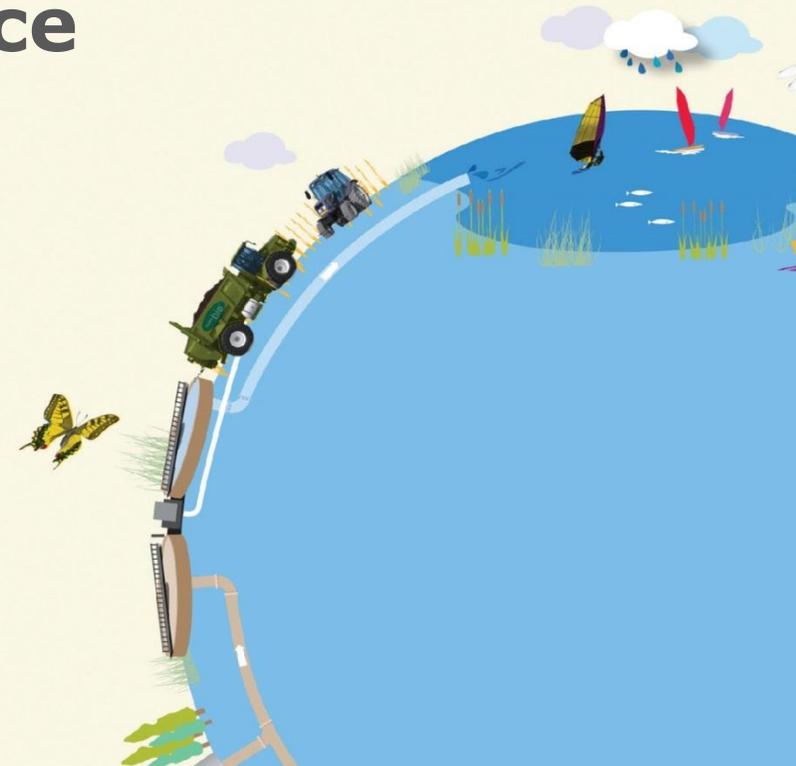
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- **Operational performance update**
- **Financial performance**
- **Summary**





# Operational performance update

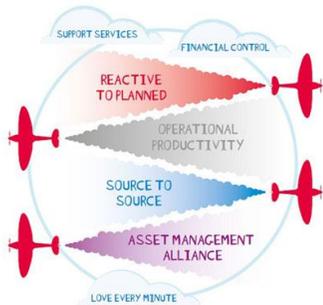
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Anglian Water Group  
Chief Executive Officer

# 2016/17 HALF YEAR HIGHLIGHTS: BUILDING ON A VERY STRONG START TO AMP6

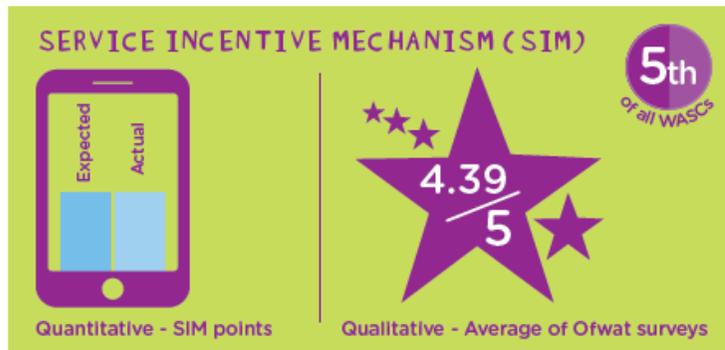
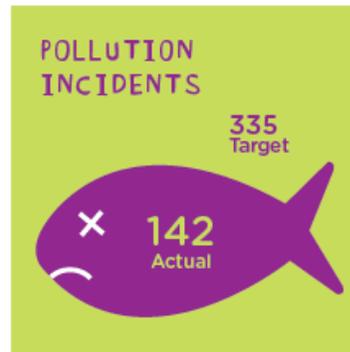
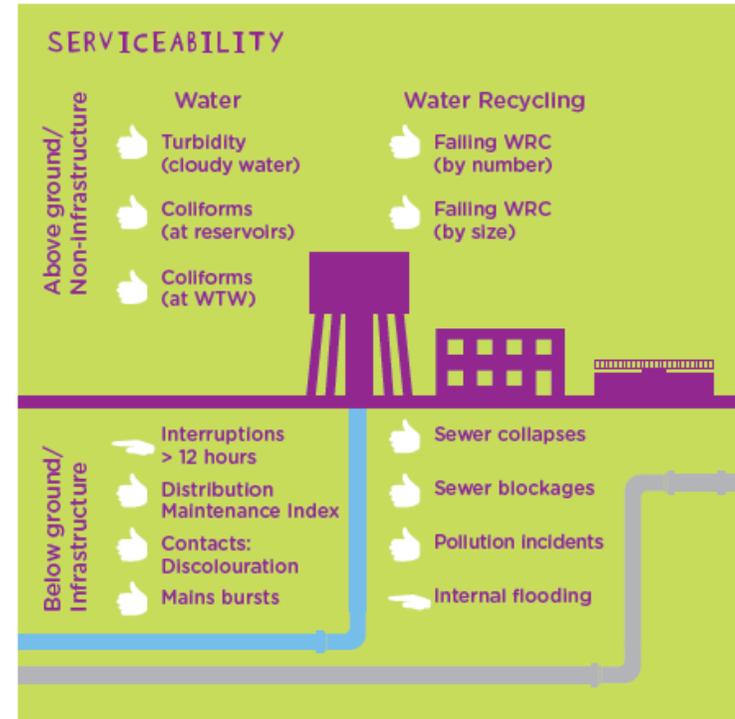
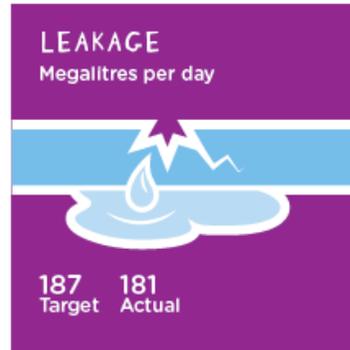


- We remain at the forefront of industry influence and leadership
- Performance across the business is in line with our AMP6 plan
- Efficiency challenge delivering results in the face of additional cost pressures
- Significant focus on Service Incentive Mechanism, and service
- All other ODIs have met (or are on track to meet or exceed) targets – none are in penalty
- Health and Safety still industry leading
- Responding proactively to changes in public policy agenda, eg Brexit, Government and Ministerial changes



# TOP 10 ODIs BY FINANCIAL IMPACT

SEPTEMBER 2016

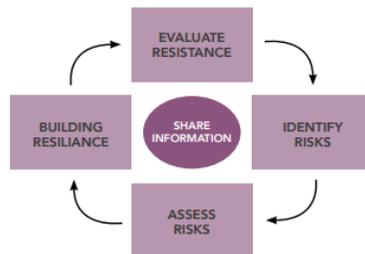


# SHAPING THE INDUSTRY: MAKING THE CASE FOR RESILIENCE

## Water Resources Long Term Planning Framework



## Water Resources East



### Published in September, production chaired by Anglian Water

- Droughts are an immediate, real and growing risk
- Severe droughts are nationally significant: social and economic impacts
- Significant public value in preparation and resilience.

### Innovation

- Need to consider combined impacts of climate change, population growth and abstraction reduction for environmental protection.
- Governments should consider adopting minimum levels of resilience.
- Cost is modest compared to the value of avoiding restrictions
- Affordability remains key; we must engage customer support
- Increasing resilience should not be delayed.

### Collaboration

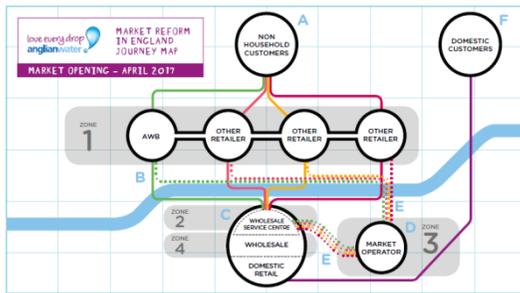
- Multi-sector resource planning initiative
- Independent Chair, and wide engagement with stakeholders
- Developing evidence base using robust decision making approaches pioneered in California.

**Both seen as industry-leading.  
Our influence is shaping the regulatory and policy agenda.**

# SHAPING THE INDUSTRY: INFLUENCING MARKET REFORM



## Operating in the Shadow Market – ready for full market opening



- Continuing to shape industry and market development, building on experience in Scotland since 2008
- First large company to upload customer data to central systems
- Only company representative on MOSL Board
- Extensive retailer engagement to ensure readiness for April 2017
- Business Retail Price Review (PR16) Draft Determination received; representations submitted to address Ofwat feedback



# IMPRESSIVE TOTEX INVESTMENT PROGRAMME DELIVERY



- **Five-year programme**
- **Stretching targets for efficiency and delivery**
- **...plus Totex challenges**
- **...and ODIs**
- **Focus on delivery on time, expenditure and efficiency**

## Alliances delivering for AW and customers

- Goals and objectives shared across all partners in the supply chain



## Expanded to include IS projects

- New commercial frameworks are an IT industry first
- Five industry leaders pooling capabilities alongside in-house team



## Driving efficiency

- Four Alliances and Totex Asset Solutions Team focused on revised needs evaluation process, saving carbon while delivering lower cost capital solutions and improved Totex decisions.



**NO BUILD**

CHANGE OTHER FACTORS, EG OPERATIONS, FLOWS

REACTIVE RESPONSE TO FAILURE

MAINTENANCE / ENHANCED MONITORING / RISK MANAGEMENT

**LOW BUILD**

ENHANCED MAINTENANCE

**BUILD**

REPAIR / REFURBISH / REPLACE BEFORE FAILURE

UPGRADE

# BUSINESS FOCUS – H2, 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, full market opening
- Water2020 programme
- Further preparations for PR19
- Refreshing Long Term Strategy
- Tracking and responding to EU referendum impact.

### Responding to changing customer influence

- Reclaiming SIM top spot
- Further developing digital and making use of new IT partners.

### Business efficiency & ODI performance

- Achieving best possible position on relative efficiency
- Building on a strong start to ODI performance, and resilience to guard against adverse weather.

### Long term water resources

- Influence gov't following National Resource Strategy publication
- Influence National Infrastructure Commission on resilience
- Establish and chair national water efficiency strategy group.

### Quality and environmental risks

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

### Our organisation and culture

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



## Financial Performance

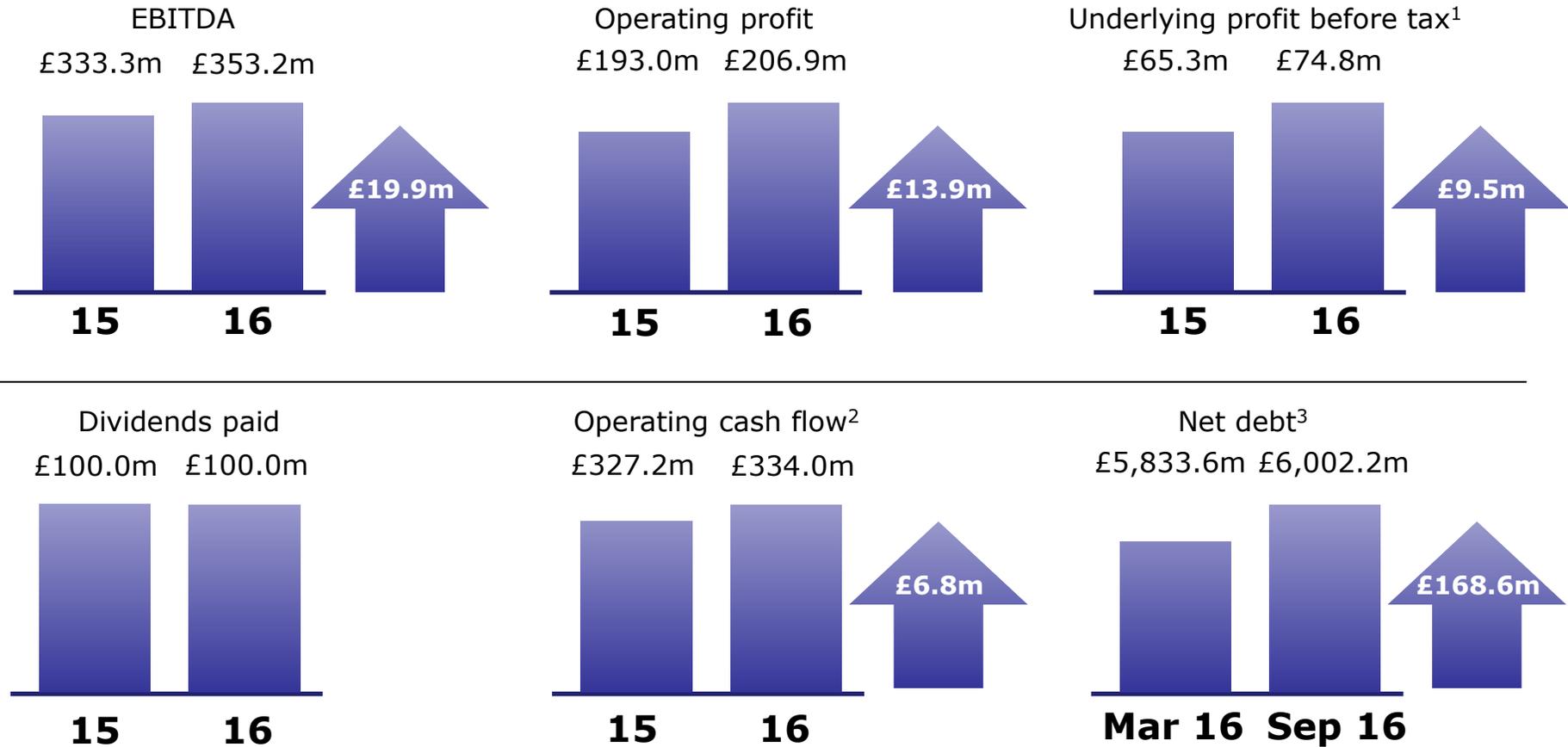
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**Scott Longhurst**  
Anglian Water Group  
Managing Director, Finance  
and Anglian Venture Holdings

# ANGLIAN WATER FINANCIAL HIGHLIGHTS



Six months ended 30 September



<sup>1</sup> Excludes interest received of £96.4m (2015: £96.4m) from AWS Holdings Ltd and loss on derivatives of £238.7m (2015: £40.6m).

<sup>2</sup> Shown on a statutory accounts basis. Net cash inflow from operating activities after tax on a CTA basis is £330.8m (2015: £326.5m).

<sup>3</sup> Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £5,770.7m (March 2016: £5,694.7m).

# ANGLIAN WATER INCOME STATEMENT <sup>1</sup>



Six months ended 30 September		2016 £m	2015 £m
<b>Revenue</b>	2.3%	<b>620.9</b>	<b>607.2</b>
Operating costs	-2.3%	(267.7)	(273.9)
<b>EBITDA</b>	6.0%	<b>353.2</b>	<b>333.3</b>
Other operating income		7.0	6.5
Depreciation and amortisation		(153.3)	(146.8)
<b>Operating profit</b>	7.2%	<b>206.9</b>	<b>193.0</b>
Interest (excluding indexation) <sup>2</sup>		(106.3)	(105.4)
Indexation charge		(27.2)	(24.4)
Finance income		1.4	2.1
<i>Underlying net finance costs</i>		<i>(132.1)</i>	<i>(127.7)</i>
<b>Underlying profit before tax</b>	14.5%	<b>74.8</b>	<b>65.3</b>

<sup>1</sup> Shown on an underlying basis (i.e. excluding fair value losses on financial and energy derivatives of £238.7m (2015: £40.6m)).

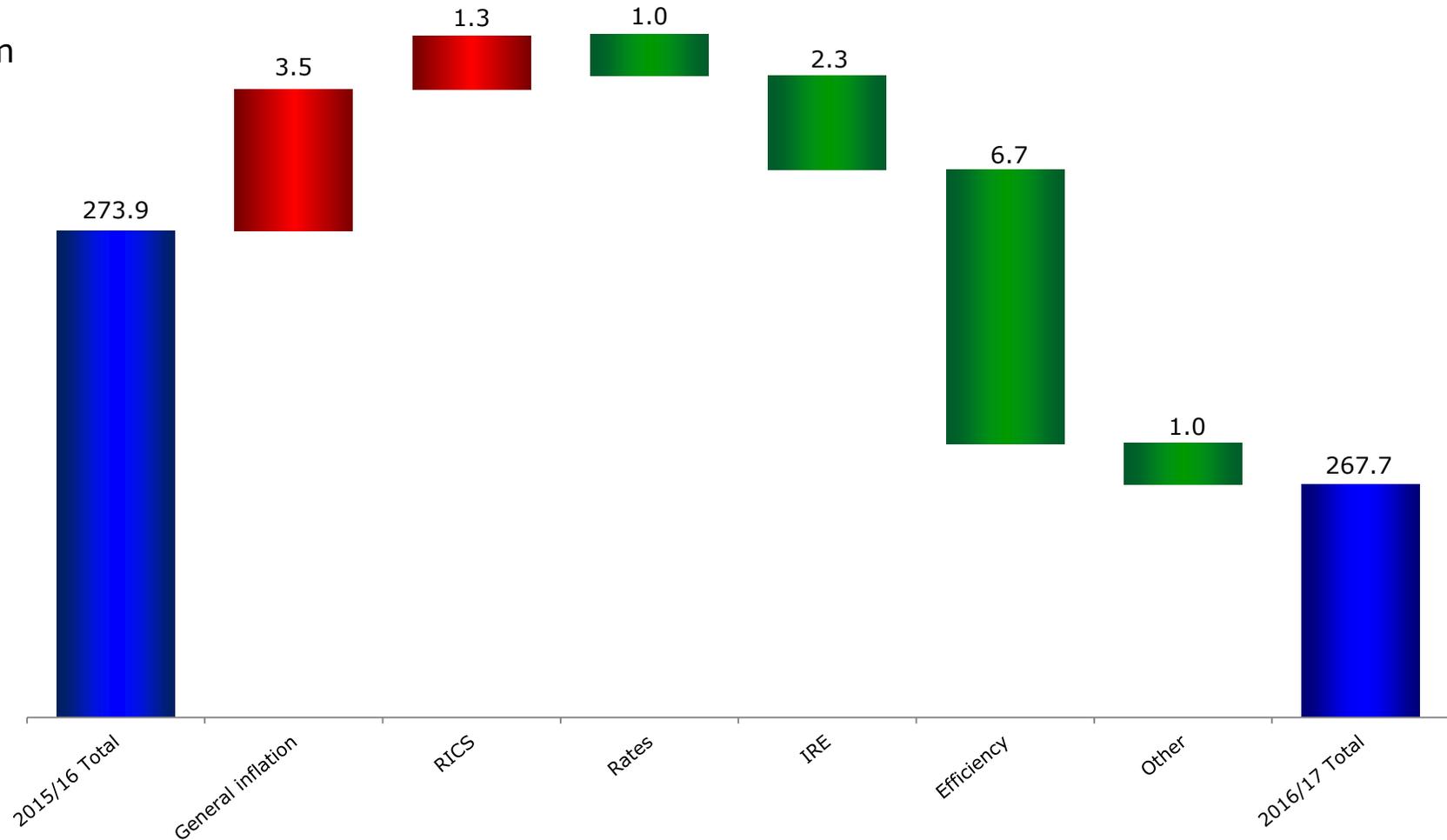
<sup>2</sup> Interest excludes the intra-group interest receivable of £96.4m (2015: £96.4m). A reconciliation to the statutory loss/profit before tax is provided in appendix 3.

# ANGLIAN WATER OPERATING COSTS



Six months ended 30 September

£m

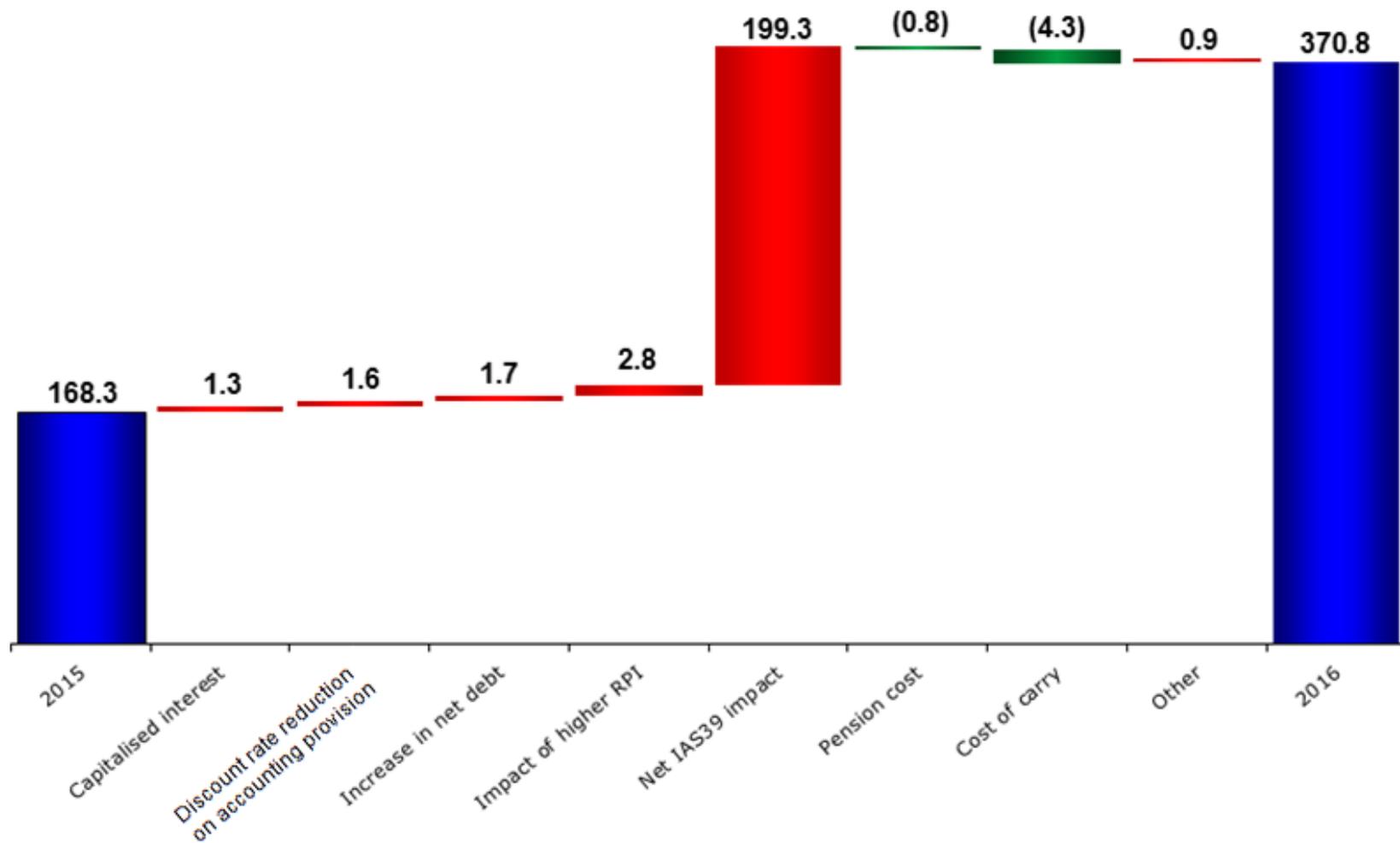


# ANGLIAN WATER INTEREST



Six months ended 30 September

£m



# ANGLIAN WATER CASH FLOW ON A CTA DEBT BASIS <sup>1</sup>



Six months ended 30 September

	<b>2016</b> <b>£m</b>	<b>2015</b> <b>£m</b>
Income	604.7	600.2
Opex and taxation	(273.9)	(273.7)
Net cash inflow from operating activities	<u>330.8</u>	<u>326.5</u>
Capital maintenance expenditure	(92.1)	(79.6)
Post maintenance expenditure	<u>238.7</u>	<u>246.9</u>
Net interest	(131.2)	(125.0)
<b>Free cash flow</b>	<b><u>107.5</u></b>	<b><u>121.9</u></b>
Capital enhancement expenditure	(56.0)	(57.1)
Dividends	(100.0)	(100.0)
<b>Pre-financing cash flows per CTA definition</b>	<b><u>(48.5)</u></b>	<b><u>(35.2)</u></b>

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

# ANGLIAN WATER MOVEMENT IN DEBT ON CTA BASIS <sup>1</sup>

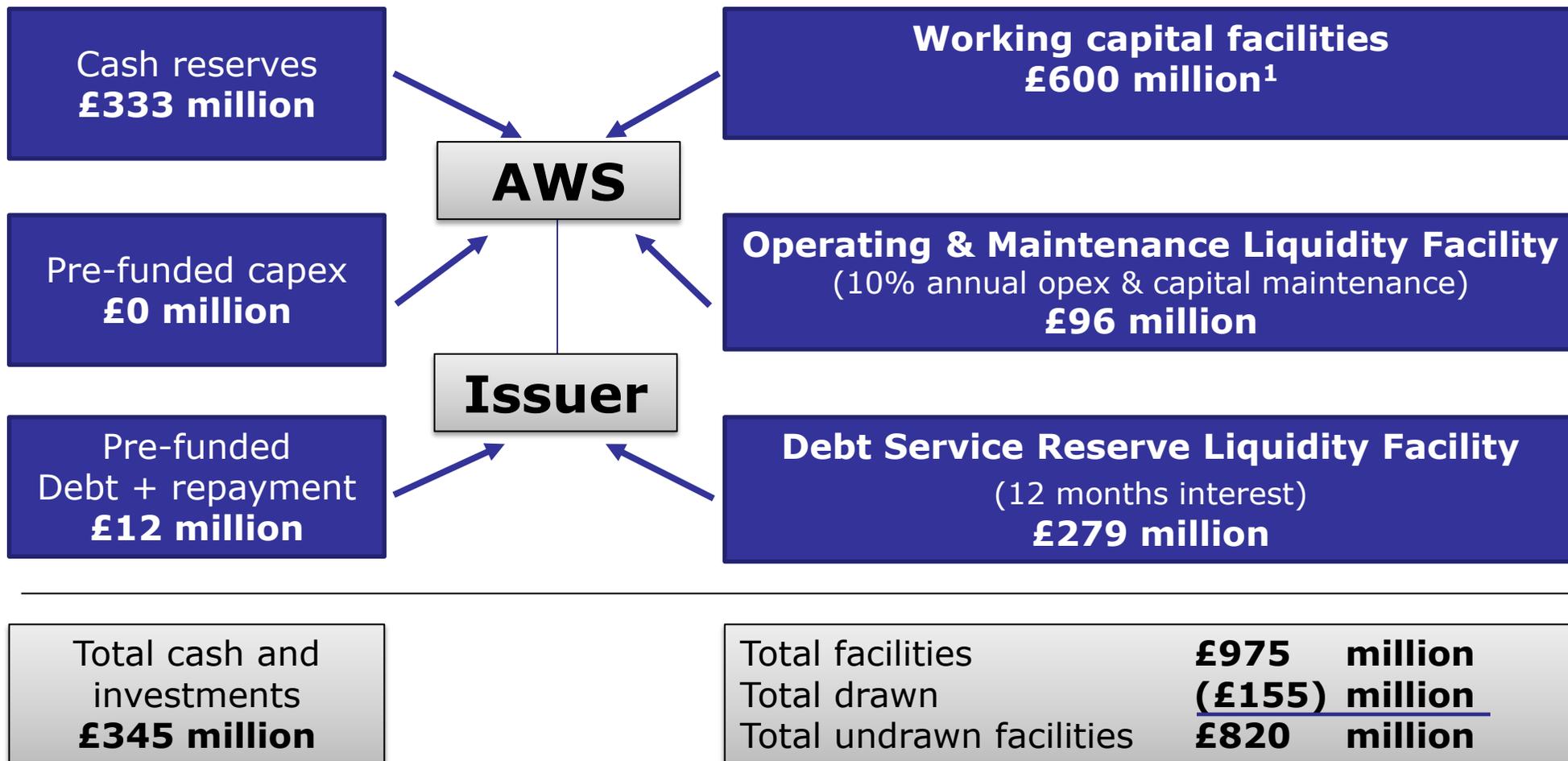


Six months ended 30 September

	<b>2016 (£m)</b>
Gross debt at 31 March 2016	(6,113.6)
New debt raised	(369.2)
Debt repaid	394.0
Indexation	(27.2)
Gross debt at 30 September 2016	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (6,116.0)
Less	
- Debt service account	12.4
- Tax reserve	100.0
- Other cash	232.9
<b>Net debt per CTA definition</b>	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> <b>(5,770.7)</b>

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

# ANGLIAN WATER LIQUIDITY AS AT 30 SEPTEMBER 2016



1. The Working Capital facilities comprising a £500m revolving credit facility and two bilateral facilities of £50m.

# KEY FINANCIAL RATIOS



## Anglian Water Financial Ratios – Six Months Ended September 2016

	September 2016	Trigger Event	Default	September 2015	March 2016
Class A RAR	70.1%	75.0%	-	71.8%	71.1%
Senior RAR	80.8%	85.0%	95.0%	83.0%	82.2%
Class A ICR	2.8	-	1.6	2.8	3.5
Conformed Class A PMICR	1.6	1.3	-	1.7	1.9
Conformed Senior PMICR	1.4	1.1	-	1.5	1.6
Class A actual maintenance ICR	2.0	-	1.0	2.2	2.4

## Osprey Acquisitions Limited Financial Ratios – Six Months Ended September 2016

	September 2016	Trigger Event	Default	September 2015	March 2016
Senior RAR	86.0%	93.0%	95.0%	88.5%	88.4%
Senior ICR	2.8	-	2.0	2.6	2.4
Dividend Cover Ratio	4.8	-	2.0	3.1	4.2

RAR = Regulated Asset Ratio

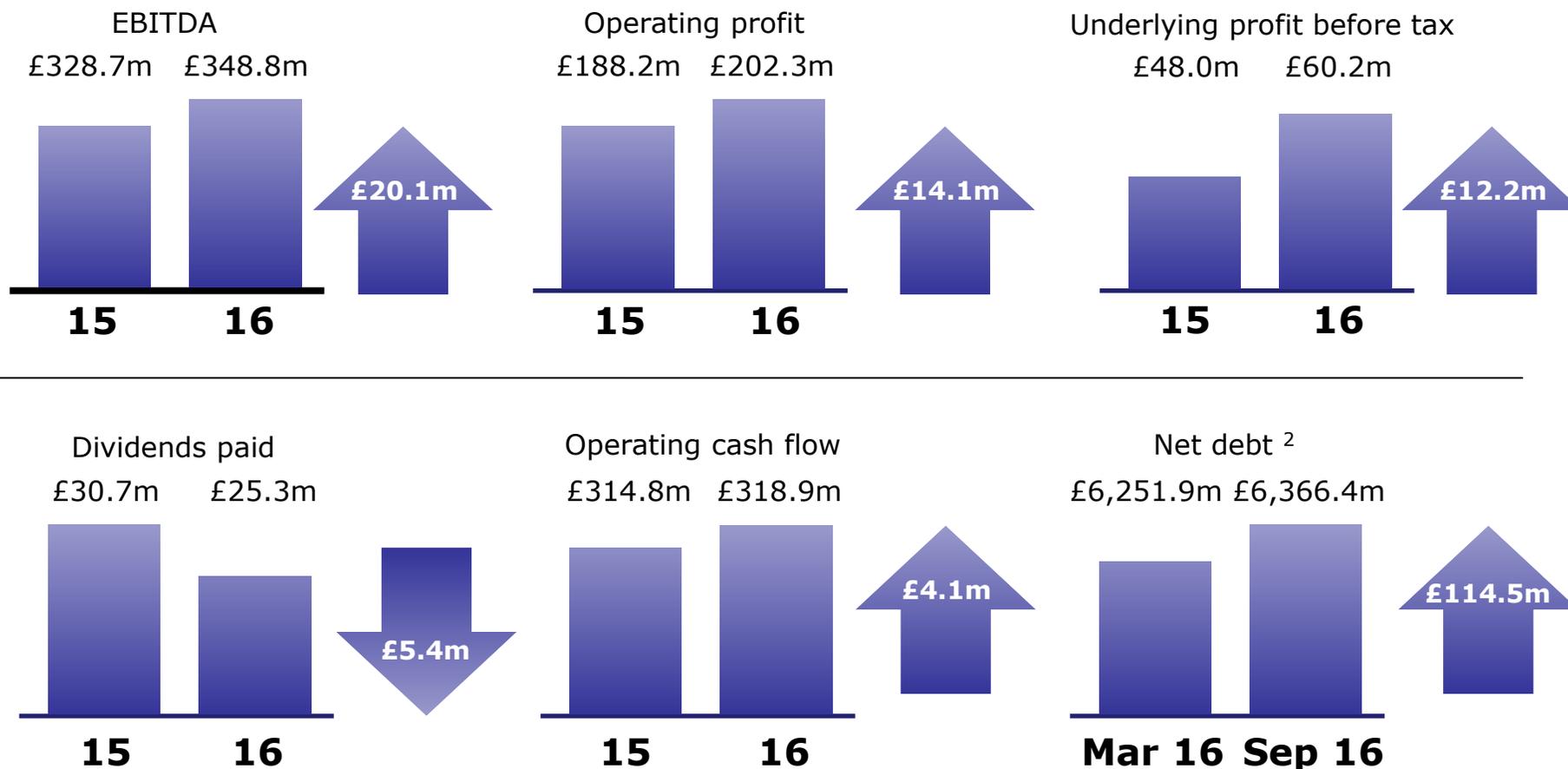
ICR = Interest Cover Ratio

PMICR = Post Maintenance interest Cover Ratio

# OSPREY ACQUISITIONS LTD FINANCIAL HIGHLIGHTS <sup>1</sup>



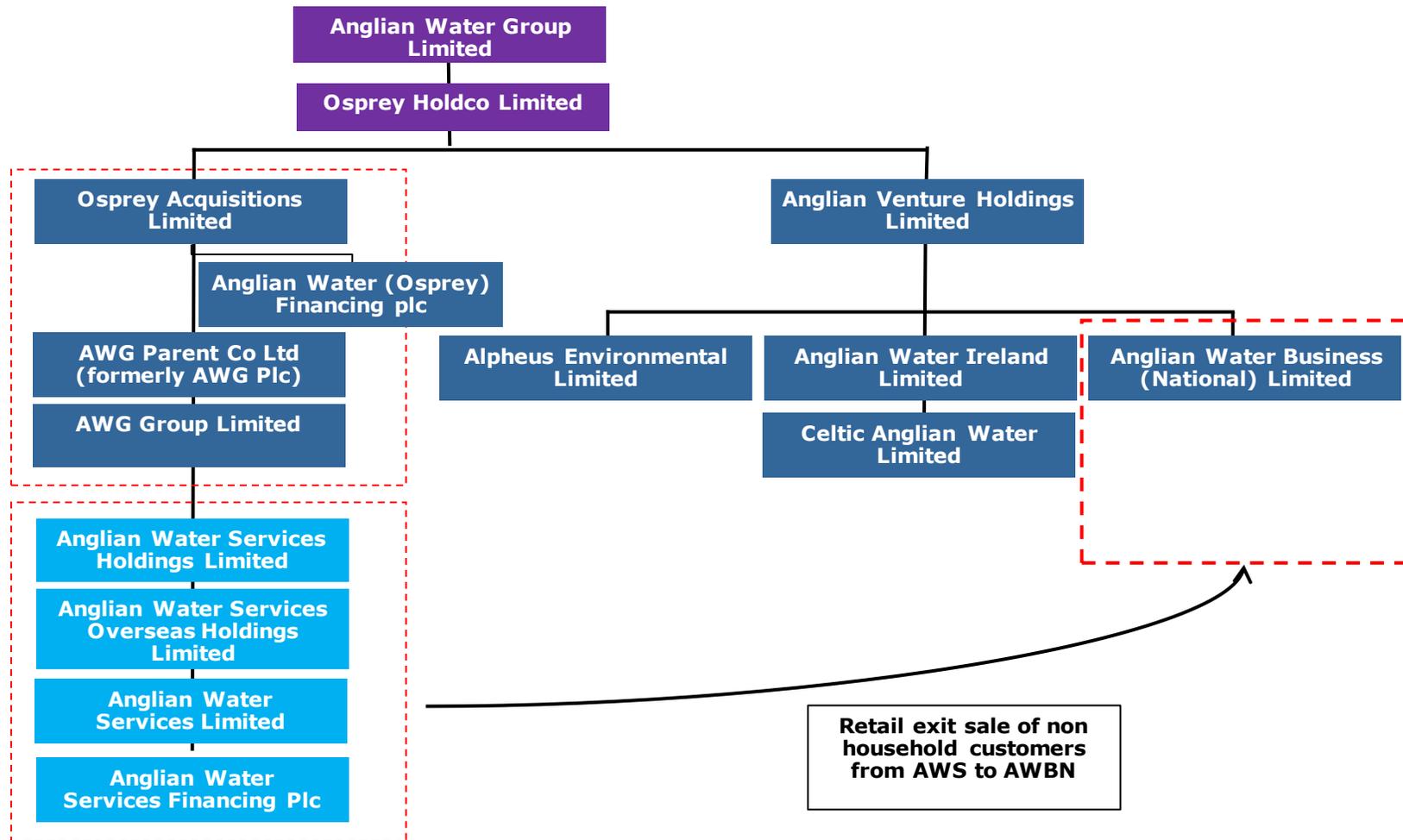
Six months ended 30 September



<sup>1</sup> Results presented here are for Osprey Acquisitions Limited consolidated accounts.

<sup>2</sup> Excludes loan from parent and fair value adjustment to debt arising on acquisition.

# ANGLIAN WATER GROUP FINANCING STRUCTURE CONSOLIDATED CAPITAL STRUCTURE AT 30 SEPTEMBER 2016



# ANGLIAN VENTURE HOLDINGS BUSINESSES



- Strong operational performance across the divisions
- Continued progress in business separation of Non Household customers in preparation for market opening in April 2017
- Property downsizing continued reducing off balance sheet debt to £42m
- Scottish Procurement retail water contract worth £70m per annum over three years traded successfully in its first six months achieving £1.1m EBITDA.
- Excellent progress in business development with twelve additional retail contracts in Scotland. AWBN now has 23% of the Scottish retail water market.
- Acquisition of 50% of Celtic Anglian Water was completed in June, and now 100% owned by Anglian Venture Holdings.



# OSPREY ACQUISITIONS LTD

## OPERATING PROFIT SEGMENTAL ANALYSIS <sup>1</sup>



Six months ended 30 September

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Anglian Water</b>	<b>206.9</b>	<b>193.0</b>
Head Office and other	(3.8)	(3.4)
	<hr/> <b>203.1</b>	<hr/> <b>189.6</b>
less JVs operating profit <sup>2</sup>	(0.8)	(1.4)
<b>underlying operating profit</b>	<hr/> <b>202.3</b>	<hr/> <b>188.2</b>

<sup>1</sup> Excludes the Anglian Venture Holdings businesses as they are held above OAL in the Anglian Water Group Limited structure.

<sup>2</sup> 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 DIVIDENDS



	<b>2016 £m</b>	<b>2015 £m</b>
10 June 2016 (10 June 2015)	25.3	30.7
<b>Total distributions to parent company</b>	<b>25.3</b>	<b>30.7</b>

# SUMMARY



- We remain at the forefront of industry leadership and performance.
- Our performance across the business is in line with our AMP6 plan, with a strong half year.
- Operational performance remains strong and ahead of expectations on our Outcome Delivery Incentives.
- Driving down cost of carry on cash and diversifying financing solutions to ensure liquidity at low cost.





**QUESTIONS?**





## Appendices

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2. Anglian Water - Reconciliation of CTA net debt
3. Anglian Water - Reconciliation of underlying profit before tax
4. Anglian Water - Summary of new loans and repayments
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
13. Osprey Acquisitions - Taxation





# ANGLIAN WATER

## RECONCILIATION OF CTA OPERATING CASH FLOW

Six months ended 30 September

	<b>2016</b>	2015
	<b>£m</b>	£m
<b>Operating cash flow - statutory accounts basis</b>	<b>334.0</b>	<b>327.2</b>
Commissions on facilities not used	(1.2)	(1.2)
Other items <sup>1</sup>	(2.0)	0.5
<b>Net cash inflow from operating activities - CTA basis</b>	<b>330.8</b>	<b>326.5</b>

<sup>1</sup> 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

Six months ended 30 September

	<b>September 2016 £m</b>	March 2016 £m
<b>Net debt - statutory accounting basis <sup>1</sup></b>	<b>6,002.2</b>	<b>5,833.6</b>
Unpresented cheques and payments	0.2	0.5
Capitalised issue costs	24.7	25.0
IAS 39 adjustments	(256.4)	(164.0)
Unsecured solar lease	-	(0.4)
<b>Net debt - CTA basis <sup>1</sup></b>	<b>5,770.7</b>	<b>5,694.7</b>

<sup>1</sup> The CTA net debt continues to be on old UK GAAP basis, while statutory net debt is on an IFRS basis

# ANGLIAN WATER

## RECONCILIATION OF UNDERLYING PROFIT BEFORE TAX

Six months ended 30 September

	<b>2016</b> <b>£m</b>	<b>2015</b> <b>£m</b>
<b>Profit before tax on an underlying basis</b>	<b>74.8</b>	<b>65.3</b>
Finance costs - fair value losses on financial derivatives	(250.0)	(39.7)
Finance costs - fair value gains/(losses) on energy hedges	11.3	(0.9)
Finance income - intra group interest receivable	96.4	96.4
(Loss)/profit before tax as reported in the statutory accounts	<b>(67.5)</b>	<b>121.1</b>



# ANGLIAN WATER

## SUMMARY OF NEW LOANS AND REPAYMENTS

Six months ended 30 September

	2016 £m		2015 £m
<b>New Debt raised</b>		<b>Debt raised</b>	
£500m Revolving Credit Facility	125.0		
£100m Bilateral Revolving Credit Facilities	30.0		
\$150m 3.29% Private Placement 20261	104.2		
£55m 2.93% Private Placement 20261	55.0		
£20m 2.93% Private Placement 20261	20.0		
£35m Floating Rate Private Placement 20311	35.0		
<b>Total debt raised</b>	<b>369.2</b>	<b>Total debt raised</b>	<b>-</b>
<b>Debt repaid</b>		<b>Debt repaid</b>	
€500 million 6.25% fixed rate bond 2016	(394.0)	£150m RPI Swap 2024	(35.0)
		£175m RPI Swap 2030	(40.8)
<b>Total debt repaid</b>	<b>(394.0)</b>	<b>Total debt repaid</b>	<b>(75.8)</b>





# ANGLIAN WATER DERIVATIVES

Six months ended 30 September

<b>Swap Type</b>	<b>Notional £m</b>	<b>MTM £m</b>
Interest Rate Swap	2,678.6	(383.9)
Cross Currency Interest Rate Swap	795.9	246.8
RPI Swap <sup>1</sup>	565.9	(682.0)
	<u>4,040.4</u>	<u>(819.1)</u>
 <b>Energy Derivatives</b>	 <b><u>Notional £m</u><sup>3</sup></b>	 <b><u>MTM £m</u><sup>4</sup></b>
LEBA <sup>2</sup> Power Swaps	<u>105.9</u>	<u>(27.0)</u>

## Notes

<sup>1</sup>The -£682.0m MTM value of the RPI swaps excludes accrued indexation which has already been charged to the profit and loss account amounting to £74.1m.

<sup>2</sup>LEBA = London Energy Brokers Association.

<sup>3</sup>Notional value for Energy Derivatives represents locked in purchase price for power.

<sup>4</sup>Including forward purchases from suppliers MTM of energy hedging instruments is -£27.5m.



# OSPREY ACQUISITIONS LTD

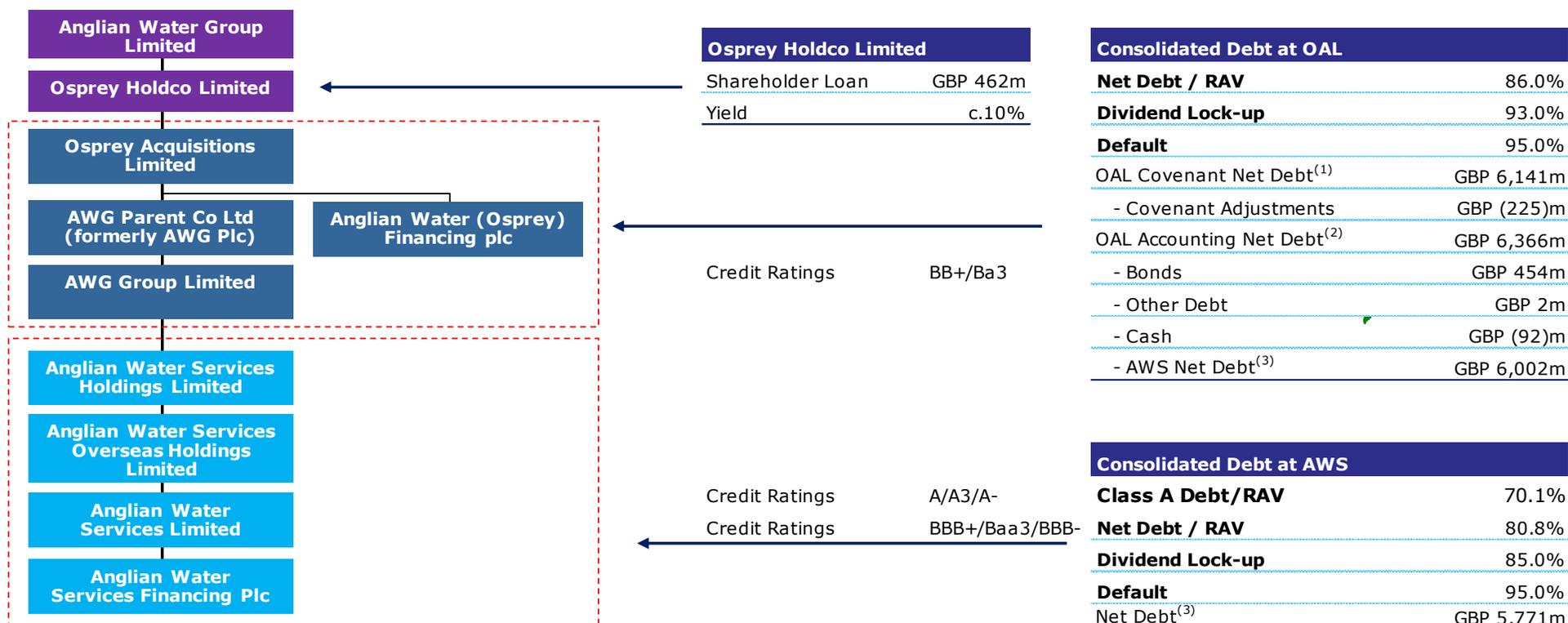
## INCOME STATEMENT

Six months ended 30 September

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	<b>624.4</b>	610.7
<b>Operating profit</b>	<b>202.3</b>	188.2
<b>Interest</b>		
Interest	(115.0)	(116.5)
Indexation charge	(27.4)	(24.4)
share of joint ventures	0.3	0.7
<b>PBTGAE</b>	<b>60.2</b>	48.0
fair value gains / (losses) on energy hedges	11.3	(0.9)
fair value losses on financial derivatives	(245.5)	(44.7)
profit on disposal of joint venture	9.5	-
<b>(Loss)/profit before tax</b>	<b>(164.5)</b>	<b>2.4</b>

# ANGLIAN WATER GROUP FINANCING STRUCTURE

## CONSOLIDATED CAPITAL STRUCTURE AT 30 SEPTEMBER 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 £206m and derivatives

(3) AWS net debt of £6,002m excludes derivatives and is prepared on an IFRS accounting basis, whereas Consolidated Debt at AWS of £5,771m if prepared on a Common Terms Agreement (CTA) basis



# OSPREY ACQUISITIONS LTD

## REVENUE SEGMENTAL ANALYSIS <sup>1</sup>

Six months ended 30 September

		<b>2016</b> <b>£m</b>	<b>2015</b> <b>£m</b>
<b>Anglian Water</b>	2.3%	<b>620.9</b>	<b>607.2</b>
Head Office and other		3.7	3.7
less : intersegmental trading		(0.2)	(0.2)
<b>total revenue</b>	<b>2.2%</b>	<b>624.4</b>	<b>610.7</b>

<sup>1</sup> Excludes the Anglian Venture Holdings businesses as they are held above OAL in the Anglian Water Group Limited structure.



# OSPREY ACQUISITIONS LTD

## GROUP CASH FLOW

Six months ended 30 September

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Group operating cash flow</b>	<b>318.9</b>	<b>314.8</b>
Taxation	-	(0.2)
Capital expenditure	(148.2)	(130.1)
Disposal of joint venture	14.0	-
Net interest paid	(151.8)	(154.4)
Repayment of accreted interest	-	(75.8)
Dividends paid	(25.3)	(30.7)
Indexation <sup>1</sup>	(22.2)	(17.4)
Other non-cash movements in net debt	(99.9)	21.9
<b>Movement in net debt</b>	<b>(114.5)</b>	<b>(71.9)</b>

<sup>1</sup> In addition to the above indexation on debt, there is a further £5.2m (2015: £7.0m) indexation on derivatives



# OSPREY ACQUISITIONS LTD

## NET DEBT

Six months ended 30 September

	<b>September 2016 £m</b>	<b>March 2016 £m</b>
<b>Anglian Water<sup>1</sup></b>	<b>(6,002.2)</b>	<b>(5,833.6)</b>
<b>Non-regulated, including head office</b>	<b>24.8</b>	<b>15.2</b>
	<b>(5,977.4)</b>	<b>(5,818.4)</b>
<b>Osprey Acquisitions Limited</b>		
£350m 7.0% bond 2018	(241.5)	(241.1)
£210m 5.0% bond 2023	(212.4)	(212.3)
£125m term facility	1.2	1.4
net cash	63.7	18.5
	<b>(6,366.4)</b>	<b>(6,251.9)</b>
<b>Osprey Acquisitions Group<sup>2</sup></b>	<b>(6,366.4)</b>	<b>(6,251.9)</b>

<sup>1</sup> Net debt on an IFRS statutory basis - see appendix 2 for reconciliation to CTA basis

<sup>2</sup> Excludes loan from parent company (£728.8m\*) and fair value debt adjustments arising on acquisition (£206.1m)

\* 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 30 September 2016 this quasi-equity subordinated loan stands at £728.8m



# OSPREY ACQUISITIONS LTD

## OPERATING CASH FLOW <sup>1</sup>

Six months ended 30 September

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Anglian Water</b>	<b>334.0</b>	<b>327.2</b>
Head Office and other	(15.1)	(12.4)
<b>Total operating cash flow</b>	<b>318.9</b>	<b>314.8</b>

<sup>1</sup> Excludes the Anglian Venture Holdings businesses as they are held above OAL in the Anglian Water Group Limited structure.



# OSPREY ACQUISITIONS LTD

## TAXATION

Six months ended 30 September

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>(loss)/profit before tax</b>	<b>(164.5)</b>	<b>2.4</b>
tax at UK rate of 20% (2015: 20%)	(32.9)	0.5
items not deductible for tax	0.9	1.2
items not taxable	(1.9)	(0.1)
reduction in corporation tax rate <sup>1</sup>	(58.1)	-
prior year adjustment	7.2	(5.0)
other items	7.0	-
<b>tax credit for the period</b>	<b>(77.8)</b>	<b>(3.4)</b>

<sup>1</sup> reduction in future corporation tax rates by a further 1% to 17% from 1 April 2020

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