



Anglian Water Group Results

Year ended
31 March 2017

Investor Presentation
07 June 2017

Peter Simpson
Anglian Water Group
Chief Executive Officer

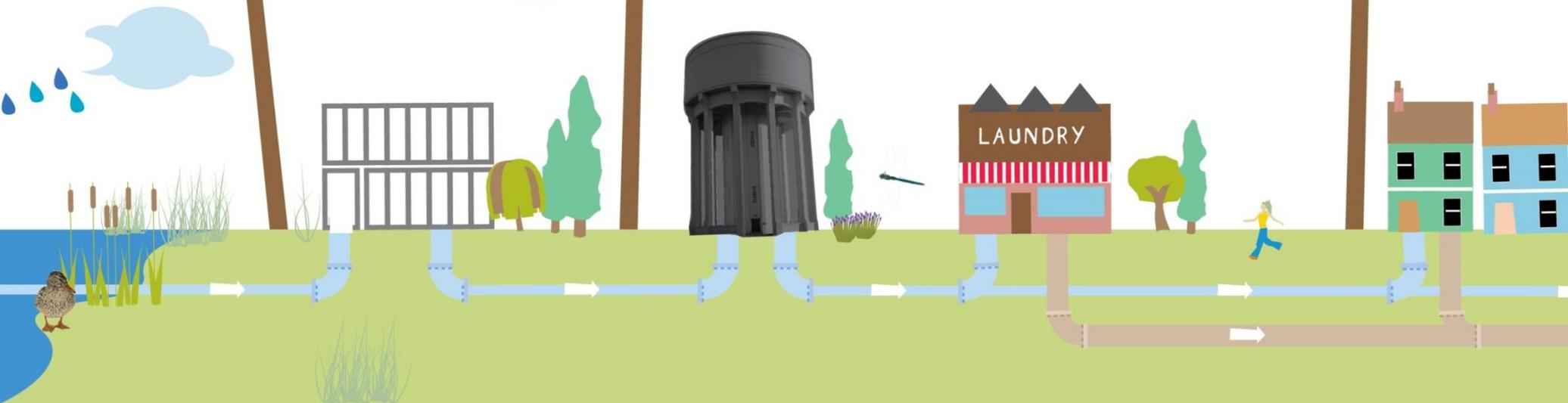
Scott Longhurst
Anglian Water Group
Managing Director, Finance
and Non-Regulated Business



DISCLAIMER

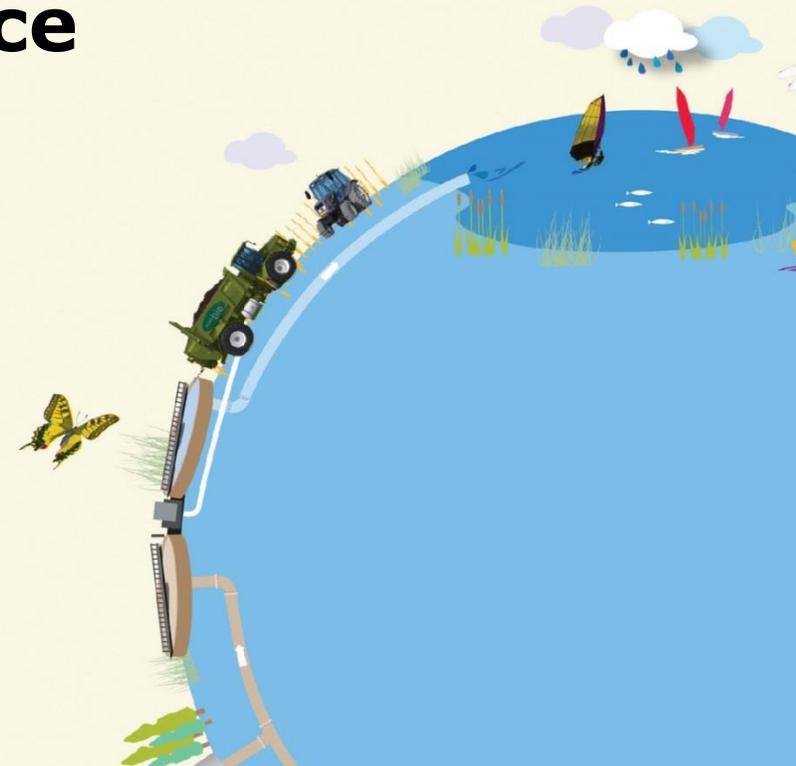
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Any forward-looking statements made in this document represent management’s judgment as to what may occur in the future. However, the group’s actual results for the current and future fiscal periods and corporate developments will depend on a number 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.





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





Operational performance update

Peter Simpson
Anglian Water Group
Chief Executive Officer



2016/17 FULL YEAR HIGHLIGHTS: YEAR TWO OF AMP6 BUILDS ON STRONG START



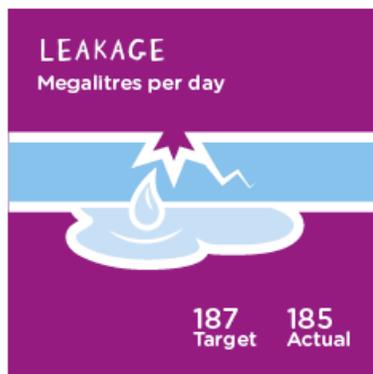
- Delivered totex efficiencies ahead of our AMP6 plan despite cost pressures
- Following some exceptionally dry weather, still managed to deliver a net ODI reward and a secure water resources position
- Successfully entered the NHH retail market with extremely positive feedback from the Market Operator
- Seamlessly transferred 1200 pumping stations
- Secured a positive Draft Strategic Priorities Statement following work on resilience
- Delivered strong compliance results for both sides of the business
- Shortlisted by Business in the Community (one of three) to be their Responsible Business of the Year



DELIVERING FOR OUR CUSTOMERS

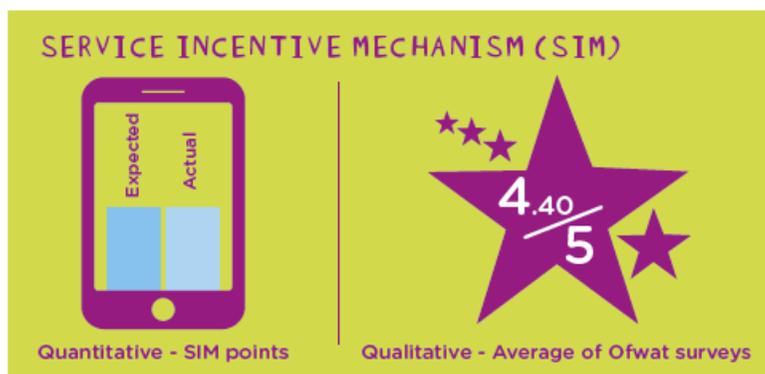


LEAKAGE – INDUSTRY LEADING PERFORMANCE



- Industry-leading and record low levels. Half the national average despite rural, distributed work.
- Down by 38% since privatisation, and well ahead of target.
- On track to hit 172MI/d by 2020.
- £124m invested over the AMP: 300-strong leakage team, Optimised Water Networks, Intensive Leakage Detection Teams, advanced pressure management.

CUSTOMER SERVICE – THIRD IN THE YEAR, TOP TWO IN THE AMP



- 18% increase on an already industry-leading score in 2015/16.
- Ever-improving performance against a backdrop of rising customer expectations.
- Top three nationally, expecting to be number two over the AMP so far.
- **Latest:** stellar Q1 2017/18 performance – best ever score.

DELIVERING FOR OUR CUSTOMERS



INTERRUPTIONS TO SUPPLY – STEP CHANGE IN PERFORMANCE



- Driving very high customer satisfaction.
- Prioritising restoration over repair, proactively preventing interruptions.
- Dedicated Restoration Teams backed by significant investment in people and equipment.
- Down from 19mins at the start of AMP6.
- Now targeting less than ten minutes.

WATER RECYCLING COMPLIANCE – BEST EVER PERFORMANCE

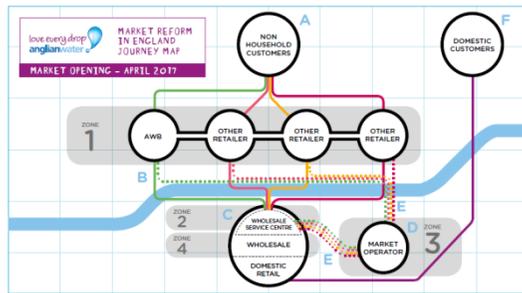


- Lowest ever number of failing works for second year running.
- Failing works fallen by two-thirds since start of the AMP.
- Proactive management and close monitoring reduces risk.
- Enhanced Licence to Operate, encouraging Chartership for scientists.
- Across Water Recycling, all serviceability measures are comfortably within control limits.

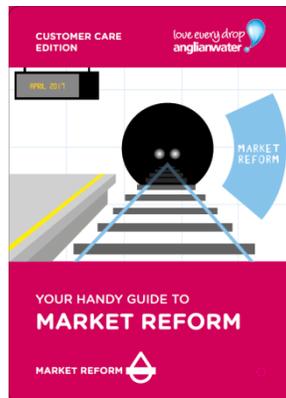
SHAPING THE FUTURE: THE COMPETITIVE NON-HOUSEHOLD MARKET



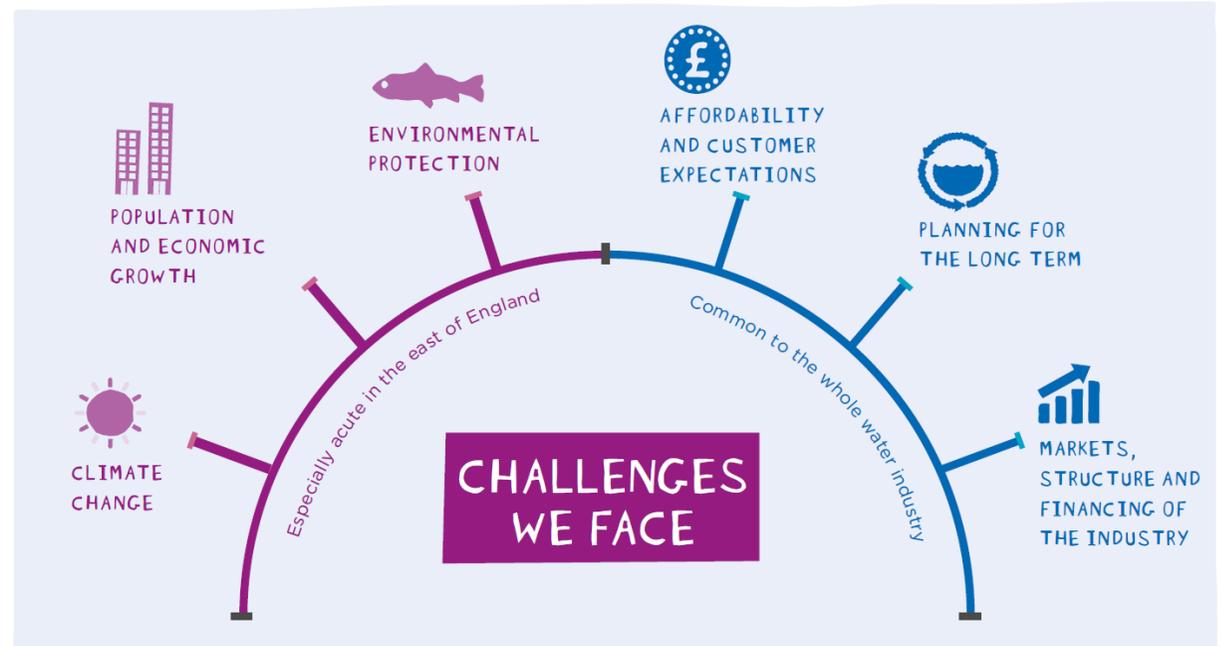
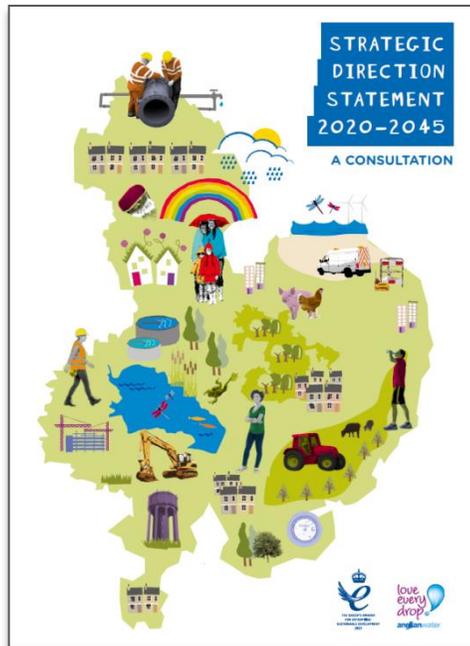
We've been at the forefront of preparations for many years



- Sat on the High Level Group that shaped the market; only company representative on MOSL Board
- More than 200 staff involved in the programme
- Wholesale Service Centre established and effectively managing Retailer switches.
- Legal separation of business retail from Anglian Water and potential JV with Northumbrian Water.
- First English company operating in Scotland, since 2008



SHAPING THE FUTURE: OUR REVISED SDS IS PUBLISHED FOR CONSULTATION



**WE ARE PROPOSING
FOUR NEW AMBITIONS**

ENABLE SUSTAINABLE ECONOMIC AND HOUSING GROWTH IN THE UK'S FASTEST GROWING REGION

MAKE THE EAST OF ENGLAND RESILIENT TO THE RISKS OF DROUGHT AND FLOODING

BE A CARBON-NEUTRAL BUSINESS BY 2050

BETTER SERVE OUR CUSTOMERS BY DRIVING DIGITAL TRANSFORMATION IN THE OPERATION OF OUR BUSINESS AND ASSETS.

SHAPING THE FUTURE: DELIVERING FOR CUSTOMERS TODAY



Building resilience at Grafham Water Treatment Works



- £28million scheme to make supplies to more than 600,000 people more secure.
- State-of-the-art storage reservoir and pumping station integral to the solution.
- Pioneering use of existing infrastructure to reverse flows in main linking Grafham and Wing WTWs.
- Final scheme came in £20m cheaper and at half the embodied carbon of the original design.
- Designed to accommodate growth in one of the fastest growing regions in the country.
- The largest pre-cast service reservoir in Europe: 40 megalitres, or 16 Olympic swimming pools.

The latest example of our continual innovation in the building of ever more resilient systems to meet challenges of growth and climate change.

SHAPING THE FUTURE: TELLING OUR CARBON STORY

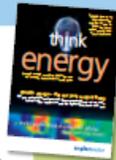
2006 CHALLENGES

CLIMATE CHANGE & POPULATION GROWTH



2006 RESPONSE

Energy Initiative launched promoting action in energy efficiency.



2007 STRATEGY

Measurement and Baselineing Capital and operational carbon for the 2010-2015 business plan.



Anglian Water takes leaders from its supply chain to the MayDay Summit - Action Pledged.

TARGETS

Back to back with the supply chain. £2 billion programme.



SUPPLY CHAIN

Collaboration and engagement in meeting the carbon challenge.

GOVERNANCE

Capital and operational carbon challenged against baseline prior to construction.



Bedford Water Recycling Centre

2010



Water Innovation Network Launched Challenging SMEs in response to the carbon challenge.

2011

SUCCESS

- Aligning the Supply Chain
- 66% reduction in capital carbon
 - 170% reduction in operational carbon
 - 43% reduction in capital costs

2009

2008

2010 TARGETS DELIVERED

- Exceeded 10% reduction in operational carbon in real terms
- 54% reduction in capital carbon



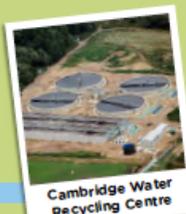
Proud recipients of the Queens Award for Enterprise: Sustainable Development

INNOVATION

Through zero cement concrete. 60% carbon reduction in the base slab.



Low carbon concrete



Cambridge Water Recycling Centre

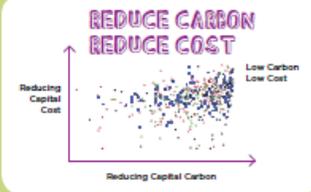
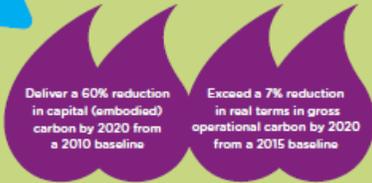
2015

2014

2013

2012

UPDATED TARGETS



Awards - Promoting positive behaviour in our supply chain

PAS2080

Carbon management in Infrastructure. Anglian Water the first company to be verified globally. Next step PAS to ISO.



EXEMPLAR PROJECT

- Saved 7,302t CO2e
 - Saved £1.4m
- This project bought together the learning of the past five years. From early design collaboration with operations and the supply chain, to using innovative materials, off site build and zero material removed from site, faster delivery and zero accidents.



2017

NEW TARGET CARBON NEUTRALITY BY 2050

2016



First large scale solar installations contribute towards renewable energy from biogas and wind

ICR

HM Treasury Infrastructure Carbon Review Aimed at leaders to deliver carbon and cost reduction. Through the Green Construction Board, Anglian Water at the heart of this document.

SHAPING THE FUTURE: PR19 – BUILDING AN OUTSTANDING BUSINESS PLAN



**The right package
of investments...**



**...supported
by the right
evidence...**



**...and
affordable
bills**



**Underpinned by the most comprehensive
customer engagement ever undertaken**



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

- Getting into the best possible position for PR19, and establishing building blocks of the Price Review
- Working with Ofwat as it develops Price Review methodology
- Launching refreshed SDS

Responding to changing customer influence

- Reclaiming SIM top spot
- Deploying customer service improvement strategy
- Further developing digital and making use of new IT partners

Business efficiency & ODI performance

- Delivering AMP7 planned efficiencies
- Developing our 'Fit for AMP7' strategies
- Delivering highest level of capital spend in this AMP

Long term water resources

- Continuing to lead the industry, influencing gov't and regulators
- Attracting recognition for this approach
- Publish highly ambitious Water Resources Management Plan

Quality and environmental risks

- Expanding approach to catchment management
- Developing renewables strategy to support 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.



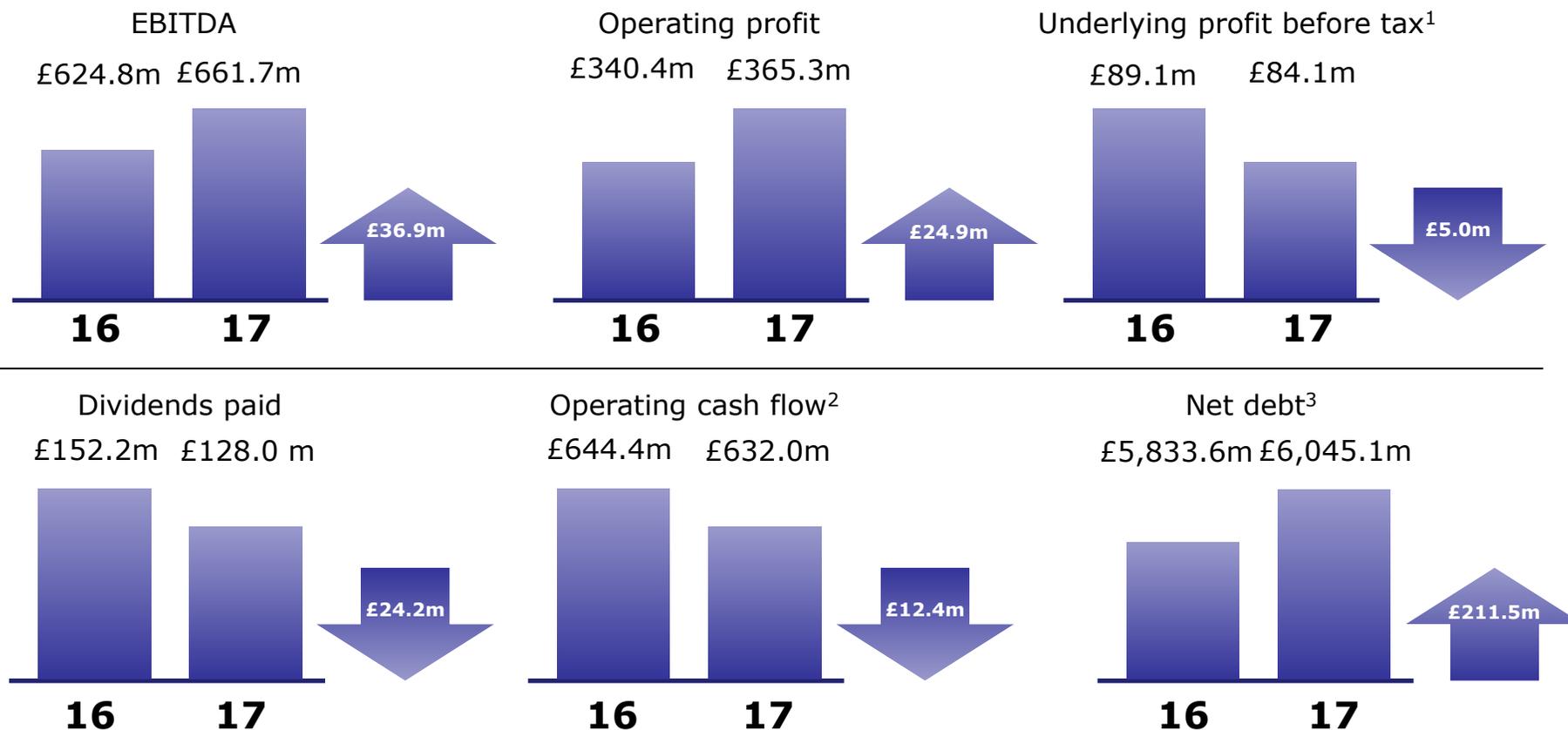
Financial Performance

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 £192.3m (2016: £192.8m) from AWS Holdings Ltd and loss on derivatives of £116.0m (2016: £89.7m).

² Shown on a statutory accounts basis. Net cash inflow from operating activities after tax on a CTA basis is £604.6m (2016: £621.0m).

³ Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £5,829.5m (2016: £5,694.7m).

ANGLIAN WATER INCOME STATEMENT ¹



	2017 £m	2016 £m
Revenue	1,227.0	1,185.4
Operating costs	(565.3)	(560.6)
EBITDA	661.7	624.8
Other operating income	14.8	13.5
Depreciation	(311.2)	(297.9)
Operating profit	365.3	340.4
Finance income ²	2.0	3.6
Finance costs (excluding indexation)	(208.0)	(210.5)
Indexation Charge	(75.2)	(44.4)
<i>Underlying net finance costs</i>	<u>(281.2)</u>	<u>(251.3)</u>
Underlying profit before tax	84.1	89.1

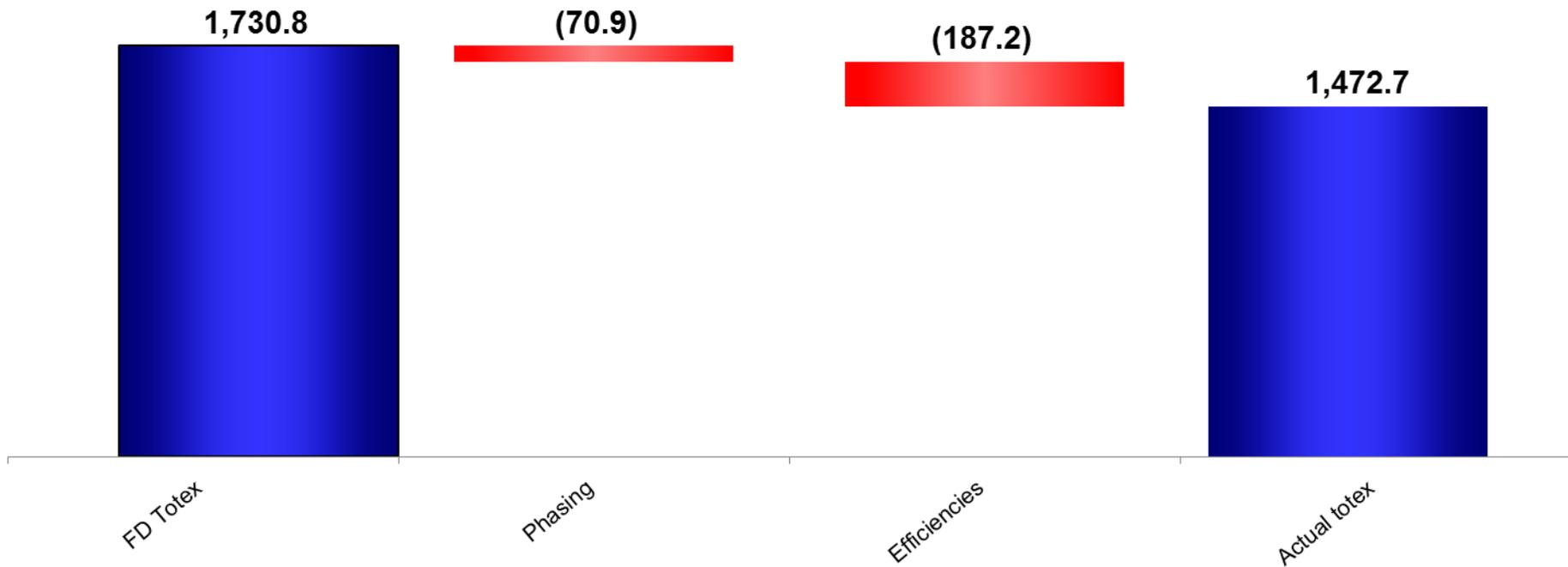
¹ Shown on an underlying basis (i.e. excluding fair value losses on financial and energy derivatives of £116.0m (2016: £89.7m)).

² Interest excludes the intra-group interest receivable of £192.3m (2016: £192.8m). A reconciliation to the statutory loss/profit before tax is provided in appendix 3.

ANGLIAN WATER CUMULATIVE TOTEX IN BASE YEAR PRICES



£m

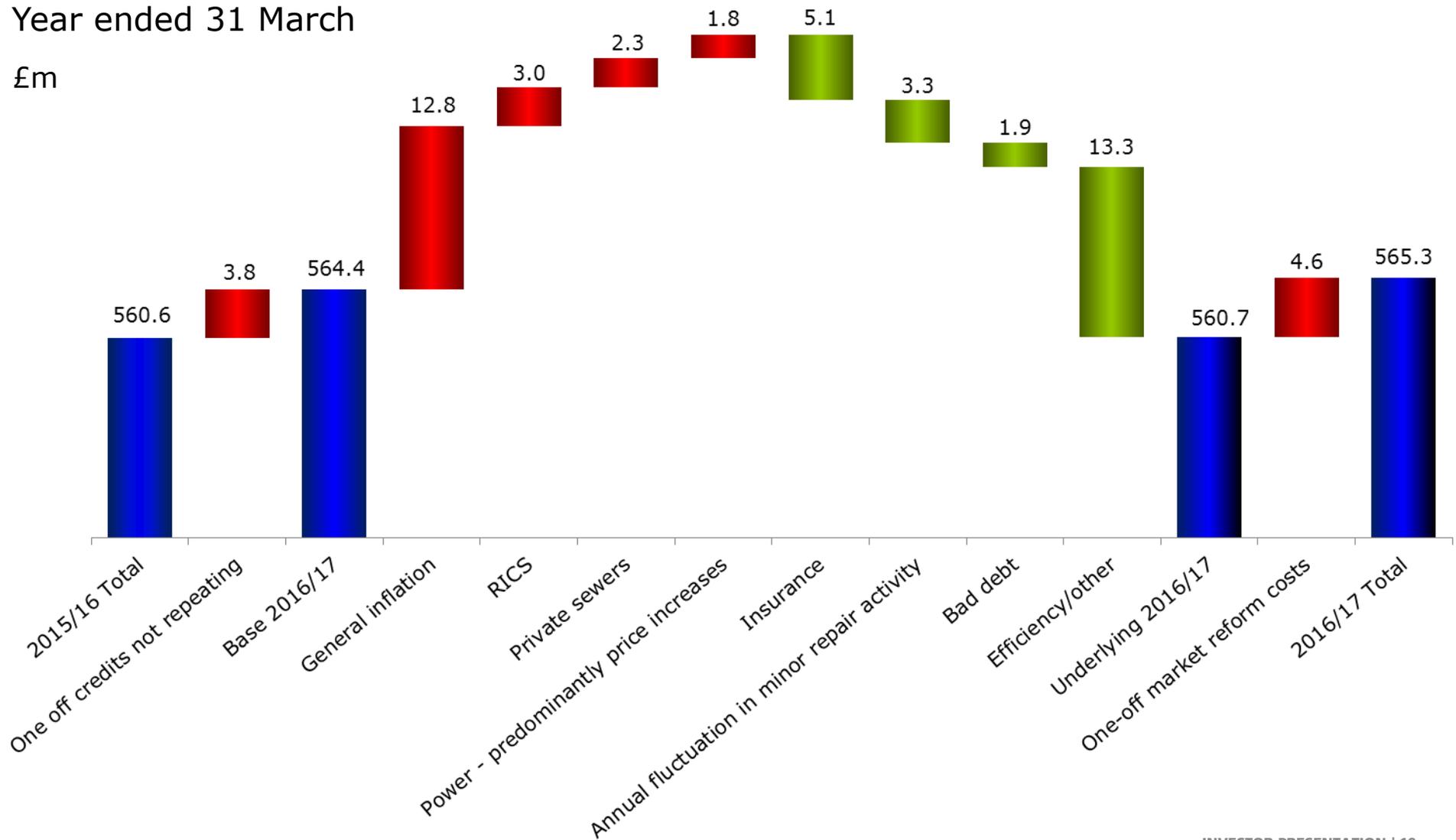


ANGLIAN WATER OPERATING COSTS



Year ended 31 March

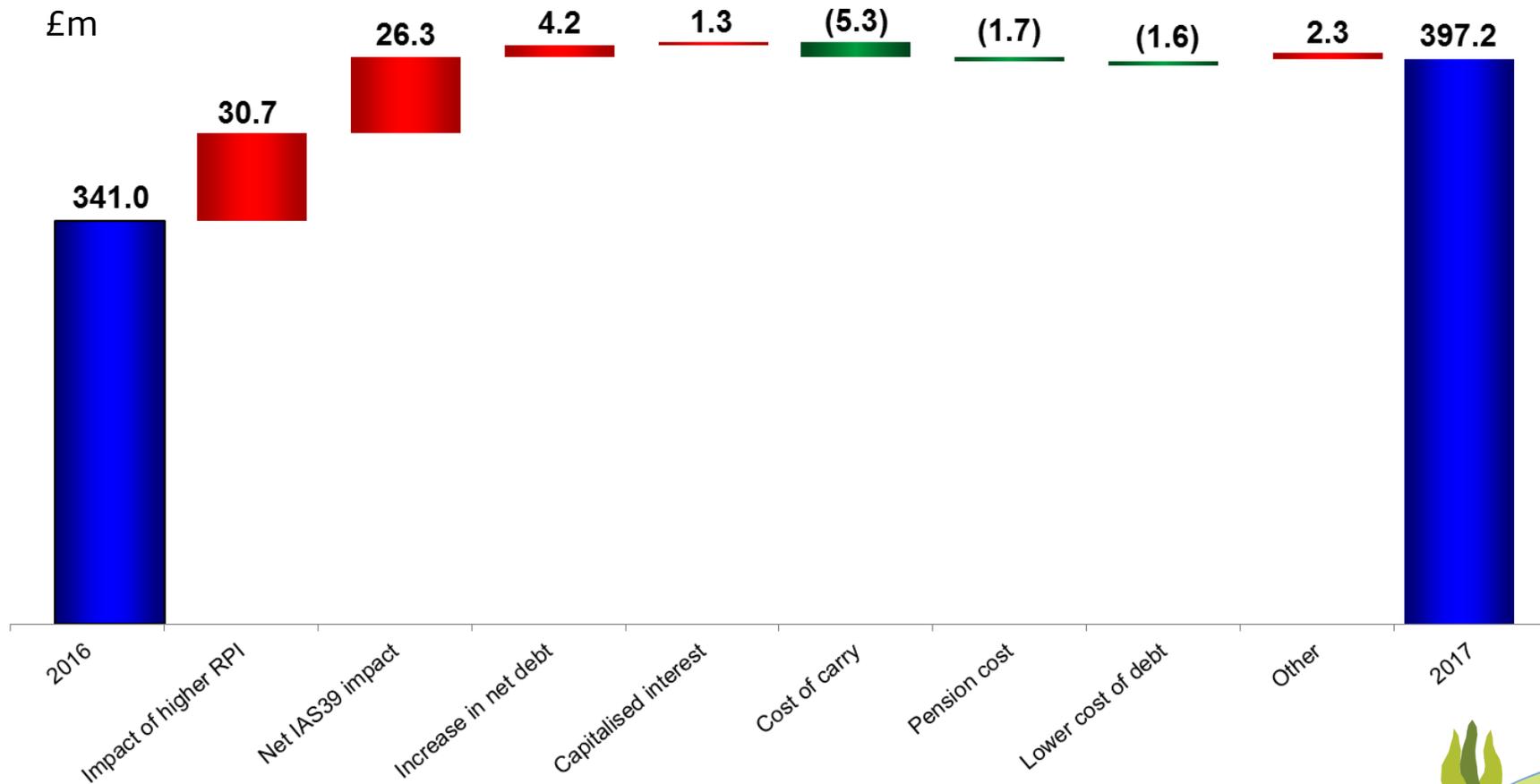
£m



ANGLIAN WATER INTEREST



Year ended 31 March



ANGLIAN WATER CASH FLOW ON A CTA DEBT BASIS ¹



Year ended 31 March

	2017 £m	2016 £m
Income	1,180.7	1,184.7
Opex and taxation ²	(576.1)	(563.7)
Net cash inflow from operating activities	<hr/> 604.6	621.0
Capital maintenance expenditure	(207.1)	(186.8)
Post maintenance expenditure	<hr/> 397.5	434.2
Net interest	(229.1)	(211.6)
Free cash flow	<hr/> 168.4	222.6
Capital enhancement expenditure	(100.1)	(88.6)
Dividends	(128.0)	(152.2)
Pre-financing cash flows per CTA definition	<hr/> (59.7)	(18.2)

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

²Includes tax paid of £19.8m (2016: £16.9m)

ANGLIAN WATER MOVEMENT IN DEBT ON CTA BASIS ¹

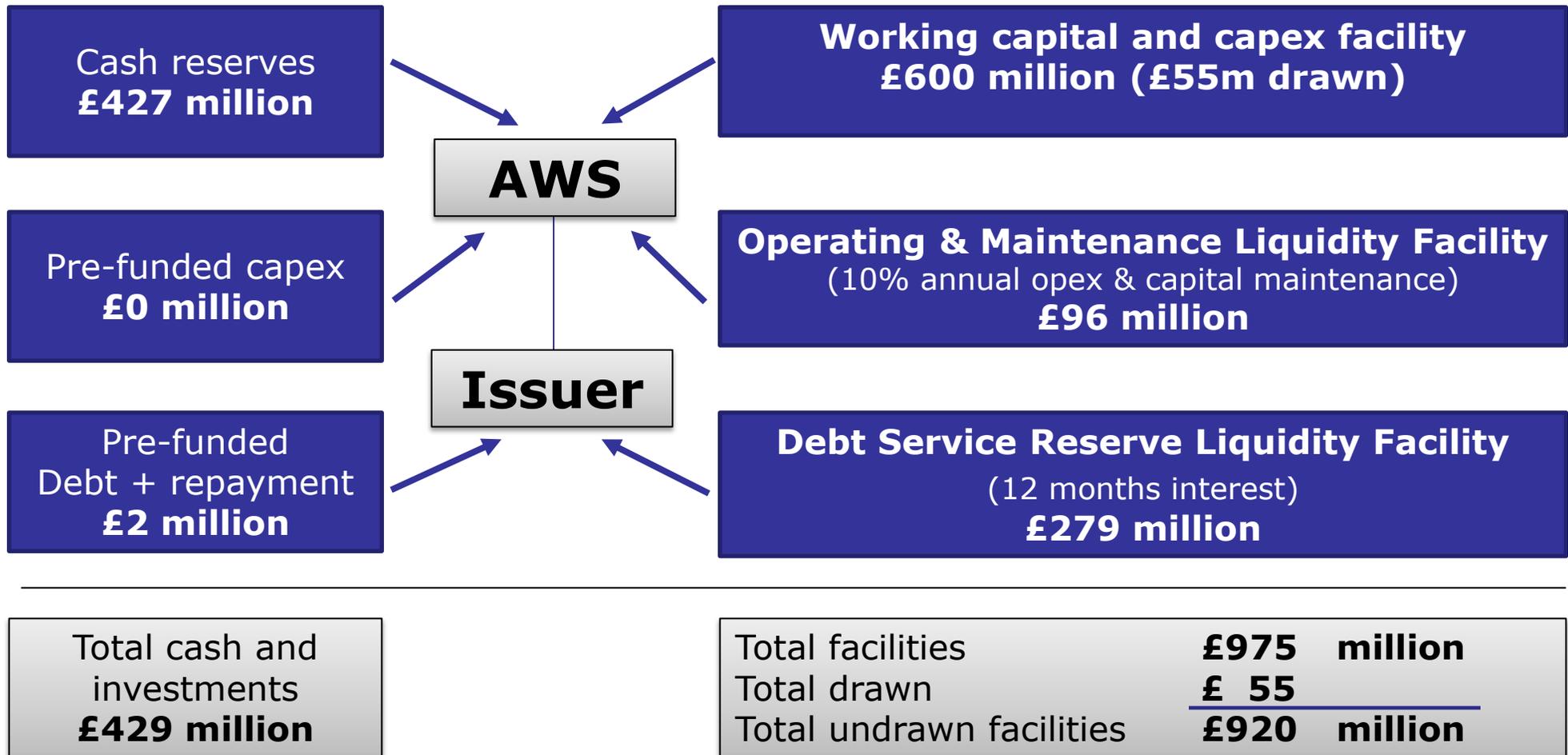


Year ended 31 March

	2017
Gross debt at 31 March 2016	(6,113.6)
New debt raised	(569.3)
Debt repaid	499.1
Indexation	(75.2)
Gross debt at 31 March 2017	<hr style="width: 100%; border: 0.5px solid black;"/> (6,259.0)
Less	
- Debt service account	1.6
- Tax reserve	100.0
- Other cash	327.9
Net debt per CTA definition	<hr style="width: 100%; border: 0.5px solid black;"/> (5,829.5)

¹ 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 31 MARCH 2017



ANGLIAN WATER KEY FINANCIAL RATIOS



Anglian Water Financial Ratios – Year Ended 31 March 2017

	March 2017	Trigger Event	Default	March 2016
Class A RAR	65.9%	75.0%	-	71.1%
Senior RAR	79.0%	85.0%	95.0%	82.2%
Class A ICR	3.1	-	1.6	3.5
Conformed Class A PMICR	1.6	1.3	-	1.9
Conformed Senior PMICR	1.4	1.1	-	1.6
Class A actual maintenance ICR	2.0	-	1.0	2.4

Osprey Acquisitions Limited Financial Ratios – Year Ended 31 March 2017

	March 2017	Trigger Event	Default	March 2016
Senior RAR	84.6%	93.0%	95.0%	88.4%
Senior ICR	2.6	-	2.0	2.4
Dividend Cover Ratio	3.5	-	2.0	4.2

RAR = Regulated Asset Ratio

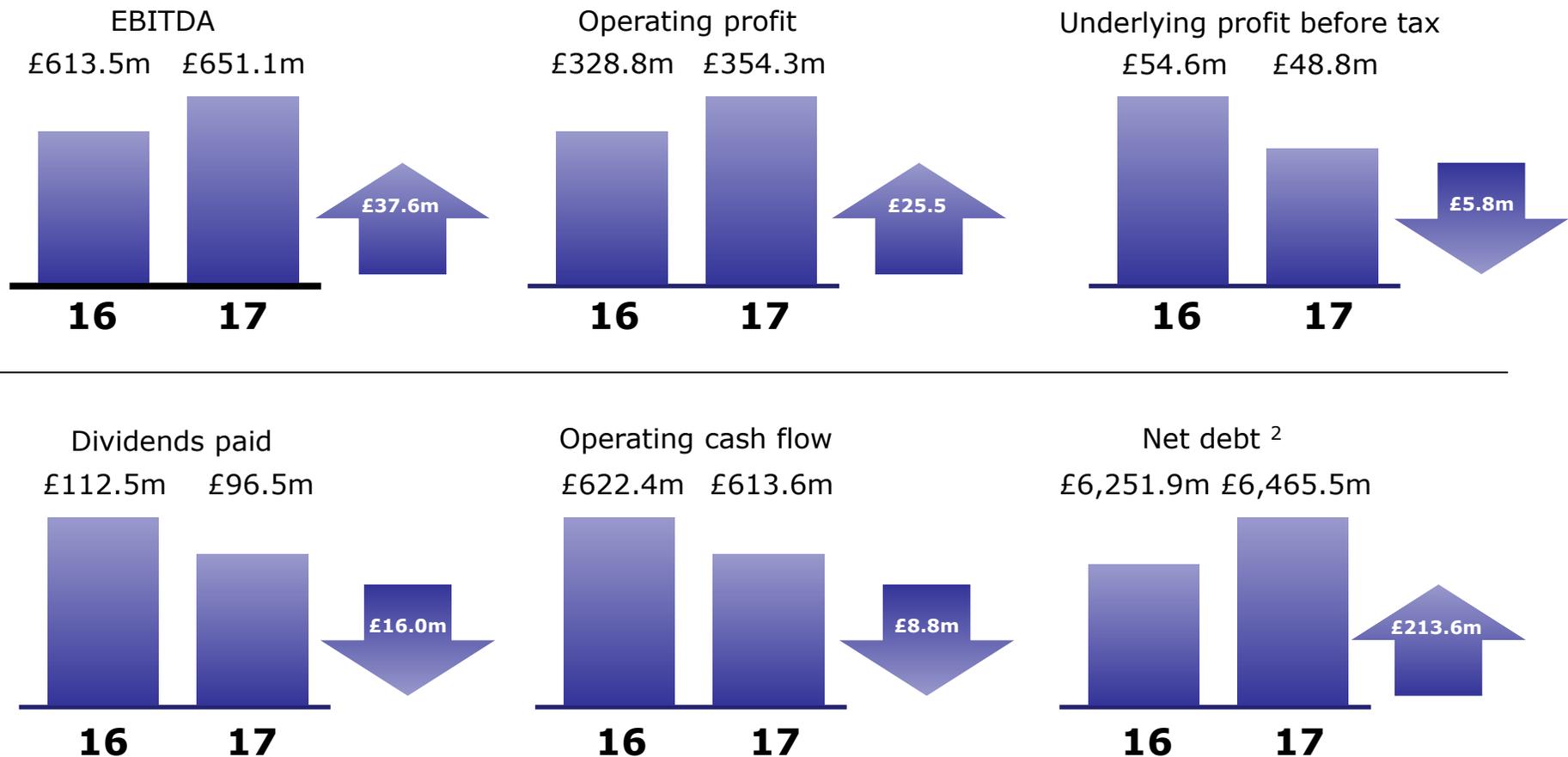
ICR = Interest Cover Ratio

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.

ANGLIAN VENTURE HOLDINGS BUSINESSES



- Strong operational and financial performance
- Market opening on 1st April 2017 saw c.150,000 customers transfer to AWBN on a new billing system
- Successful first year of Scottish Procurement operation with significant working capital cash flow benefit
- Announced joint venture between AWB National and Northumbrian Water Business for combined business retail offering
- Property downsizing continued reducing off balance sheet debt to c.£1m
- Following acquisition of Celtic Anglian Water in June 2016, now 100% owned by Anglian Venture Holdings



OSPREY ACQUISITIONS LTD

TAXATION



Year ended 31 March

	2017	2016
	£m	£m
loss before tax	(48.7)	(35.7)
tax at UK rate of 20% (2016: 20%)	(9.7)	(7.1)
items not deductible for tax	1.8	3.8
items not taxable	(2.3)	(0.7)
reduction in corporation tax rate ¹	(53.3)	(120.4)
effects of differences between rates of current and deferred tax	8.1	1.5
prior year adjustment	(12.9)	(13.3)
other items	(0.1)	(0.4)
tax credit for the period	(68.4)	(136.6)

¹ reduction in future corporation tax rates from 18% to 17.08% (2016: 20% to 18%) used to calculate deferred tax



SUMMARY



- Year two of AMP6 in line with the five year plan, building on our strong start
- Delivering sustainable Totex efficiencies
- At the forefront of the industry on influencing and leadership
- Strong cash generation and liquidity
- 2017/18 focus on Market Reform, Regulatory change and responding to changing customer influence



QUESTIONS?





Appendices

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1. Anglian Water - Reconciliation of CTA operating cash flow
2. Anglian Water - Reconciliation of CTA net debt
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4. Anglian Water - Summary of new loans and repayments
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14. Osprey Acquisitions - Dividends



ANGLIAN WATER

RECONCILIATION OF CTA OPERATING CASH FLOW

Year ended 31 March

	2017	2016
	£m	£m
Operating cash flow - statutory accounts basis	632.0	644.4
Tax paid	(19.8)	(16.9)
Commissions on facilities not used	(2.3)	(2.5)
Other items ¹	(5.3)	(4.0)
Net cash inflow from operating activities - CTA basis	604.6	621.0

¹ Other items include issue costs of new debt, adjustments for unrepresented cheques and cash in transit.



ANGLIAN WATER

RECONCILIATION OF CTA NET DEBT

	2017 £m	2016 £m
Net debt - statutory accounting basis ¹	6,045.1	5,833.6
Unpresented cheques and payments	0.3	0.5
Capitalised issue costs	26.6	25.0
IAS 39 adjustments	(242.1)	(164.0)
Unsecured solar lease	(0.4)	(0.4)
Net debt - CTA basis ¹	5,829.5	5,694.7

¹ 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



	2017 £m	2016 £m
Profit before tax on an underlying basis	84.1	89.1
Finance costs - fair value losses on financial and energy derivatives	(116.0)	(89.7)
Finance income - intragroup interest receivable	192.3	192.8
Profit before tax as reported in the statutory income statement	160.4	192.2



ANGLIAN WATER

SUMMARY OF NEW LOANS AND REPAYMENTS

Year ended 31 March

	2017		2016
	£m		£m
New Debt raised		New Debt raised	
£500m RCF	125.0		
Bilateral RCF	30.0		
USPP £214m 2026 (\$150m)	104.3		
£55m fixed 2.93% 2025	55.0		
£20m fixed 2.93% 2025	20.0		
£35m floating	35.0		
£200m GBP Class B 2027	200.0		
Total debt raised	569.3	Total debt raised	-
Debt repaid		Debt repaid	
€500m 27th June 2016:	(394.0)	£250m Class A 5.25% Bond Fixed to Floating 2015	(250.0)
Finance lease	(5.1)	Finance lease	(4.7)
£500m RCF	(70.0)	£175m RPI swap accretion 2030	(40.8)
Bilateral RCF	(30.0)	£150m RPI swap accretion 2024	(35.0)
Total debt repaid	(499.1)	Total debt repaid	(330.5)

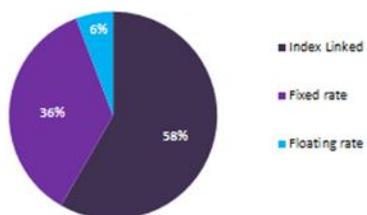


ANGLIAN WATER DEBT MATURITY PROFILE AS AT 31 MARCH 2017

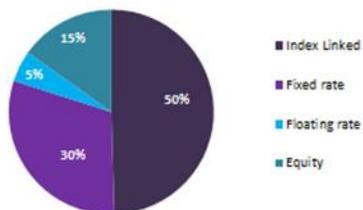
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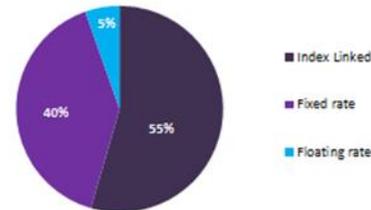
Proportion of Gross Debt



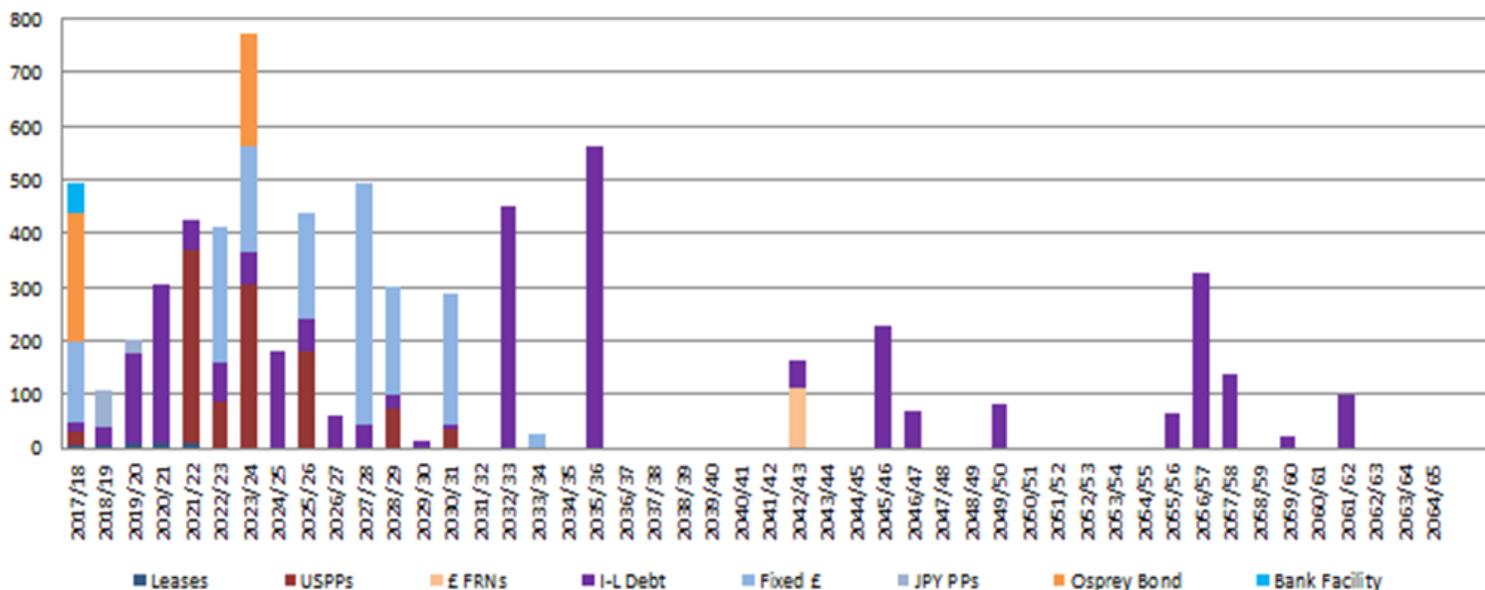
Proportion of RCV



Proportion of Gross Debt



Proportion of RCV





ANGLIAN WATER DERIVATIVES

Year ended 31 March

	Notional £m	MTM £m
Swap Type		
Interest Rate Swap	2,691.7	(322.7)
Cross Currency Interest Rate Swap	795.9	230.7
RPI Swap ¹	565.9	(593.1)
	4,053.5	(685.1)
Exercised Swaption ²	300.0	(205.7)
Other Derivatives	3,753.5	(479.4)
	4,053.5	(685.1)
Energy Derivatives	Notional £m⁴	MTM £m⁵
LEBA ³ Power Swaps	119.9	(24.9)

¹ The -£593.1m MTM value of the RPI swaps excludes accrued indexation which has already been charged to the profit and loss account amounting to £82.9m. The total £565.9m notional RPI swaps includes a £175m notional RPI Swap with a break clause. This break clause contains optional early termination on July 23 2022 and July 23 2027, applicable to both parties, but early termination is only exercisable by the bank counterparty should two or more rating agencies downgrade the rating of any of the Anglian Water Class A bonds below A-/A3/A by S&P, Moody's and Fitch. This break clause has subsequently been neutralised upon novation using 'springing swaps' which would re-instate the exposure should it be exercised.

² The swaption was exercised 27th June 2016 at a fixed rate of 4.75%.

³ LEBA = London Energy Brokers Association.

⁴ Notional value for Energy Derivatives represents locked in purchase price for power.

⁵ Including forward purchases from suppliers MTM of energy hedging instruments which is -£0.3m.



OSPREY ACQUISITIONS LTD

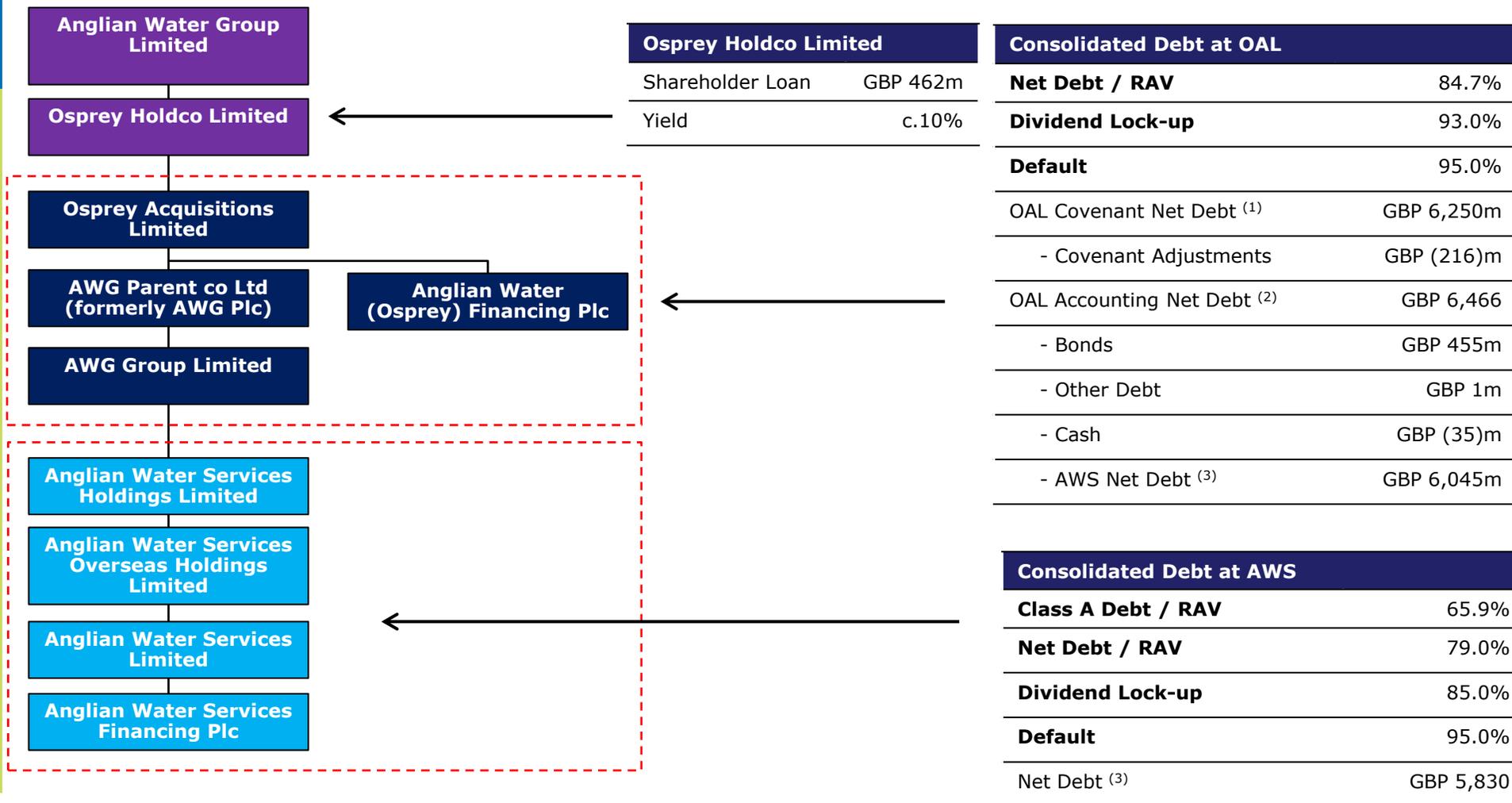
INCOME STATEMENT

Year ended 31 March

	2017	2016
	£m	£m
Revenue	1,235.2	1,193.7
Operating profit	354.3	328.8
Interest		
Interest	(230.3)	(231.5)
Indexation charge	(75.5)	(44.6)
share of joint ventures	0.3	1.9
PBTGAE	48.8	54.6
fair value losses on financial derivatives	(107.0)	(90.3)
profit on disposal of joint venture	9.5	-
Loss before tax	(48.7)	(35.7)

ANGLIAN WATER GROUP FINANCING STRUCTURE

CONSOLIDATED CAPITAL STRUCTURE AT 31 MARCH 2017



¹ OAL Covenant net debt excludes issue costs and IFRS adjustments

² Excludes Parent Co loan of £729m, fair value adjustments of £197m and derivatives

³ AWS net debt of £6,045 excludes derivatives and is prepared on an IFRS accounting basis, whereas Consolidated Debt at AWS of £5,830 is prepared on a Common Terms Agreement (CTA) basis



OSPREY ACQUISITIONS LTD

REVENUE SEGMENTAL ANALYSIS

Year ended 31 March

		2017 £m	2016 £m
Anglian Water	3.5%	<u>1,227.0</u>	<u>1,185.4</u>
Head Office and other		8.7	8.7
less : intersegmental trading		(0.5)	(0.4)
total revenue	3.5%	<u>1,235.2</u>	<u>1,193.7</u>



OSPREY ACQUISITIONS LTD

GROUP CASH FLOW

Year ended 31 March

	2017	2016
	£m	£m
Group operating cash flow	613.6	622.4
Dividends received from JVs	-	1.3
Taxation	(9.5)	(10.4)
Capital expenditure	(307.1)	(265.7)
Disposal of joint venture	14.0	-
Net interest paid	(269.3)	(261.3)
Repayment of accreted interest	-	(75.8)
Dividends paid	(96.5)	(112.5)
Indexation ¹	(61.4)	(33.7)
Other non-cash movements in net debt	(97.4)	(64.2)
Movement in net debt	(213.6)	(199.9)

¹ In addition to the above indexation on debt, there is a further £14.1m (2016: £10.9m) indexation on derivatives



OSPREY ACQUISITIONS LTD

NET DEBT

	2017 £m	2016 £m
Anglian Water¹	(6,045.1)	(5,833.6)
Non-regulated, including head office	12.8	15.2
	(6,032.3)	(5,818.4)
Osprey Acquisitions Limited		
£350m 7.0% bond 2018	(241.9)	(241.1)
£210m 5.0% bond 2023	(212.5)	(212.3)
Unamortised costs on undrawn bank facilities	2.1	1.5
net cash	19.1	18.4
Osprey Acquisitions Group²	(6,465.5)	(6,251.9)

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

² Excludes loan from parent company (£728.8m*) and fair value debt adjustments arising on acquisition (£197.5m)

* 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 2017 this quasi-equity subordinated loan stands at £728.8m

OSPREY ACQUISITIONS LTD

OPERATING CASH FLOW



Year ended 31 March

	2017	2016
Anglian Water	632.0	644.4
Head Office and other	(18.4)	(22.0)
Total operating cash flow	613.6	622.4

OSPREY ACQUISITIONS LTD

OPERATING PROFIT SEGMENTAL ANALYSIS



Year ended 31 March

	2017	2016
	£m	£m
Anglian Water	365.3	340.4
Head Office and other	(10.1)	(8.7)
	<hr/> 355.2	<hr/> 331.7
less JVs operating profit ²	(0.9)	(2.9)
underlying operating profit	<hr/> 354.3	<hr/> 328.8

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

² 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



	2017 £m	2016 £m
10 June 2016 (10 June 2015)	25.3	30.7
8 December 2016 (10 December 2015)	71.2	81.8
Total distributions to parent company	96.5	112.5



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every
drop. 

anglianwater