

Anglian Water Results

Six months ended 30 September 2015

Investor Presentation
4 December 2015

 LOVE EVERY DROP. PUT WATER AT THE HEART 
OF A WHOLE NEW WAY OF LIVING. 

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.

Agenda

- Business Performance Update
- Financial Summary

Peter Simpson

Chief Executive

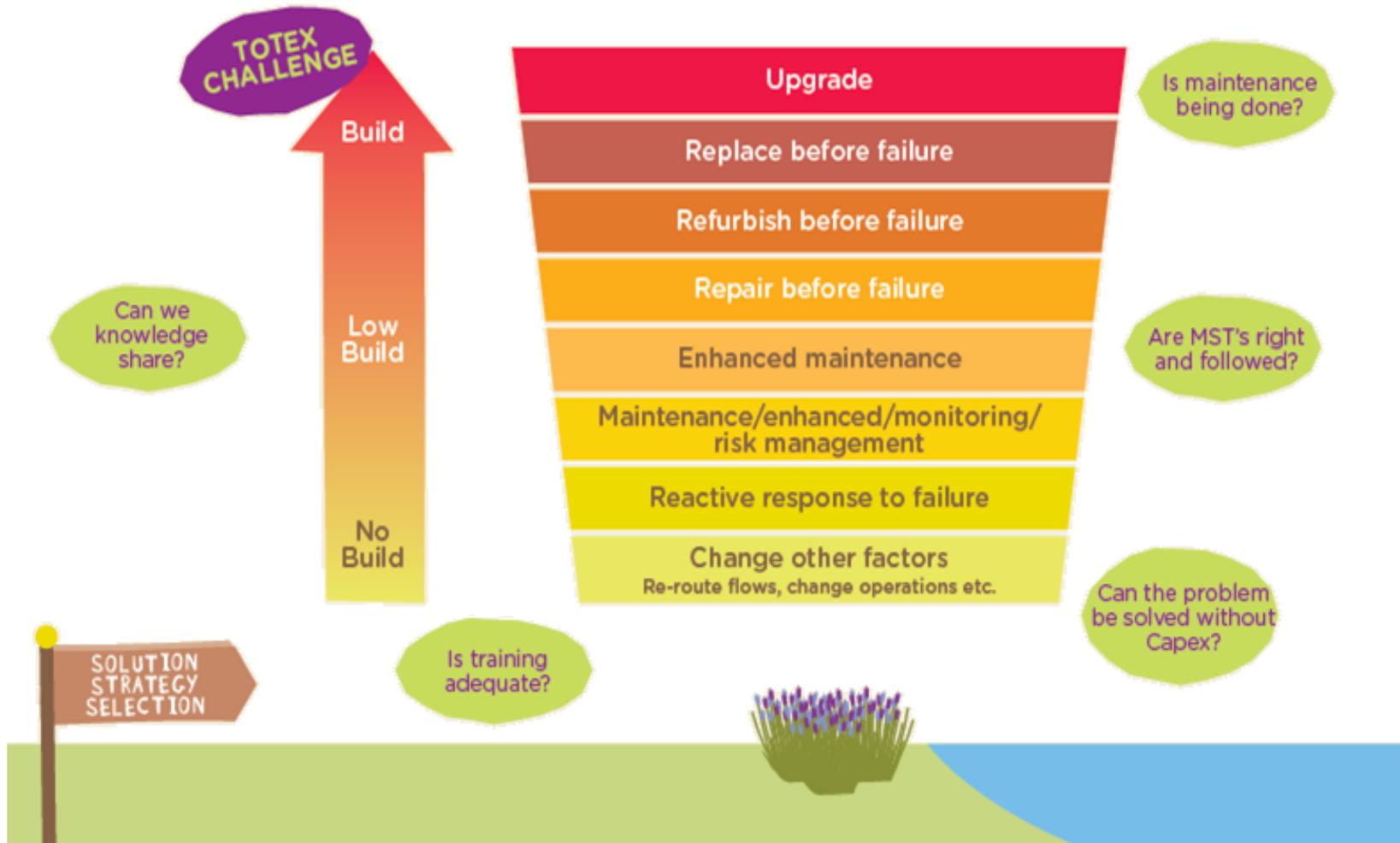
Business Performance Update

AMP6 underway: good progress to date



Lane4
Engagement, excellence, edge

Totex thinking: now at the heart of our business



Leading the industry

Key focus: making the case for improving resilience



- Ofwat's **Resilience Task and Finish Group**
- Defra's **Resilience Oversight Group.**
- Leading a national project to develop long term **water resources planning framework.**
- Establishing the **Water Resources East Anglia** leadership forum.

July 2015

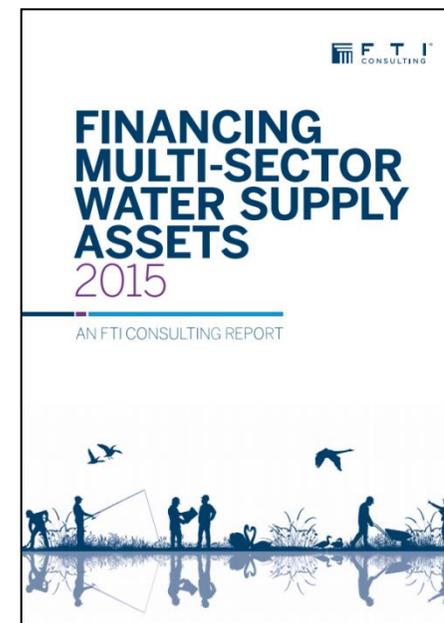
Trust in water

Towards Water 2020 – meeting the challenges for water and wastewater services in England and Wales



Contributing extensively to Ofwat's **Water 2020** programme:

- Challenges facing the sector.
- Approaches to access pricing and RCV allocation.
- Cost assessment and menus.
- FTI report on options for multi-sector assets.



Ofwat consider us a company that is forward thinking and can contribute to shaping the future

Recognising success



THE QUEEN'S AWARDS
FOR ENTERPRISE:
SUSTAINABLE DEVELOPMENT
2015

"...for embedding sustainability throughout its operations. It has adopted a commendable range of initiatives to improve the performance of itself and improve the sustainability of customers, supply chain organisations and others within the water industry."



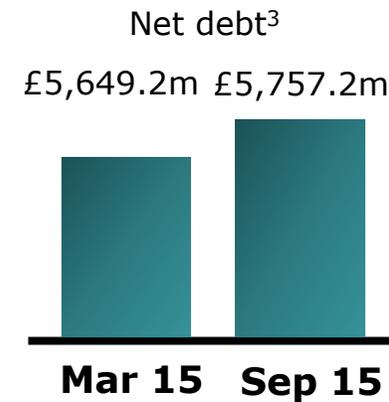
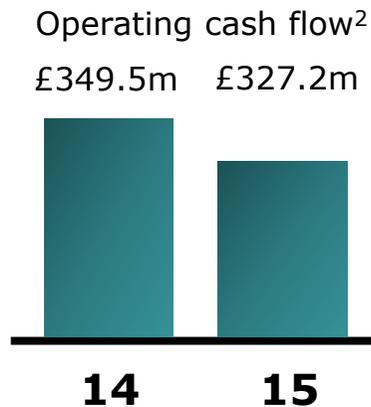
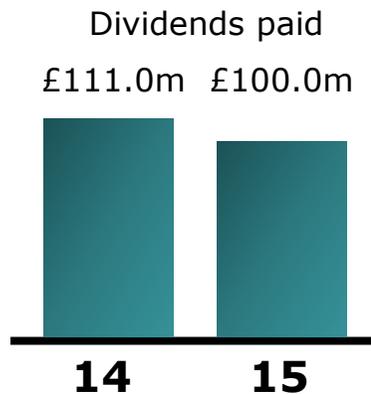
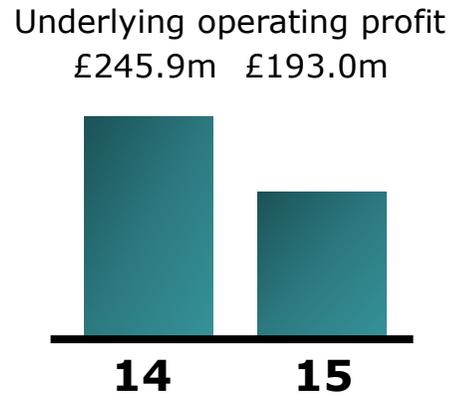
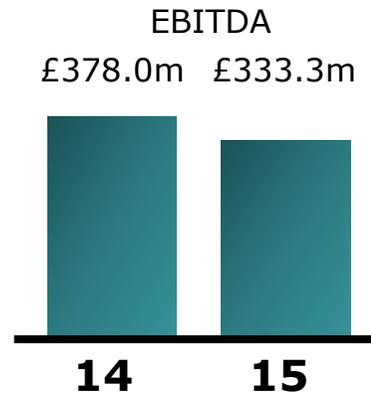
Scott Longhurst

Managing Director
Finance & Non Regulated Business

Financial Summary

Anglian Water Financial highlights

Six months ended 30 September



¹ Excludes interest received of £96.4m (2014: £96.4m) from AWS Holdings Ltd and loss on derivatives of £40.6m (2014: £36.3m).

² Shown on a statutory accounts basis. Net cash inflow from operating activities before tax on a CTA basis is £326.5m (2014: £371.0m).

³ Shown on a statutory accounts basis, excluding derivatives. Net debt on a CTA basis is £5,691.6m (March 2015: £5,632.0m).

Anglian Water Income statement¹



Six months ended 30 September

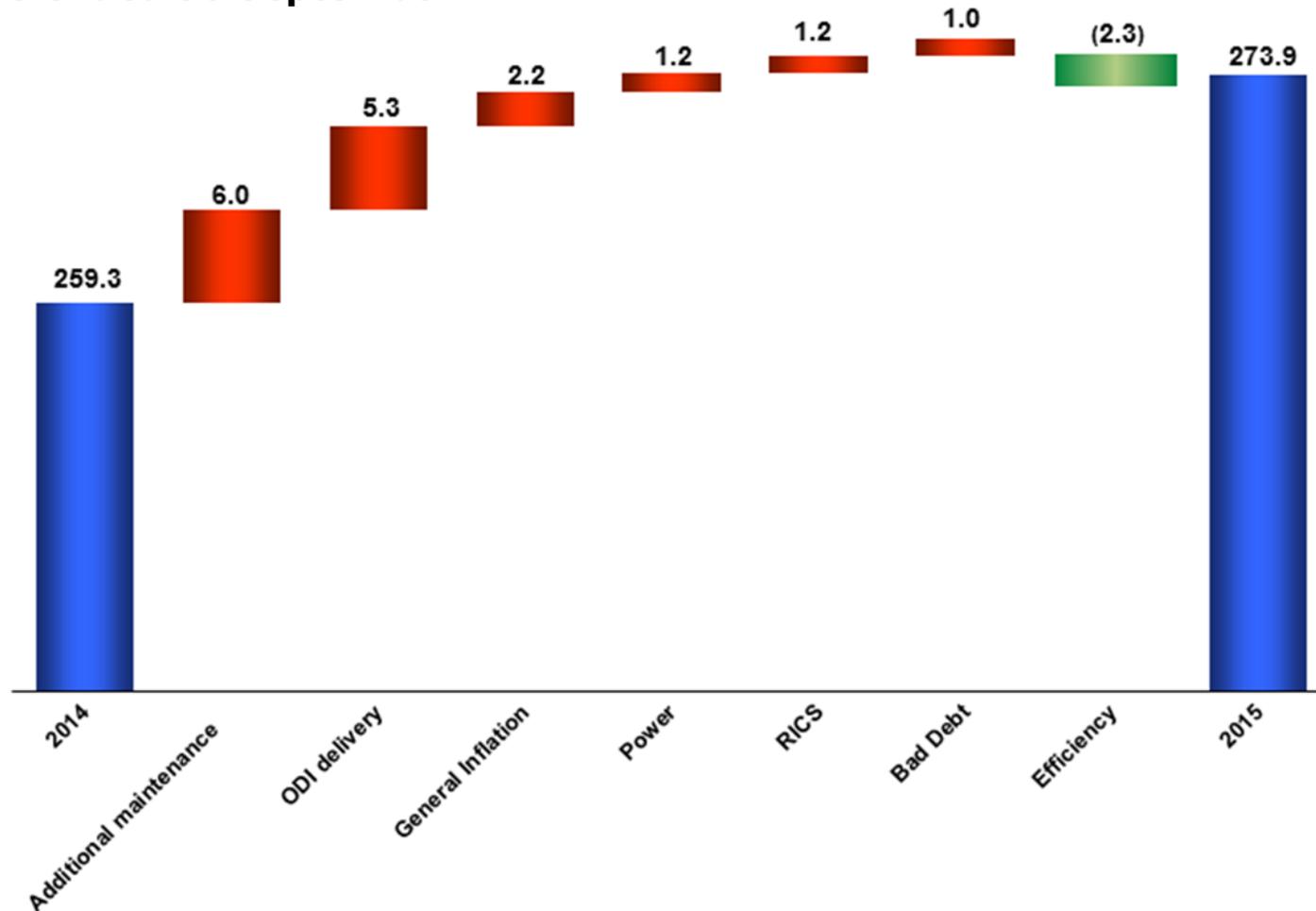
		2015 £m	2014 £m
Revenue	-4.7%	607.2	637.3
Underlying operating costs	5.6%	(273.9)	(259.3)
Underlying EBITDA	-11.8%	333.3	378.0
Other operating income		6.5	6.3
Depreciation and amortisation		(146.8)	(138.4)
Underlying operating profit		193.0	245.9
Margin		31.8%	38.6%
Interest (excluding indexation) ²		(105.4)	(101.7)
Indexation charge		(24.4)	(43.7)
Finance income		2.1	2.1
<i>Underlying net finance costs</i>		<i>(127.7)</i>	<i>(143.3)</i>
Underlying profit before tax		65.3	102.6

¹ Shown on an underlying basis (i.e. excluding fair value losses on financial and energy derivatives of £40.6m (2014: £36.3m)).

² Interest excludes the intra-group interest receivable of £96.4 m (2014: £96.4m). A reconciliation to the statutory profit before tax is provided in appendix 1.

Anglian Water Operating costs

Six months ended 30 September
£m

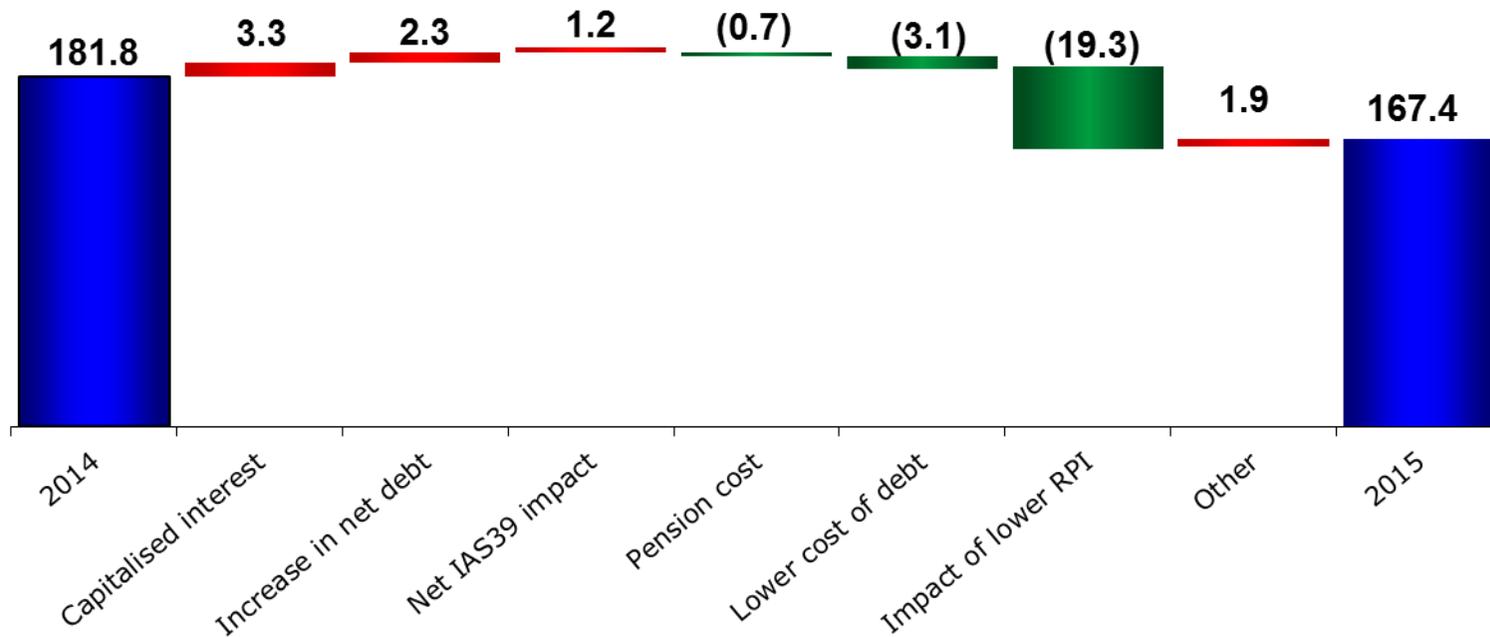


¹ Increase in minor repair and base maintenance activities. IFRS has increased volatility in operating costs for these activities which, in the past, would have been treated as capex under the old UK GAAP Infrastructure Renewals accounting rules

Anglian Water Interest¹

Six months ended 30 September

£m



¹ Excludes intra-group interest received of £96.4m (2014: £96.4m)

Anglian Water

Cash flow on CTA basis¹

Six months ended 30 September

	2015	2014
	£m	£m
Income	600.2	609.2
Opex and taxation ¹	(273.7)	(238.2)
Net cash inflow from operating activities ²	326.5	371.0
Capital maintenance expenditure	(79.6)	(84.8)
Post maintenance expenditure	246.9	286.2
Net interest	(125.0)	(126.3)
Free cash flow	121.9	159.9
Capital enhancement expenditure	(57.1)	(89.2)
Dividends	(100.0)	(111.0)
Pre-financing cash flows per CTA definition	(35.2)	(40.3)

¹ CTA cash flows are on a different basis to those presented in the interim financial statements

² See appendix 2 for reconciliation to statutory operating cash flow

Anglian Water

Movement in debt on CTA basis¹

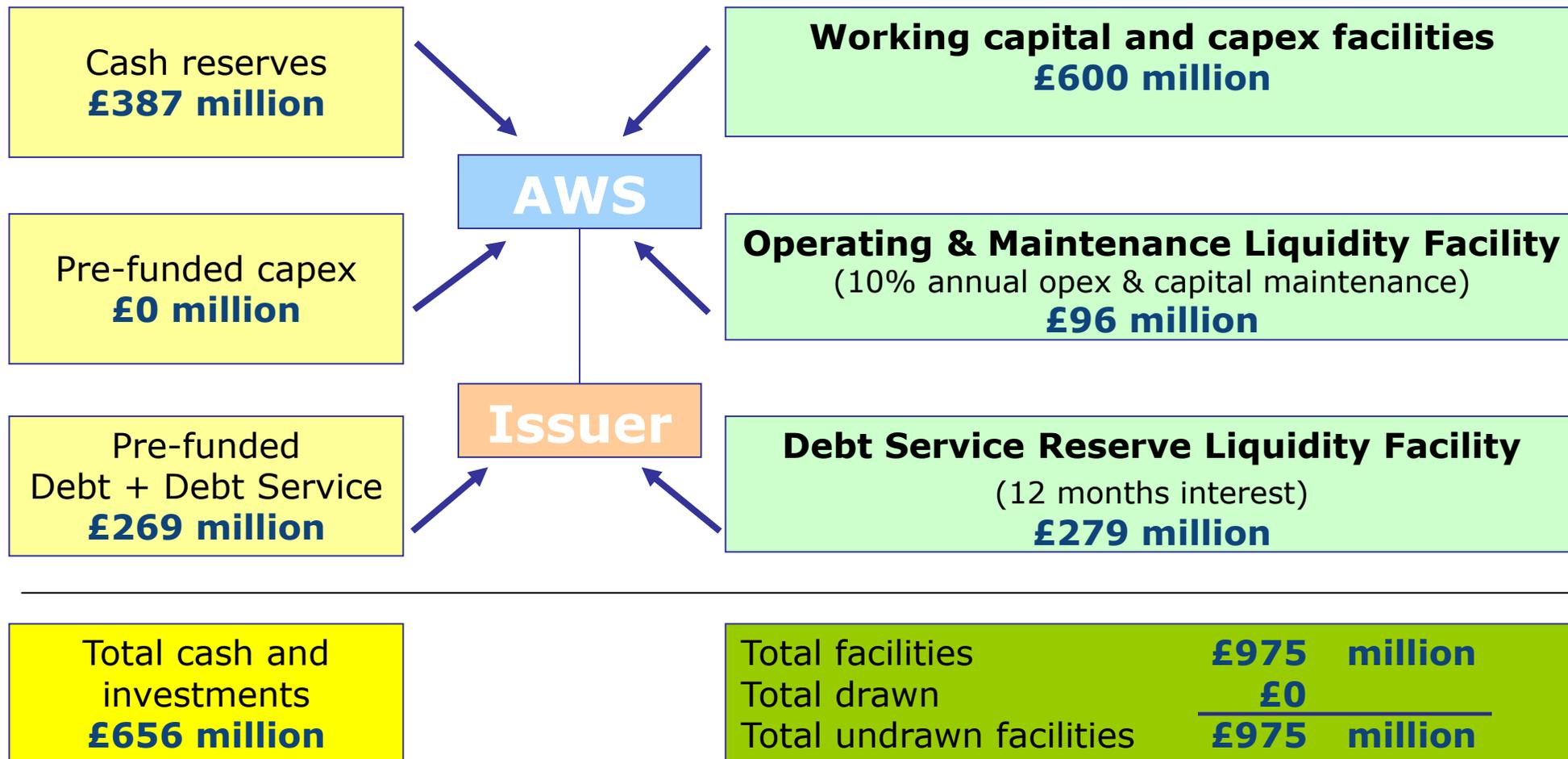
Six months ended 30 September



	2015 (£m)
Gross debt at 31 March 2015	(6,399.2)
New debt raised	-
PAYG Indexation Repayment	75.8
Indexation	(24.4)
Gross debt at 30 September 2015	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (6,347.8)
Less	
- Cash held for maturing debt and debt service	268.7
- Other cash	387.5
Net debt per CTA definition	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (5,691.6)

¹ CTA net debt is on a different basis to that presented in the interim financial statements (see appendix 3 for reconciliation)

Anglian Water Liquidity as at 30 September 2015



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.

Key financial ratios

Six months ended 30 September

Anglian Water Financial Ratios – Six Months Ended September 2015

	September 2015	Trigger Event	Default	September 2014	March 2015
Class A RAR	71.8%	75.0%	-	68.5%	68.4%
Senior RAR	83.0%	85.0%	95.0%	79.3%	79.2%
Class A ICR	2.8	-	1.6	3.3	4.2
Conformed Class A PMICR	1.7	1.3	-	1.7	2.2
Conformed Senior PMICR	1.5	1.1	-	1.5	1.9
Class A actual maintenance ICR	2.2	-	1.0	2.5	3.1

Osprey Acquisitions Limited Financial Ratios – Six Months Ended September 2015

	September 2015	Trigger Event	Default	September 2014	March 2015
Senior RAR	88.5%	93.0%	95.0%	84.9%	85.0%
Senior ICR	2.6	-	2.0	2.9	2.7
Dividend Cover Ratio	3.1	-	2.0	4.5	2.7

RAR = Regulated Asset Ratio

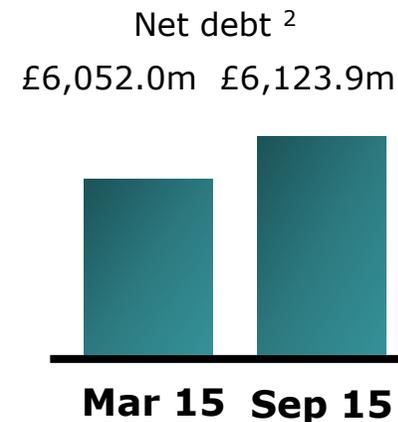
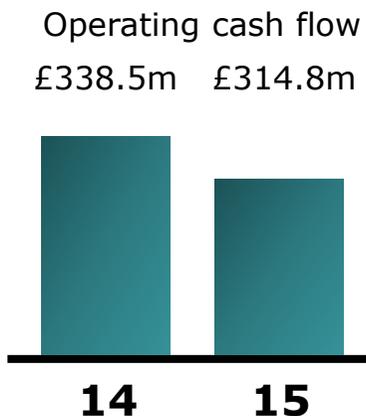
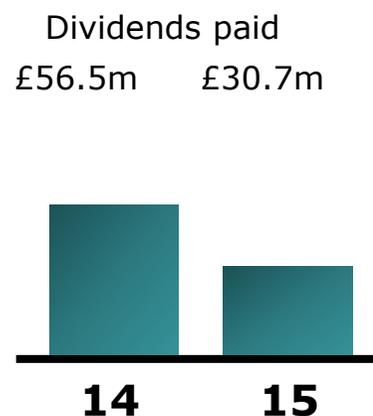
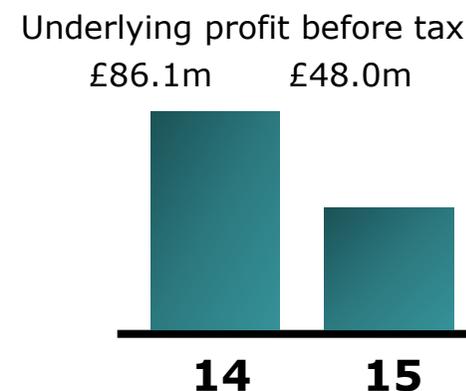
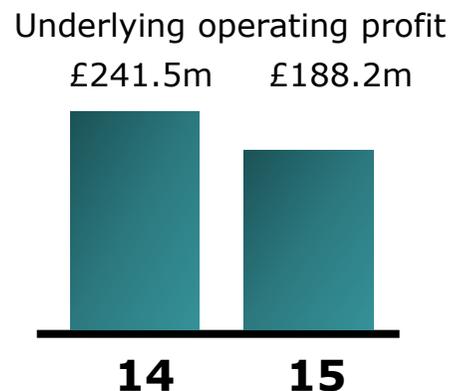
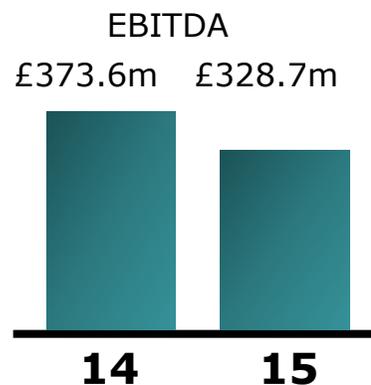
ICR = Interest Cover Ratio

PMICR = Post Maintenance interest Cover Ratio

Osprey Acquisitions Ltd

Financial highlights¹

Six months ended 30 September



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

Property

- Steady progress in the challenging UK commercial property market
- Operating loss of £0.2m in line with expectations, compared to a loss of £1.3m for the comparative period
- Capital employed reduced to £4.9m (£15.3m)

Other businesses

- Mainly comprises Celtic Anglian Water which is treated as a joint venture under IFRS
- Share of operating profit £0.7m, 2014 £0.8m

Osprey Acquisitions Ltd

Operating profit segmental analysis

Six months ended 30 September



	2015 £m	2014 £m
Anglian Water	193.0	245.9
AWG Property	(0.2)	(1.3)
Head Office & other	(3.2)	(1.9)
	189.6	242.7
less JVs operating profit ¹	(1.4)	(1.2)
underlying operating profit	188.2	241.5

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

Six months ended 30 September



	2015	2014
	£m	£m
profit before tax ¹	2.4	52.0
tax at UK rate of 20% (2014: 21%)	0.5	10.9
items not deductible for tax	1.2	0.7
items not taxable	(0.1)	-
prior year adjustment ²	(5.0)	-
other items	-	(0.1)
tax (credit)/charge for period	(3.4)	11.5

¹ After fair value loss on derivatives

² Prior year deferred tax credit that arose due to agreement of prior year tax computations

Osprey Acquisitions Ltd

Dividends

Six months ended 30 September



	2015 £m	2014 £m
10 June 2015 (10 June 2014)	30.7	56.5
Total distributions to parent company	<hr/> 30.7	<hr/> 56.5

Summary



- ✓ AMP6 started well, and on track to deliver our business plan targets
- ✓ Well progressed for Market opening for non house-hold customers in 2017
- ✓ Shaping and influencing regulatory changes beyond 2020
- ✓ Focus on cash management and business efficiency

Appendices

Index of appendices

1. Anglian Water – reconciliation of underlying profit before tax
2. Anglian Water – reconciliation of CTA operating cash flow
3. Anglian Water – reconciliation of CTA net debt
4. Debt maturity profile
5. Anglian Water – derivatives
6. Group Financing Structure Chart
7. Anglian Water - Summary of new loans and repayments
8. Osprey Acquisitions Ltd – Profit & Loss Account
9. Osprey Acquisitions Ltd – Group Cash Flow
10. Osprey Acquisitions Ltd – Net Debt

Anglian Water

Reconciliation of underlying profit before tax

Six months ended 30 September

	2015 £m	2014 £m
Profit before tax on an underlying basis	65.3	102.6
Operating costs - fair value (losses)/gains on energy hedges	(0.9)	2.2
Finance costs - fair value losses on financial derivatives	(39.7)	(38.5)
Finance income - intra group interest receivable	96.4	96.4
Profit before tax as reported in the statutory accounts	121.1	162.7

Anglian Water

Reconciliation of CTA operating cash flow

Six months ended 30 September

	2015	2014
	£m	£m
Operating cash flow - statutory accounts basis	327.2	349.5
Infrastructure renewals expenditure ¹	-	20.6
Commissions on facilities not used	(1.2)	(1.3)
Other items ²	0.5	2.2
Net cash inflow from operating activities - CTA basis	326.5	371.0

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

² Other items includes issue costs of new debt and adjustments for unrepresented cheques

Anglian Water

Reconciliation of CTA net debt

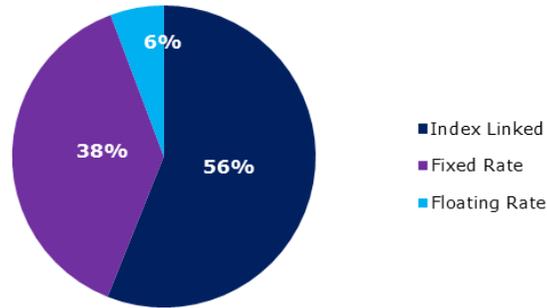
	September 2015 £m	March 2015 £m
Net debt - statutory accounting basis ¹	5,757.2	5,649.2
Unpresented cheques and payments ²	(5.5)	(10.0)
Uncleared statement cash	-	0.1
Capitalised issue costs	24.7	29.7
IAS 39 adjustments	(84.8)	(37.0)
Net debt - CTA basis	5,691.6	5,632.0

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

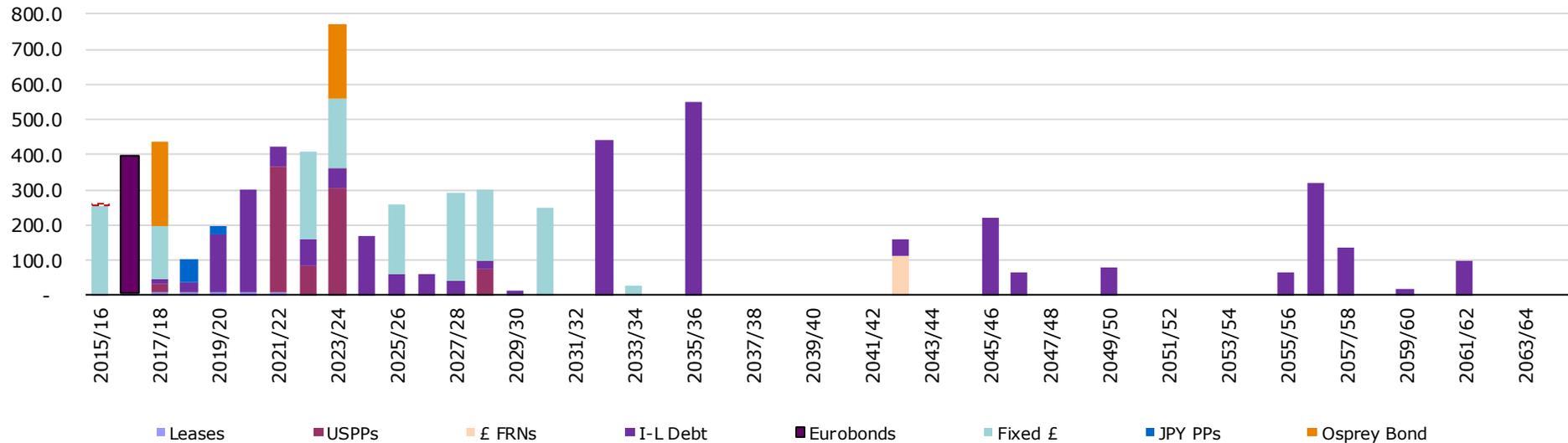
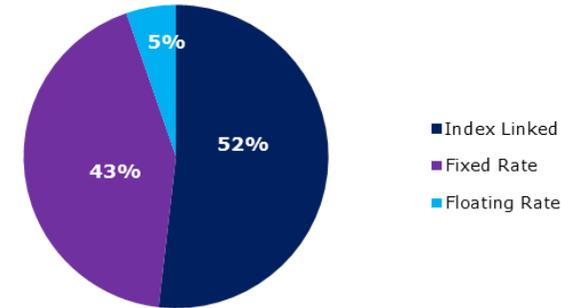
² September 2015 includes a BACS payment run for £5.5m which cleared the bank in October

Debt Maturity Profile as at 30 September 2015

AWS Interest Profile



OAL Interest Profile



Anglian Water Derivative Mark to Market Valuation

Six months ended 30 September 2015

	Notional £m	MTM £m
Swap Type		
Interest Rate Swap	2,247.8	(86.4)
Cross Currency Interest Rate Swap	1,085.6	56.5
RPI Swap ¹	565.9	(469.4)
	<hr/>	<hr/>
	3,899.3	(499.3)
With break clause ¹	175.0	(134.1)
Without break clause	3,724.3	(365.2)
	<hr/>	<hr/>
	3,899.3	(499.3)
Energy Derivatives		
	Notional £m ³	MTM £m ⁴
LEBA ² Power Swaps	117.8	(28.9)

¹ The -£469.4 MTM value of the RPI swaps excludes accrued indexation which has already been charged to the profit and loss account amounting to £65.0m. 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 A1/A3/A by S&P, Moody's and Fitch

² LEBA = London Energy Brokers Association

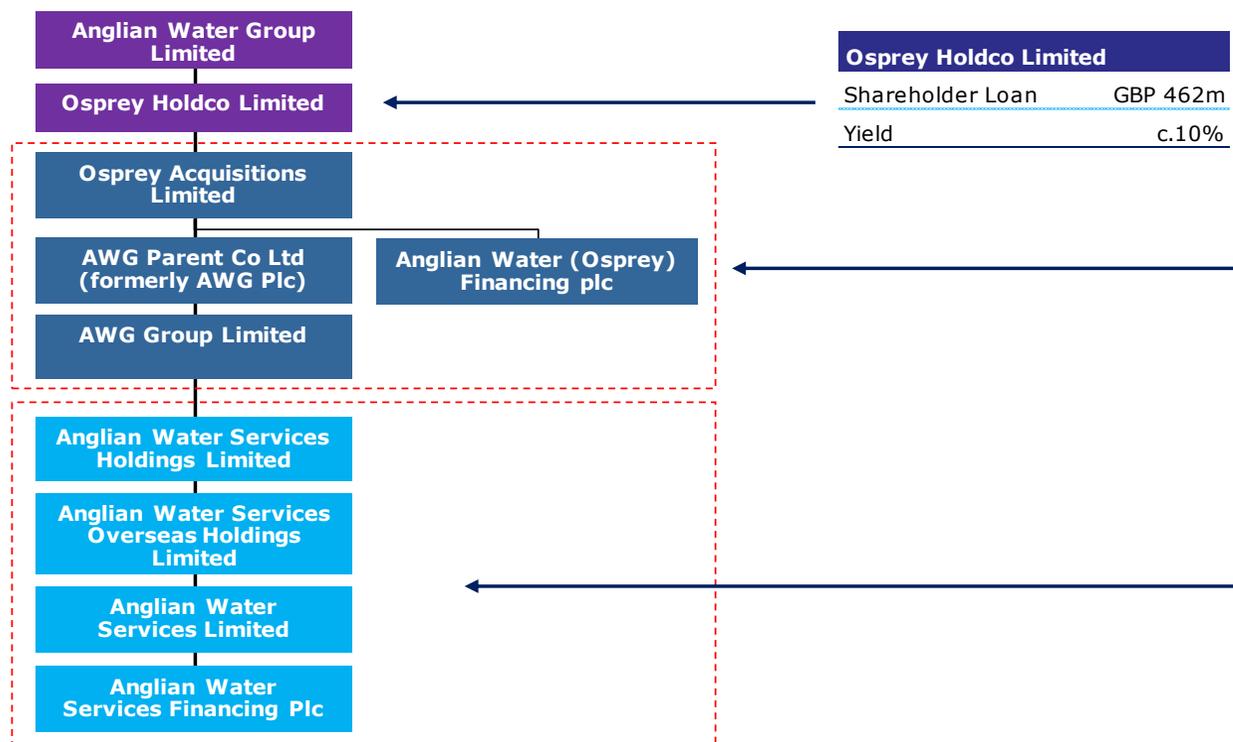
³ Notional value for Energy Derivatives represents locked in purchase price

⁴ Including forward purchases from suppliers MTM of energy hedging instruments is -£33.6m

Analysis excludes swaption transactions exercisable in June 2016 with a notional value of £300m and a MTM value of -£151.0m

Anglian Water Group financing structure

Consolidated Capital Structure at 30 September 2015



Osprey Holdco Limited

Shareholder Loan	GBP 462m
Yield	c.10%

Consolidated Debt at OAL

Net Debt / RAV	88.5%
Dividend Lock-up	93.0%
Default	95.0%
OAL Covenant Net Debt ⁽¹⁾	GBP 6,071m
- Covenant Adjustments	GBP (52)m
OAL Accounting Net Debt ⁽²⁾	GBP 6,124m
- Bonds	GBP 453m
- Other Debt	GBP (3)m
- Cash	GBP (83)m
- AWS Net Debt ⁽³⁾	GBP 5,757m

Consolidated Debt at AWS

Net Debt / RAV	83.0%
Dividend Lock-up	85.0%
Default	95.0%
Net Debt ⁽³⁾	GBP 5,692m

(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 £223m and derivatives

(3) AWS net debt of £5,757m excludes derivatives and is prepared on an IFRS accounting basis, whereas Consolidated Debt at AWS of £5,692m if prepared on a Common Terms Agreement (CTA) basis

Anglian Water

Summary of new loans and repayments

Six months ended 30 September

	2015 £m		2014 £m
		Debt raised	
		EIB Tranche 2 £125m 0.1% 2029	125.0
Total debt raised	-	Total debt raised	125.0
		Debt repaid	
£150m RPI Swap 2024 ¹	(35.0)	£100m Class B 6.75% Bond Fixed to Floating 2024	(60.9)
£175m RPI Swap 2030 ¹	(40.8)	Finance lease RTS	(4.6)
Total debt repaid	(75.8)	Total debt repaid	(65.5)

¹ Repayment of accreted indexation

Osprey Acquisitions Ltd

Profit and loss account

Six months ended 30 September

	2015	2014
	£m	£m
Revenue	610.7	641.3
Underlying operating profit	188.2	241.5
Interest		
Interest	(116.5)	(111.9)
Indexation charge	(24.4)	(43.9)
share of joint ventures	0.7	0.4
PBTGAE	48.0	86.1
fair value (losses)/gains on energy hedges	(0.9)	2.2
fair value losses on financial derivatives	(44.7)	(36.3)
Profit before tax	2.4	52.0

Osprey Acquisitions Ltd

Group cash flow

Six months ended 30 September

	2015 £m	2014 £m
Group operating cash flow	314.8	338.5
Taxation	(0.2)	0.3
Capital expenditure	(130.1)	(162.8)
Net interest paid	(154.4)	(147.2)
Repayment of accreted interest	(75.8)	-
Dividends paid	(30.7)	(56.5)
Indexation ¹	(17.4)	(33.8)
Other non-cash movements in net debt	21.9	9.4
Movement in net debt	(71.9)	(52.1)

¹ In addition to the above indexation on debt, there is a further £7.0m indexation on derivatives

Osprey Acquisitions Ltd

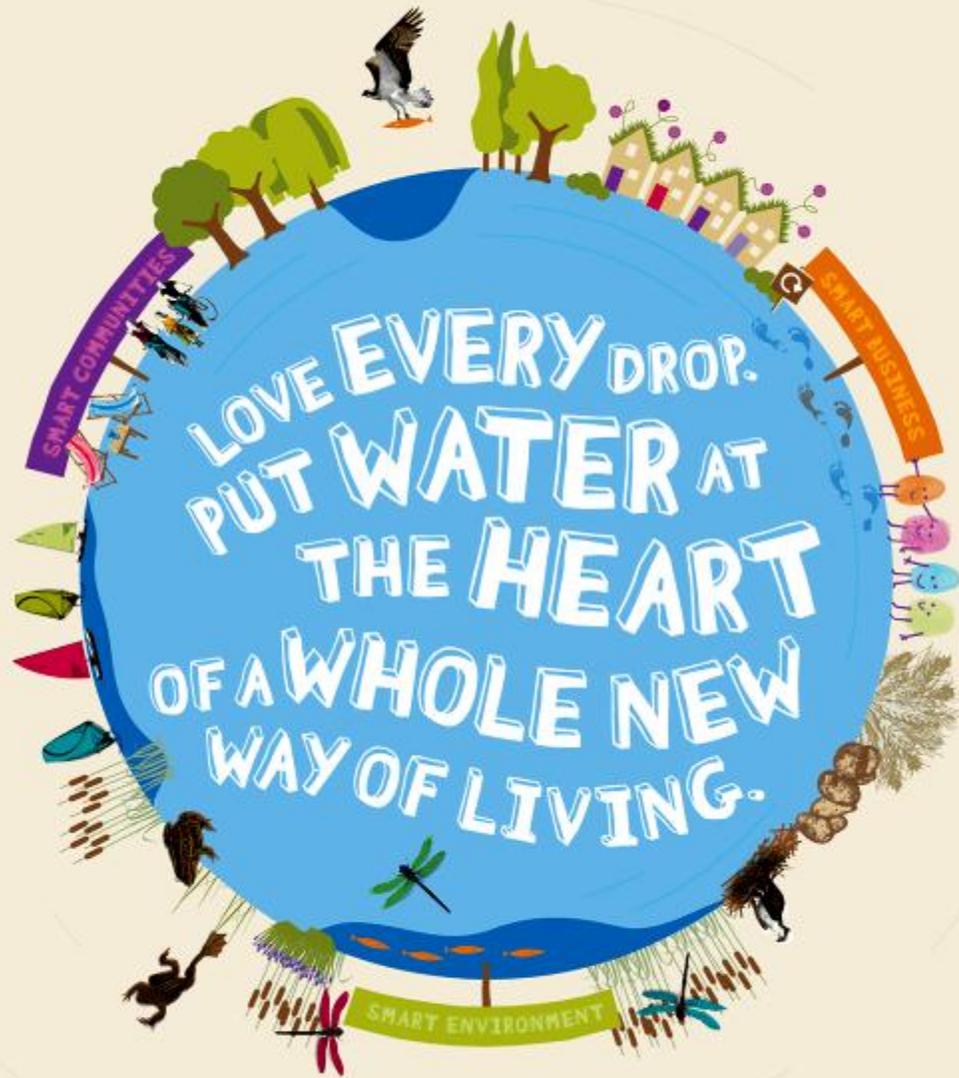
Net debt

	September 2015 £m	March 2015 £m
Anglian Water¹	(5,757.2)	(5,649.2)
Non-regulated, including head office	64.1	35.2
	(5,693.1)	(5,614.0)
Osprey Acquisitions Limited		
£350m 7.0% bond 2018	(240.7)	(361.8)
£210m 5.0% bond 2023	(212.2)	-
£125m term facility	1.7	(98.2)
net cash	20.4	22.0
Osprey Acquisitions Group ²	(6,123.9)	(6,052.0)

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 (£223.3m)

* 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 2015 this quasi-equity subordinated loan stands at £728.8m



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drop. 
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