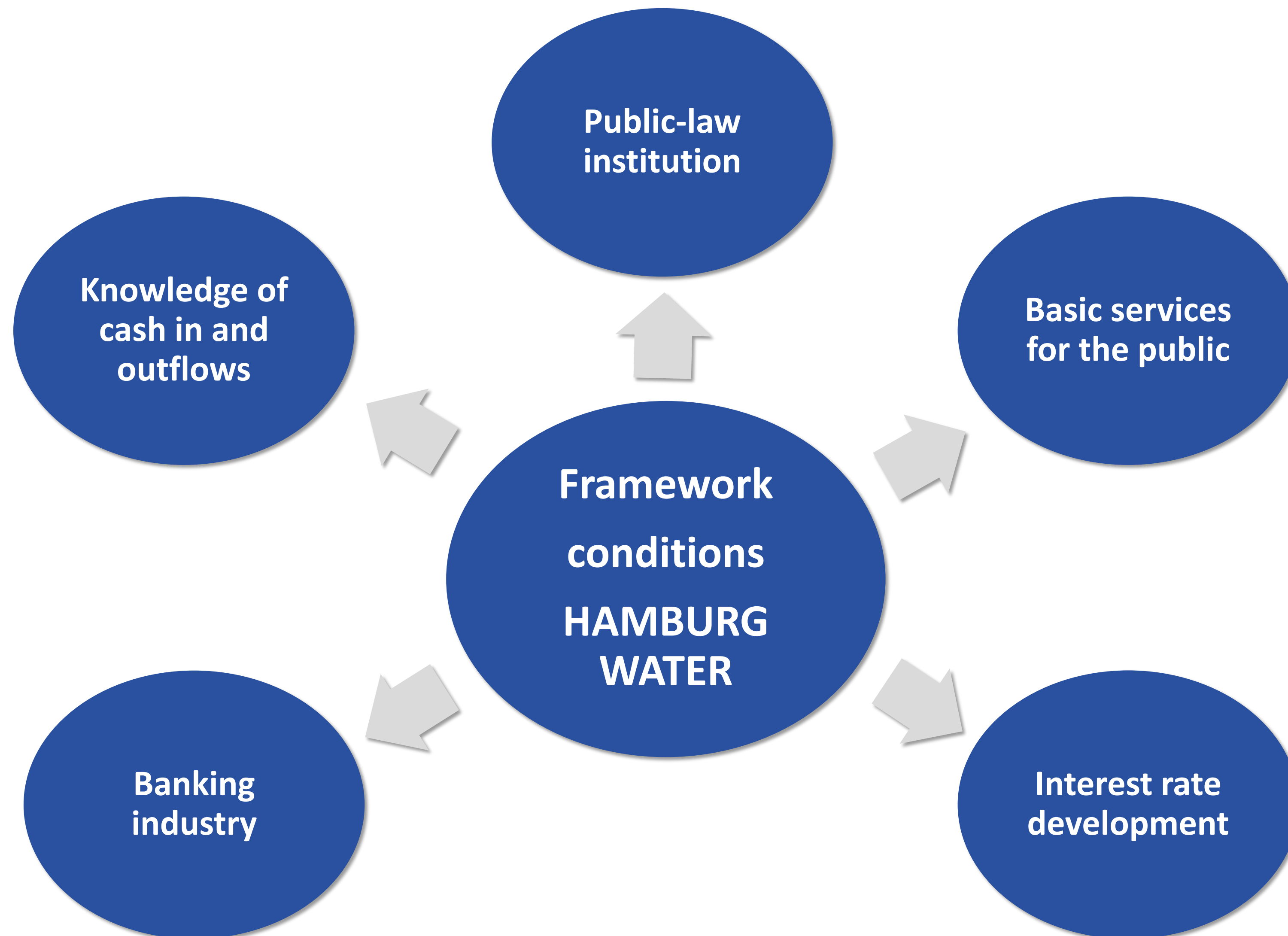


FINANCIAL STRUCTURE IN A LONG-TERM ASSET ENVIRONMENT

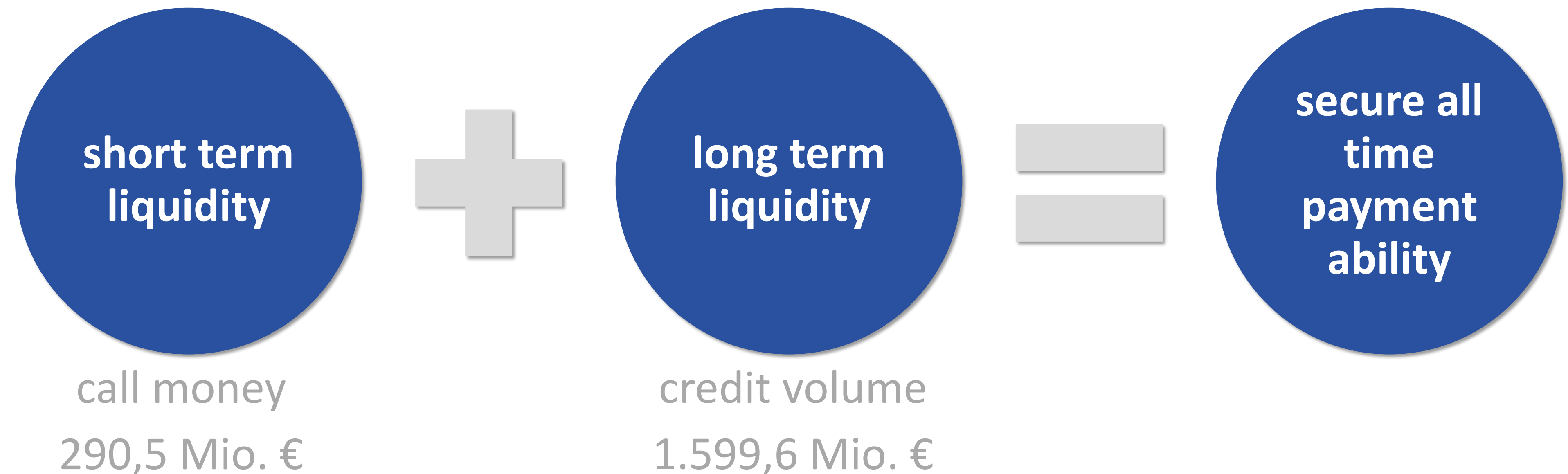
Long-term investments e.g. in sewage tunnels require borrowed capital. The lent term of borrowed capital is by far shorter than the depreciation time. How can this situation be dealt with in order to achieve all time payment ability?

Jan Brinkmann | 18.09.2017

1. Institutional setting: What were the framework conditions for the practice that will be presented? (e.g. policy, legal regulation, instrument, reform approach, demand by people etc.; which actors/stakeholders were involved?)



2. Starting point: What was the main challenge / issue / problem to be addressed by the practice?



Realizing that borrowed money will always be a necessary module of the financing mix

How can we deal with the gap between asset lifetime and lent term

Defining an integrated process for all HAMBURG WATER companies in a short and long term perspective

Main task of the cash management is to ensure all time money availability for the best price

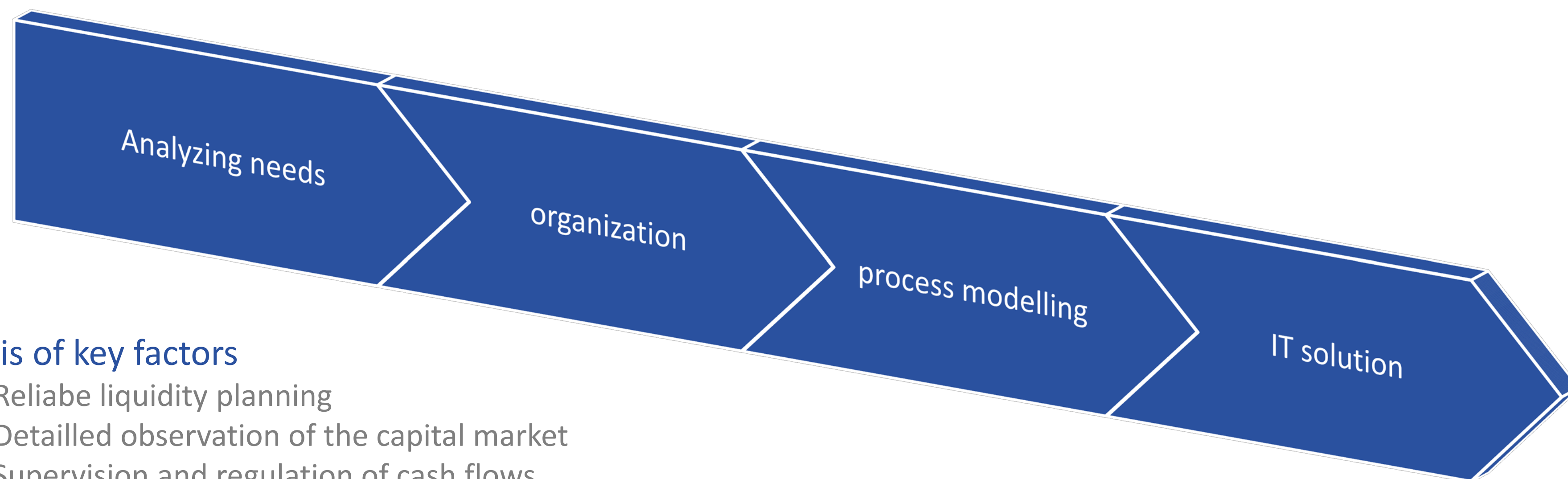
~ Daily surveillance and clearing of 20 bank accounts

~ Ensuring money supply for 6 major companies

~ Using all possible financing potential (debt obligation; bilateral credit; sponsored loan – EIB; KfW etc.)

data status 31.12.2016

3. Approach: Which methods, tools or instruments have been developed and were applied to address the challenge?



Analysis of key factors

- ~ Reliabe liquidity planning
- ~ Detailed observation of the capital market
- ~ Supervision and regulation of cash flows

Organization in one central unit since september 2015

- ~ Responsible for all HAMBURG WATER companies
- ~ Integrated process of short term- and long term money supply

Process modelling from scratch

- ~ Needs of our company
- ~ Best fitting IT solution for our defined processes

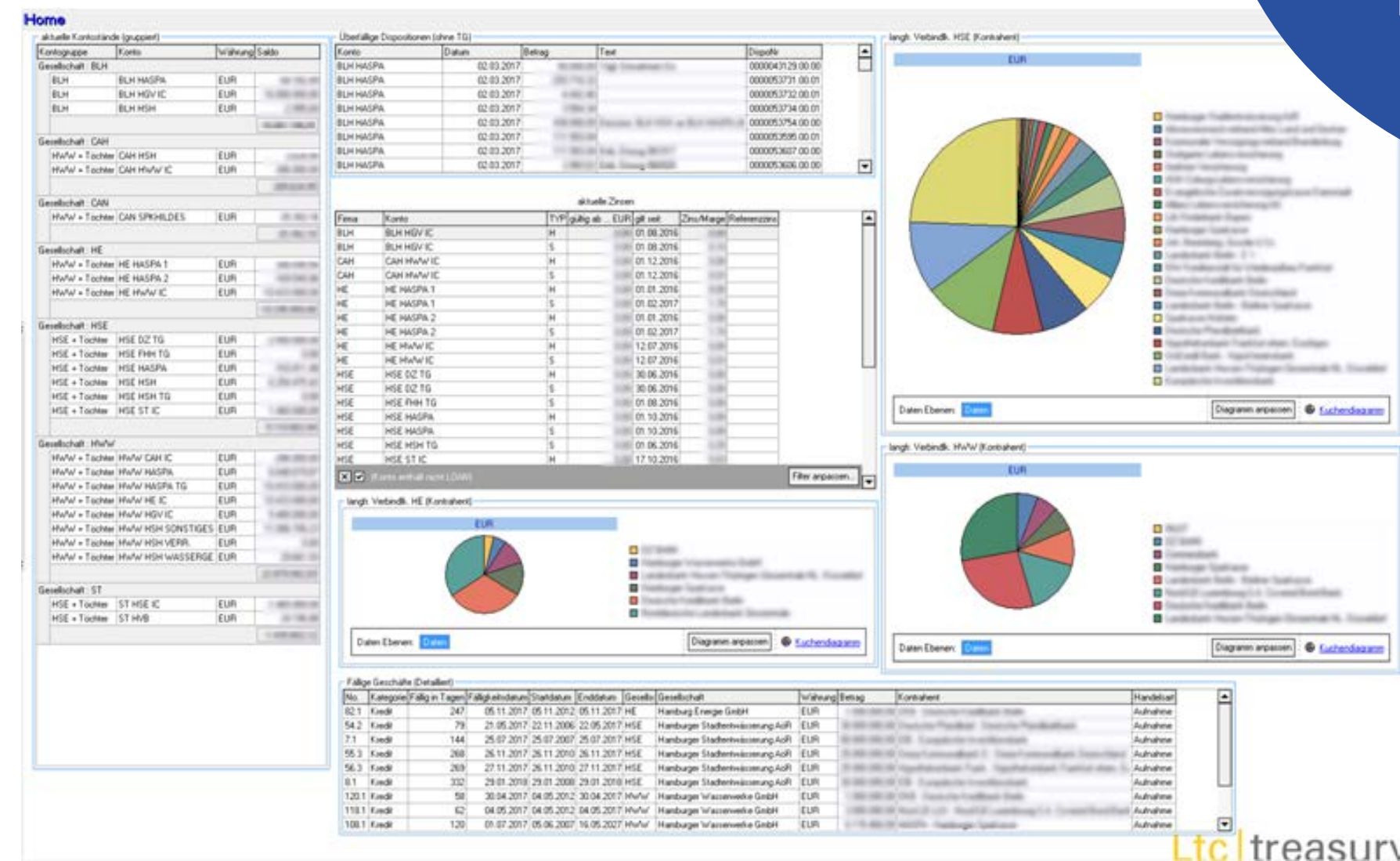
Implementing a treasury suite

- ~ Reduction of error rate by automated processing
- ~ Increase of speed in financial transactions in a mass payment environment

4. Outputs: Which were the concrete tangible results, outcomes and/or impacts of the good practice and how do they ensure sustainability of the practice?

Advantages resulting from the remodelling of the process

- 360 degree awareness
- more accurate data quality
- avoiding data redundancy
- auditing acceptability
- stable system
- all information at a glance
- precise prediction of the amount of needed external finance
- professional appearance in the eye of investors



5. Lessons: What are the main lessons learnt in the course of implementation of the good practice?

- ~ Detailed analysis of the financing process as a basis for all decisions
- ~ Understanding the financing process as an integrated mechanism between short term and long term financing
- ~ A centralized organizational unit prevents deficits in communication
- ~ Implementation of an IT-based treasury system leads to process stability

6. Follow up: Are there any open questions that need to be dealt with?

Affected by interest rate development and own risk strategy:

- ~ The ratio of call money and long term bonds
- ~ Lent term of credit portfolio

Number of investors willing and able to supply credit may vary

Change in own investment strategy may result in different amount of credit based financing

➔ Necessity to permanently adapt the strategy to market development and changing framework conditions



THANK YOU FOR YOUR ATTENTION

Jan Brinkmann