

Our strategy.

Our strategy is simple. We focus on delivering value by providing quality water and waste water services.

One of the continuing features of our strategy is that it works. Our strategy has resulted in Kelda progressing to become one of the most efficient companies in the sector. Our objective is to maintain our focus on performance, which we believe to be in the best interests of our shareholders and customers.

Our water and waste water services deliver significant benefits and underpin the social and economic wellbeing of the communities in which we operate. Yet we are not complacent. Our 3,300 employees constantly strive to improve the services we provide to our customers.

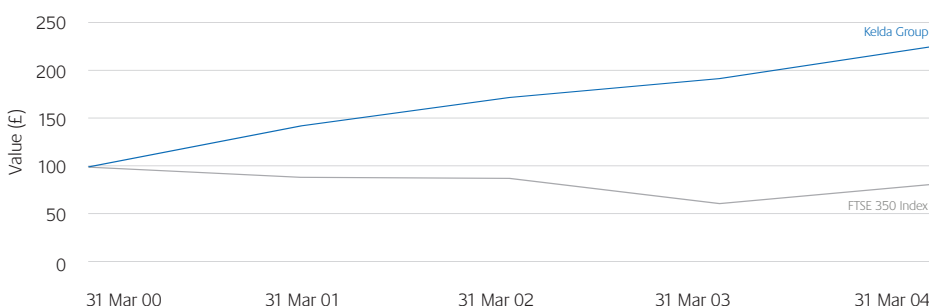
In addition, we will continue to use our core skills in water and waste water management to help grow our non regulated businesses.

The focus remains on developing long term, low risk, secure income streams with potential for increased activity in the future.

We have established a solid platform from which the continuation of our strategy will provide growth in the future. The price reviews which are in progress in the UK and US will present significant challenges. The strategy behind our plan is to provide a fair and balanced approach

with the aim of providing best value to customers while securing the financial and operational sustainability of the business. Our focus will ensure we are well placed to maximise the opportunities which will arise from these price reviews.

Total shareholder return.



This graph shows the value, by end of March 2004, of £100 invested in Kelda Group on 31 March 2000 compared with the value of £100 invested in the FTSE 350 index.