# Kelda Group plc

Presentation of interim results
December 5 2001

# Key Figures

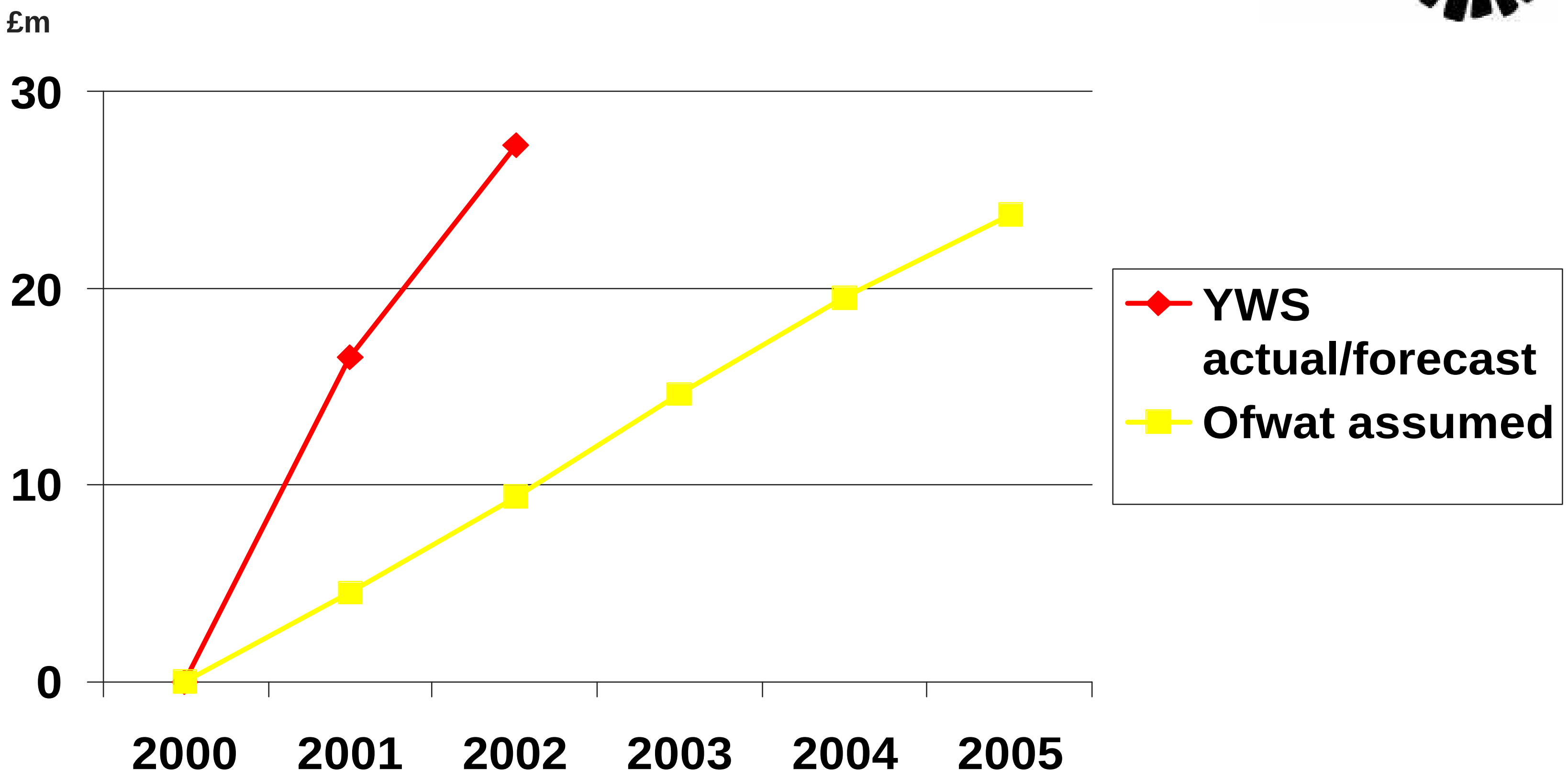
## Six months ended 30 September 2001

| | 2001<br>£m | 2000<br>£m |
|---|---|---|
| Group turnover (continuing operations) | 329.8 | 315.3 |
| Group operating profit (continuing operations) | 132.5 | 121.6 |
| Profit before taxation | 91.4 | 81.0 |
| Earnings per share (stated after deferred tax) | 19.2p | 17.2p |
| Interim dividend per share | 7.7p | 7.5p |

# Yorkshire Water financial performance

- Turnover increased 3.4% to £282.5m (£273.3m)
- Operating profit increased by 5.6% to £119.3m (£113m)
- Regulated opex reduced by further 1%
- All operating cost effects of capital schemes absorbed
- Capital programme delivery and efficiency on track

# Opex outperformance




2001/02 prices

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# Yorkshire Water operating performance - compliance

- Best ever levels of drinking water compliance
- 100% compliance of waste water treatment works
- EA reports on river quality - dramatic improvement
- All major coastal works commissioned
- 100% bathing water quality compliance

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Making Everything Clear
River deep, quality high.
Yorkshire Water

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Get out of town.
Yorkshire Water
Yorkshire's coastal water is as clean as ever.

# Yorkshire Water operating performance - service

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- Ofwat level of service reports
- Only one WASC performed better
- Lowest number of customers with low pressure
- Best ever performance on customer call/query handling
- New customer management IT system commissioned

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The only way most people can tell the difference between bottled and tap water?
Bottled water 60p
Yorkshire Water
Tap water 0.0059p

# Summary

- Very satisfactory financial performance
- Visible environmental benefits
- Service improvements in all areas

# Aquarion

- Satisfactory financial performance
- Major acquisition announced

  - strategic fit and modest price
  - integration and regulatory processes

- Land sale approved by the State of Connecticut
- Future developments

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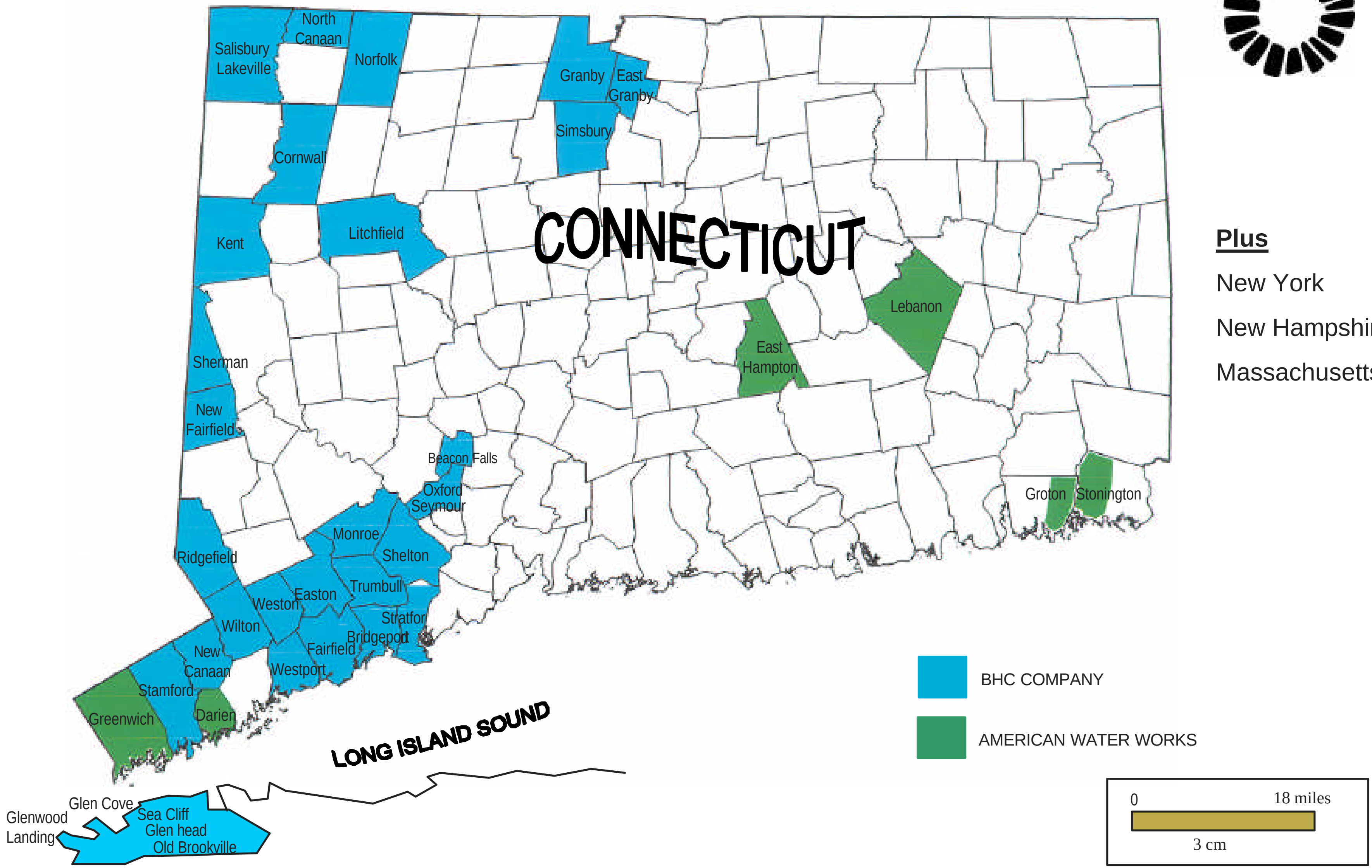
# Aquarion service area




**Plus**

New York

New Hampshire

Massachusetts

# Other businesses

- Waste Recycling
  - Hanson acquisition benefits
  - strengthened management
- KeyLand
  - key contracts delayed to second half
  - other developments progressing well
- Disposal of First Renewables
  - behind schedule but progress being made

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# Summary financial results

## Six months ended 30 September 2001

| | 2001 £m | 2000 £m | Movement % |
|---|---|---|---|
| Turnover (including associates) | 394.3 | 396.3 | (0.5) |
| - Continuing operations | 329.8 | 315.3 | 4.6 |
| - Associates (continuing) | 64.5 | 45.1 | 43.0 |
| - Discontinued operations | 0.0 | 35.9 | |
| Operating profit (including associates) | 141.6 | 130.4 | 8.6 |
| - Continuing operations | 132.5 | 121.6 | 9.0 |
| - Associates (continuing) | 9.1 | 7.7 | 18.2 |
| - Discontinued operations | 0.0 | 1.1 | |
| Group profit before taxation | 91.4 | 81.0 | 12.8 |
| Earnings per share (after deferred tax) | 19.2p | 17.2p | 11.6 |
| Dividend per share | 7.7p | 7.5p | 2.7 |

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# Movement in headline profit

## Six months ended 30 September 2001

| | £m | £m |
|---|---|---|
| 2000 profit before taxation | | 81.0 |
| | | |
| Movement in operating profit | | |
| - Yorkshire Water | 6.3 | |
| - Aquarion | 1.3 | |
| - WRG | 1.8 | |
| - Other activities | (3.3) | |
| - Discontinued activities | (1.1) | |
| - Corporate | 1.3 | |
| - Strategy review costs | 4.9 | |
| | | 11.2 |
| Decrease (increase) in interest | | |
| - group | | 1.6 |
| - associates | | (2.2) |
| | | |
| Investment income | | (0.2) |
| | | |
| 2001 profit before taxation | | **91.4** |

# Segmental analysis of turnover (including associates)

## Six months ended 30 September 2001

| | 2001 £m | 2002 £m |
|---|---|---|
| Water services: | | |
| - Yorkshire Water (UK regulated) | 282.5 | 273.3 |
| - Aquarion | 42.5 | 38.5 |
| Waste Recycling Group | 59.4 | 40.0 |
| Other activities | 9.9 | 8.6 |
| Discontinued operations | 0.0 | 35.9 |
| | **394.3** | **396.3** |

# Segmental analysis of operating profit (including associates)

## Six months ended 30 September 2001

| | **2001** | **2000** |
|---|---|---|
| | **£m** | **£m** |
| Water services: | | |
| - Yorkshire Water (UK regulated) | 119.3 | 113.0 |
| - Aquarion | 17.0 | 15.7 |
| Waste Recycling Group | 9.1 | 7.3 |
| Other activities | (1.4) | 1.9 |
| Discontinued activities | 0.0 | 1.1 |
| | 144.0 | 139.0 |
| Corporate costs | (2.4) | (3.7) |
| Strategy review costs | 0.0 | (4.9) |
| | **141.6** | **130.4** |

# Taxation

## Six months ended 30 September 2001

| | 2001 £m | 2000 £m |
|---|---|---|
| Actual tax | 11.5 | 8.8 |
| Deferred tax | 6.2 | 6.2 |
| Profit and loss account charge | 17.7 | 15.0 |
| Effective tax rate excluding deferred tax | 12.6% | 10.9% |
| Effective tax rate including deferred tax | 19.4% | 18.5% |

# Earnings per share

## Six months ended 30 September 2001

| | 2001<br>p | 2000<br>p | Increase<br>% |
|---|---|---|---|
| **Post-deferred tax** | | | |
| Earnings per share | 19.2 | 17.2 | 11.6 |
| Adjusted earnings per share | 19.2 | 17.2 | |
| **Pre-deferred tax** | | | |
| Earnings per share | 20.8 | 18.8 | 10.6 |
| Adjusted earnings per share | 20.8 | 18.8 | |

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# Movement in group net debt

## Six months ended 30 September 2001

| | 2001<br>£m | 2000<br>£m |
|---|---|---|
| Opening net debt | (1,395.1) | (1,412.8) |
| Cashflow from operations | 216.1 | 221.9 |
| Capital expenditure | (111.0) | (152.2) |
| Dividends and tax paid | (12.9) | (4.8) |
| Net interest paid | (47.1) | (40.2) |
| Other | 2.8 | (9.0) |
| Closing net debt | (1,347.2) | (1,397.1) |

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# Balance sheet
## at 30 September 2001

| | 2001<br>£m | 2000<br>£m | 2000/01<br>£m |
|---|---|---|---|
| Net assets (excluding deferred tax provision) | 1,826.0 | 1,753.4 | 1,777.0 |
| Deferred tax provision | (143.8) | (131.8) | (138.1) |
| Shareholders' funds | 1,682.2 | 1,621.6 | 1,638.9 |
| Net debt | 1,347.2 | 1,397.1 | 1,395.1 |
| Gearing ratio | | | |
| - Post deferred tax | 44.5% | 46.3% | 46.0% |
| - Pre-deferred tax | 42.5% | 44.3% | 44.0% |
| Interest cover | 2.8 | 2.6 | 2.6 |
| EBITDA cover | 4.2 | 4.0 | 3.9 |

# Shareholder issues

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# Ongoing

- Complete non-core disposal
- Drive efficiency performance from water/waste focus
- Integrate USA acquisition
- Support growth of WRG

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# Restructuring

- Restructuring debate has moved
- RCAM
  - 100% shareholder exit
  - 100% separation of assets/operations
  - Raised value perception
- Glas Cymru
  - Son of RCAM
  - Very thin equity slice
  - 100% separation of assets/operations
  - Delivering expected benefits
- Lending to integrated assets/operations
  - Re-assessment of risk
  - Gearing up
  - Southern/Anglian

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# Issues

- Market valuation of highly geared/increasing debt future
- Is leveraged equity model best solution?
- Unresolved long term equity position
- Monetising part equity release v creating value
- Role of equity/future or not
  - Regulator
  - Allow shareholder funds to grow
  - Next determination
- Focus
  - Active review
  - Look at more fundamental equity solution
  - Value driven