

KeldaGroup



Kelda Group plc

**Presentation of interim results
5 December 2002**

KeldaGroup



Kelda Group plc

John Napier
Chairman



Kelda Group plc Highlights

Kevin Whiteman - Chief Executive

- **Headline profit up 3.1%**
- **Interim dividend 7.86p up 2.1%**
- **YW ranked 2nd in Ofwat overall performance assessment**
- **US acquisitions earnings enhancing**

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Group Financial Performance

Howard Cressey
Group Financial Controller

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KEY FIGURES

Six months ended 30 September 2002

	2002	2001	Increase %
Group turnover	£346.8m	£329.8m	5.2
Group operating profit	£138.7m	£132.5m	4.7
Group profit before tax	£94.2m	£91.4m	3.1
Adjusted EPS (excluding deferred tax)	22.0p	20.8p	5.8
Interim dividend	7.86p	7.70p	2.1



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GROUP OPERATING RESULTS Six months ended 30 September 2002

	2002 £m	2001 £m	Movement %
Group turnover	346.8	329.8	5.2
- Continuing operations	331.3	329.5	0.5
- Acquisitions	15.5	-	
- Discontinued operations	-	0.3	
Group operating profit	138.7	132.5	4.7
- Continuing operations	132.4	134.8	(1.8)
- Acquisitions	6.3	-	
- Discontinued operations	-	(2.3)	
Group operating profit:			
Continuing operations	132.4	134.8	
- YW regulated	119.6	119.3	
- US operations	14.6	17.0	
- other/corporate costs	(1.8)	(1.5)	



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YORKSHIRE WATER OPERATING RESULTS

Six months ended 30 September 2002

	2002 £m	2001 £m	Increase/ (Decrease) %
Group turnover	285.5	282.5	1.1
Operating costs	(103.9)	(103.8)	(0.1)
Depreciation	(46.3)	(44.2)	(4.8)
Infrastructure renewals charge	(17.2)	(16.7)	(3.0)
Other	1.5	1.5	-
YW regulated operating profit	119.6	119.3	0.3
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CONTINUING U.S. OPERATIONS OPERATING RESULTS

Six months ended 30 September 2002

	2002	2001	Movement
	\$m	\$m	\$m
Utilities	22.3	23.4	(1.1)
Aquarion Services	<u>0.1</u>	<u>0.3</u>	<u>(0.2)</u>
	22.4	23.7	(1.3)
Timco/land sales	-	0.6	(0.6)
Business Development	(0.5)	-	(0.5)
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US operating profit	21.9	24.3	(2.4)
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	£m	£m	£m
At September 2001 exchange rate	15.3	17.0	(1.7)
Adverse exchange rate movement	(0.7)		
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Reported US operating profit	14.6	17.0	(2.4)
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Average exchange rate	\$1.51	\$1.43	

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SEGMENTAL ANALYSIS OF GROUP OPERATING PROFIT

Six months ended 30 September 2002

	YW Regulated £m	US Operations £m	Other* £m	Group Total 2002 £m	Group Total 2001 £m
Group turnover	285.5	55.8	5.5	346.8	329.8
Operating costs	(103.9)	(28.9)	(7.3)	(140.1)	(132.6)
Depreciation	(46.3)	(6.2)	(0.2)	(52.7)	(49.9)
Infrastructure renewals charge	(17.2)	-	-	(17.2)	(16.7)
Other	1.5	0.2	0.2	1.9	1.9
Group operating profit	<u>119.6</u>	<u>20.9</u>	<u>(1.8)</u>	<u>138.7</u>	<u>132.5</u>

* Other includes corporate costs



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GROUP FINANCIAL RESULTS

Six months ended 30 September 2002

	Group £m	Associates £m	2002 Total £m	Group £m	Associates £m	2001 Total £m
Turnover	<u>346.8</u>	<u>72.3</u>	<u>419.1</u>	<u>329.8</u>	<u>64.5</u>	<u>394.3</u>
Operating profit	138.7	8.8	147.5	132.5	9.1	141.6
Interest	<u>(48.1)</u>	<u>(5.2)</u>	<u>(53.3)</u>	<u>(46.1)</u>	<u>(4.1)</u>	<u>(50.2)</u>
Profit before tax	90.6	3.6	94.2	86.4	5.0	91.4
Taxation						
- current	(6.7)	(2.3)	(9.0)	(8.7)	(2.8)	(11.5)
- deferred	<u>(12.4)</u>		<u>(12.4)</u>	<u>(6.2)</u>		<u>(6.2)</u>
Profit after tax	<u>71.5</u>	<u>1.3</u>	<u>72.8</u>	<u>71.5</u>	<u>2.2</u>	<u>73.7</u>
Adjusted earnings per share (excl deferred tax)			<u>22.0p</u>			<u>20.8p</u>



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MOVEMENT IN HEADLINE PROFIT

Six months ended 30 September 2002

	£m	£m
2001 profit before taxation		91.4
Movement in operating profit		
- Aquarion acquisitions	6.3	
- continuing YW and Aquarion operations	(2.1)	
- other activities	(0.3)	
- associates	(0.3)	
- discontinued activities	<u>2.3</u>	5.9
Increase in interest		
- group	(2.0)	
- associates	(1.1)	(3.1)
2002 profit before taxation	<u>—</u>	<u>94.2</u>



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BALANCE SHEET

At 30 September 2002

	2002 £m	2001 £m	2001/02 £m
Net assets (before deferred tax)	1,899.5	1,825.4	1,840.4
Minority interests	(0.6)	0.6	-
Deferred tax provision	(166.7)	(143.8)	(149.9)
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Shareholders' funds	1,732.2	1,682.2	1,690.5
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Net debt	1,618.1	1,347.2	1,436.5
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- YW regulated	1,136.4	985.7	1,042.0
- Other	481.7	361.5	394.5
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Gearing ratio	48.3%	44.5%	45.9%
YW net debt : RAV ratio	40.4%	37.0%	39.1%

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Yorkshire Water



Yorkshire Water Highlights

- **On track to meet £80m opex outperformance target - operating costs reduced by a further 1.3%**
- **Capital investment programme on target - £150.9m (2001: £104.0m)**
- **Ranked 2nd in Ofwat overall performance assessment**
- **Draft IDoK**



Yorkshire Water Opex Outperformance

- **Forecast achievement remains at £80m**
- **Savings after absorption of additional costs**

Yorkshire Water Interim Determination

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- **Application based on sewer flooding investment, waste incineration directive, impact of bad debt and construction prices**
- **Combination of cost-recovery and additional capex**
- **Draft determination proposes k 4.4% in 2003/4 and 1.3% in 2004/5**
- **Final determination published on 12th December**

Supporting Businesses



- **Yorkshire Water Projects**
 - **Aberdeen performing well**
 - **progress on MoD PFIs**
- **Loop**
 - **good performance on Yorkshire Water contract**
 - **progress continues to be made with expansion of external business**
- **Keyland**
 - **operating profit slightly down due to planning delays**
 - **demand continues to be strong**
 - **prospects for second half encouraging**

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Aquarion

Rich Schmidt
CEO Aquarion

Aquarion Highlights

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- **Entered the US 3 years ago - excellent progress since then**
- **Land deal completed - \$90m**
- **Prudent in-fill acquisitions - earnings enhancing from outset**
- **US operations now represent 15% of Kelda Group operating profit**



Aquarion December 2002





Aquarion Existing Operations and Acquisition (1)

- **Aquarion turnover increased to £55.8m (2001: £42.5m)**
- **Existing operations coped well with dry weather challenge**
- **Developing long term supply and service strategies**
- **New customer call centre**



Aquarion Existing Operations and Acquisition (2)

- **Acquisition of New England operation of AWW completed and integrated**
- **Acquisition earnings enhancing from outset**
- **Service levels maintained**
- **Development of con-ops business**



Aquarion Business Development

- **Formation of Aquarion Services contract operations**
- **Success of new team already evident with Bridgeport waste water contract**
- **Leveraging core water and waste water skills**

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Outlook

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Appendices



SEGMENTAL ANALYSIS OF GROUP OPERATING PROFIT

Six months ended 30 September 2002

	YW Regulated	US Operations	Other	Group Total 2002	YW Regulated	US Operations	Other	Group Total 2001
	£m	£m	£m	£m	£m	£m	£m	£m
Group Turnover	285.5	55.8	5.5	346.8	282.5	42.5	4.8	329.8
Operating costs	(103.9)	(28.9)	(7.3)	(140.1)	(103.8)	(20.5)	(8.3)	(132.6)
Depreciation	(46.3)	(6.2)	(0.2)	(52.7)	(44.2)	(5.2)	(0.5)	(49.9)
Infrastructure renewals charge	(17.2)	-	-	(17.2)	(16.7)	-	-	(16.7)
Other	1.5	0.2	0.2	1.9	1.5	0.2	0.2	1.9
Group operating profit	<u>119.6</u>	<u>20.9</u>	<u>(1.8)</u>	<u>138.7</u>	<u>119.3</u>	<u>17.0</u>	<u>(3.8)</u>	<u>132.5</u>

**YORKSHIRE WATER REGULATED OPERATING COSTS**

Six months ended 30 September 2002

	2002 £m	2001 £m	Movement %
YW Regulated Operating costs	106.1	105.7	0.4
Inter-segment	(0.6)	(0.4)	
Group management charge	(1.6)	(1.5)	
Operating costs	<u>103.9</u>	<u>103.8</u>	0.1

**ASSOCIATES**

Six months ended 30 September 2002

	WRG	Other	Group Total 2002	WRG	Other	Group Total 2001
	£m	£m	£m	£m	£m	£m
Turnover	<u>69.1</u>	<u>3.2</u>	<u>72.3</u>	<u>59.4</u>	<u>5.1</u>	<u>64.5</u>
PBIT	7.6	1.2	8.8	9.1	-	9.1
Share of associates' interest	(3.9)	(1.3)	(5.2)	(3.0)	(1.1)	(4.1)
PBT	<u>3.7</u>	<u>(0.1)</u>	<u>3.6</u>	<u>6.1</u>	<u>(1.1)</u>	<u>5.0</u>
Share of associates' tax	(2.3)	-	(2.3)	(2.8)	-	(2.8)
PAT	<u>1.4</u>	<u>(0.1)</u>	<u>1.3</u>	<u>3.3</u>	<u>(1.1)</u>	<u>2.2</u>

**GROUP TAX CHARGE**

Six months ended 30 September 2002

	2002 £m	Effective Tax rate %	2001 £m	Effective Tax rate %
Current year (group)				
- UK Corporation tax charge	5.1	5.4	4.7	5.1
- Overseas taxation	4.8	5.1	4.0	4.4
Prior year (group)	(3.2)	(3.3)	-	
Associates	2.3	2.4	2.8	3.1
Current tax charge	<u>9.0</u>	<u>9.6</u>	<u>11.5</u>	<u>12.6</u>

Effective tax rate is the tax charge expressed as a % of group PBT

**DEFERRED TAX CHARGE**

Six months ended 30 September 2002

	2002	2001
	£m	£m
Deferred tax charge	18.2	18.6
Discount	(1.6)	(12.4)
Deferred tax asset (US)	(4.2)	-
Deferred tax charge - discounted	<u>12.4</u>	<u>6.2</u>



EARNINGS PER SHARE

Six months ended 30 September 2002

	2002			2001		
	Earnings £m	Weighted av. no. of shares m	Earnings per Share p	Earnings £m	Weighted av. no. of shares m	Earnings per Share p
Basic EPS	72.6	385.8	18.8	74.1	385.2	19.2
Add back exceptional items	-		-	-		-
Adjusted EPS	<u>72.6</u>	<u>385.8</u>	<u>18.8</u>	<u>74.1</u>	<u>385.2</u>	<u>19.2</u>
Add back deferred tax charge	12.4		3.2	6.2		1.6
Adjusted EPS (excluding deferred tax)	<u><u>85.0</u></u>	<u><u>385.8</u></u>	<u><u>22.0</u></u>	<u><u>80.3</u></u>	<u><u>385.2</u></u>	<u><u>20.8</u></u>