

KeldaGroup

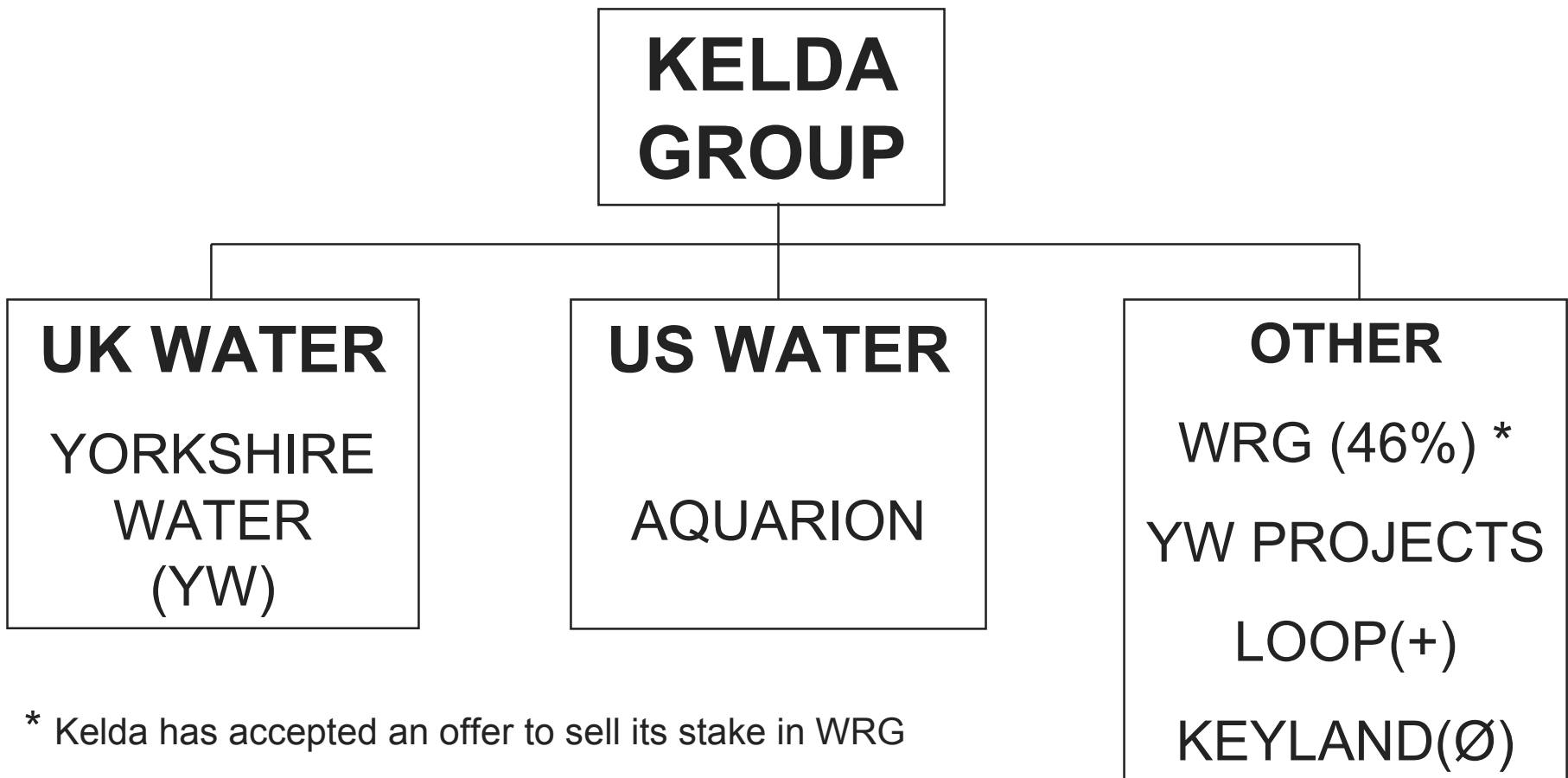


Kelda Group plc

**Investor Meetings
June / July 2003**



Kelda Structure



* Kelda has accepted an offer to sell its stake in WRG

+ Call centre business – small

Ø Property development of surplus YW properties

Kelda Background



- £1.7bn market capitalisation
- FTSE 100 in UK
- 3rd largest of 6 quoted water companies on the London Stock Exchange
- “Kelda...the only core water and sewerage play in the sector” Cazenove June 2003

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SEGMENTAL ANALYSIS OF GROUP OPERATING PROFIT

Year ended 31 March 2003

	YW Regulated	US Operations	Ø Other activities	Discont'd activities	Group Total 2003	YW Regulated	US Operations	Ø Other activities	Discont'd activities	Group Total 2002
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Turnover	567.0	93.7	20.1	9.7	690.5	559.8	70.5	16.7	11.8	658.8
Operating costs	(211.0)	(47.2)	(21.9)	(11.3)	(291.4)	(210.9)	(32.5)	(19.1)	(16.8)	(279.3)
Depreciation and amortisation	(93.8)	(12.0)	(0.5)	(0.2)	(106.5)	(93.7)	(10.1)	(0.9)	(1.9)	(106.6)
Infrastructure renewals charge	(36.0)	-	-	-	(36.0)	(33.5)	-	-	-	(33.5)
Other operating income	7.5	0.4	0.8	-	8.7	3.8	0.3	1.5	-	5.6
	233.7	34.9	(1.5)	(1.8)	265.3	225.5	28.2	(1.8)	(6.9)	245.0

Ø Other includes corporate costs



Kelda Strategy

- Focus on water and waste water in the UK
- Selective development in the US
- Maintain dividend in real terms (yield 6.4% 19.06.03)



YorkshireWater

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Yorkshire Water

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Yorkshire Water Our Vision

**To be known as the best water
company in the UK**

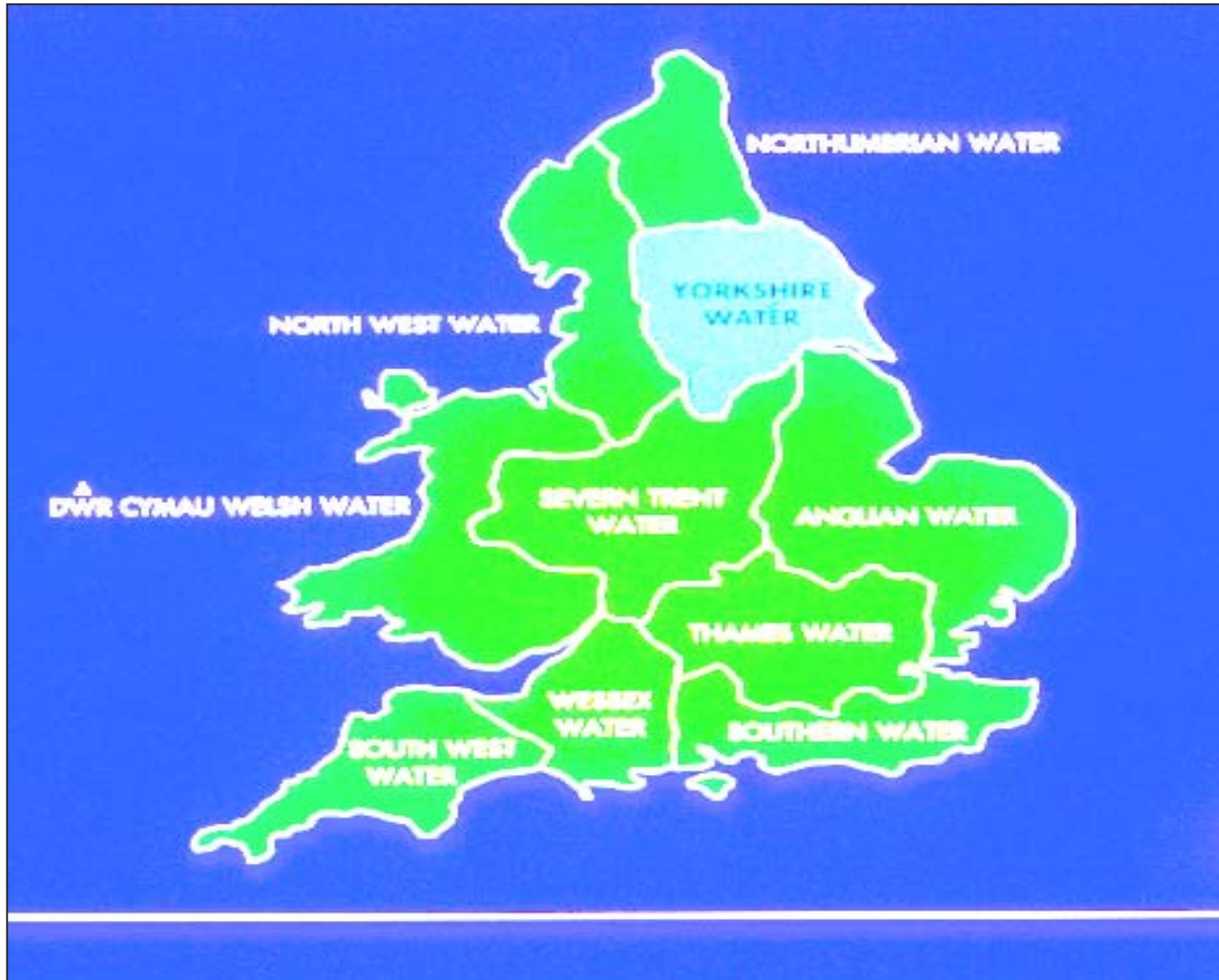
Yorkshire Water Introduction

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- Regulated water company
- One of ten companies privatised in 1990
- Water and waste water
- 25 year licence
- 4th year of 5 year price review

Where is Yorkshire Water?



YW - Key Operating Data



- 30,000km of sewers and water mains
- Area served 13,500km²
- Population equivalent of 4.8m
- 2.2m connected properties
- Regulated Asset Value of £3.0bn

UK Water - Regulation

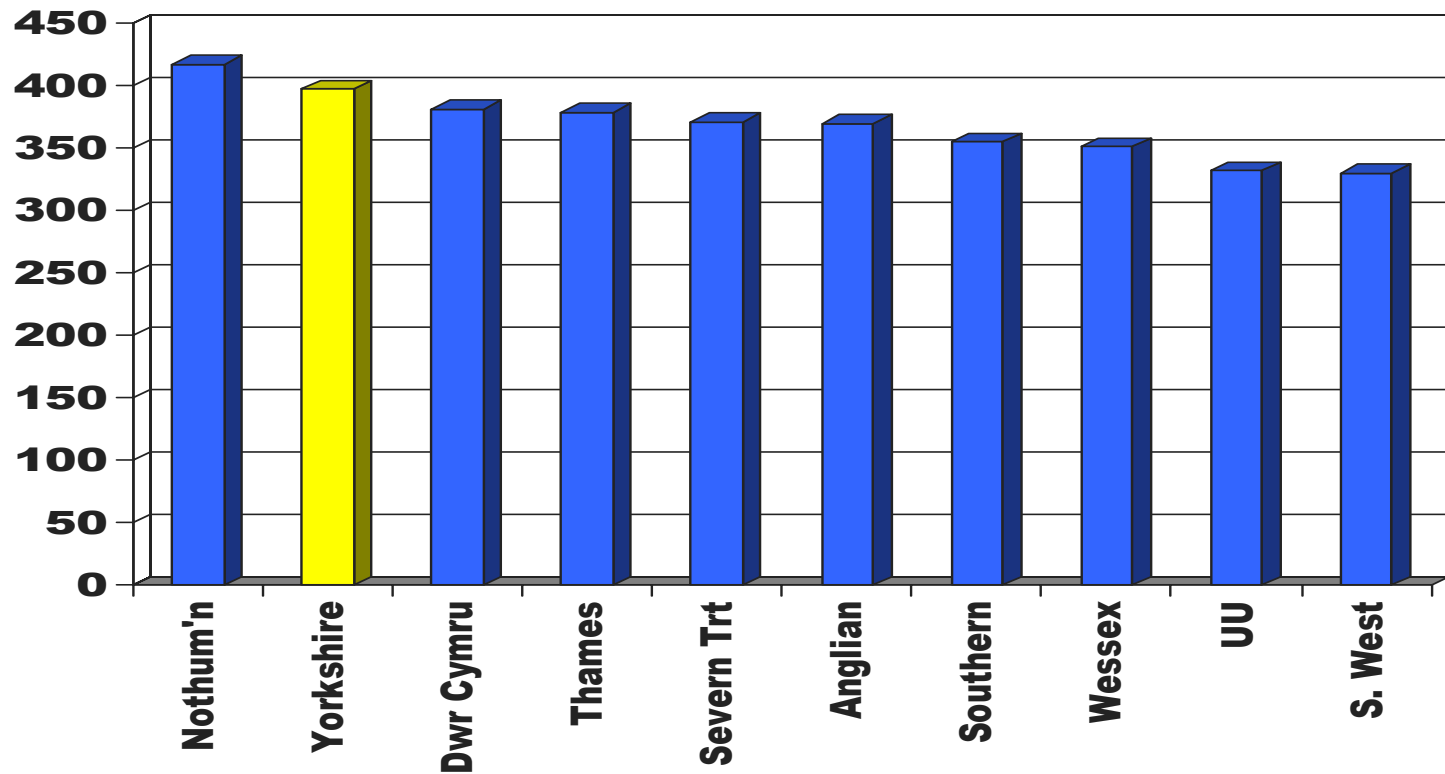


- Price reviews every 5 years, with opportunity for annual interim reviews
- Next review effective from 1 April 2005
- Incentive based mechanism
- Returns based on weighted average cost of capital plus outperformance
- YW capital expenditure - £1.5bn over 5 years

Yorkshire Water Overall Performance Assessment



YW ranked 2nd in Ofwat Overall Performance Assessment



Ofwat's Assessment of Water Efficiency in 2001/02

(low is good)



	Water opex	Water capex	Sewage opex	Sewage capex	Overall
Yorkshire (Kelda)	1	22	4	2	32
Northumbrian	5	12	9	4	37
South West (Pennon)	9	13	3	7	38
Severn Trent	6	17	5	9	42
Anglian (avg)	7	20	10	1	46
United Utilities	8	14	7	8	47



Yorkshire Water Projects

- ‘PFI’ (private finance initiative) type contracts throughout the UK
- Leveraging our core water and waste water skills
- O&M outsourcing
- Aberdeen Environmental Services



YW Projects

Aquatrine

- Ministry of Defence outsourcing water and waste water contracts using core YW skill base
- Aquatrine Package A - contract signed
£1bn 25 year contract, 45% stake, December 03 start
- Aquatrine Packages B & C - negotiations continuing;
YW only company to reach final stages of all 3
- Low capex potential source of growth

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Aquarion

US Water - Regulation



- Indefinite licence - rights to operate in perpetuity
- Retrospective reviews
- State by state
- At company's request
- Recover operating and capital costs
- Relationship with regulator is key

Aquarion - Introduction



- Initial acquisition Jan 2000 for \$600m; further acquisition in April 2002 for \$224m
- Based across 4 states in New England
- Primarily regulated water only company
- Metered
- Non regulated activities - Aquarion Services
- Fragmented market - 57,000 water systems

Aquarion - Features



- Rate base of \$460m
- Equity returns of up to 11.6%
- Cost of debt a straight pass through
- Cost pressures - recovered retrospectively through rate reviews
- Exchange rate risk on translation only

Waste Recycling Group



- Kelda holds 46% of WRG
- Agreement to sell stake for £143.6m
- c.£70m of proceeds to be retained
- c.£74m on market share buyback programme

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KEY FINANCIAL RATIOS Year ended 31 March 2003

	2003	2002
P+L ratios:		
Interest cover (before exceptional items)	2.6	2.6
EBITDA cover	4.2	4.1
Dividend cover (excluding deferred tax)	1.5	1.7
Balance sheet ratios:		
Gearing ratio	50.0%	45.9%
YW net debt: RAV	39.6%	39.1%

“Kelda well placed for next periodic review due to its strong balance sheet and high dividend cover” (Cazenove June 2003)

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Summary

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- Clear strategy = clear investment case
- Soundly financed
- Sector leading operational and financial performance
- Well placed for next regulatory review