

KeldaGroup



**Kelda Group plc**

**Presentation of Half Year  
Results**

**November 2007**



# Introduction

**John Napier**  
**Chairman**



# **Business Review**

**Kevin Whiteman**  
**Chief Executive**

# Kelda Group plc

## Highlights

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- Group operating profit before tax up 8.7% to £184.8m
- Adjusted earnings per share (excluding deferred tax) increased 19.6% to 32.4p
- Continued strong performance from the Yorkshire Water business
- Further growth from Kelda Water Services



# Yorkshire Water

# Yorkshire Water Highlights

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- Regulated revenue up 6.3% to £392.0m
- Operating profit up 9.8% to £184.4m
- Peak year of capital programme - expenditure and outputs well on track
- Business faced challenges from unprecedented rainfall

# Yorkshire Water Highlights

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- Ranked second in Ofwat's Overall Performance Assessment
- Number of written complaints fallen – quarter of industry average
- Clearwater and 2020 initiatives driving service improvements and efficiencies



# **UK Service Operations & KeyLand**

# UK Service Operations Highlights



- UK Service Operations revenue up to £100.6m including JVs
- Operating profits up to £7.3m, an increase of £2.1m
- Loop supporting YW to deliver improving customer service



# UK Service Operations

## KWS

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- KWS continued to grow during the period
- Strong operating performance of existing businesses
- Construction of facilities for Water Service Northern Ireland ahead of schedule
- First construction revenue and profit taken this period
- Operation expected to begin in financial year 2008/09



# KeyLand Highlights



- Revenue of £49.5m including JVs and operating profit of £5.6m
- Entered 50% JV to develop significant site in Aire Valley near Leeds
- Good project which will contribute to regeneration in the area





# Group Financial Review

**Martin Towers**

**Group Finance Director**

# Kelda Group key figures

## 6 months to 30 September 2007

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	2007	2006	Increase
	£m	£m	
Revenue (excluding JVs) (+)	434.9	411.7	5.6%
Operating profit (including JVs) (+)	184.8	170.0	8.7%
Adjusted EPS excluding deferred tax	32.4p	27.1p	19.6%
Interim dividend (p)	10.65p	9.25p	15.1%

- + refers to continuing activities only
- Above EPS measure gives best comparability
- Interim dividend rebased following share consolidation and return of capital

# Yorkshire Water

## Continuous improvement

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			Revenue £m	Operating profit £m
<b>2007</b>	<b>First half</b>		<b>392.0</b>	<b>184.4</b>
2006	First half	50%	368.9	168.0
	Second half	50%	372.2	164.7
	<b>Full year</b>	<b>100%</b>	<b>741.1</b>	<b>332.7</b>

- First half results in line with expectations
- 7.9% tariff increase coupled with drive for efficiency savings



# UK Service Operations and KeyLand

	<b>Six months to 30 September</b>	<b>Revenue £m</b>	<b>Operating profit £m</b>	<b>Operating profit margin</b>
UK Service operations	2007	100.6	7.3	7.3%
	2006	64.1	5.2	8.1%
KeyLand	2007	49.5	5.6	
	2006	2.0	1.2	

Includes JVs

- Dalriada (NI) contributes to KWS results for first time
- Aire Valley transaction contributes to KeyLand



	2007		2006	
	£m	%	£m	%
Profit before tax	125.6	100%	120.2	100%
Current tax	31.3	25%	31.8	26%
Deferred tax - timing differences	8.5	7%	4.6	4%
- rate change	(40.0)	(32%)	-	-
	(0.2)	(0%)	36.4	30%
Prior year credit	(0.8)	(1%)	-	-
Total tax (credit)/charge	(1.0)	(1%)	36.4	30%

- Adjustment to deferred tax relating to rate change from 30% to 28% (£40m)
- Excluding this, effective rates at similar levels to prior year

# Cash flow movements summary

## 6 months to 30 September 2007

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	<b>2007</b>	<b>2006</b>
	£m	£m
Cash generated by continuing operations	291.8	290.4
Aquarion proceeds	314.2	-
Dividends paid	(82.0)	(76.8)
B share scheme	(738.3)	-
Share re-purchase	-	(59.3)
Capital spend by continuing operations	(209.8)	(171.6)
Net interest paid by continuing operations	(72.3)	(49.8)
Tax by continuing operations	(21.5)	(24.9)
Other movements (net)	5.9	29.0
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	(512.0)	(63.0)
Start of period	(1,981.6)	(1,953.6)
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End of period	(2,493.6)	(2,016.6)
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- A good start to year from Kelda Group
- Another solid set of financial results
- Focussed strategy continues to work for benefit of shareholders

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**Recommended offer**

# Recommended offer Outline



- Boards of Kelda and offeror have reached agreement and formal offer was announced this afternoon
- Acquisition of all issued and to be issued shares in Kelda
- Intention to execute through a scheme of arrangement

**Board considers proposals to be fair and reasonable, and unanimously recommends the proposals**

# Recommended offer

## Key financial terms



- Ordinary shareholders accepting the offer will receive 1090p per share in cash on completion (expected mid February 2008)
- Ordinary shareholders on the register at 7 December 2007 will also receive 10.65p interim dividend payable 4 January 2008
- **Ordinary shareholders who receive the dividend and benefit from the offer will consequently receive gross proceeds of 1100.65p in aggregate**
- B shareholders receive 210p per share in cash plus the accrued but unpaid B Share dividend
- Both sets of shareholders will have the benefit of a loan note alternative

# Recommended offer

## Key features



The gross proceeds of 1100.65p received by ordinary shareholders represent:

- 17% premium to closing price on 21 November 2007 (the day before the leak announcement)
- 22% premium to average middle market price for the 6 months prior to 21 November 2007
- Represents excellent shareholder value
- Directors have given irrevocable undertakings to vote in favour of the scheme

# Recommended offer Participants



- Highly credible institutions taking long term investment perspective
- Equity participants and consortium members comprise:
  - Citigroup Infrastructure Investors (41%)
  - GIC (34%)
  - Infracapital (The Prudential Group) (15%)
  - HSBC (10%)
- Senior debt finance from RBS, HSBC and Santander
  - Junior facility provided by RREEF
- Consortium has infrastructure experience
- Consortium respects Kelda's management and sees Kelda as potential platform for growth

# Recommended offer

## Expected timetable



- Scheme document to shareholders By end December 2007
- Scheme court meeting and EGM Mid January 2008
- Scheme effective and delisting By mid February 2008

# Recommended offer Summary



- Board believes proposals are good for customers, employees and shareholders
- Consortium are highly credible infrastructure investors with long term perspective
- Board unanimously recommends proposal to shareholders as fair and reasonable

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**Recommended offer**