

# Northumbrian Water Group plc

**Interim announcement of results  
six months to 30 September 2005**

**7 December 2005**



**NORTHUMBRIAN  
WATER GROUP**

**John Cuthbert**

**Managing Director**

# Agenda

- Introduction** – **John Cuthbert**
- Financial review** – **Chris Green**
- Operational review** – **John Cuthbert**
- Questions**

# Highlights

**Revenue increased by £23.9m largely reflecting 9.9% increase to tariffs at NWL**

**Profit before tax increased by £22.5m to £64.3m**

**Interim ordinary dividend of 3.52 pence per share**

**Special dividend of 2.82 pence per share**

**Additional debt facilities in place**

# Boards

**Ron Lepin (OTPP) appointed to NWG Board**

**Alex Scott-Barrett (independent) appointed to NWL Board**

**NWG non-exec directors to be appointed to NWL Board on  
1 January 2006**

**Sir Frederick Holliday to retire at AGM in July 2006**

**Sir Derek Wanless to succeed him as Chair of NWG and NWL**

# Disposals

**8 July 2005; Fastflow Pipeline Services Limited sold to a management buy-in for a consideration of £0.8m**

**5 October 2005; Entec UK Limited sold to its management for a consideration of £30.0m**

**Profit on disposal of £14.6m**

**Payment of £9.0m to defined benefit scheme**

**Special dividend of 2.82 pence per share**



**NORTHUMBRIAN  
WATER GROUP**

**Chris Green**

**Finance Director**

# **Basis of results**

**First set of results to be presented under IFRS**

**Period from 1 April 2005 to 30 September 2005**

**Comparatives restated under IFRS, 1 April 2004 to 30 September 2004**

**Explanatory reconciliations detailing transition from UK GAAP to IFRS and accounting policies published on 28 November 2005**

**No change to the main impact published on 27 September 2005**





# Summary Group results

	<b>2005</b>	<b>2004</b>	
	<b>6 mths</b>	<b>6 mths</b>	
		<b>Restated</b>	
	<b>£m</b>	<b>£m</b>	
<b>Revenue</b>	<b>295.3</b>	<b>271.4</b>	<b>+9%</b>
<b>PBIT</b>	<b>116.8</b>	<b>97.4</b>	<b>+20%</b>
<b>Interest</b>	<b>(52.4)</b>	<b>(55.6)</b>	<b>-6%</b>
<b>Profit before tax</b>	<b>64.3</b>	<b>41.8</b>	<b>+54%</b>
<b>Profit after tax</b>	<b>47.2</b>	<b>29.1</b>	<b>+62%</b>
<b>Discontinued operations</b>	<b>15.5</b>	<b>0.2</b>	



# Taxation

	<b>2005</b>	<b>2004</b>
	<b>6 mths</b>	<b>6 mths</b>
		<b>Restated</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax</b>	<b>(10.1)</b>	<b>(2.3)</b>
<b>Deferred tax</b>	<b>(7.0)</b>	<b>(10.3)</b>
<b>Overseas tax</b>	<b>-</b>	<b>(0.1)</b>
<b>Current tax charge</b>	<b>(17.1)</b>	<b>(12.7)</b>
<b>Effective tax rate</b>	<b>27%</b>	<b>30%</b>

# Earnings per share

	<b>2005</b>	<b>2004</b>
	6 mths	6 mths Restated
<b>Profit for the year from continuing operations</b>	<b>£47.2m</b>	<b>£29.1m</b>
<b>Weighted average no. of shares in issue</b>	<b>518.6</b>	<b>518.6</b>
<b>Basic EPS from continuing operations</b>	<b>9.1p</b>	<b>5.6p</b>
<b>Adjusted EPS<sup>1</sup></b>	<b>9.3p</b>	<b>7.5p</b>

<sup>1</sup>adjusted for deferred tax charge of £7.0m (2004: £10.3m), amortisation of debt fair value of £6.0m (2004: £3.2m) and IAS 39 adj's of nil (2004: £2.7m charge).



# Dividends

**Ordinary interim dividend 3.52p per share**

- consistent with progressive dividend policy announced by the Board in June 2005**

**Special dividend of 2.82p per share**

- reflecting profit on disposal of subsidiaries**

**Total interim dividend cover at 1.9x (after deferred tax and discontinued operations)**

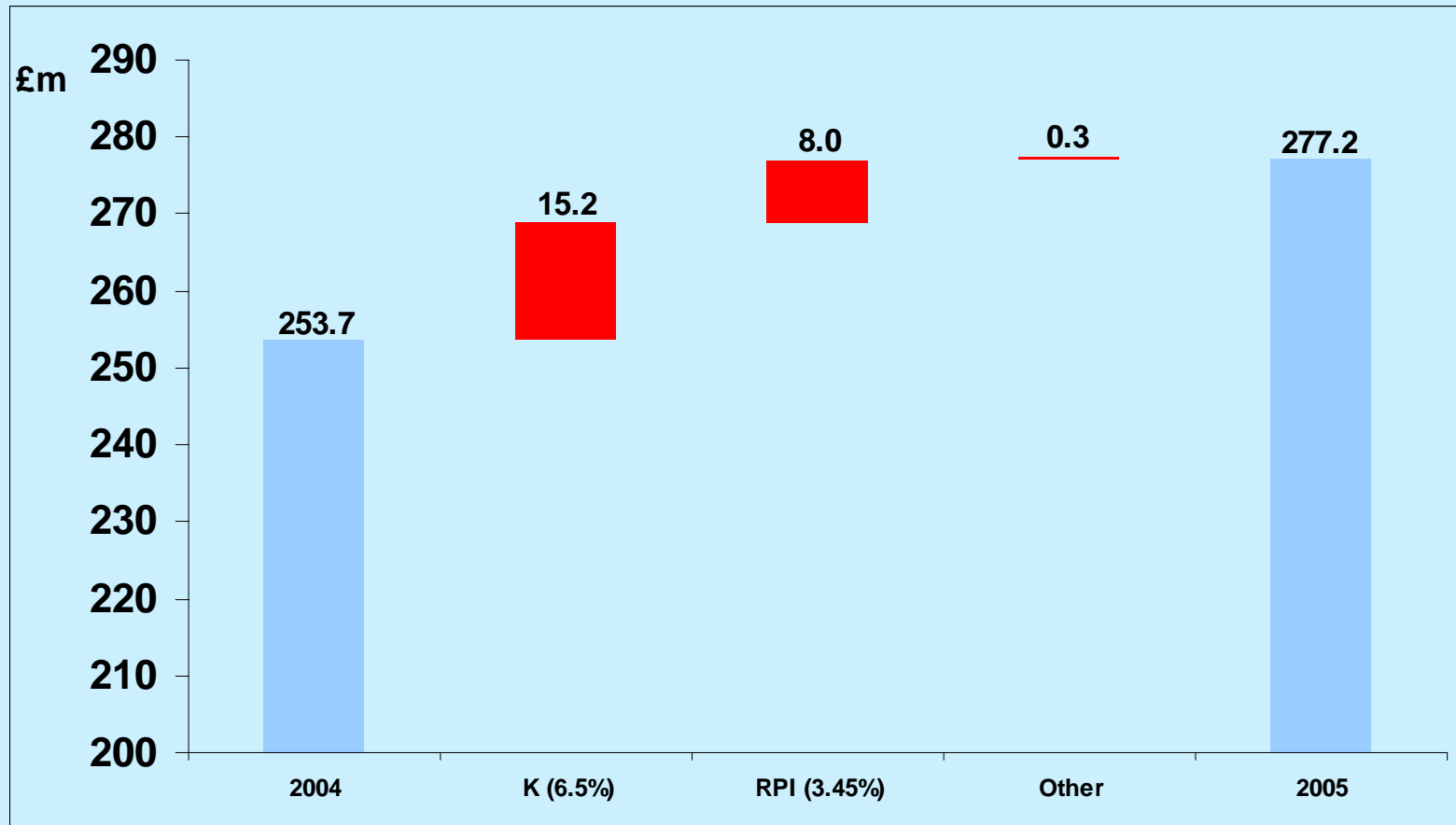


## NWL summary

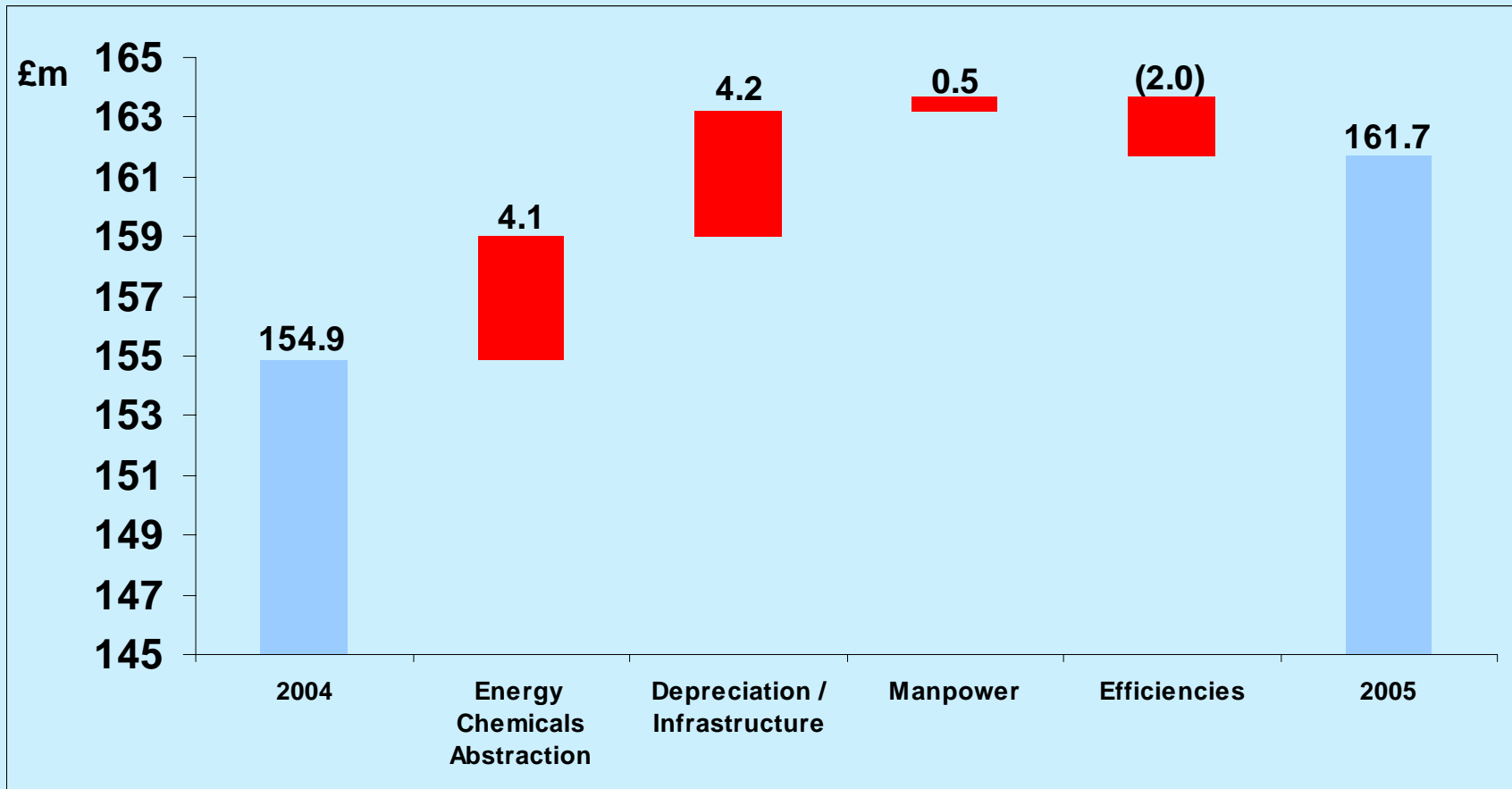
	<b>2005</b>	<b>2004</b>	
	<b>6 mths</b>	<b>6 mths</b>	
		<b>Restated</b>	
	<b>£m</b>	<b>£m</b>	
<b>Turnover</b>	<b>277.2</b>	<b>253.7</b>	<b>+9%</b>
<b>Operating costs</b>	<b>(110.0)</b>	<b>(107.4)</b>	<b>+2%</b>
<b>Capital maintenance costs</b>	<b>(51.7)</b>	<b>(47.5)</b>	<b>+9%</b>
<b>Operating profit</b>	<b>115.5</b>	<b>98.8</b>	<b>+17%</b>



# NWL turnover



# NWL total operating costs



# Segmental analysis - turnover

	<b>2005</b>	<b>2004</b>
	6 mths	6 mths Restated
	£m	£m
<b>Northumbrian Water Limited</b>	<b>277.2</b>	<b>253.7</b>
<b>Water &amp; waste water contracts</b>	<b>13.0</b>	<b>10.7</b>
<b>Related services</b>	<b>39.3</b>	<b>42.7</b>
<b>Inter segment</b>	<b>(17.2)</b>	<b>(20.6)</b>
<b>External discontinued operations</b>	<b>(17.0)</b>	<b>(15.1)</b>
<b>Group turnover</b>	<b>295.3</b>	<b>271.4</b>





# Segmental analysis – profit before interest

	<b>2005</b>	<b>2004</b>
	6 mths	6 mths Restated
	£m	£m
<b>Northumbrian Water Limited</b>	<b>115.5</b>	<b>98.8</b>
<b>Water &amp; waste water contracts</b>	<b>1.0</b>	<b>0.5</b>
<b>Related services</b>	<b>1.7</b>	<b>1.4</b>
<b>Less discontinued operations</b>	<b>(1.4)</b>	<b>(0.5)</b>
<b>Central unallocated/provisions</b>	<b>-</b>	<b>(2.8)</b>
<b>Profit before interest</b>	<b>116.8</b>	<b>97.4</b>



# Group debt profile

Net debt decreased by £11.7m to £1,869.3m (£5.7m excluding debt fair value amortisation)

		£m	Maturity
NSL	Eurobond	180.6	2006
NWL	EIB	314.9	2005-2017
	Eurobonds	1,145.1	2017,23,33,36
	Kielder securitisation	212.1	2034
	Debenture stocks	5.5	2005
	Finance leases	60.8	2005-2017
NWI (CES)	Eurobond	58.1	2037
	Subordinated loan stock	4.3	2037
Others		1.2	
Gross debt (excl. FV adj.)		1,982.6	
Cash/other		(194.3)	
Net debt 30 September 2005 (excl. FV)		1,788.3	
Acquisition fair value adjustment		81.0	
Net debt 30 September 2005 (incl. FV)		1,869.3	

**Fixed rate  
borrowings at 82%  
Average rate  
of 6.05%**



# Gearing

**NWG gearing 73% of RCV<sup>1</sup> (March 05: 76%)**  
**- excluding FV adj. 70% (March 05: 73%)**

**NWL gearing 65% of RCV (March 05: 68%)**

**NWL Appointed gearing 57% of RCV (March 05: 59%)**  
**- Outlook stable 2005-2010**

<sup>1</sup> mid-year RCV estimated at £2,548m

# Group cash flow

	<b>2005</b>	<b>2004</b>
	6 mths	6 mths Restated
	£m	£m
<b>Net cash flows from operations</b>	<b>163.2</b>	<b>137.6</b>
<b>Net interest paid</b>	<b>(53.9)</b>	<b>(46.7)</b>
<b>Taxation</b>	<b>(0.1)</b>	<b>-</b>
<b>Net capital expenditure</b>	<b>(81.0)</b>	<b>(68.7)</b>
<b>Equity dividends paid</b>	<b>(36.8)</b>	<b>(24.0)</b>
<b>Subsidiaries disposed</b>	<b>18.7</b>	<b>-</b>
<b>Other/non-cash items</b>	<b>1.6</b>	<b>5.2</b>
<b>Decrease in net debt</b>	<b>11.7</b>	<b>3.4</b>



# Funding facilities update

## **Issue of £150m index linked 2.033% 2036 Eurobond**

- first index linked debt issue, cash flow benefits**
- proceeds to repay short term loans and fund ongoing capital programme**

## **EIB facility of £100m**

- funds to be drawn over next eighteen months**
- fixed, variable or index linked tranches**



**NORTHUMBRIAN  
WATER GROUP**

# **John Cuthbert Managing Director**



# **NWL investment programme**

**A good start to the new five year regulatory period**

**Invested £107.9 million**

**Consultant and contractor frameworks in place**

**28 unsatisfactory storm overflows replaced/improved**

**220 km water mains renewed or relined**

**6 major capital schemes completed in Durham and Northumberland**

# **NWL Operations**

**High standard of drinking water quality maintained**

**Good environmental performance**

- sewage treatment works compliance**
- bathing water results**

**Good customer service**

- performance against Ofwat measures**
- survey results on both satisfaction and value for money**

**however**

- impact of exceptional rainfall on sewer flooding**



# **Water and waste water contracts**

## **Gibraltar**

**Performing well, customer service standards maintained**

## **Republic of Ireland**

### **Cork**

**First successful year of operations**

## **Scotland**

### **Levenmouth**

**Operational outputs delivered**

**Target completion certificate - 2006**

### **Ayrshire**

**Operational outputs delivered**



# **Outlook**

**Focus on core water and waste water activity**

**Focus on performance – financial and operational**

**Build on track record of:**

**Service delivery**

**Environmental performance**

**Stakeholder value creation**

# Northumbrian Water Group plc

**Q & A**