

Welcome to the Northumbrian Water Group plc Annual General Meeting

3 August 2004



**NORTHUMBRIAN
WATER GROUP**

Sir Fred Holliday

Chairman



Board "Who's Who"

Alain Chaigneau
Non-Executive Director

Derek Wanless
Non-Executive Director

Jenny Williams
Non-Executive Director

Bernard Guirkinger
Non-Executive Director

Martin Negre
Non-Executive Director

Patrick Brown
Non-Executive Director

John Cuthbert
Managing Director

Frederick Holliday
Chairman

Chris Green
Group Finance Director

Martin Parker
Company Secretary

Agenda

Part 1

- Chairman's Welcome – Sir Fred Holliday
- Business Review – John Cuthbert
- Financial Review – Chris Green
- Questions & Answers

Part 2

- Formal Business – Sir Fred Holliday



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**NORTHUMBRIAN
WATER GROUP**

John Cuthbert

Managing Director



Year of Change

- **May 2003 AIM Listing**
- **Aug 2003 Draft Business Plan to Ofwat**
- **Sept 2003 Move to Official List**
 - Application for interim price rise
- **Dec 2003 Ofwat confirm price increase of 10%**
- **Apr 2004 Final Business Plan submitted**
- **Aug 2004 Draft determination of prices**
- **Dec 2004 Final determination of prices**



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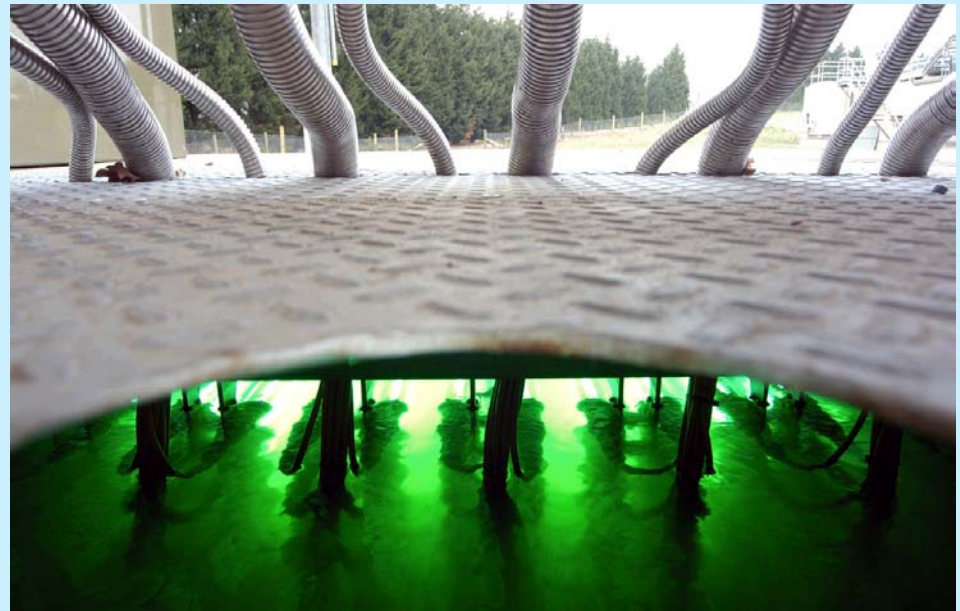


Investment and Innovation

Building on our expertise

Investment of £158.4m

- Langford recycling scheme
- Wear Valley water treatment works
- Infrastructure
- Maintenance

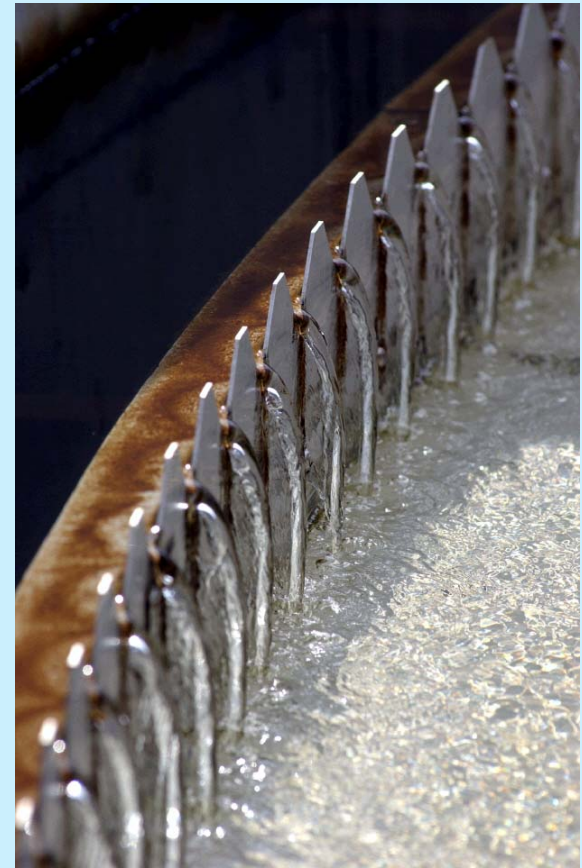


Customer Performance

Building on our experience

Water resources

- Driest year since 1995
- Investment in water resources and leakage detection
- No water restrictions

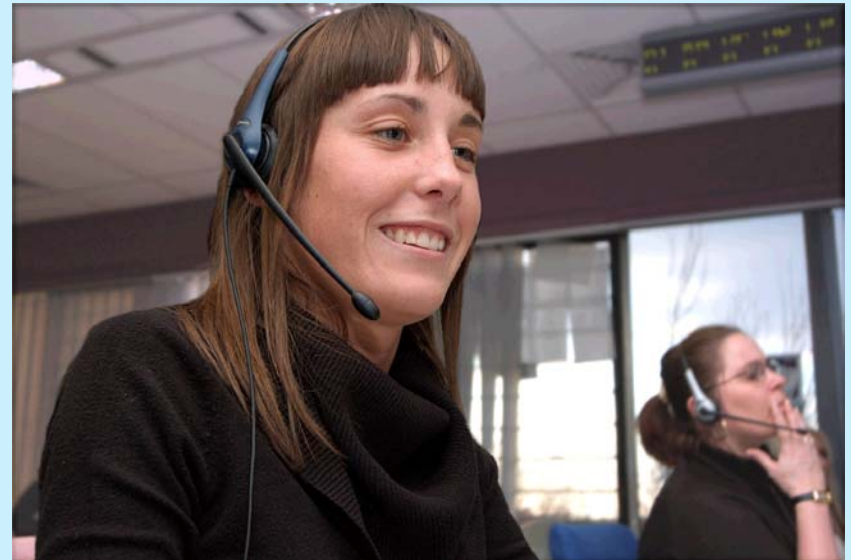


Customer Performance

Building on our experience

Services

- Drinking water quality at highest level
- Consistently high levels of customer service and satisfaction



Commercial Performance

Building on our experience

- New contracts
- Innovation
- Property Solutions





Environmental Performance

Building on our solutions

- 100% pass rate on bathing waters
- ISO 14001
- Environmental partnerships



Community Involvement

Building on our partnerships

- “PerCent Club” member
- Just an Hour
- Health initiatives



People

Building our Future

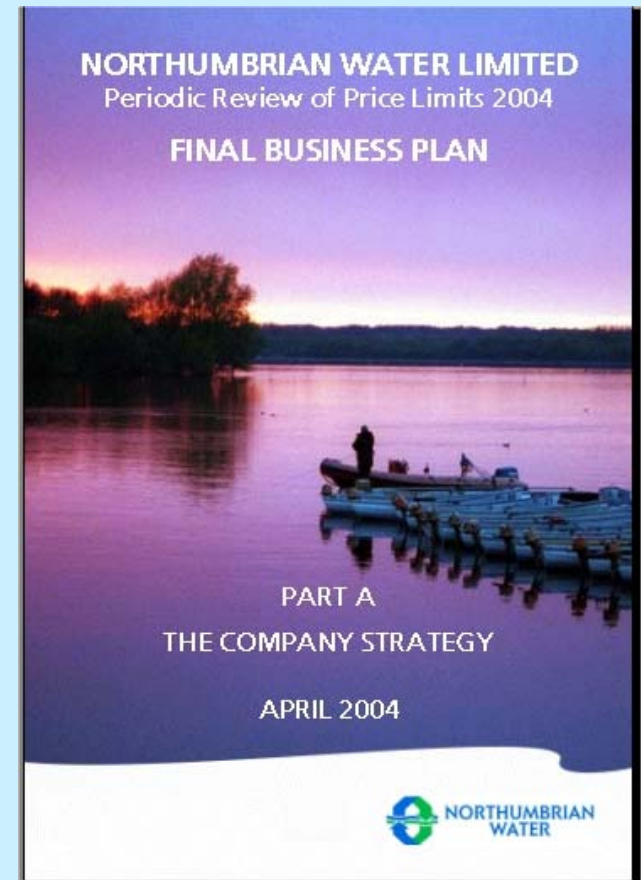
- 2,400 employees
- Communications
- Companywide Forum
- Health and safety
- Management development and team leader training



Final Business Plan

Our proposals

- Lower capital investment
- Increase in maintenance investment
- Reduce discolouration
- Reduce sewer flooding
- Improve water resources
- Provide for tax increases



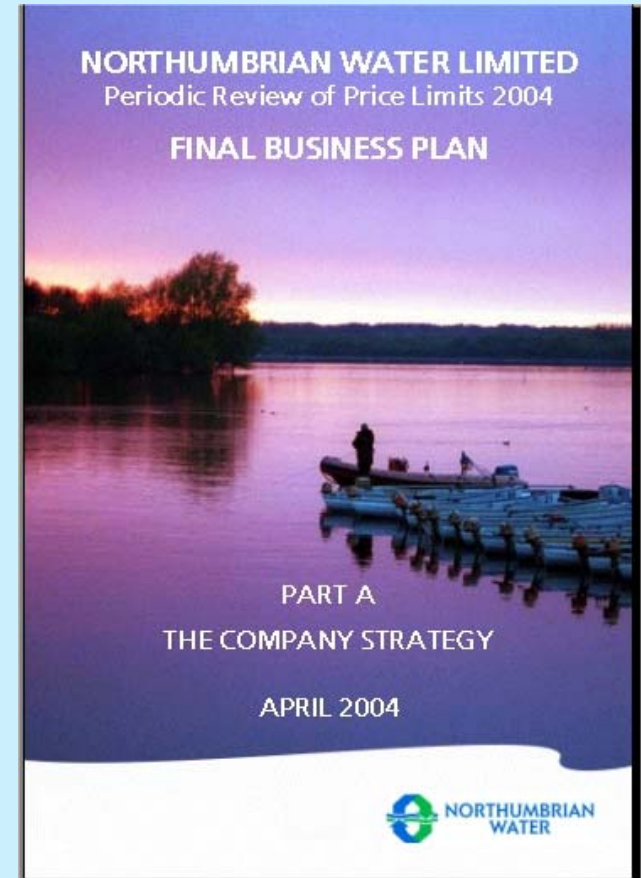
Final Business Plan

Our proposals

Raise prices in real terms
by 28% over the period
2005 - 2010

but

Prices to remain amongst
the lowest in the country



Outlook

- **Focus on performance**
 - Excellent drinking water quality
 - Maintaining highest environmental standards
 - Delivery of regulatory outputs
- **Push for further efficiency**
- **Financial position strengthened**
- **2004/05 trading performance significantly improved by interim price increase**
- **Well balanced business plan**



**NORTHUMBRIAN
WATER GROUP**

Chris Green

Finance Director

Basis of Results

- **Period from 12 May 2003 to 31 March 2004**
- **10 months trading from 23 May 2003**
- **Comparatives - 10 months trading from 23 May 2002**
- **2003/04 interest charges reflect acquisition debt**



Summary Group Results

(before exceptionals)

	03/04	02/03	
	10 mths	10 mths	
	£m	£m	
Turnover	442.1	429.0	+3%
Operating Profit	145.8	144.0	+1%
Interest	(92.8)	(65.3)	+42%
Profit before tax	56.5	80.6	-30%
Profit after tax	67.5	79.2	-14%



Exceptional Items

• Operating costs reflect:	£m
– Severance costs arising from sale	1.1
– Costs related to full listing	1.1
• Interest related to debt arrangement costs:	
– Arrangement fees in 2003/04 re £536m short term acquisition loan	8.8
• Tax credit on the above	<u>(3.0)</u>
Total	<u>8.0</u>

Group Balance Sheet

- Net debt (before fair value) increased by £579.8m to £1,768.4m
- £536m of new debt raised to fund acquisition
- Net outflow from operating activities of £44.6m
- Net investment in fixed assets of £158.4m
- Intangible asset recognised for Kielder operating contract – capped at £64.2m, eliminating goodwill

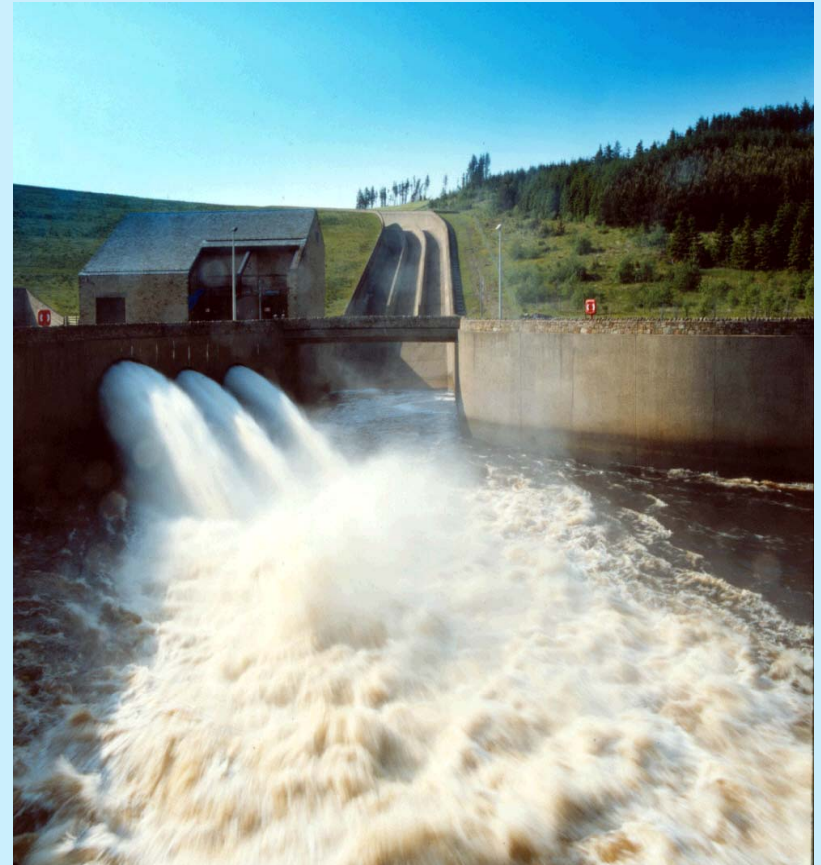
Group Cash Flow

Dominated by transactions relating to acquisition:

	£m
• Purchase of business by NWG	(788.9)
• Net cash outflow from normal activities	(44.6)
• Funded by:	
• Issue of new shares	368.5
• Acquisition debt	536.0
• Utilisation of existing cash	293.6
• Less repayment of debt	<u>(351.3)</u>
• Increase in cash balance	<u>13.3</u>

Kielder Transaction

- Finance raised against Kielder contract with EA
- No change of ownership or operation
- Net proceeds £212.1m
- All in cost c.6%, maturity 2034
- New debt rated AAA by all agencies
- Acquisition facilities repaid/cancelled



Group Debt Profile

- **Kielder extends maturity profile to 18.3 years**
- **NWG gearing 76% of Regulated Asset Value (RAV)**
- **NWL gearing 62% of RAV (of which 58% appointed)**

Credit Rating

- **Credit position strengthened:**
 - Successful IDoK
 - Kielder securitisation
 - EIB facilities continue
 - Refinancing of short term facilities
- **Positive reaction from agencies:**

– Fitch	BBB+	stable
– Moody's	Baa1	stable
– S&P's	BBB	positive

Dividend

- **Final dividend 4.63p per share**
- **Total dividend 6.95p, for 10 months trading to 31.3.2004**



**NORTHUMBRIAN
WATER GROUP**

Sir Fred Holliday

Chairman



**NORTHUMBRIAN
WATER GROUP**

Any questions?

Northumbrian Water Group plc Annual General Meeting Formal Business

3 August 2004

Resolution 1

To receive and adopt the annual report and the audited financial statements for the period ended 31 March 2004.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 1

To receive and adopt the annual report and the audited financial statements for the period ended 31 March 2004.

	Number of Votes	% of Votes Cast
In Favour	374,415,561	97.69
Discretion	5,327,864	1.39
Against	3,527,203	0.92
Withheld	2,746,467	-

Resolution 2

To declare a final dividend of 4.63 pence per ordinary 10 pence share.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 2

To declare a final dividend of 4.63 pence per ordinary 10 pence share.

	Number of Votes	% of Votes Cast
In Favour	380,691,356	98.62
Discretion	5,325,130	1.38
Against	547	-
Withheld	62	-

Resolution 3

To elect John Cuthbert as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 3

To elect John Cuthbert as a director.

	Number of Votes	% of Votes Cast
In Favour	380,410,500	98.55
Discretion	5,333,735	1.38
Against	263,560	0.07
Withheld	9,300	-



Resolution 4

To elect Chris Green as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 4

To elect Chris Green as a director.

	Number of Votes	% of Votes Cast
In Favour	380,405,328	98.55
Discretion	5,337,815	1.38
Against	265,552	0.07
Withheld	8,400	-

Resolution 5

To elect Sir Patrick Brown as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 5

To elect Sir Patrick Brown as a director.

	Number of Votes	% of Votes Cast
In Favour	380,415,420	98.55
Discretion	5,342,932	1.39
Against	239,114	0.06
Withheld	19,629	-

Resolution 6

To elect Martin Nègre as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 6

To elect Martin Nègre as a director.

	Number of Votes	% of Votes Cast
In Favour	380,006,772	98.54
Discretion	5,347,342	1.38
Against	289,803	0.08
Withheld	373,178	-

Resolution 7

To elect Derek Wanless as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 7

To elect Derek Wanless as a director.

	Number of Votes	% of Votes Cast
In Favour	380,225,872	98.50
Discretion	5,347,932	1.39
Against	424,382	0.11
Withheld	18,909	-

Resolution 8

To elect Jenny Williams as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 8

To elect Jenny Williams as a director.

	Number of Votes	% of Votes Cast
In Favour	380,420,385	98.56
Discretion	5,347,932	1.39
Against	194,174	0.05
Withheld	54,604	-



Resolution 9

To elect Alain Chaigneau as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 9

To elect Alain Chaigneau as a director.

	Number of Votes	% of Votes Cast
In Favour	376,958,870	98.51
Discretion	5,349,005	1.40
Against	351,710	0.09
Withheld	3,357,510	-



Resolution 10

To elect Bernard Guirkingner as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 10

To elect Bernard Guirkingner as a director.

	Number of Votes	% of Votes Cast
In Favour	376,963,413	98.51
Discretion	5,343,323	1.40
Against	354,922	0.09
Withheld	3,355,437	-



Resolution 11

To elect Sir Fred Holliday as a director.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 11

To elect Sir Fred Holliday as a director.

	Number of Votes	% of Votes Cast
In Favour	377,364,391	98.52
Discretion	5,349,791	1.39
Against	337,975	0.09
Withheld	2,964,938	-

Resolution 12

To re-appoint Ernst & Young LLP as Auditors and to authorise the directors to determine their remuneration.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 12

To re-appoint Ernst & Young LLP as Auditors and to authorise the directors to determine their remuneration.

	Number of Votes	% of Votes Cast
In Favour	379,719,247	98.42
Discretion	5,331,972	1.39
Against	751,539	0.19
Withheld	214,337	-

Resolution 13

To approve the directors' remuneration report.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 13

To approve the directors' remuneration report.

	Number of Votes	% of Votes Cast
In Favour	373,773,326	98.38
Discretion	5,362,372	1.41
Against	807,543	0.21
Withheld	6,073,854	-

Resolution 14

To authorise the Company to purchase its own shares, to be held by the Company as treasury shares or cancelled.

	Number of Votes	% of Votes Cast
In Favour		
Discretion		
Against		
Withheld		

Resolution 14

To authorise the Company to purchase its own shares, to be held by the Company as treasury shares or cancelled.

	Number of Votes	% of Votes Cast
In Favour	379,902,304	98.42
Discretion	5,990,785	1.55
Against	103,323	0.03
Withheld	20,683	-

**Thank you for attending
our first AGM**