

WELSH WATER CUSTOMERS BENEFIT FROM EXCELLENT COMPANY PERFORMANCE

12 November 2003

*Glas Cymru announces its Interim Results
for the six months to 30 September 2003*

Glas Cymru has today published its interim results for the six months to 30 September 2003, confirming top quality service levels for Welsh Water customers. Glas Cymru is the “not for profit” company which has managed Welsh Water since May 2001.

Performance highlights include:

- Rebates of £11.5 million to customers’ bills this year. Welsh Water is the only water company to charge customers less than the regulatory price cap.
- Welsh Water named top of Ofwat’s league table of performance for overall quality of service in 2002/3 – up from 7th out of 10 in the year before it was acquired by Glas Cymru.
- Environmental investment helping Wales to achieve 33 Blue Flag resort beaches and 48 equivalent Green Coast awards for rural beaches – up from just two awards in 1995.
- Excellent overall standards of performance maintained in 2003/4 to date.
- Profit before interest and tax of £90 million.
- Profit before tax of £18 million, to be reinvested in the business for the benefit of customers.

Lord Burns, Chairman of Glas Cymru, said, “I am delighted to report that the greatly improved standards of customer service and environmental performance that we have targeted since we took over Welsh Water in 2001 have resulted in the company being recognised as the best performing water company in England and Wales in Ofwat’s annual Overall Performance Assessment.”

By 30 September 2003, net debt had been reduced to some 85% of Regulatory Capital Value (RCV). Financial performance is on track to exceed the target for financial “reserves” (RCV less net debt) of £400 million by 31 March 2005.

Welsh Water’s £1.2 billion capital investment programme from 2000-2005 (AMP3) is delivering significant improvements in customer service and environmental performance while remaining on budget and on schedule. Examples of important investment schemes carried out over the six months period include:

- Water mains refurbishment and replacement across the Welsh Water area averaging 56 km a month - its highest ever rate.
- Completion of upgrades to the sewerage system in the Gwendraeth and Amman valleys, lifting the planning embargo previously in place due to capacity constraints on the network.
- Significant decrease in the number of properties at risk of sewer flooding from 380 to 285 as a result of an increase in investment by Glas Cymru.
- Completion and commissioning of a £15 million upgrade to the water treatment works at Broomy Hill in Hereford.

Lord Burns added, “There remains much to do to sustain our current excellent performance. We must address those aspects of service, such as sewer flooding and pollution incidents, which need further improvement. However, the achievements of the business to date demonstrate the commitment and capabilities of all the staff who work for Welsh Water and its partners across the entire business.”

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Ofwat's regulatory price review for the period 2005-2010 is now well underway. Welsh Water published its detailed consultation plan in September 2003.

The company's aim is to achieve a common view with all its stakeholders as to the optimal balance of improved environmental and service quality, the investment required to deliver it and the impact on customers' bills. Welsh Water's Strategic Business Plan will be published in 2004.

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Enquiries to the Glas Cymru press office on 029 2055 6140

Notes to Editors:

1. Glas Cymru was formed in April 2000 for the sole purpose of acquiring Welsh Water. It is a company limited by guarantee, which makes Glas Cymru the same as any other company except for one important difference – it does not have shareholders. This means that all financial surpluses are retained within the business for the benefit of Welsh Water and its customers. It also means that Welsh Water's only concern is its responsibility as a water and sewerage company. Under Glas Cymru's ownership Welsh Water cannot diversify into new and riskier business activities.
2. Welsh Water is the regulated company that provides water and sewerage services to over three million people living and working in Wales as well as some adjoining parts of England. In all, Welsh Water has 1.2 million household customers and over 100,000 business customers.
3. At its first Annual General Meeting in July 2001, Glas Cymru announced a target of £23 million of bill rebates by 2005 for Welsh Water customers. The first of these rebates was confirmed in February 2003 with bills for 2003/4 set at a level £11.5 million below the price cap allowed by Ofwat.
4. Welsh Water was ranked first among the ten water and sewerage companies in England and Wales, for the overall quality of service to customers in Ofwat's annual report, Levels of Service for the Water Industry in England and Wales 2002-03. This result reflects a greatly improved level of performance on a wide range of measures set by the industry regulator Ofwat, including the quality of drinking water, the treatment of wastewater and the quality of customer service. Welsh Water was ranked seventh out of ten for its performance in 2000-01, moving up to third place in 2001-02.
5. In May 2001, Glas Cymru completed one of the largest sterling bond issues ever seen in the UK to finance the change in ownership and to fund Welsh Water's continuing capital investment programme. The bond issue raised £1,910 million and was very successful, being 70% over-subscribed. By funding Welsh Water's assets with long term, low risk bonds, Glas Cymru has cut Welsh Water's annual financing costs by

some £50 million a year. In the first instance these savings are being used to build up financial reserves and protect the Company from unforeseen circumstances, such as a major drought, and also to improve Welsh Water's credit quality so that it can reduce its financing costs still further in the years ahead.

6. In April 2001, major outsourced service contracts were let by Welsh Water, following a competitive tendering process, to United Utilities (water and wastewater operations) and Thames Water (customer billing and contact). Other significant service providers include Severn Trent, Wessex Water, Logica, Petrofac, the City and County of Swansea and Carmarthenshire County Councils. In April 2003, Welsh Water issued calls for competition in the European Journal for companies to express an interest in bidding for similar contracts to start when the current contract periods come to an end in April 2005.
7. In August 2003 Welsh Water issued its draft strategic business plan for 2005-10, detailing the company's proposals for services and investment, published as part of the water industry price review, on which it plans to consult widely. More information on this is available at www.dwrcymru.com
8. The full version of Glas Cymru's interim financial announcement is available at www.glascymru.com and www.dwrcymru.com