

NEWS FROM WELSH WATER  
Financial Results for the six months to 30 September 2005

**Welsh Water tops industry league table for service to customers and pays an £18 customer dividend**

Glas Cymru has today published its results for the six months to 30 September 2005, highlighting that Welsh Water's customer service levels and environmental performance have been rated as joint top of Ofwat's annual league table.

Glas Cymru is the company that has owned Welsh Water since May 2001, with the single purpose of delivering high quality services to its customers at the lowest possible cost. Glas Cymru has no shareholders and reinvests all financial surpluses for the benefit of Welsh Water's customers.

*Financial highlights of the results include:*

- 'Customer dividend' of £18 per customer at a total cost of £23m in 2005/06; twice the level of the previous year – the only water company to make a 'customer dividend'.
- Profit after tax (excluding fair value losses on financial instruments) of £19.4 million to be retained in the business for the benefit of customers.
- £425 million of listed bonds issued in May 2001 redeemed on 30 June 2005, achieving a financing saving of some £5 million a year.
- Net debt has reduced to some 80% of Regulatory Capital Value (RCV) as compared to some 93% on the acquisition of Welsh Water in 2001.

*Operational and performance highlights include:*

- Ranked joint first (with Yorkshire Water) in the industry by Ofwat's "Overall Performance Assessment" of customer service and environmental performance for 2004/05 published on 28 September 2005.
- Key regulatory measures for levels of service, water quality and environmental quality continue to show very good performance during the first six months of 2005/06.
- Investment in the wastewater network has much improved bathing water quality and in 2005 Wales had a record 41 Blue Flag beaches and marinas (plus 41 Green Coast and 108 Seaside awards).

Commenting on the performance and financial results, Glas Cymru Chairman Lord Burns said, "I am delighted that Welsh Water's customers can now see clear benefits from our unique business model. They are receiving an £18 customer dividend this year, which remains exclusive to Welsh Water. They are also continuing to benefit from levels of service that are rated by Ofwat as being the best in the industry."

During the period, Welsh Water has successfully commenced its new £1,100 million five-year investment programme, which will bring major benefits to customers in terms of drinking water quality, environmental protection and the alleviation of sewer flooding. The company's strong financial position, which it has achieved over the last four years, has enabled it to raise the finance it needs for this investment programme at attractive rates of interest, which will help to keep down the level of bills for Welsh Water's customers long into the future.

Lord Burns added, "Welsh Water's excellent result in Ofwat's most recent league tables of service performance is a great credit to all those who work for the company and for our long-term service partners. But there remains much to do. We are committed to better value for money services for our customers and are confident that we have the right plans in place to deliver them."

Ends

For further information contact the Glas Cymru press office on 02920 556140.

Notes for editors:

1. Glas Cymru was formed in April 2000 for the sole purpose of acquiring Welsh Water. It is a 'company limited by guarantee' registered under the Companies Act 1985. Glas Cymru has no shareholders. Instead, Members carry out an important corporate governance role but they do not receive dividends nor do they have any other financial interest in the Company. This corporate structure ensures that all financial surpluses generated are retained and reinvested for the benefit of Welsh Water and its customers.
2. Glas Cymru's constitution strictly limits its purpose to that of financing water assets in Welsh Water's area of appointment and managing Welsh Water's business so that high quality water and sewerage services are delivered at least cost to the communities served by Welsh Water. Glas Cymru cannot diversify into other unrelated commercial activities.
3. Dwr Cymru Welsh Water outsources the provision of operational and customer services and the delivery of its investment programme. Working closely in a partnership framework with industry specialists delivers constantly improving business performance and benefits customers.