

Kentucky-American Water Company

Business Plan 2004-2008

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Kentucky-American Water Company

Executive Summary

The 2004 – 2008 Business Plan continues the past achievements of Kentucky-American Water Company for earnings and dividends growth. The Company has positioned itself as the leader in providing quality water service in Kentucky. The Company has been impacted significantly by the change in ownership of American Water. The 2003 rate case was delayed as part of the settlement agreement. In addition, the City of Lexington is currently in the process of attempting to acquire the Company through eminent domain proceedings. This condemnation effort has forced the Company to spend considerable amounts to defend itself in this process. Those condemnation expenses and delay in the rate filing have significantly depressed the Operating Result and earnings for the Company in 2002, 2003, and continues into 2004. The Plan includes a rate filing in March 2004 to recover its increase in rate base and expense increases since the 2000 rate case. For this Plan to reach its full potential, the Company intends to have no further rate cases after 2004, and this will permit the Company to take full advantage of its Development Plan in increasing its financial performance, and Key Performance Indicators (KPI).

Market Plan

Attached to this executive summary is the 2004-2008 Market Plan. That Market Plan's objectives support American Water's ("AW") initiatives for expansion, "best in class" customer service, and value creation. KAWC's initiatives align resources, efforts, and leadership in regulated and non-regulated business lines to pursue a full range of capabilities; pursue quick hit margin-improvement opportunities; expansion of wastewater business; and development of the industrial and commercial market.

The Market Plan will enhance potential achievement of earnings and dividend growth, and will enhance achievement of operational results in the future. The Market Plan will permit the Company to continue the high quality of service to which our customers are accustomed, and permit that service to be provided in a manner that will generate customer satisfaction levels at or above those achieved in the past. KAWC will expand its strong leadership position in the KY water market and effectively grow market share in the KY wastewater market.

The key areas covered in the Market plan are:

- Detailed listing of all presently known and anticipated development opportunities.
- Cross Selling between the regulated and non-regulated businesses and product lines.
- Routes to market including use of rainmakers, public/private partnerships, and enhanced government relations to increase potential for public partners.
- Developing new and innovative products and services.
- Better utilization of competitive position.
- Market objectives.

- Implementation Plan.
- Required Resources.
- Key Relationships
- Critical Success Factors.

Base Plan

The Base Plan reflects growth in turnover from 44.5 million in 2003 to \$53.2 million in 2008, or an increase of 19.5% for a Compounded Annual Growth Rate (CAGR) of 3.6%. The Company delayed its expected 2003 rate case due to the proceedings and settlement in the RWE acquisition case. This placed the Company in a position of reduced earnings for 2003 due to significant rate base not yet recovered in rates, and the need to recover several significant increases in expenses for such items as deferred and on-going security, shared services transition costs, salary increases, and increased Pensions and OPEB's based on the latest actuarial evaluations. In addition, beginning in 2002 and continuing into 2003 the Company has expended significant amounts to fight the condemnation effort by the City of Lexington. Because of the current depressed level of earnings, the Company has included in the Plan a rate case to be filed in March 2004 to return Operating Results and KPI to acceptable levels. There is likely to be significant opposition to the rate case due to the condemnation efforts and the high level of negative reaction to foreign ownership, and the likely mistaken representation that this rate increase is tied to foreign ownership. The ultimate decision to file this case will be determined by the status of the condemnation effort at that time.

The rate case will return the Company to acceptable levels in KPI and value creation.

Development Plan

The Company's development plan focuses on "tuck in" acquisitions, marketing "special contract" pricing to attract adjacent system for bulk sales, and marketing auxiliary services for such items as contract sewer billing, service line protection services, and new services in the leak detection and lab service areas. The Company has included in its 2004-2008 Business Plan package specific target lists for growth and development. While all of these targets are not expected to be realized due to local control and other issues, a significant portion of those opportunities will be attainable and have been included in the base plan, while others will develop over the timeframe of this Plan.

Significant improvement to the financial results and KPI's should be generated from the Development Plan and retained by the Company if the plan for no rate cases after 2004 can be maintained.

Financial Analysis

Financial targets set for the Base Plan are reflected in the following KPI summary:

| | <u>Key Performance Indicators</u> | | | | |
|--------------------------------|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Turnover (\$m) | 47,235 | 51,331 | 52,079 | 52,635 | 53,192 |
| Operating Result (\$m) | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| PBT (\$m) | 12,319 | 14,624 | 14,952 | 15,226 | 14,972 |
| Operating Result Margin % | 36.9 | 38.8 | 38.7 | 38.6 | 36.8 |
| ROCE % | 11.3 | 12.6 | 12.5 | 12.5 | 12.1 |
| Avg. Net Operating Asset (\$m) | 154,009 | 158,461 | 161,312 | 162,035 | 161,142 |
| Value Contribution (\$m) | 5,093 | 7,257 | 7,261 | 7,354 | 6,678 |
| Net Debt (\$m) | (89,771) | (91,986) | (89,891) | (87,821) | (82,618) |
| Capex Additions (\$m) | 17,129 | 13,090 | 13,961 | 13,295 | 10,834 |

As indicated previously the rate case is critical to achievement of the financial projections and results included in the Plan.

Section 1 – Summary of Market Plan

1.1 Description of Business

KAWC has been serving customers in Kentucky for over 115 years. The Company is the largest investor owned water provider in the state, providing service to over 105,000 families and businesses. The Company serves a population of over 300,000 in 5 municipalities and 11 counties. It currently operates 2 separate water treatment facilities, and produced, treated, and delivered 15.9 billion gallons of water last year, an average of 43.5 million gallons per day. Investment in utility plant exceeds \$250 million; we employ 144 water supply professionals, maintain over 1,500 miles of main, and maintain 15 storage tanks and 7 booster stations.

1.2 Strategic Objectives

The key Strategic Objectives are as follow:

- Remain the water provider of choice in existing service areas.
- Use existing market share to expand into new service areas and expand the types of services provided.
- Promote investor ownership regarding public/private partnerships by leveraging private investment into low cost public sector loans and grants.
- Attract and retain qualified employees capable of carrying out the mission and objectives of the Company.
- Use the well established relationships with national, state, county and local government officials to enhance achievement of the Company's goals and objectives.
- Maintain the excellent relationship with current and future regulators, keep the regulators abreast of current issues, and gain support for growth and service related initiatives.
- Enhance customer perception of the value of services provided by assessment of that perception and development of a marketing plan designed to meet those customer expectations.
- Improve cost containment initiatives in order to keep operating cost increases below the level of inflation.
- Assess each capital project in order to keep capital spending at levels covered by internal cash except for value added growth opportunities.
- Rate increases should be minimized or eliminated in order to maintain cost competitiveness.

1.3 Proposed Strategy

The Plan continues the two-part growth strategy that has produced successful results in the past. The first part of the growth strategy is the continued investment in upgrades and replacement of aged plant at existing operations. This

investment is required to meet current and future water quality regulations and replacement of aged plant required to provide reliable, quality water service each day to the customers. The growth of this investment is largely a function of the basic nature of the water industry. The water industry is a more capital intensive business than any other utility. The 2003 rate case was delayed due to the settlement in the acquisition case. The Company has over \$15.0 million of rate base to be recovered in the current rate case. Capital improvements will become less of a driver of rate increases over the Plan period, unless a final solution to the source of supply issue is determined and a capital improvement project is developed to address that shortage. If that project develops within the timeline of this Plan, significant adjustment to the Plan will be required.

The second part of the growth strategy reflects the investment opportunities available through acquisition of water and wastewater systems as utilities consolidate. The opportunity for acquisition and merger is great in Kentucky. There are many small public and private systems that cannot replace aged plant, expand service area, and provide for economic development at affordable prices due to their small customer base. The State government is actively encouraging consolidation and privatization whenever possible, due to limited public sector funds available for water infrastructure improvements. The Company has and will continue to pursue these many opportunities when financially feasible to do so, through acquisition and innovative regional public/private partnership arrangements.

The Company plans to maximize the financial and operation impact from its development plan by attempting to avoid rate cases after 2004. This would permit the Company to retain the benefit and value creation from its growth as an offset to increased expenses and erosion of earnings.

1.4 Key Actions

The Company will increase its coordination with the non-regulated business to maximize the benefit of the market share advantage in KY and to obtain new markets for those non-regulated business lines. The business development efforts between the regulated and non-regulated operations should be coordinated more effectively in order present the full range of services provided by AW and to enhance the One Company/One Vision approach to business development. When approaching potential customers and clients business development representatives should be capable and free to discuss the full range of services provided by the Company, including acquisition, contract operations, design build, and auxiliary services.

1.5 Major Factors

The negative reaction to foreign ownership and the condemnation efforts have hampered the business development initiatives significantly. The Company

must develop a public relations effort to change the perception of the Company if its development efforts are to be successful. The Company has a large market share leading to a competitive advantage. It is critical that we overcome the impediments that are currently before us in order to move the business forward and leverage the competitive advantages that exist.

Section 2 – Base Plan

2.1 Overview

The Base Plan reflects growth in turnover from 44.5 million in 2003 to 52.2 million in 2008, or an increase of 19.5% for a CAGR of 3.6%. This growth is primarily driven by the rate case, which is expected to produce \$4.667 million. The Company is forecasting no further rate relief in the five year planning period. The Company delayed its expected 2003 rate case due to the proceedings and settlement of the RWE acquisition filing. This has placed the Company in a position of reduced earnings in 2003 and 2004 due to over \$15 million of rate base not included in rates, recovery of security expenses, recovery of shared services transition costs, and significant increases in pension and group insurance expenses.

The successful completion of the rate strategy will increase Operating Result from \$15,058 in 2003 to \$19,569 in 2008. This represents an increase of \$29.9% for a CAGR of 5.4%. The Company's strategy to avoid rate increases after 2004, if successful, will permit the Company to improve Operating Result, ROCE, and Value Contribution through success in its Development Plan.

2.2 Key Assumptions

The Base Plan has been prepared conservatively. The key assumption is that water sales will fall within normalized levels. The Company has a volatile water sales level due to a significant summer time usage pattern tied closely to weather. In addition, during period of drought the current source of supply can be stressed, leading to conservation requirements. The Company has assumed that the level of industrial sales for the base period will remain flat. The Company has utilized the following financial assumptions in developing its plan:

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| ST Interest Rate | 2.5% | 2.5% | 2.6% | 2.7% | 2.7% |
| LT Interest Rate | 6.6% | 7.3% | 7.5% | 7.7% | 7.7% |
| Salary Increases | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Health Care Increases | 8.0% | 12.0% | 12.0% | 12.0% | 12.0% |
| Inflation | 2.5% | 2.5% | 2.6% | 2.7% | 2.7% |

The Company made the assumption that the current rate case will receive an authorized ROE of 10.25% versus the 11.0% currently authorized.

2.3 Sensitivities

The key sensitivity has been and continues to be the fluctuation in the level of usage in any particular year based on the summer load tied to outdoor watering, and the impact weather can have on this pattern. Continued negative reaction to foreign ownership and continued rumblings of condemnation could lead to less than adequate results in the rate filings. It is critical that this trend in public opinion be reversed, or there could be a negative impact on the results and particularly on the development plan. No adjustments have been made to the Plan for weather, or a continued decline in the economic climate.

2.4 Key Actions

The successful prosecution of the 2004 rate case is critical to the achievement of the 2004-2008 Business Plan. This rate case will return the Company to the levels of financial performance experienced in the past. Success in the rate case will provide the basis for enhancement of Operating Results, KPI, and provide a platform to further improve those results from the successful implementation of the Development Plan.

2.5 Past Performance and Results

The Company has had a solid record of earnings growth and strong financial performance. The Company has no major capital improvements in the plan period, but this could change if a regional water supply solution is identified and defined within the current five year planning period. The years 2002, 2003 and 2004 have been underperforming due to the expenses of condemnation, weather not conducive to water sales, and increases in pensions and group insurance. The Company was not able to offset these negative impacts due to the delay in filing the 2003 rate case.

A successful 2004 rate case will permit the Company to regain solid financial footing and move forward through the remainder of the Plan period with a strategy of growth and development that can produce the earnings growth experienced in the past.

Section 3 Development Plan

3.1 Development Plan Objective

The Development Plan is a continuation of the successful strategy of the Company regarding tuck-in acquisitions and development of regional solutions using public/private partnerships. The Company will enhance these efforts through the use of wholesale contract arrangements to entice adjacent public systems who face source problems or face the need to increase capacity onto our system if the supply issue can be rectified. These arrangements can provide quick hits that produce significant revenue and operating result improvement with little capital investment. The Company will utilize its existing market position and extensive service area, along with the expertise gained from the acquisition, to develop the same type of success in the wastewater area. The Company will also develop an increased cooperation and coordination with AWS and AWR to increase the O&M contract opportunities and auxiliary services opportunities in its service area.

The strategic objectives of the Development Plan are incorporated into the overall business plan as follows:

- Complete integration with RWE/Thames. Promote an environment of support and commitment to the RWE/Thames business and the completion of integration objectives.
- Provide “best in class” water and wastewater service in the KY market to demonstrate capabilities to prospective customers in and around the KY market. Excellence will be pursued in the following areas: customer service, water quality, network reliability, environmental compliance, quality management, control of unsold water, safety, efficiency and financial returns.
- Increase profitability by delivering business plan targets.
- Create and protect value. Create business development opportunities that add value in the regulatory environment through acquisitions, O&M contracts, competitive bulk sales contracts, and develop new regulated and non-regulated value creation opportunities through interaction with TW, AWS, AWR and others.
- KAWC will enhance its competitive advantage by providing value added services in the area of customer relationship management, asset management, operations, financial services, project development and will develop new products and services that are technically compelling and cost effective for target customers.
- Establish a position of leadership in the provision of wastewater services in the KY market.

3.2 Timeframe for Development

The Company has scheduled the various target growth and development projects in the Development Plan made a part of the Business Plan presentation. The efforts to meet this Development Plan have and continue to be a major focus of the Company. While all of the targets are not expected to be realized due to local control and other issues, a significant portion of those opportunities will be attainable and have been included in the base plan, while others will develop over the timeframe of the Plan.

3.3 Key Assumptions

The key assumptions in developing the Growth Plan are as follows:

- Negative reaction to foreign ownership will be overcome by public relations efforts.
- Condemnation efforts will not cause concern about the Company in the future.
- Public systems will continue to not meet regulations and will require state and federal funding for capital needs.
- Regulators will begin to level the playing field by enforcing regulation.
- National competitors will not be a major player in the KY regulated area.
- Appropriate resources will be devoted to marketing, brand recognition, and business development efforts.
- Effective lobbying at the state and federal level will be provided.

Kentucky-American Water Company 2004 – 2008 Market Plan

1. Executive Summary

Kentucky-American Water Company's ("KAWC") strategic objectives collectively support Thames Water's break-through initiatives for expansion within the United States, "best-in-class" customer service and value creation. KAWC's initiatives specifically align resources, efforts and leadership in regulated and unregulated business lines to sell a full range of capabilities; pursue quick hit margin improvement opportunities; expand wastewater business and develop the industrial & commercial market.

The Strategic Business Plan for 2004-2008 continues the past achievements of KAWC for earnings and dividend growth. Strong financial and operational results in the future will permit KAWC to continue the high quality of service to which its customers are accustomed and will permit that service to be provided in a manner that will generate customer satisfaction levels at or above those achieved in the past. KAWC has been among the top in total customer satisfaction for the last several years.

- Complete integration with RWE/Thames – promote an environment of support and commitment to the RWE/Thames business and the completion of integration objectives.
- Provide a "best-in-class" reference site for water and wastewater service to demonstrate Thames' capabilities to prospective customers in Kentucky.
- Increase profitability of the markets In Kentucky by delivering business plan targets.
- Increase profitability of contract operations by performing on contract, achieving high levels of customer satisfaction and receiving high-margin ancillary work.
- Excellence will be achieved and recognized in the following areas: customer service, water quality and network reliability, environmental compliance, quality management, control of unsold water, safety, efficiency and financial returns.
- Create and protect value – Create business development opportunities that add value in the regulatory environment through acquisitions, O & M contracts, competitive bulk sales contracts, and develop new regulated

and non-regulated value creation opportunities through interaction with Thames Water, AWS, AWR and others.

- We will enhance our competitive advantage by providing value added services in the areas of customer relationship management, asset management, operations and project development.
- Develop new products and services that are technically compelling and cost effective for target customers.
- Establish leadership in the provision of wastewater services serving residential and commercial customers.

How will KAWC be different in 5 years time?

- Integration completed with Thames Water
- Greater wastewater resources and customers
- Customers recognize the benefits of RWE/Thames acquisition
- Sharing of best practices across functional lines and state boundaries
- Alton Call Center completes transition and operates at peak expected efficiencies

Critical to achieving KAWC's strategic objectives is alignment with Thames' goal to develop and implement a plan to make the organization more fluid across regulated and non-regulated business lines and more important to make better use of collaboration to achieve business development goals through better alignment among all levels of the organization. It is essential that KAWC participate in this collaborative effort to achieve and recognize the following:

- One Vision
- One Team
- Accelerated profitable growth (Consistent and collaborative approach to financial modeling and accelerated approval processes)
- Single regionalized organization instead of an AW region and an AWS region
- Lower operating costs/ reduced overhead
- Elimination of redundant activities and processes – single business development program
- Enhanced customer focus and service throughout the organization
- A more seamless organization

The leadership role and proactive approach that KAWC has in achieving Thames Water's plan to transition the name recognition and reputation of KAWC to the new corporate identity is essential to achieving the One Company / One Vision organization. Once this transition is complete our probability of success

will be greatly enhanced in achieving positive results in meeting our strategic objectives.

Factors, which will impact the plan, are summarized below.

- The possible condemnation of KAWC by the local government has been well documented internally and in the media.
- The sale of American Water Works, Inc. to RWE, a German Company, has had an impact on business development results, at least to the extent that our proponents ask questions about the impact of the sale and our opponents use it to fuel any anti-foreign ownership sentiments, which have been bolstered by the position of Germany and the German people on the war in Iraq.
- KAWC faces a water supply deficit of 3.0 billion gallons in the Kentucky River in the event of a recurrence of the drought of record. Lack of a reliable source of supply in the Central Kentucky Area will hinder business development results.
- KAWC exceeded its rated treatment plant capacity of 70 mgd on August 5, 2002 with system delivery of 71.82 mgd during a moderately hot, dry period. Because resolution of the treatment capacity deficit is integrally fixed in the resolution of the source of supply deficit mentioned above, the preferred solution for resolving the treatment capacity deficit will be delayed until a long-term water supply solution is identified, designed and implemented. Until the problems of supply and treatment are resolved, business development results in Central Kentucky will be hindered. Not only will business development results be hindered by the lack of a product to sell, but also by any negative publicity that results from water restrictions in our existing service territories.
- The American Water National Call Center is experiencing the pain of a start up. Negative customer experiences have the potential to hinder business development results.
- The rates of American Water subsidiaries have been highlighted by our opposition and the press as being some of the highest in the country, often unfairly by use of such schemes as comparing our rates to in-city rates only, which are typically the lowest in a municipal system's rate structure, and by omitting any reference to up front costs such as system development charges, tap fees, etc.
- Historically, the lack of wastewater operation expertise has put us at a competitive disadvantage when presented with an opportunity for purchase or operation of a wastewater system. This condition should improve with our alignment with Thames Water.
- In acquiring facilities financed all or in part by grants, the question of grant repayment provides a significant obstacle.
- Real and perceived obstacles presented by affiliated transaction statutes can hamper business development results.

- Regulated utilities pay taxes and fees to state and local governments and income taxes to state and federal governments thereby operating at a substantial tax disadvantage to municipal competitors.

2. Opportunities:

The following table highlights and ranks opportunities for KAWC:

| Opportunity | Regional strength and competitive advantage | New technology | Changing need of client or stakeholder | Other | Value of contribution to Regional Business | Compatible with value creation | Possess necessary skills and resources | Probability of success |
|---|---|----------------|--|-----------------------------------|--|--------------------------------|--|------------------------|
| Existing Service Area | Yes | No | Yes | | High | Yes | Yes | High |
| Acquisition of Public and investor-owned systems within the State | Yes | No | Yes | | High | Yes | Skills – Yes Resources - No | Med |
| Pursue and keep SFR contracts by using competitive rates | Yes | No | Yes | Non-competitive SFR rates at KAWC | High | Yes | Yes | Med |
| Bolt-on municipal and investor-owned systems | Yes | No | Yes | | High | Yes | Skills – Yes Resources - No | Med |
| Public/private partnerships involving ownership of assets | Yes | No | Yes | | High | Yes | Med | Med |
| Operation and Maintenance contracts | Yes | No | Yes | | Med | Med | Med | Med |
| Market Laboratory Services | Yes | Yes | Yes | | High | High | Skills – Yes Resources - No | Med |
| Market AWS Products and Services | Yes | Yes | Yes | | High | Med | No | Med |
| Market AWR Products and Services | Yes | Yes | Yes | | High | Med | No | Low |
| Full Service Billing and Collection Services | Yes | No | Yes | | High | Med | Yes | Med |
| Leak Detection and Line Location Services | Yes | No | Yes | | Med | Med | Skills – Yes Resources -- No | High |
| Backflow prevention/cross connection inspections | Yes | No | Yes | | Med | Med | Yes | High |
| Bulk Sales Stations/Water Hauling | Yes | No | Yes | | Yes | Med | Yes | Med |
| Industrial Services | Yes | Yes | Yes | | Yes | Med | No | Med |

Notwithstanding many of the factors mentioned above, there are many opportunities within Kentucky to effectively grow the organization albeit at a slower rate until some of the major obstacles are out of the way. In order to do

so, it is imperative that KAWC maintain its strong market position in the water business and significantly expand its market position in the wastewater business.

The KAWC plan will implement a three-part growth strategy that has produced successful results in Kentucky and for other companies within the American System. The first part of the growth strategy is the continued investment in upgrades and replacements of aged plant, which is required:

- To meet current and future water quality regulations.
- To ensure the security of water facilities for the protection of our customers.
- To replace aged plant in order to provide reliable water service each day to our customers.

The Strategic Business Plan includes the necessary rate filings during the 2004-2008 planning period. As a condition of the sale to RWE/Thames, KAWC agreed to not file for any rate increase prior to March 16, 2004.

The second part of the growth strategy reflects the investment opportunities available through acquisition of water and wastewater systems as utilities consolidate. The opportunity for large acquisitions is not great in and around the existing service areas of KAWC due to the existence of many well-funded medium sized municipal systems. The Company plans to explore contract opportunities for services and operations as they arise. There is, however, an opportunity to pursue acquisitions in other parts of the state. KAWC has and will continue to pursue these many opportunities when it is financially feasible to do so through acquisition and innovative regional public/private partnership arrangements.

The third part of the growth strategy is the alignment with Thames' goal to develop and implement a plan to make the organization more fluid across regulated and non-regulated business lines. By leveraging the brand recognition and reputation of KAWC with the product and service offerings of AWS and AWR, we will be able to streamline development efforts, reduce redundancies and position ourselves to effectively offer, by referral or direct marketing, the AWS and AWR group of products and services to develop new markets.

Cross Selling

KAWC personnel have worked cooperatively with AWS personnel in the pursuit of non-regulated opportunities. Prior to the Azurix North America acquisition very little non-regulated cross selling took place primarily because of a lack of information regarding capabilities of the non-regulatory business. This

effort can be greatly improved with quality information exchange, proper incentives, and a coordinated business development effort.

The regulatory review of "Affiliated Transactions" will be closely scrutinized in Kentucky, which has very strict regulations regarding these transactions and may prohibit or reduce the profitability of these arrangements. The use of a regulated subsidiary similar to New Jersey Resources to address these markets may be beneficial.

One example of a cooperative effort between KAWC and AWS is the current AWS O & M contract in Martin County, Kentucky. Future possible non-regulated activities include:

- AWR Service Line Protection Program
- AWS Underground Rehabilitation Services
- AWS Industrial Operations Services
- AWS Residuals Management Services

KAWC has been successful in offering some of the following services and will pursue opportunities in the future for the full range of services below:

- Full Service Sewer Billing & Collections
- Leak Detection Services
- Line Location Services
- Backflow Prevention
- Bulk Sales Stations
- Meter Testing
- Water Hauling

Routes to Market

Rainmakers provide effective tools for growing the business especially in markets where KAWC does not currently hold a strong position.

Call Center outbound calling has been mentioned as a means to identify, engage, and inform potential new business targets.

Enhanced government relations activity at the federal and state level will greatly improve the Company's growth potential. Public systems are not meeting regulatory standards, are unfairly subsidized by federal and state tax dollars, and are controlled or funded by large bureaucracies averse to privatization attempts.

On a limited basis, KAWC has successfully partnered with public systems.

Very little partnering has been accomplished with organizations other than public utilities with the exception of local consulting engineering firms. This is an area that requires greater evaluation for future business development potential.

Sales Plan and Methods

We rely on leads garnered at industry and trade association meetings, government relations' contacts, employees, rainmakers (on a limited and unpaid basis), and referrals from previous deals, etc. A more formal sales plan must be adopted.

New Products and Revenue Sources

KY-AM has a leak detection and line location contract.

Future potential business development opportunities include; meter testing, bulk sales stations, lab services, safety inspections, backflow/cross-connection inspections, training services, operator assistance and support, hydrant maintenance, technical consulting, instrumentation repair, water hauling, other consumer protection plans, operation and maintenance services, rate case preparation, billing services, and emergency call center services.

3. Competitive Position

KAWC is currently involved in acquisition initiatives that will utilize both traditional asset purchase and public/private partnership arrangements. KAWC can expect competition for new service areas from both investor owned water service providers and the many large public sector providers around us. KAWC will have to bring forth innovative operational and financial solutions in order to be successful in maintaining and expanding its existing service area in order to meet our growth objectives.

Our state and local competitors:

- Large National and International Competitors (private)
- Large Municipals
- Water Districts
- Local Engineering Firms (where we compete for AWS type services)
- All Contiguous Systems
- Rural Water Association
- Area Development Districts

4. Assumptions

The principal assumptions of KAWC in offering this Market Plan are summarized below:

- If the local government proceeds with condemnation, this long and costly battle will influence business development results for the next five years.
- National competitors will not be a major player in the regulated side of our business.
- KAWC will experience more regulatory pressure concerning rates, service (the possible application of service standards) and affiliated transactions.
- We will have the resources necessary to maintain our "best-in-class" initiatives.
- Public systems will continue to not meet regulation and will require state and federal funding for capital needs.
- Regulators will level the playing field by enforcing regulation.
- We will keep pace with most efficient technology (within reason).
- Local governments will continue to face budget constraints creating a more favourable environment for privatization.
- Customer growth in existing systems will continue at or slightly above historical trends per year.
- Neighboring systems will be openly friendly but covertly subversive.
- Aggressive growth goals of some of the larger and better-operated municipal systems will stymie KAWC growth.
- KAWC will continue to experience a decline in water use by customers.

5. Market Objectives

The Strategic Business Plan for 2004-2008 continues the past achievements of KAWC for earnings and dividend growth. The continued strong financial and operational results into the future will substantially contribute to support Thames Water's strategic objective of a 10% year over year operating result. KAWC's plan is in alignment with the capital expenditures objective of spending no more than internally generated funds except for growth projects that meet value contribution goals.

6. Implementation Plan

| Area | Key Action | Implementation Plan | Date |
|--|---|--|---|
| Leadership Role | KAWC Sr. Leadership Team | - Enhance relationships with local state and federal officials | Ongoing |
| | Bluegrass Water Supply Consortium | - Maintain our presence as a leader in the effort to resolve the water supply deficit by active participation in all Consortium activities | Ongoing |
| | Kentucky Infrastructure Authority ("KIA") | - Maintain position on board of KIA | Ongoing |
| | Environmental Regulation Enforcement | - Review KY DOW Regulations and outline areas where enforcement should be more equitably applied - Present to Director of State Division of Water | Q4 CY 2003 Q1 CY 2004 |
| Bolt-on acquisitions, other state acquisitions, O & M agreements, SFR contracts, AWS/AWR results | Rainmakers | - Negotiate agreement with Rainmaker(s) | Q1 CY 2004 |
| | Networking Opportunities | - League of Cities Meetings - Rural Water Association - County Judges Association - KY/TN AWWA Meetings - Various Chambers of Commerce - Kentucky Industrial Development Council - Regular outreach to prospects | Ongoing and regularly scheduled throughout the year |
| | Sale for Resale Contracts | - Develop competitive SFR tariff - Submit tariff to PSC for approval | Q3 CY 2003 Q1 CY 2004 |
| Marketing basic utility services | | - Target one area per quarter for analysis and strategy development | Q1 CY 2004 and quarterly thereafter |

7. Resources

Skills & Funding

The resources necessary to achieve KAWC's objectives include the following:

1. **Operational Development:**

- We need to be highly proficient in wastewater system analysis and operation.
- We need to develop a bench of qualified O & M operators. Develop a process to develop a team bench within American Water.
- Better access to skill set of other American Water employees. Other states assist where practical to do so (due to driving times, availability, etc.).
- Public relations and media relations.
- We feel that we have the right skill sets at KAWC and within the region, but we often lack the necessary resources to effectively pursue opportunities.
- With the addition of paid "Rainmakers" along with a more collaborative approach with Voorhees for financial modeling and continuing development of other local staff to assist with business development activities, it is likely that we will see our success rate improve, but it is difficult to say if that will be enough until the plan based on the new strategy has been in place for some time.
- We need to focus less on short-term expectations.
- We need to rely more on upselling.
- We need to gain better understanding of competitive environment.
- We need to improve focus on competitive environment.
- KAWC will pursue all available funding options to produce growth projects that have financial feasibility and contribute to the strategic initiatives. (IGF, debt, equity, public/private partnerships, public debt/grants).
- Where appropriate we should consider modeling each business opportunity as a part of the KAWC operation, not as a stand-alone transaction. Insert in the business plan a piggyback approach for consecutive models so that the overall financial integrity of the Company stays intact.
- Be aware of the regulated environment (you only keep synergies until your next rate case).
- As long as an opportunity does not significantly impact the planned operating result of KAWC, we need to take advantage of current

favorable circumstances to make a deal that might produce less than optimal results in the short-term.

- The current model does not allow for strategic acquisitions.

KAWC has the requisite skills to do this job, but at times we don't know the rules of the game. It is crucial that local business development directors understand completely the financial models and drivers of value, but time spent running financial models is time away from market development and relationship development. We suggest a different approach to improve "time to value" by use of an American Water template (including assessment, capital expenditure identification, operating cost projections, financial modeling and integration checklist) to evaluate and categorize opportunities and by replacing the sometimes adversarial corporate approval model for evaluating opportunities with a collaborative model for success.

2. Market Development – This will be a product of strategy consisting of:

- An overall American Water Branding/Marketing Plan that is developed with the input of operating subsidiaries
- Development of a proactive KAWC marketing plan, which has as its major component the American Water Marketing Plan. This includes a complete understanding of the nature and marketing of the products and services of AWS and AWR
- Effective identification of markets and targeting of opportunities

3. Relationship Development –

- Government Relations skills need to be strengthened at the local, state and federal levels through internal government relations staff to maintain relationships and to find new opportunities.
- Once the prospect is identified, the relationship between the business development person and the client becomes paramount to success. Some opportunities, which become successes, are often the product of years of development effort. It is crucial that this person understand the critical importance of relationship building as well as finance and operations.
- The use of paid "Rainmakers" who can utilize their relationships and influence throughout the state to find viable opportunities

8. Key Relationships

KAWC currently maintains good relationships with all the regulatory agencies that have authority over its operations. In some cases, our regulators have looked to us for assistance in helping small and financially distressed utility operations. This emphasis may present many opportunities, and where financially feasible we need to be able to meet this calling. Legislation was

proposed, but has not been enacted, that would allow state regulators to take control of seriously troubled operations. We need to continue to exert pressure in this area to open up further opportunities.

KAWC has a troubled relationship with the Lexington-Fayette Urban County Government, but we enjoy a favorable relationship with local officials in contiguous counties who support our effort in resisting condemnation. We will continue to build on these strengths as well as on the strong relationships that we have with state officials.

Commonwealth of Kentucky Public Service Commission ("PSC") – Notwithstanding the attachment of 61 conditions to the sale of American Water to RWE/Thames, our relationship with the PSC has been and remains strong. We are respected for our management skills and customer service levels.

LFUCG Council – Not much needs to be said here except that we need to work harder to get people elected to the LFUCG council who have a pro-free enterprise philosophy.

State Division of Water ("DOW") – The DOW has recently undergone a shake-up in personnel. During this process and for other reasons, some of our relations have been damaged or lost. We need to reestablish those relationships for the reasons of basic good business judgment and to foster equal enforcement of environmental regulations for all water and wastewater operations.

Bluegrass Water Supply Consortium – KAWC's involvement as a key player in the Consortium is vital to resolving the water supply deficit.

Coalition Against Government Takeover – The Coalition now has over 14,000 members who are in support of KAWC's efforts to resist a takeover by the local government.

9. Critical Success Factors

The critical success factors of KAWC are summarized below:

- Meet or exceed all customer service KPIs. Emphasize a customer focus with commitment to customer education, guaranteed standards of service, and customer feedback
- Solution to water supply and treatment deficits
- Solution to infrastructure replacement needs
- Effective management of issues related to condemnation effort by local government
- Access to grants and low interest loans for infrastructure replacement
- Regulated O&M opportunities (non-AWS)

- Dedicate resources to strategic marketing plan (increased brand awareness, promotion of products & services, improved media relations, improved customer relations, increase business development opportunities)
- Align company more closely with environmental issues
- Grant repayment issues especially with UDDA/RUS and USEDA
- Breakdown internal barriers, promote cross-selling of products and services
- Regulatory enforcement that levels the playing field
- Eliminate barriers that are impediments to business development progress
- We need one Region management structure for regulated and non-regulated opportunities
- Better method to account for non-regulated activities
- Identify, develop and train qualified management and operations personnel for O&M assignments.
- Personalize Thames and especially RWE. Promote good deeds, achievements, awards, milestones and do this regularly
- Each state needs an operating champion (VP of Operations) for operating oversight
- Work within capital structure of state – don't analyze opportunities on a transaction basis only
- Develop and promote wastewater expertise
- Develop a more streamlined approach to business development opportunity analysis and review
- Develop plan for rainmakers
- Maintain an effective cost control program

10. Key Issues

The key issues of KAWC are summarized below:

INTERNAL

- Supply and treatment deficits
- Allow the Alton Call Center to mature on a reasonable timetable so as not to interfere with level of service.
- Reduce the frequency of rate filings by developing alternative source of revenue. High rates are a national public relations issue, which will not subside in the term of the plan.
- Lack of water and wastewater operation expertise. The development of management bench strength is critical to future successes.
- The issue of federal grant repayment looms over every acquisition.
- Regulated utilities pay gross receipts taxes, property taxes and franchise fees to state and local governments and income taxes to state and federal governments thereby operating at a substantial tax disadvantage to municipal competitors.

- Real and perceived obstacles presented by affiliated transaction statutes hamper business development results.
- Modeled value contribution year one is very restrictive. Due to the often significant rate disparity that exists between the operating company and the target, a graduated phasing in of rates is the only acceptable solution. Allow for a more long-term view and an allowance for strategic acquisitions.

EXTERNAL

- Condemnation threats by local government have influenced business development efforts in all markets.
- The RWE acquisition has had an impact on business development results fueled by negative newspaper ads (Public Citizen) promoting anti-foreign ownership sentiments, which have been bolstered by the position of the German government over the war in Iraq.
- Rate filings will be subjected to ever greater scrutiny and will be met with severe public opposition.
- Improved media relations and public relations must be afforded greater emphasis.
- USDA-RUS relationship must be improved.
- Our efforts often displace community specialists such as engineers, accountants and attorneys and unless a strategy is developed to retain these specialists in some role, they often take an adversarial position.
- Enhanced government regulations at the federal and state level will improve business development potential. Public systems are not meeting regulatory standards, are unfairly subsidized by federal and state tax dollars, and are controlled or funded by large bureaucracies averse to privatization attempts.

Operating Income Detail
(The "Kelleher" Schedule)

Kentucky - American IAS

| | Year 2003 | Year, 2004 | Year, 2005 | Year, 2006 | Year, 2007 | Year, 2008 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Billed Water Rev & Water Sales (Excl WW &Unbill) | | | | | | |
| Revenue | | | | | | |
| Residential Revenues | \$ 22,758,268 | \$ 25,391,027 | \$ 27,589,105 | \$ 28,077,532 | \$ 28,456,270 | \$ 28,835,177 |
| Commercial Revenues | \$ 10,853,964 | \$ 11,407,640 | \$ 12,488,633 | \$ 12,624,930 | \$ 12,761,227 | \$ 12,897,524 |
| Industrial Revenues | \$ 1,509,616 | \$ 1,612,598 | \$ 1,773,572 | \$ 1,773,572 | \$ 1,773,572 | \$ 1,773,572 |
| Other Revenues | \$ 4,423,880 | \$ 4,636,733 | \$ 4,984,052 | \$ 5,066,045 | \$ 5,066,045 | \$ 5,066,045 |
| Total Revenues | \$ 39,545,728 | \$ 43,047,998 | \$ 46,835,362 | \$ 47,542,079 | \$ 48,057,114 | \$ 48,572,318 |
| Sales (Thousand gallons) | | | | | | |
| Residential Sales | 6,445,512 | 6,731,275 | 6,890,819 | 7,050,395 | 7,210,005 | 7,369,647 |
| Commercial Sales | 4,397,771 | 4,383,456 | 4,448,709 | 4,513,962 | 4,579,215 | 4,644,468 |
| Industrial Sales | 900,509 | 890,116 | 890,116 | 890,116 | 890,116 | 890,116 |
| Other Sales | 1,904,370 | 2,060,171 | 2,060,171 | 2,060,171 | 2,060,171 | 2,060,171 |
| Total Sales | 13,648,161 | 14,065,018 | 14,289,815 | 14,514,644 | 14,739,507 | 14,964,402 |
| Year - end Water Customers Note: "Per Customer" performance metrics may be distorted by exclusion of Wastewater customers in customer count * | | | | | | |
| Residential Customers | 98,578 | 102,418 | 104,801 | 107,185 | 109,569 | 111,954 |
| Commercial Customers | 8,246 | 8,285 | 8,406 | 8,527 | 8,648 | 8,769 |
| Industrial Customers | 16 | 16 | 16 | 16 | 16 | 16 |
| Fire - Service Customers | 1,524 | 1,560 | 1,584 | 1,608 | 1,632 | 1,656 |
| Other Customers | 480 | 481 | 481 | 481 | 481 | 481 |
| Total Customers | 108,844 | 112,760 | 115,288 | 117,817 | 120,346 | 122,876 |
| Average Revenue per 1000 gal | | | | | | |
| Residential Average Revenue | \$ 3.53 | \$ 3.77 | \$ 4.00 | \$ 3.98 | \$ 3.95 | \$ 3.91 |
| Commercial Average Revenue | \$ 2.47 | \$ 2.60 | \$ 2.81 | \$ 2.80 | \$ 2.79 | \$ 2.78 |
| Industrial Average Revenue | \$ 1.68 | \$ 1.81 | \$ 1.99 | \$ 1.99 | \$ 1.99 | \$ 1.99 |
| Other Average Revenue | \$ 2.32 | \$ 2.25 | \$ 2.42 | \$ 2.46 | \$ 2.46 | \$ 2.46 |
| Average Usage per Customer (TG) | | | | | | |
| Residential | 65 | 66 | 66 | 66 | 66 | 66 |
| Commercial | 533 | 529 | 529 | 529 | 530 | 530 |
| Industrial | 56,282 | 55,632 | 55,632 | 55,632 | 55,632 | 55,632 |
| Other | 3,967 | 4,283 | 4,283 | 4,283 | 4,283 | 4,283 |
| Production Cost | | | | | | |
| Purchased - Water | \$ 349,289 | \$ 351,774 | \$ 351,774 | \$ 351,774 | \$ 351,774 | \$ 351,774 |
| Fuel & Power | \$ 1,861,309 | \$ 2,152,611 | \$ 2,176,259 | \$ 2,176,395 | \$ 2,219,156 | \$ 2,230,477 |
| Chemical | \$ 1,255,289 | \$ 1,389,576 | \$ 1,432,353 | \$ 1,494,475 | \$ 1,546,217 | \$ 1,753,149 |
| Waste - Disposal | \$ 146,409 | \$ 177,985 | \$ 241,732 | \$ 253,832 | \$ 198,832 | \$ 201,883 |
| Total Production Cost | \$ 3,612,296 | \$ 4,071,946 | \$ 4,202,118 | \$ 4,276,476 | \$ 4,315,979 | \$ 4,537,283 |
| System Delivery (Millions of Gal) | 15,421 | 16,392 | 16,557 | 16,719 | 16,880 | 17,039 |
| % Sales to Delivery | 88.50 | 85.80 | 86.31 | 86.81 | 87.32 | 87.82 |
| Production Cost per MG | \$ 234 | \$ 248 | \$ 254 | \$ 256 | \$ 256 | \$ 266 |
| Labor and Labor Related | | | | | | |
| Labor Expense | \$ 6,068,695 | \$ 6,250,216 | \$ 6,433,688 | \$ 6,433,688 | \$ 6,645,056 | \$ 6,862,773 |
| Group - Insurance | \$ 1,597,898 | \$ 1,680,717 | \$ 1,773,813 | \$ 1,773,813 | \$ 1,888,246 | \$ 2,018,604 |
| Pension | \$ 1,063,164 | \$ 962,592 | \$ 843,324 | \$ 843,324 | \$ 745,020 | \$ 704,628 |
| Workmen's Comp | \$ 63,997 | \$ 68,003 | \$ 71,004 | \$ 71,004 | \$ 74,003 | \$ 75,997 |
| 401k | \$ 96,000 | \$ 97,920 | \$ 99,876 | \$ 99,876 | \$ 101,880 | \$ 103,908 |
| ESOP | \$ 68,004 | \$ 69,360 | \$ 70,752 | \$ 70,752 | \$ 72,168 | \$ 73,608 |
| Total Labor & Labor Related | \$ 9,075,318 | \$ 8,957,758 | \$ 9,128,808 | \$ 9,292,457 | \$ 9,526,373 | \$ 9,839,518 |
| Labor Related Cost per Customer | \$ 83.38 | \$ 79.44 | \$ 79.18 | \$ 78.87 | \$ 79.16 | \$ 80.08 |

| | Year 2003 | Year 2004 | Year 2005 | Year 2006 | Year 2007 | Year 2008 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| # Associates | 134 | 142 | 142 | 142 | 141 | 141 |
| Labor Related Cost per Associate | \$ 67,726 | \$ 63,083 | \$ 64,287 | \$ 65,440 | \$ 67,563 | \$ 69,784 |
| Customers/Associate | 812 | 794 | 812 | 830 | 854 | 871 |
| AWWS | | | | | | |
| Management Fee - Corp | \$ 3,232,938 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Shared Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Call Center | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| MIS - Billing | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Regional Office | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Lab Fees | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total AWWS | \$ 3,232,938 | \$ 3,236,268 | \$ 3,535,080 | \$ 3,535,080 | \$ 3,535,080 | \$ 3,535,080 |
| AWWS Cost per Customer | \$ 29.70 | \$ 28.70 | \$ 30.66 | \$ 30.00 | \$ 29.37 | \$ 28.77 |
| Administrative Expenses | | | | | | |
| Administrative Expense | \$ 11,892 | \$ 12,168 | \$ 13,596 | \$ 13,884 | \$ 14,172 | \$ 14,172 |
| Uncollectible Expense | \$ - | \$ 311,888 | \$ 312,242 | \$ 312,596 | \$ 312,976 | \$ 312,976 |
| Transportation | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Expenses | \$ - | \$ 2,875,076 | \$ 3,081,864 | \$ 3,068,305 | \$ 2,910,630 | \$ 3,269,623 |
| Total Administrative Expenses | \$ 4,149,487 | \$ 3,198,524 | \$ 3,405,920 | \$ 3,394,143 | \$ 3,237,110 | \$ 3,596,771 |
| Admin Cost per Customer | \$ 38.12 | \$ 28.37 | \$ 29.54 | \$ 28.81 | \$ 26.90 | \$ 29.27 |
| Maintenance Expenses | | | | | | |
| Maintenance Exp | \$ 753,178 | \$ 1,199,532 | \$ 1,297,187 | \$ 1,378,006 | \$ 1,379,773 | \$ 1,418,007 |
| Maintenance Cost per Customer | \$ 6.92 | \$ 10.64 | \$ 11.25 | \$ 11.70 | \$ 11.47 | \$ 11.54 |
| Recap of O&M Costs | | | | | | |
| Production Costs Recap | \$ 3,612,296 | \$ 4,071,946 | \$ 4,202,118 | \$ 4,276,476 | \$ 4,315,979 | \$ 4,537,283 |
| Labor and Labor Related Recap | \$ 9,075,318 | \$ 8,957,758 | \$ 9,128,808 | \$ 9,292,457 | \$ 9,526,373 | \$ 9,839,518 |
| AWWS Recap | \$ 3,232,938 | \$ 3,236,268 | \$ 3,535,080 | \$ 3,535,080 | \$ 3,535,080 | \$ 3,596,771 |
| Other Expenses Recap | \$ 4,149,487 | \$ 3,198,524 | \$ 3,405,920 | \$ 3,394,143 | \$ 3,237,110 | \$ 3,596,771 |
| Maintenance Expenses Recap | \$ 753,178 | \$ 1,199,532 | \$ 1,297,187 | \$ 1,378,006 | \$ 1,379,773 | \$ 1,418,007 |
| Total O&M Costs Recap | \$ 20,823,217 | \$ 20,664,028 | \$ 21,569,113 | \$ 21,876,162 | \$ 21,994,315 | \$ 22,926,659 |
| O&M Cost per Customer | \$ 191.31 | \$ 183.26 | \$ 187.09 | \$ 185.68 | \$ 182.76 | \$ 186.58 |
| Depreciation Costs | | | | | | |
| Depreciation Expense | \$ 5,314,255 | \$ 6,256,693 | \$ 6,920,763 | \$ 7,218,397 | \$ 7,452,968 | \$ 7,820,491 |
| Utility Plant, net of CIAC's | \$ 259,917,000 | \$ 276,830,660 | \$ 289,077,694 | \$ 290,406,327 | \$ 304,837,827 | \$ 316,890,530 |
| Composite Depreciation Rate (%exp/UP) | 2.04 | 2.26 | 2.39 | 2.49 | 2.44 | 2.47 |
| Amortization Expense | \$ 1,193,108 | \$ 673,596 | \$ 673,596 | \$ 447,300 | \$ 432,192 | \$ 432,192 |
| General Taxes Expense | \$ 2,301,926 | \$ 2,371,030 | \$ 2,391,160 | \$ 2,562,477 | \$ 2,663,169 | \$ 2,764,892 |
| Total Operating Income | \$ 14,566,361 | \$ 17,731,867 | \$ 20,252,084 | \$ 20,482,970 | \$ 20,634,556 | \$ 19,824,024 |
| Margins and Other Ratios | | | | | | |
| Operating - Margin | 32.96 | 37.54 | 39.45 | 39.33 | 39.20 | 37.27 |
| Total Income - Margin | 23.41 | 26.09 | 28.49 | 28.71 | 28.93 | 28.14 |
| Net to Common - Margin | 12.88 | 14.49 | 16.13 | 16.18 | 17.31 | 16.84 |
| Netop - Margin | 20.32 | 27.06 | 28.11 | 27.80 | 27.58 | 25.96 |
| Income Tax Rates | 39.91 | 27.91 | 28.75 | 29.33 | 29.65 | 30.34 |

Operating Income Detail
(The "Kelleher" Schedule)

Handwritten notes:
 -1
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Kentucky - American IAS

**Control Panel
Business Plan 2004-2008
Input/Output Review Template
Version 1.0**

Enter Entity:

KENTUCKY

Actual YTD:
Current Year Budget:
Prior Year's Actuals
Prior Forecast:
Current Forecast:
Opening for Next Year's Bplan:
Next Year's Monthly Bplan:
Bplan 2005-2008:

| Current Year | | Prior Year | |
|--------------|--------|------------|--------|
| Category | Period | Category | Period |
| TYA | May-03 | | |
| TYB | Dec-03 | | |
| LYA | Dec-02 | | |
| Q1RF | Dec-03 | | |
| Q2RF | Dec-03 | | |
| OMBPA | Dec-03 | OMBPA03 | Dec-02 |
| MBPA | Dec-04 | MBPA03 | Dec-03 |
| BP4YRSA | Dec-05 | BP4Y03 | Dec-04 |
| | Dec-06 | | Dec-05 |
| | Dec-07 | | Dec-06 |
| | Dec-08 | | Dec-07 |

Enter Application:

WATERWEB

Enter Currency:

(\$ 000's)

Kentucky American \$
KPI's
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | KENTUCKY | | | | | | | % CAGR |
|-----------------------------|----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|---------------|
| | Actual 2002 | Q2RF 2003 | 2004 | 2005 | Business Plan 2006 | 2007 | 2008 | |
| Revenue | - | 44,498 | 47,235 | 51,331 | 52,079 | 52,635 | 53,192 | 3.6% |
| % Increase/(Decrease) | | - | 6.2% | 8.7% | 1.5% | 1.1% | 1.1% | |
| EBITDA | - | 20,835 | 24,346 | 26,878 | 27,407 | 27,793 | 27,412 | 5.6% |
| EBITDA % | - | 46.8% | 51.5% | 52.4% | 52.6% | 52.8% | 51.5% | |
| Operating result | - | 15,058 | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 | 5.4% |
| Operating Margin % | - | 33.8% | 36.9% | 38.8% | 38.7% | 38.6% | 36.8% | |
| % Increase/(Decrease) | | - | 15.6% | 14.5% | 1.2% | 0.7% | (3.7%) | |
| Profit before tax | - | 10,356 | 12,319 | 14,624 | 14,952 | 15,226 | 14,972 | 7.7% |
| PBT % | - | 23.3% | 26.1% | 28.5% | 28.7% | 28.9% | 28.1% | |
| % Increase/(Decrease) | | - | 19.0% | 18.7% | 2.2% | 1.8% | (1.7%) | |
| Profit after tax | - | 6,195 | 7,369 | 8,802 | 8,945 | 9,109 | 8,958 | 7.7% |
| Operating cash flow | - | 24,736 | 25,471 | 27,088 | 31,994 | 31,571 | 31,872 | 5.2% |
| % Increase/(Decrease) | | - | 3.0% | 6.3% | 18.1% | (1.3%) | 1.0% | |
| Net Debt | - | (86,298) | (89,771) | (91,986) | (89,891) | (87,821) | (82,618) | (0.9%) |
| % Increase/(Decrease) | | - | 4.0% | 2.5% | (2.3%) | (2.3%) | (5.9%) | |
| Capex | - | 12,131 | 17,129 | 13,090 | 13,961 | 13,295 | 10,834 | (2.2%) |
| % Increase/(Decrease) | | - | 41.2% | (23.6%) | 6.7% | (4.8%) | (18.5%) | |
| Net Operating Assets | - | 152,058 | 155,960 | 160,962 | 161,662 | 162,407 | 159,876 | 1.0% |
| % Increase/(Decrease) | | - | 2.6% | 3.2% | 0.4% | 0.5% | (1.6%) | |
| Avg. NOA | - | 76,029 | 154,009 | 158,461 | 161,312 | 162,035 | 161,142 | 16.2% |
| ROCE | - | 19.8% | 11.3% | 12.6% | 12.5% | 12.5% | 12.1% | (9.3%) |
| Value contribution | - | 8,976 | 5,093 | 7,257 | 7,261 | 7,354 | 6,678 | (5.7%) |
| Headcount | - | 141 | 133 | 142 | 142 | 141 | 141 | - |

| | 2003 | | | 2004 | | | 2005 | | | 2006 | | | 2007 | | |
|----------------------|----------|--------|----------|----------|----------|----------|---------|----------|----------|----------|---------|----------|----------|----------|--------|
| | QRF | Budget | % | MBPA | QRF | % | BP4YRSA | MBPA | QRF | % | BP4YRSA | MBPA | QRF | % | |
| | 2003 | 2003 | Variance | 2004 | 2003 | Variance | 2005 | 2004 | 2003 | Variance | 2006 | 2005 | 2003 | Variance | |
| Revenue | 44,498 | - | 44,498 | 47,235 | 44,498 | 2,737 | 6.2% | 51,331 | 47,235 | 4,096 | 8.7% | 62,079 | 51,331 | 748 | 1.5% |
| EBITDA | 20,835 | - | 20,835 | 24,346 | 20,835 | 3,511 | 16.9% | 26,878 | 24,346 | 2,532 | 10.4% | 27,407 | 26,878 | 529 | 2.0% |
| EBITDA % | 46.8% | - | 46.8% | 51.5% | 46.8% | 12.3% | 52.4% | 51.5% | 61.8% | 10.4% | 52.4% | 52.4% | 52.4% | 70.7% | 13.5% |
| Operating result | 15,058 | - | 15,058 | 17,414 | 15,058 | 2,356 | 15.6% | 19,934 | 17,414 | 2,520 | 14.5% | 20,168 | 19,934 | 232 | 1.2% |
| Operating Margin % | 33.8% | - | 33.8% | 38.9% | 33.8% | 8.1% | 38.9% | 38.9% | 61.5% | 14.5% | 38.7% | 38.9% | 31.0% | 7.1% | |
| Profit before tax | 10,368 | - | 10,368 | 12,319 | 10,368 | 1,953 | 19.0% | 14,824 | 12,319 | 2,505 | 18.7% | 14,982 | 14,824 | 158 | 1.1% |
| PBT % | 23.3% | - | 23.3% | 28.1% | 23.3% | 7.7% | 28.5% | 28.5% | 66.3% | 18.7% | 28.7% | 28.5% | 43.8% | 15.3% | |
| Profit after tax | 6,195 | - | 6,195 | 7,369 | 6,195 | 1,174 | 19.0% | 8,802 | 7,369 | 1,433 | 19.4% | 8,945 | 8,802 | 143 | 1.6% |
| Operating cash flow | 24,738 | - | 24,738 | 25,471 | 24,738 | 733 | 3.0% | 27,088 | 25,471 | 1,617 | 6.3% | 31,984 | 27,088 | 4,896 | 18.1% |
| Net Debt | (88,298) | - | (88,298) | (88,771) | (88,298) | (473) | 0.5% | (91,988) | (88,771) | (3,217) | 3.6% | (98,881) | (91,988) | (6,893) | 7.5% |
| Capex | 12,131 | - | 12,131 | 17,129 | 12,131 | 4,998 | 41.2% | 13,090 | 17,129 | (4,039) | (23.6%) | 13,981 | 13,090 | 891 | 6.7% |
| Net Operating Assets | 162,058 | - | 162,058 | 155,960 | 162,058 | 3,902 | 2.6% | 160,962 | 155,960 | 5,002 | 3.2% | 161,682 | 160,962 | 720 | 0.4% |
| Avg. NOA | 76,029 | - | 76,029 | 154,009 | 76,029 | 77,980 | 102.6% | 158,461 | 154,009 | 4,452 | 2.9% | 161,312 | 158,461 | 2,851 | 1.8% |
| ROCE | 18.8% | - | 18.8% | 11.3% | 19.8% | (8.5%) | (42.9%) | 12.6% | 11.3% | 1.3% | 11.3% | 12.6% | 12.6% | (0.1%) | (0.6%) |
| Value contribution | 8,976 | - | 8,976 | 5,093 | 8,976 | (3,882) | (43.3%) | 7,257 | 5,093 | 2,164 | 42.5% | 7,261 | 7,257 | 4 | 0.1% |
| Headcount | 141 | - | 141 | 133 | 141 | (8) | (5.7%) | 142 | 133 | 9 | 6.8% | 142 | 142 | 0 | 0.0% |

| | 2007-2006 | | | 2008-2007 | | | 2009-2008 | | | | |
|----------------------|-----------|----------|----------|-----------|----------|----------|-----------|----------|----------|---------|---------|
| | BP4YRSA | BP4YRSA | % | BP4YRSA | BP4YRSA | % | BP4YRSA | BP4YRSA | % | | |
| | 2007 | 2006 | Variance | 2008 | 2007 | Variance | 2009 | 2008 | Variance | | |
| Revenue | 52,635 | 52,079 | 556 | 53,192 | 52,635 | 557 | 1.1% | 53,192 | 52,635 | 557 | 1.1% |
| EBITDA | 27,793 | 27,407 | 386 | 27,412 | 27,793 | (381) | (1.4%) | 27,412 | 27,793 | (381) | (1.4%) |
| EBITDA % | 52.8% | 52.6% | 0.2% | 51.5% | 52.8% | (13.9%) | (1.4%) | 51.5% | 52.8% | (13.9%) | (1.4%) |
| Operating result | 20,317 | 20,168 | 149 | 19,589 | 20,317 | (728) | (3.7%) | 19,589 | 20,317 | (728) | (3.7%) |
| Operating Margin % | 38.8% | 38.7% | 0.1% | 36.8% | 38.8% | (27.3%) | (7.0%) | 36.8% | 38.8% | (27.3%) | (7.0%) |
| Profit before tax | 15,228 | 14,852 | 376 | 14,972 | 15,228 | (254) | (1.7%) | 14,972 | 15,228 | (254) | (1.7%) |
| PBT % | 28.9% | 28.7% | 0.2% | 28.1% | 28.9% | (9.3%) | (3.2%) | 28.1% | 28.9% | (9.3%) | (3.2%) |
| Profit after tax | 9,109 | 8,945 | 164 | 8,958 | 9,109 | (151) | (1.7%) | 8,958 | 9,109 | (151) | (1.7%) |
| Operating cash flow | 31,571 | 31,984 | (413) | 31,872 | 31,571 | 301 | 1.0% | 31,872 | 31,571 | 301 | 1.0% |
| Net Debt | (87,821) | (88,881) | 1,060 | (82,618) | (87,821) | 5,203 | (5.9%) | (82,618) | (87,821) | 5,203 | (5.9%) |
| Capex | 13,295 | 13,981 | (686) | 10,834 | 13,295 | (2,461) | (18.5%) | 10,834 | 13,295 | (2,461) | (18.5%) |
| Net Operating Assets | 162,407 | 161,662 | 745 | 159,876 | 162,407 | (2,531) | (1.6%) | 159,876 | 162,407 | (2,531) | (1.6%) |
| Avg. NOA | 162,035 | 161,312 | 723 | 161,142 | 162,035 | (893) | (0.6%) | 161,142 | 162,035 | (893) | (0.6%) |
| ROCE | 12.5% | 12.5% | 0.0% | 12.1% | 12.5% | (0.4%) | (3.1%) | 12.1% | 12.5% | (0.4%) | (3.1%) |
| Value contribution | 7,354 | 7,261 | 93 | 6,678 | 7,354 | (677) | (9.2%) | 6,678 | 7,354 | (677) | (9.2%) |
| Headcount | 141 | 142 | (1) | 141 | 141 | 0 | 0.0% | 141 | 141 | 0 | 0.0% |

**Kentucky American \$
Profit & Loss Statement
Business Plan 2004-2008
Base & Development
(\$ 000's)**

| | Kentucky American \$ | | | | | |
|--------------------------------|-----------------------------|-----------------|----------------------|-----------------|-----------------|-----------------|
| | Q2RF | | Business Plan | | | |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Revenue | 44,498 | 47,235 | 51,331 | 52,079 | 52,635 | 53,192 |
| Cost of Sales | (3,612) | (4,073) | (4,202) | (4,276) | (4,316) | (4,537) |
| Payroll Costs | (8,631) | (8,893) | (9,062) | (9,221) | (9,452) | (9,763) |
| Overheads | (11,534) | (10,068) | (11,335) | (11,323) | (11,224) | (11,631) |
| OPEX (excl D&A) | (23,777) | (23,034) | (24,599) | (24,820) | (24,992) | (25,931) |
| Sundry Income | 114 | 145 | 146 | 148 | 150 | 151 |
| EBITDA | 20,835 | 24,346 | 26,878 | 27,407 | 27,793 | 27,412 |
| EBITDA % | 46.8% | 51.5% | 52.4% | 52.6% | 52.8% | 51.5% |
| Depreciation | (5,772) | (6,257) | (6,921) | (7,218) | (7,453) | (7,820) |
| Amortisation | (5) | (675) | (23) | (23) | (23) | (23) |
| Total Depreciation | (5,777) | (6,932) | (6,944) | (7,241) | (7,476) | (7,843) |
| EBITA | 15,058 | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| EBITA % | 33.8% | 36.9% | 38.8% | 38.7% | 38.6% | 36.8% |
| V's and Dividends | - | - | - | - | - | - |
| Operating Results | 15,058 | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| Operating Result % | 33.8% | 36.9% | 38.8% | 38.7% | 38.6% | 36.8% |
| Amortisation - Goodwill | (10) | - | - | - | - | - |
| Interest | (4,692) | (5,095) | (5,310) | (5,214) | (5,091) | (4,597) |
| Profit Before Tax (PBT) | 10,356 | 12,319 | 14,624 | 14,952 | 15,226 | 14,972 |
| Taxes | (4,161) | (4,950) | (5,822) | (6,007) | (6,117) | (6,014) |
| Profit After Tax (PAT) | 6,195 | 7,369 | 8,802 | 8,945 | 9,109 | 8,958 |
| Net minority interest | (520) | (527) | (524) | (521) | (518) | (515) |
| Net Extraordinary items | - | - | - | - | - | - |
| Distributable Profit | 5,675 | 6,842 | 8,278 | 8,424 | 8,591 | 8,443 |
| Dividends | - | - | - | - | - | - |
| Retained Profits | 5,675 | 6,842 | 8,278 | 8,424 | 8,591 | 8,443 |
| Discrepancy | - | - | - | - | - | - |

Kentucky American \$
Balance Sheet
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | Kentucky American \$ | | | | | |
|---|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Q2RF | Business Plan | | | | |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Tangible Assets - Cost | 273,107 | 290,236 | 303,326 | 317,287 | 330,582 | 341,416 |
| Tangible Assets - Accum Depn | (59,541) | (65,798) | (72,719) | (79,937) | (87,390) | (95,210) |
| Intangible Assets - Cost | 18,038 | 18,462 | 19,170 | 19,383 | 19,626 | 19,894 |
| Intangible Assets - Accum Amort | (10) | (685) | (1,360) | (1,809) | (2,243) | (2,677) |
| Investments | - | (22) | (44) | (66) | (88) | (110) |
| Total Fixed Assets - NBV | 231,594 | 242,193 | 248,373 | 254,858 | 260,487 | 263,313 |
| Inventory/WIP | 513 | 513 | 513 | 513 | 513 | 513 |
| Debtors | 4,433 | 5,226 | 5,404 | 5,301 | 5,189 | 5,079 |
| Deferred Tax Asset | - | - | - | - | - | - |
| Prepayments | 107 | - | - | - | - | - |
| Other | 1,632 | 1,742 | 1,742 | 1,742 | 1,742 | 1,742 |
| Current Assets | 6,685 | 7,481 | 7,659 | 7,556 | 7,444 | 7,334 |
| Creditors | (1,209) | (1,161) | (1,107) | (1,123) | (1,120) | (1,187) |
| Provisions | (2,775) | (2,569) | (2,429) | (2,323) | (2,222) | (2,104) |
| Accruals | (5,254) | (5,444) | (3,984) | (6,184) | (7,431) | (9,178) |
| Deferred Income | (31,268) | (30,930) | (30,492) | (30,054) | (29,616) | (29,178) |
| Current Liabilities | (40,506) | (40,104) | (38,012) | (39,684) | (40,389) | (41,647) |
| Deferred Tax Liability | (34,464) | (37,614) | (39,126) | (40,702) | (42,254) | (43,623) |
| Long-term Liabilities | (13,590) | (15,996) | (17,932) | (20,366) | (22,881) | (25,501) |
| Net Debt | (86,298) | (89,771) | (91,986) | (89,891) | (87,821) | (82,618) |
| Auto Rounding | (6) | (6) | (5) | (3) | (3) | (2) |
| Net Assets | 63,415 | 66,183 | 68,971 | 71,768 | 74,583 | 77,256 |
| Share Capital | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 |
| Share Premium | 21 | 21 | 21 | 21 | 21 | 21 |
| Capital Reserves | - | - | - | - | - | - |
| Reserves | 26,825 | 29,593 | 32,381 | 35,178 | 37,993 | 40,666 |
| Total Equity | 63,415 | 66,183 | 68,971 | 71,768 | 74,583 | 77,256 |
| Minority Interest | - | - | - | - | - | - |
| Total Equity & Minority Interest | 63,415 | 66,183 | 68,971 | 71,768 | 74,583 | 77,256 |

Kentucky American \$
Operating Cash Flow
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | Kentucky American \$ | | | | | |
|---|----------------------|----------------|----------------|-----------------------|---------------|---------------|
| | Q2RF 2003 | 2004 | 2005 | Business Plan 2006 | 2007 | 2008 |
| Operating result | 15,058 | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| Depreciation | 5,777 | 6,932 | 6,944 | 7,241 | 7,476 | 7,843 |
| Movement in stock | (48) | - | - | - | - | - |
| Movement in debtors | (1,150) | (903) | (178) | 103 | 112 | 110 |
| Movement in prepayments | 9 | 107 | - | - | - | - |
| Movement in creditors | 3,015 | (202) | (1,358) | 2,216 | 1,297 | 1,867 |
| Movement in deferred income | - | - | - | - | - | - |
| Movement in internal working capital | (52) | - | - | - | - | - |
| Total movement in working capital | 1,774 | (998) | (1,536) | 2,319 | 1,409 | 1,977 |
| Total results from participations | - | - | - | - | - | - |
| Dividends from Jvs/associates | - | - | - | - | - | - |
| Exchange gains and losses | - | - | - | - | - | - |
| Profit/(loss) on disposal of fixed asset | - | - | - | - | - | - |
| Movement in provisions | 2,127 | 2,123 | 1,746 | 2,268 | 2,369 | 2,483 |
| Other non cash movements | - | - | - | - | - | - |
| Total other adjustments | 2,127 | 2,123 | 1,746 | 2,268 | 2,369 | 2,483 |
| Operating cash flow | 24,736 | 25,471 | 27,088 | 31,994 | 31,571 | 31,872 |
| Capital expenditure | (12,165) | (17,129) | (13,090) | (13,961) | (13,295) | (10,834) |
| Proceeds on disposal of fixed assets | - | - | - | - | - | - |
| Capital contributions received | 2,131 | (338) | (438) | (438) | (438) | (438) |
| Intangible expenditure | (243) | (424) | (708) | (213) | (243) | (268) |
| Net cash flow for capital expenditure | (10,277) | (17,891) | (14,236) | (14,612) | (13,976) | (11,540) |
| UK corporation tax | (2,476) | (1,702) | (4,261) | (4,371) | (4,520) | (4,626) |
| Overseas tax | - | - | - | - | - | - |
| Other taxation | - | - | - | - | - | - |
| Total taxation | (2,476) | (1,702) | (4,261) | (4,371) | (4,520) | (4,626) |
| Free cash flow | 11,983 | 5,878 | 8,591 | 13,011 | 13,075 | 15,706 |
| Interest received | 50 | - | - | - | - | - |
| Interest paid | (3,524) | 344 | (156) | - | (53) | (53) |
| Net internal interest | (1,289) | (5,013) | (5,230) | (5,138) | (5,015) | (4,521) |
| Interest element of finance lease | - | - | - | - | - | - |
| Dividends paid to minority interest | (520) | (527) | (524) | (521) | (518) | (515) |
| Other finance income / charges | 78 | 19 | 82 | 78 | 78 | 78 |
| Total interest and other finance charges | (5,205) | (5,177) | (5,828) | (5,581) | (5,508) | (5,011) |
| Dividends paid to RWE | - | - | - | - | - | - |
| Internal dividends | (4,028) | (4,074) | (5,490) | (5,627) | (5,776) | (5,770) |
| Total dividends | (4,028) | (4,074) | (5,490) | (5,627) | (5,776) | (5,770) |
| Acquisition of new business | 661 | - | 652 | 426 | 411 | 411 |
| Investments in/loans to subsidiaries | - | - | - | - | - | - |
| Investments in/ loans to JVs & associates | - | - | - | - | - | - |
| Investments in/loans to non consol subs | - | 22 | 22 | 22 | 22 | 22 |
| Disposal of business | - | - | (54) | - | - | - |
| Management of liquid resources | - | - | - | - | - | - |
| Other investments/ loans | 1 | 40 | - | - | - | - |
| Net cash flow for investing activities | 662 | 62 | 620 | 448 | 433 | 433 |
| Currency differences | - | - | - | - | - | - |
| Reclassifications | (479) | - | - | - | - | - |
| Other | 108 | (21) | 54 | (2) | - | (1) |
| Other movements incl exchange | (371) | (21) | 54 | (2) | - | (1) |
| Net cashflow before financing activities | 3,041 | (3,332) | (2,053) | 2,249 | 2,224 | 5,357 |
| Proceeds from issue of share capital | - | - | - | - | - | - |
| Purchase of shares | - | - | - | - | - | - |
| Issue/(repayment) of external loans | (26) | (122) | (120) | (116) | (116) | (116) |
| Issue/(repayment) of internal loans | (1,967) | 3,461 | 2,417 | (2,138) | (2,104) | (5,233) |
| Capital element of finance lease payment | - | - | - | - | - | - |
| Net cash flow from financing activities | (1,993) | 3,339 | 2,297 | (2,254) | (2,220) | (5,349) |
| Net cash inflow/(outflow) | 1,048 | 7 | 244 | (5) | 4 | 8 |
| Discrepancy | - | - | - | - | - | - |

Kentucky American \$
Financial Statements
Business Plan 2004-2008
Base & Development
(\$ 000's)

| Profit & Loss Statement | Q2RF | Budget | \$ | % | MBPA | Q2RF | \$ | % | BP4YRSA | MBPA | \$ | % | BP4YRSA | BP4YRSA | \$ | % | BP4YRSA | BP4YRSA | \$ | % |
|-------------------------|----------|--------|----------|----------|----------|----------|---------|----------|----------|----------|---------|---------|----------|----------|----------|--------|----------|----------|----------|----------|
| | 2003 | 2003 | Variance | Variance | | 2004 | 2003 | Variance | | Variance | 2005 | 2004 | | Variance | Variance | 2006 | | 2005 | Variance | Variance |
| Revenue | 44,498 | - | 44,498 | - | 47,235 | 44,498 | 2,737 | 6.2% | 51,331 | 47,235 | 4,096 | 8.7% | 52,079 | 51,331 | 748 | 1.5% | 52,635 | 52,079 | 556 | 1.1% |
| Cost of Sales | (3,612) | - | (3,612) | - | (4,073) | (3,612) | (461) | 12.8% | (4,202) | (4,073) | (129) | 3.2% | (4,276) | (4,202) | (74) | 1.8% | (4,316) | (4,276) | (40) | 0.9% |
| Payroll Costs | (8,631) | - | (8,631) | - | (8,893) | (8,631) | (262) | 3.0% | (9,062) | (8,893) | (169) | 1.9% | (9,221) | (9,062) | (159) | 1.8% | (9,452) | (9,221) | (231) | 2.5% |
| Overheads | (11,534) | - | (11,534) | - | (10,089) | (11,534) | 1,466 | (12.7%) | (11,335) | (10,089) | (1,267) | 12.6% | (11,323) | (11,335) | 12 | (0.1%) | (11,224) | (11,323) | 99 | (0.9%) |
| OPEX (excl D&A) | (23,777) | - | (23,777) | - | (23,034) | (23,777) | 743 | (3.1%) | (24,599) | (23,034) | (1,565) | 6.8% | (24,820) | (24,599) | (221) | 0.9% | (24,992) | (24,820) | (172) | 0.7% |
| Sundry Income | 114 | - | 114 | - | 145 | 114 | 31 | 27.2% | 146 | 145 | 1 | 0.7% | 148 | 146 | 2 | 1.4% | 150 | 148 | 2 | 1.4% |
| EBITDA | 20,835 | - | 20,835 | - | 24,348 | 20,835 | 3,511 | 16.9% | 26,878 | 24,348 | 2,532 | 10.4% | 27,407 | 26,878 | 529 | 2.0% | 27,793 | 27,407 | 386 | 1.4% |
| EBITDA % | 46.8% | - | 46.8% | - | 51.5% | 46.8% | 4.7% | | 52.4% | 51.5% | 0.8% | | 52.6% | 52.4% | 0.3% | | 52.8% | 52.6% | 0.2% | |
| Depreciation | (5,772) | - | (5,772) | - | (6,257) | (5,772) | (485) | 8.4% | (6,921) | (6,257) | (664) | 10.8% | (7,218) | (6,921) | (297) | 4.3% | (7,453) | (7,218) | (235) | 3.3% |
| Amortisation | (5) | - | (5) | - | (675) | (5) | (670) | 13400.0% | (23) | (23) | 852 | (96.8%) | (23) | (23) | | | (23) | (23) | | |
| Total Depreciation | (5,777) | - | (5,777) | - | (6,932) | (5,777) | (1,155) | 20.0% | (6,944) | (6,932) | (12) | 0.2% | (7,241) | (6,944) | (297) | 4.3% | (7,476) | (7,241) | (235) | 3.2% |
| EBITA | 15,058 | - | 15,058 | - | 17,414 | 15,058 | 2,356 | 15.6% | 19,934 | 17,414 | 2,520 | 14.5% | 20,188 | 19,934 | 252 | 1.2% | 20,317 | 20,188 | 151 | 0.7% |
| EBITA % | 33.8% | - | 33.8% | - | 36.9% | 33.8% | 3.0% | | 38.8% | 36.9% | 2.0% | | 38.7% | 38.8% | (0.1%) | | 38.8% | 38.7% | (0.1%) | |
| JV's and Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Results | 15,058 | - | 15,058 | - | 17,414 | 15,058 | 2,356 | 15.6% | 19,934 | 17,414 | 2,520 | 14.5% | 20,188 | 19,934 | 252 | 1.2% | 20,317 | 20,188 | 151 | 0.7% |
| Operating Result % | 33.8% | - | 33.8% | - | 36.9% | 33.8% | 3.0% | | 38.8% | 36.9% | 2.0% | | 38.7% | 38.8% | (0.1%) | | 38.8% | 38.7% | (0.1%) | |
| Amortisation - Goodwill | (10) | - | (10) | - | - | (10) | 10 | (100.0%) | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | (4,692) | - | (4,692) | - | (5,095) | (4,692) | (403) | 8.6% | (5,310) | (5,095) | (215) | 4.2% | (5,214) | (5,310) | 96 | (1.8%) | (5,091) | (5,214) | 123 | (2.4%) |
| Profit Before Tax (PBT) | 10,356 | - | 10,356 | - | 12,319 | 10,356 | 1,963 | 19.0% | 14,624 | 12,319 | 2,305 | 18.7% | 14,952 | 14,624 | 328 | 2.3% | 15,226 | 14,952 | 274 | 1.8% |
| Taxes | (4,161) | - | (4,161) | - | (4,950) | (4,161) | (789) | 19.0% | (5,822) | (4,950) | (872) | 17.8% | (6,007) | (5,822) | (185) | 3.2% | (6,117) | (6,007) | (110) | 1.8% |
| Profit After Tax (PAT) | 6,195 | - | 6,195 | - | 7,369 | 6,195 | 1,174 | 19.0% | 8,802 | 7,369 | 1,433 | 19.4% | 8,945 | 8,802 | 143 | 1.6% | 9,109 | 8,945 | 164 | 1.8% |
| Net minority interest | (520) | - | (520) | - | (527) | (520) | (7) | 1.3% | (524) | (527) | 3 | (0.6%) | (521) | (524) | 3 | (0.6%) | (518) | (521) | 3 | (0.6%) |
| Net Extraordinary Items | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Distributable Profit | 5,675 | - | 5,675 | - | 6,842 | 5,675 | 1,167 | 20.8% | 8,278 | 6,842 | 1,436 | 21.0% | 8,424 | 8,278 | 146 | 1.8% | 8,591 | 8,424 | 167 | 2.0% |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained Profits | 5,675 | - | 5,675 | - | 6,842 | 5,675 | 1,167 | 20.8% | 8,278 | 6,842 | 1,436 | 21.0% | 8,424 | 8,278 | 146 | 1.8% | 8,591 | 8,424 | 167 | 2.0% |

| Balance Sheet | Q2RF | Budget | \$ | % | MBPA | Q2RF | \$ | % | BP4YRSA | MBPA | \$ | % | BP4YRSA | BP4YRSA | \$ | % | BP4YRSA | BP4YRSA | \$ | % |
|----------------------------------|----------|--------|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|----------|----------|----------|---------|----------|----------|----------|----------|
| | 2003 | 2003 | Variance | Variance | | 2004 | 2003 | Variance | | Variance | 2005 | 2004 | | Variance | Variance | 2006 | | 2005 | Variance | Variance |
| Tangible Assets - Cost | 273,107 | - | 273,107 | - | 290,236 | 273,107 | 17,129 | 6.3% | 303,328 | 290,236 | 13,090 | 4.5% | 317,287 | 303,328 | 13,959 | 4.6% | 330,582 | 317,287 | 13,295 | 4.2% |
| Tangible Assets - Accum Depn | (59,541) | - | (59,541) | - | (85,798) | (59,541) | (26,257) | 10.5% | (72,719) | (85,798) | (9,221) | 10.5% | (79,937) | (72,719) | (7,218) | 9.9% | (87,390) | (79,937) | (7,453) | 9.3% |
| Intangible Assets - Cost | 18,038 | - | 18,038 | - | 18,462 | 18,038 | 424 | 2.4% | 19,170 | 18,462 | 708 | 3.8% | 19,383 | 19,170 | 213 | 1.1% | 19,626 | 19,383 | 243 | 1.3% |
| Intangible Assets - Accum Amort | (10) | - | (10) | - | (865) | (10) | (875) | 8750.0% | (1,360) | (865) | (875) | 98.5% | (1,809) | (1,360) | (449) | 33.0% | (2,243) | (1,809) | (434) | 24.0% |
| Investments | - | - | - | - | (22) | - | (22) | 100.0% | (44) | (22) | (22) | 100.0% | (88) | (44) | (44) | 50.0% | (88) | (88) | | |
| Total Fixed Assets - NBV | 231,594 | - | 231,594 | - | 242,193 | 231,594 | 10,599 | 4.6% | 249,371 | 242,193 | 7,178 | 2.9% | 254,858 | 248,373 | 6,485 | 2.6% | 280,487 | 254,858 | 25,629 | 10.1% |
| Inventory/WIP | 513 | - | 513 | - | 513 | 513 | - | - | 513 | 513 | - | - | 513 | 513 | - | - | 513 | 513 | - | - |
| Debtors | 4,433 | - | 4,433 | - | 5,226 | 4,433 | 793 | 17.9% | 5,404 | 5,226 | 178 | 3.4% | 5,301 | 5,404 | (103) | (1.9%) | 5,189 | 5,301 | (112) | (2.1%) |
| Deferred Tax Asset | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | 107 | - | 107 | - | - | 107 | (107) | (100.0%) | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 1,832 | - | 1,832 | - | 1,742 | 1,832 | (90) | (4.9%) | 1,742 | 1,742 | - | - | 1,742 | 1,742 | - | - | 1,742 | 1,742 | - | - |
| Current Assets | 6,885 | - | 6,885 | - | 7,481 | 6,885 | 596 | 8.7% | 7,659 | 7,481 | 178 | 2.4% | 7,558 | 7,659 | (101) | (1.3%) | 7,444 | 7,558 | (114) | (1.5%) |
| Creditors | (1,209) | - | (1,209) | - | (1,181) | (1,209) | 28 | (2.3%) | (1,107) | (1,181) | 74 | (6.3%) | (1,123) | (1,107) | (16) | (1.4%) | (1,120) | (1,123) | 3 | (0.3%) |
| Provisions | (2,775) | - | (2,775) | - | (2,569) | (2,775) | 206 | (7.4%) | (2,429) | (2,569) | 140 | (5.4%) | (2,323) | (2,429) | 106 | (4.4%) | (2,222) | (2,323) | 101 | (4.3%) |
| Accruals | (5,254) | - | (5,254) | - | (5,444) | (5,254) | (190) | 3.6% | (3,984) | (5,444) | 1,460 | (26.8%) | (5,184) | (3,984) | (1,200) | (30.1%) | (7,431) | (5,184) | (2,247) | (43.3%) |
| Deferred Income | (31,268) | - | (31,268) | - | (30,930) | (31,268) | 338 | (1.1%) | (30,492) | (30,930) | 438 | (1.4%) | (30,054) | (30,492) | 438 | (1.4%) | (29,616) | (30,054) | 438 | (1.5%) |
| Current Liabilities | (40,596) | - | (40,596) | - | (40,104) | (40,596) | 492 | (1.2%) | (38,012) | (40,104) | 2,092 | (5.2%) | (38,884) | (38,012) | (872) | (2.3%) | (40,389) | (38,884) | (1,505) | (3.9%) |
| Deferred Tax Liability | (34,484) | - | (34,484) | - | (37,814) | (34,484) | (3,330) | 9.6% | (39,126) | (37,814) | (1,312) | 3.5% | (40,702) | (39,126) | (1,576) | 4.0% | (42,254) | (40,702) | (1,552) | 3.8% |
| Long-term Liabilities | (13,580) | - | (13,580) | - | (15,998) | (13,580) | (2,418) | 17.7% | (17,932) | (15,998) | (1,934) | 12.1% | (20,366) | (17,932) | (2,434) | 13.6% | (22,681) | (20,366) | (2,315) | 11.4% |
| Net Debt | (88,298) | - | (88,298) | - | (89,771) | (88,298) | (1,473) | 1.7% | (91,988) | (89,771) | (2,217) | 2.5% | (89,891) | (91,988) | 2,097 | (2.3%) | (87,821) | (89,891) | 2,070 | (2.3%) |
| Auto Rounding | (6) | - | (6) | - | (6) | (6) | | | (5) | (6) | 1 | (16.7%) | (3) | (5) | 2 | (40.0%) | (3) | (3) | | |
| Net Assets | 63,415 | - | 63,415 | - | 66,183 | 63,415 | 2,768 | 4.4% | 69,971 | 66,183 | 3,788 | 5.7% | 71,768 | 69,971 | 1,797 | 2.6% | 74,583 | 71,768 | 2,815 | 3.9% |
| Share Capital | 38,569 | - | 38,569 | - | 38,569 | 38,569 | - | - | 38,569 | 38,569 | - | - | 38,569 | 38,569 | - | - | 38,569 | 38,569 | - | - |
| Share Premium | 21 | - | 21 | - | 21 | 21 | - | - | 21 | 21 | - | - | 21 | 21 | - | - | 21 | 21 | - | - |
| Capital Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserves | 28,825 | - | 28,825 | - | 29,593 | 28,825 | 768 | 2.7% | 32,381 | 29,593 | 2,788 | 9.4% | 35,178 | 32,381 | 2,797 | 8.6% | 37,993 | 35,178 | 2,815 | 8.0% |
| Total Equity | 63,415 | - | 63,415 | - | 66,183 | 63,415 | 2,768 | 4.4% | 69,971 | 66,183 | 3,788 | 5.7% | 71,768 | 69,971 | 1,797 | 2.6% | 74,583 | 71,768 | 2,815 | 3.9% |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Equity & Minority Interest | 63,415 | - | 63,415 | - | 66,183 | 63,415 | 2,768 | 4.4% | 69,971 | 66,183 | 3,788 | 5.7% | 71,768 | 69,971 | 1,797 | 2.6% | 74,583 | 71,768 | 2,815 | 3.9% |

Kentucky American
Financial Statements
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | BP4YRSA 2008 | BP4YRSA 2007 | \$ Variance | % Variance |
|------------------------------------|-----------------|-----------------|----------------|---------------|
| Profit & Loss Statement | | | | |
| Revenue | 53,192 | 52,835 | 557 | 1.1% |
| Cost of Sales | (4,537) | (4,318) | (221) | 5.1% |
| Payroll Costs | (9,783) | (9,452) | (311) | 3.3% |
| Overheads | (11,831) | (11,224) | (407) | 3.6% |
| OPEX (excl D&A) | (25,931) | (24,992) | (939) | 3.8% |
| Sundry Income | 151 | 150 | 1 | 0.7% |
| EBITDA | 27,412 | 27,793 | (381) | (1.4%) |
| EBITDA % | 51.5% | 52.6% | (1.3%) | |
| Depreciation | (7,820) | (7,453) | (367) | 4.9% |
| Amortisation | (23) | (23) | - | - |
| Total Depreciation | (7,843) | (7,476) | (367) | 4.9% |
| EBITA | 19,569 | 20,317 | (748) | (3.7%) |
| EBITA % | 36.8% | 38.6% | (1.8%) | |
| JVs and Dividends | - | - | - | - |
| Operating Results | 19,569 | 20,317 | (748) | (3.7%) |
| Operating Result % | 36.8% | 38.6% | (1.8%) | |
| Amortisation - Goodwill | - | - | - | - |
| Interest | (4,597) | (5,091) | 494 | (9.7%) |
| Profit Before Tax (PBT) | 14,972 | 15,226 | (254) | (1.7%) |
| Taxes | (6,014) | (6,117) | 103 | (1.7%) |
| Profit After Tax (PAT) | 8,958 | 9,109 | (151) | (1.7%) |
| Net minority interest | (515) | (518) | 3 | (0.6%) |
| Net Extraordinary Items | - | - | - | - |
| Distributable Profit | 8,443 | 8,591 | (148) | (1.7%) |
| Dividends | - | - | - | - |
| Retained Profits | 8,443 | 8,591 | (148) | (1.7%) |

| | BP4YRSA 2008 | BP4YRSA 2007 | \$ Variance | % Variance |
|----------------------------------|-----------------|-----------------|----------------|---------------|
| Balance Sheet | | | | |
| Tangible Assets - Cost | 341,418 | 330,582 | 10,834 | 3.3% |
| Tangible Assets - Accum Depn | (95,210) | (87,390) | (7,820) | 8.9% |
| Intangible Assets - Cost | 19,894 | 19,828 | 268 | 1.4% |
| Intangible Assets - Accum Amort | (2,677) | (2,243) | (434) | 19.3% |
| Investments | (110) | (88) | (22) | 25.0% |
| Total Fixed Assets - NBV | 283,313 | 280,487 | 2,826 | 1.1% |
| Inventory/WIP | 513 | 613 | - | - |
| Debtors | 5,079 | 5,189 | (110) | (2.1%) |
| Deferred Tax Asset | - | - | - | - |
| Prepayments | - | - | - | - |
| Other | 1,742 | 1,742 | - | - |
| Current Assets | 7,334 | 7,444 | (110) | (1.5%) |
| Creditors | (1,187) | (1,120) | (67) | 6.0% |
| Provisions | (2,104) | (2,222) | 118 | (5.3%) |
| Accruals | (9,178) | (7,431) | (1,747) | 23.5% |
| Deferred Income | (29,178) | (29,818) | 438 | (1.5%) |
| Current Liabilities | (41,847) | (40,389) | (1,258) | 3.1% |
| Deferred Tax Liability | (43,823) | (42,254) | (1,369) | 3.2% |
| Long-term Liabilities | (25,501) | (22,881) | (2,620) | 11.5% |
| Net Debt | (82,818) | (87,821) | 5,203 | (5.9%) |
| Auto Rounding | (2) | (3) | 1 | (33.3%) |
| Net Assets | 77,258 | 74,583 | 2,673 | 3.6% |
| Share Capital | 38,589 | 38,589 | - | - |
| Share Premium | 21 | 21 | - | - |
| Capital Reserves | - | - | - | - |
| Reserves | 40,868 | 37,993 | 2,873 | 7.0% |
| Total Equity | 77,258 | 74,583 | 2,673 | 3.6% |
| Minority Interest | - | - | - | - |
| Total Equity & Minority Interest | 77,258 | 74,583 | 2,673 | 3.6% |

Kentucky American \$
Financial Statements - Trend
Business Plan 2004-2008
Base & Development
(\$ 000's)

| Profit & Loss Statement | Jan-04 | Feb-04 | Mar-04 | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | Nov-04 | Dec-04 | P13 | Total 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----|---------------|---------------|---------------|---------------|---------------|
| Revenue | 2,261 | 2,984 | 4,204 | 3,203 | 3,313 | 5,010 | 3,853 | 3,779 | 5,012 | 4,025 | 3,796 | 5,795 | - | 47,235 | 51,331 | 52,079 | 52,635 | 53,192 |
| Cost of Sales | (241) | (298) | (353) | (285) | (312) | (457) | (342) | (342) | (393) | (333) | (325) | (394) | - | (4,073) | (4,202) | (4,276) | (4,316) | (4,537) |
| Payroll Costs | (647) | (719) | (822) | (711) | (696) | (792) | (691) | (694) | (791) | (687) | (714) | (929) | - | (8,893) | (9,062) | (9,221) | (9,452) | (9,763) |
| Overheads | (848) | (773) | (632) | (943) | (877) | (871) | (855) | (845) | (857) | (875) | (829) | (863) | - | (10,068) | (11,335) | (11,323) | (11,224) | (11,631) |
| OPEX (excl D&A) | (1,736) | (1,788) | (1,807) | (1,939) | (1,885) | (2,120) | (1,888) | (1,881) | (2,041) | (1,895) | (1,866) | (2,186) | - | (23,034) | (24,599) | (24,820) | (24,992) | (25,931) |
| Sundry Income | 12 | 12 | 12 | 12 | 12 | 13 | 12 | 12 | 12 | 12 | 12 | 12 | - | 145 | 146 | 148 | 150 | 151 |
| EBITDA | 537 | 1,208 | 2,409 | 1,276 | 1,440 | 2,803 | 1,977 | 1,910 | 2,983 | 2,142 | 1,940 | 3,621 | - | 24,346 | 26,878 | 27,407 | 27,793 | 27,412 |
| EBITDA % | 23.8% | 40.5% | 57.3% | 39.8% | 43.5% | 57.9% | 51.3% | 50.5% | 59.5% | 53.2% | 51.1% | 62.5% | - | 51.5% | 52.4% | 52.6% | 52.8% | 51.5% |
| Depreciation | (368) | (497) | (497) | (498) | (499) | (500) | (508) | (506) | (559) | (565) | (565) | (697) | - | (6,257) | (6,921) | (7,218) | (7,453) | (7,820) |
| Amortisation | (56) | (58) | (57) | (56) | (56) | (58) | (57) | (56) | (56) | (57) | (56) | (56) | - | (675) | (23) | (23) | (23) | (23) |
| Total Depreciation | (424) | (555) | (554) | (554) | (555) | (558) | (563) | (562) | (615) | (622) | (621) | (753) | - | (6,932) | (6,944) | (7,241) | (7,476) | (7,843) |
| EBITA | 113 | 655 | 1,855 | 722 | 885 | 2,347 | 1,414 | 1,348 | 2,368 | 1,520 | 1,319 | 2,868 | - | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| EBITA % | 5.0% | 22.0% | 44.1% | 22.5% | 26.7% | 46.8% | 36.7% | 35.7% | 47.2% | 37.8% | 34.7% | 49.5% | - | 36.9% | 38.8% | 38.7% | 38.6% | 36.8% |
| JV's and Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Results | 113 | 655 | 1,855 | 722 | 885 | 2,347 | 1,414 | 1,348 | 2,368 | 1,520 | 1,319 | 2,868 | - | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 |
| Operating Result % | 5.0% | 22.0% | 44.1% | 22.5% | 26.7% | 46.8% | 36.7% | 35.7% | 47.2% | 37.8% | 34.7% | 49.5% | - | 36.9% | 38.8% | 38.7% | 38.6% | 36.8% |
| Amortisation - Goodwill | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | (252) | (379) | (474) | (420) | (407) | (518) | (404) | (403) | (513) | (385) | (365) | (595) | - | (5,095) | (5,310) | (5,214) | (5,091) | (4,597) |
| Profit Before Tax (PBT) | (139) | 276 | 1,381 | 302 | 478 | 1,829 | 1,010 | 945 | 1,855 | 1,135 | 954 | 2,273 | - | 12,319 | 14,624 | 14,952 | 15,226 | 14,972 |
| Taxes | 58 | (111) | (555) | (121) | (193) | (734) | (407) | (378) | (746) | (462) | (386) | (913) | - | (4,950) | (5,822) | (6,007) | (6,117) | (6,014) |
| Profit After Tax (PAT) | (83) | 165 | 826 | 181 | 285 | 1,095 | 603 | 567 | 1,109 | 673 | 568 | 1,360 | - | 7,369 | 8,802 | 8,945 | 9,109 | 8,958 |
| Net minority interest | - | - | - | - | - | - | - | - | - | - | - | (527) | - | (527) | (524) | (521) | (518) | (515) |
| Net Extraordinary Items | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Distributable Profit | (83) | 165 | 826 | 181 | 285 | 1,095 | 603 | 567 | 1,109 | 673 | 568 | 833 | - | 6,842 | 8,278 | 8,424 | 8,591 | 8,443 |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained Profits | (83) | 165 | 826 | 181 | 285 | 1,095 | 603 | 567 | 1,109 | 673 | 568 | 833 | - | 6,842 | 8,278 | 8,424 | 8,591 | 8,443 |
| Discrepancy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| Balance Sheet | Jan-04 | Feb-04 | Mar-04 | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | Nov-04 | Dec-04 | P13 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Tangible Assets - Cost | 277,498 | 278,270 | 279,472 | 281,528 | 282,751 | 283,911 | 285,000 | 286,084 | 287,145 | 288,184 | 288,272 | 290,238 | 290,236 |
| Tangible Assets - Accum Deprn | (59,809) | (60,406) | (60,803) | (61,401) | (61,900) | (62,400) | (62,906) | (63,412) | (63,971) | (64,536) | (65,101) | (65,798) | (65,798) |
| Intangible Assets - Cost | 18,073 | 18,108 | 18,144 | 18,179 | 18,214 | 18,250 | 18,286 | 18,321 | 18,357 | 18,392 | 18,427 | 18,462 | 18,462 |
| Intangible Assets - Accum Amort | (66) | (122) | (179) | (235) | (291) | (347) | (404) | (460) | (516) | (573) | (629) | (685) | (685) |
| Investments | (2) | (4) | (5) | (7) | (9) | (11) | (13) | (14) | (16) | (18) | (20) | (22) | (22) |
| Total Fixed Assets - NBV | 235,594 | 235,846 | 236,528 | 238,064 | 238,765 | 239,403 | 239,963 | 240,519 | 240,999 | 241,449 | 240,949 | 242,193 | 242,193 |
| Inventory/WIP | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 | 513 |
| Debtors | 4,085 | 3,984 | 4,121 | 4,373 | 4,412 | 5,007 | 5,052 | 4,777 | 5,461 | 4,766 | 4,707 | 5,226 | 5,226 |
| Deferred Tax Asset | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 1,740 | 1,740 | 1,740 | 1,740 | 1,740 | 1,740 | 1,740 | 1,742 | 1,742 | 1,742 | 1,742 | 1,742 | 1,742 |
| Current Assets | 6,338 | 6,217 | 6,374 | 6,626 | 6,665 | 7,260 | 7,305 | 7,032 | 7,718 | 7,021 | 6,962 | 7,481 | 7,481 |
| Creditors | (1,233) | (1,240) | (1,209) | (1,180) | (1,235) | (1,221) | (1,201) | (1,238) | (1,230) | (1,193) | (1,161) | (1,161) | (1,161) |
| Provisions | (2,648) | (1,989) | (2,501) | (2,886) | (2,314) | (3,290) | (3,650) | (3,264) | (3,500) | (3,931) | (3,583) | (2,569) | (2,569) |
| Accruals | (5,371) | (5,345) | (5,390) | (5,781) | (5,867) | (4,459) | (4,845) | (4,661) | (4,821) | (5,068) | (4,116) | (5,444) | (5,444) |
| Deferred Income | (31,240) | (31,212) | (31,184) | (31,155) | (31,127) | (31,099) | (31,071) | (31,043) | (31,015) | (30,987) | (30,959) | (30,930) | (30,930) |
| Current Liabilities | (40,492) | (39,786) | (40,284) | (41,022) | (40,543) | (40,069) | (40,767) | (40,208) | (40,566) | (41,179) | (39,799) | (40,104) | (40,104) |
| Deferred Tax Liability | (34,726) | (35,138) | (35,348) | (35,543) | (35,948) | (36,144) | (36,332) | (36,723) | (36,901) | (37,085) | (37,466) | (37,614) | (37,614) |
| Long-Term Liabilities | (13,664) | (13,673) | (13,948) | (14,367) | (14,835) | (15,396) | (15,614) | (16,317) | (16,271) | (15,320) | (15,662) | (15,996) | (15,996) |
| Net Debt | (89,757) | (90,051) | (90,234) | (90,554) | (90,638) | (91,006) | (89,753) | (89,160) | (89,763) | (89,026) | (88,575) | (89,771) | (89,771) |
| Auto Rounding | (1) | - | - | 1 | - | - | 1 | - | 2 | - | (6) | (6) | (6) |
| Net Assets | 83,297 | 83,415 | 83,989 | 83,225 | 83,466 | 84,046 | 84,807 | 85,126 | 85,214 | 85,887 | 86,389 | 86,183 | 86,183 |
| Share Capital | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 | 36,569 |
| Share Premium | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Capital Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserves | 26,702 | 26,825 | 26,999 | 26,635 | 26,876 | 27,456 | 28,012 | 28,536 | 28,624 | 29,272 | 29,799 | 29,593 | 29,593 |
| Total Equity | 63,292 | 63,415 | 63,989 | 63,225 | 63,466 | 64,046 | 64,602 | 65,126 | 65,214 | 65,862 | 66,389 | 66,183 | 66,183 |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Equity & Minority Interest | 63,292 | 63,415 | 63,989 | 63,225 | 63,466 | 64,046 | 64,602 | 65,126 | 65,214 | 65,862 | 66,389 | 66,183 | 66,183 |

| | 2005 | 2006 | 2007 | 2008 |
|---|----------------|----------------|----------------|----------------|
| Tangible Assets - Cost | 303,326 | 317,287 | 330,582 | 341,416 |
| Tangible Assets - Accum Deprn | (72,719) | (79,937) | (87,390) | (95,210) |
| Intangible Assets - Cost | 19,170 | 19,383 | 19,626 | 19,894 |
| Intangible Assets - Accum Amort | (1,360) | (1,809) | (2,243) | (2,677) |
| Investments | (44) | (66) | (88) | (110) |
| Total Fixed Assets - NBV | 248,373 | 254,858 | 260,487 | 263,313 |
| Inventory/WIP | 513 | 513 | 513 | 513 |
| Debtors | 5,404 | 5,301 | 5,189 | 5,079 |
| Deferred Tax Asset | - | - | - | - |
| Prepayments | - | - | - | - |
| Other | 1,742 | 1,742 | 1,742 | 1,742 |
| Current Assets | 7,659 | 7,556 | 7,444 | 7,334 |
| Creditors | (1,107) | (1,123) | (1,120) | (1,187) |
| Provisions | (2,429) | (2,323) | (2,222) | (2,104) |
| Accruals | (3,984) | (6,184) | (7,431) | (9,178) |
| Deferred Income | (30,492) | (30,054) | (29,616) | (29,176) |
| Current Liabilities | (38,012) | (39,684) | (40,389) | (41,647) |
| Deferred Tax Liability | (39,126) | (40,702) | (42,254) | (43,623) |
| Long-Term Liabilities | (17,932) | (20,366) | (22,881) | (25,501) |
| Net Debt | (91,986) | (89,891) | (87,821) | (82,618) |
| Auto Rounding | (5) | (3) | (3) | (2) |
| Net Assets | 68,971 | 71,768 | 74,583 | 77,256 |
| Share Capital | 36,569 | 36,569 | 36,569 | 36,569 |
| Share Premium | 21 | 21 | 21 | 21 |
| Capital Reserves | - | - | - | - |
| Reserves | 32,381 | 35,178 | 37,993 | 40,666 |
| Total Equity | 68,971 | 71,768 | 74,583 | 77,256 |
| Minority Interest | - | - | - | - |
| Total Equity & Minority Interest | 68,971 | 71,768 | 74,583 | 77,256 |

| Profit & Loss Statement | Jan-03 | Feb-03 | Mar-03 | Apr-03 | May-03 | Jun-03 | Jul-03 | Aug-03 | Sep-03 | Oct-03 | Nov-03 | Dec-03 | P13 | Total 2003 | 2004 | 2005 | 2006 | 2007 | |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|------------|------|------|------|------|---|
| Revenue | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost of Sales | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Payroll Costs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Overheads | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| OPEx (excl D&A) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sundry Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBITDA | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBITDA % | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBITDA | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EBITDA % | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Results | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Result % | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation - Goodwill | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit Before Tax (PBT) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit After Tax (PAT) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Extraordinary Items | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Distributable Profit | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retained Profits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Discrepancy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| Balance Sheet | Jan-03 | Feb-03 | Mar-03 | Apr-03 | May-03 | Jun-03 | Jul-03 | Aug-03 | Sep-03 | Oct-03 | Nov-03 | Dec-03 | P13 | Total 2003 | 2004 | 2005 | 2006 | 2007 | |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|------------|------|------|------|------|---|
| Tangible Assets - Cost | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tangible Assets - Accum Depn | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Tangible Assets - Accum Amort | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Fixed Assets - NBV | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Inventory/WIP | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debtors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Asset | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Prepayments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Creditors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Provisions | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Accruals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Tax Liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Long-term Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Auto Rounding | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share Capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share Premium | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Equity & Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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Key Assumptions & Sensitivities
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| | OPERATING RESULT - Impact | | | | | PBT - Impact | | | | | NET DEBT - Impact | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Balance per Hyperion | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 | 12,319 | 14,624 | 14,952 | 15,226 | 14,972 | (89,771) | (91,986) | (89,891) | (87,821) | (82,618) |
| Assumptions & Sensitivities: | | | | | | | | | | | | | | | |
| Normalized Weather | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (300) | (300) | (300) | (300) | (300) |
| 2004 Rate Case ROE 10.25 | (1,167) | (4,667) | (4,667) | (4,667) | (4,667) | (1,167) | (4,667) | (4,667) | (4,667) | (4,667) | (563) | (2,800) | (2,800) | (2,800) | (2,800) |
| Decreased Security | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (240) | (240) | (240) | (240) | (240) |
| Condemnation | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? |
| Total Impact | (2,067) | (5,567) | (5,567) | (5,567) | (5,567) | (2,067) | (5,567) | (5,567) | (5,567) | (5,567) | (1,123) | (3,340) | (3,340) | (3,340) | (3,340) |
| Balance Adjusted for Impact | 15,347 | 14,367 | 14,599 | 14,750 | 14,002 | 10,252 | 9,057 | 9,385 | 9,659 | 9,405 | (90,894) | (95,326) | (93,231) | (91,161) | (85,958) |

| Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| 44,498 | 20,835 | 15,058 | 10,356 | 24,736 | (86,298) | 12,131 | 152,068 | 76,029 | 15,058 | 19.8% | 8,976 | 141 |
| 44,498 | 20,835 | 15,058 | 10,356 | 24,736 | (86,298) | 12,131 | 152,068 | 76,029 | 15,058 | 19.8% | 8,976 | 141 |
| 44,498 | 20,835 | 15,058 | 10,356 | 24,736 | (86,298) | 12,131 | 152,068 | 76,029 | 15,058 | 19.8% | 8,976 | 141 |

Q2RF - 2003
 Bplan - 2003
 Variance

Variance Explanation:

Explanatory Gap

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| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|--|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Bplan - 2004 | 47,235 | 24,346 | 17,414 | 12,319 | 25,471 | (89,771) | 17,129 | 155,960 | 154,009 | 17,414 | 11.3% | 5,093 | 133 |
| Q2RF - 2003 | 44,498 | 20,835 | 15,058 | 10,356 | 24,736 | (86,298) | 12,131 | 152,058 | 76,029 | 15,058 | 19.8% | 8,976 | 141 |
| Variance | 2,737 | 3,511 | 2,356 | 1,963 | 735 | (3,473) | 4,998 | 3,902 | 77,980 | 2,356 | (8.5%) | (3,882) | (8) |
| Variance Explanation: | | | | | | | | | | | | | |
| Rate Case Impact | 1,167 | 1,167 | 1,167 | 1,167 | 1,167 | | | | | | | | |
| Normal Growth & Bus Develop Gr | 1,870 | 1,870 | 1,870 | 1,870 | 1,870 | | | | | | | | |
| Summer Revenue added to Q2RF (Stretch) | (300) | (300) | (300) | (300) | (300) | | | | | | | | |
| Pensions | | (235) | (235) | (235) | (235) | | | | | | | | |
| Production Costs | | (458) | (458) | (458) | (458) | | | | | | | | |
| Security | | 895 | 895 | 895 | 895 | | | | | | | | |
| Depreciation | | | (475) | (475) | (475) | | | | | | | | |
| General Taxes | | (69) | (69) | (69) | (69) | | | | | | | | |
| Condemnation Exp | | 710 | 710 | 710 | 710 | | | | | | | | |
| Maintenance | | (180) | (180) | (180) | (180) | | | | | | | | |
| Amiz of Call Center & Shared Services | | (72) | (72) | (72) | (72) | | | | | | | | |
| Additional Costs delay in Call Center | | (155) | (155) | (155) | (155) | | | | | | | | |
| Other misc expenses & Bus Develop | | (342) | (342) | (342) | (342) | | | | | | | | |
| Interest Rates/Timing Financings/AFUDC | | | | (393) | (393) | | | | | | | | |
| Additional Capx | | | | | | | 4,998 | | | | | | |
| Line 28 Amiz in Q2RF | | 680 | | | | | | | | | | | |
| Other Working Cash, etc. | | | | | (1,228) | | | | | | | | |
| Cash/Debt & Pref Exp | | | | | | 52 | | (52) | | | | | |
| Financings/Borrowings | | | | | | (3,525) | | 3,525 | | | | | |
| Retained Earnings | | | | | | | | | | 429 | | | |
| Explanatory Gap | - | - | - | - | - | - | - | - | 77,980 | 2,356 | 3.0% | (3,882) | (8) |

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| Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|----------|--------|------------------|--------|---------------------|----------|---------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| 61,331 | 26,878 | 19,934 | 14,624 | 27,088 | (91,986) | 13,090 | 160,962 | 168,461 | 19,934 | 12.6% | 7,257 | 142 |
| 47,236 | 24,346 | 17,414 | 12,319 | 26,471 | (89,771) | 17,129 | 165,960 | 164,009 | 17,414 | 11.3% | 5,093 | 133 |
| 4,096 | 2,632 | 2,620 | 2,305 | 1,917 | (2,215) | (4,039) | 5,002 | 4,452 | 2,620 | 13% | 2,164 | 9 |
| 3,500 | 3,500 | 3,500 | 3,500 | 3,500 | | | | | | | | |
| 595 | 595 | 595 | 595 | 595 | | | | | | | | |
| 1 | 1 | 1 | 1 | 1 | | | | | | | | |
| | (87) | (87) | (87) | (87) | | | | | | | | |
| | (130) | (130) | (130) | (130) | | | | | | | | |
| | (664) | (664) | (664) | (664) | | | | | | | | |
| | (20) | (20) | (20) | (20) | | | | | | | | |
| | (7) | (7) | (7) | (7) | | | | | | | | |
| | (299) | (299) | (299) | (299) | | | | | | | | |
| | (168) | (168) | (168) | (168) | | | | | | | | |
| | (201) | (201) | (201) | (201) | | | | | | | | |
| | (215) | (215) | (215) | (215) | | | | | | | | |
| | | | | (903) | | (4,039) | | | | | | |
| | | | | | (162) | | 162 | | | | | |
| | | | | | (2,053) | | 2,053 | | | | | |
| | | | | | | | 2,787 | | | | | |
| | (652) | | | | | | | | | | | |
| | | | | | | | | 4,452 | 2,620 | 56.6% | 2,164 | 9 |

Variance Explanation:
 Rate/Case Impact
 Normal Growth & Bus Develop Gr
 Other revenues
 Pensions/Group & Other Ins
 Production Costs
 Depreciation
 General Taxes
 Uncollectibles
 Management fees
 Labor/vac & salary increases
 Other Misc expenses
 Interest Rates/Timing Financings/AFUDC
 Less Capx
 Other Working Cash movements, etc
 Cash/Debt & Pref Exp
 Financings/Borrowings
 Retained Earnings
 Error

Explanatory Gap

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| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|--|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Bplan - 2006 | 52,079 | 27,407 | 20,166 | 14,952 | 31,994 | (89,891) | 13,961 | 161,662 | 161,312 | 20,166 | 12.5% | 7,261 | 142 |
| Bplan - 2005 | 51,331 | 26,878 | 19,934 | 14,624 | 27,088 | (91,986) | 13,090 | 160,962 | 158,461 | 19,934 | 12.6% | 7,257 | 142 |
| Variance | 748 | 529 | 232 | 328 | 4,906 | 2,095 | 871 | 700 | 2,851 | 232 | (0.1%) | 4 | - |
| Variance Explanation: | | | | | | | | | | | | | |
| Rate Case Impact | | | | | | | | | | | | | |
| Normal Growth & Bus Develop Cr | 747 | 747 | 747 | 747 | 747 | | | | | | | | |
| Other revenues | 1 | 1 | 1 | 1 | 1 | | | | | | | | |
| Pensions/Group & Other Ins | (5) | (5) | (5) | (5) | (5) | | | | | | | | |
| Production Costs | (74) | (74) | (74) | (74) | (74) | | | | | | | | |
| Depreciation/Amtz | | (72) | (72) | (72) | (72) | | | | | | | | |
| General Taxes | (171) | (171) | (171) | (171) | (171) | | | | | | | | |
| Maintenance | (81) | (81) | (81) | (81) | (81) | | | | | | | | |
| Salary increases | (151) | (151) | (151) | (151) | (151) | | | | | | | | |
| Other Misc expenses | 38 | 38 | 38 | 38 | 38 | | | | | | | | |
| Interest Rates/Timing Financings/AFUDC | | | | 96 | 132 | | | | | | | | |
| Additional Capx | | | | | | | 871 | | | | | | |
| Other Working Cash movements, etc | | | | | 4,542 | | | | | | | | |
| Cash/Debt & Pref Exp | | | | | | 82 | | (82) | | | | | |
| Financings/Borrowings | | | | | | 2,013 | | (2,013) | | | | | |
| Retained Earnings | | | | | | | | 2,795 | | | | | |
| Amort line 28 | | 225 | | | | | | | | | | | |
| Explanatory Gap | - | - | - | - | - | - | - | - | 2,851 | 232 | 8.1% | 4 | - |

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| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|--|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Bplan - 2007 | 52,635 | 27,793 | 20,317 | 16,226 | 31,571 | (87,821) | 13,295 | 162,407 | 162,035 | 20,317 | 12.5% | 7,354 | 141 |
| Bplan - 2006 | 52,079 | 27,407 | 20,166 | 14,952 | 31,994 | (89,891) | 13,961 | 161,862 | 161,312 | 20,166 | 12.5% | 7,261 | 142 |
| Variance | 556 | 386 | 151 | 274 | (423) | 2,070 | (666) | 745 | 723 | 151 | 0.0% | 93 | (1) |
| Variance Explanation: | | | | | | | | | | | | | |
| Rate Case Impact | | | | | | | | | | | | | |
| Normal Growth & Bus Develop Gr | 555 | 555 | 555 | 555 | 555 | | | | | | | | |
| Other revenues | 1 | 1 | 1 | 1 | 1 | | | | | | | | |
| Pensions/Group & Other Ins | | (45) | (45) | (45) | (45) | | | | | | | | |
| Production Costs | | (40) | (40) | (40) | (40) | | | | | | | | |
| Depreciation/Amort | | | (220) | (220) | (220) | | | | | | | | |
| General Taxes | | (101) | (101) | (101) | (101) | | | | | | | | |
| Maintenance | | (2) | (2) | (2) | (2) | | | | | | | | |
| Salary increases | | (178) | (178) | (178) | (178) | | | | | | | | |
| Other and misc expenses | | 181 | 181 | 181 | 181 | | | | | | | | |
| Interest Rates/Timing Financings/AFUDC | | | | 123 | | | | | | | | | |
| Additional Capx | | | | | | | (666) | | | | | | |
| Other Working Cash movements, etc | | | | | (574) | | | | | | | | |
| Cash/Debt & Pref Exp | | | | | | 74 | | (74) | | | | | |
| Financings/Borrowings | | | | | | 1,996 | | (1,996) | | | | | |
| Retained Earnings | | | | | | | | 2,815 | | | | | |
| Amort line 28 | | 15 | | | | | | | | | | | |
| Explanatory Gap | - | - | - | - | - | - | - | - | 723 | 151 | 20.9% | 93 | (1) |

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| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|--|----------|--------|------------------|--------|---------------------|----------|---------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Bplan - 2008 | 63,192 | 27,412 | 19,569 | 14,972 | 31,872 | (82,818) | 10,834 | 159,876 | 161,142 | 19,569 | 12.1% | 6,678 | 141 |
| Bplan - 2007 | 62,635 | 27,793 | 20,317 | 15,226 | 31,571 | (87,821) | 13,295 | 162,407 | 162,035 | 20,317 | 12.5% | 7,354 | 141 |
| Variance | 557 | (381) | (748) | (254) | 301 | 5,203 | (2,461) | (2,531) | (893) | (748) | (0.4%) | (677) | - |
| Variance Explanation: | | | | | | | | | | | | | |
| Rate Case Impact | | | | | | | | | | | | | |
| Normal Growth & Bus Develop Gr | 556 | 556 | 556 | 556 | 556 | | | | | | | | |
| Other revenues | 1 | 1 | 1 | 1 | 1 | | | | | | | | |
| Pensions/Group & Other Ins | | (116) | (116) | (116) | (116) | | | | | | | | |
| Production Costs | | (221) | (221) | (221) | (221) | | | | | | | | |
| Depreciation/Amz | | (367) | (367) | (367) | (367) | | | | | | | | |
| General Taxes | | (102) | (102) | (102) | (102) | | | | | | | | |
| Maintenance | | (38) | (38) | (38) | (38) | | | | | | | | |
| Salary Increases | | (183) | (183) | (183) | (183) | | | | | | | | |
| Uncollectibles | | (7) | (7) | (7) | (7) | | | | | | | | |
| Misc other expenses | | (271) | (271) | (271) | (271) | | | | | | | | |
| Interest Rates/Timing Financings/AFUDC | | | | 494 | | | | | | | | | |
| Less Capx | | | | | | | (2,461) | | | | | | |
| Other Working Cash movements, etc | | | | | 1,049 | | | | | | | | |
| Cash/Debt & Prof Exp | | | | | | 71 | | (71) | | | | | |
| Financings/Borrowings | | | | | | 5,132 | | (5,132) | | | | | |
| Retained Earnings | | | | | | | | 2,672 | | | | | |
| Explanatory Gap | - | - | - | - | - | - | - | - | (893) | (748) | 83.8% | (677) | - |

Kentucky Ameri
KPI's - Prior Year Business Plan
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|---------------------------|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Current Year Bplan - 2004 | 47,235 | 24,346 | 17,414 | 12,319 | 25,471 | (89,771) | 17,129 | 155,960 | 154,009 | 17,414 | 11.3% | 5,093 | 133 |
| Prior Year Bplan - 2004 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Variance | 47,235 | 24,346 | 17,414 | 12,319 | 25,471 | (89,771) | 17,129 | 155,960 | 154,009 | 17,414 | 11.3% | 5,093 | 133 |
| Variance Explanation: | | | | | | | | | | | | | |
| Explanatory Gap | 47,235 | 24,346 | 17,414 | 12,319 | 25,471 | (89,771) | 17,129 | 155,960 | 154,009 | 17,414 | 11.3% | 5,093 | 133 |

Current Year Bplan - 2005
 Prior Year Bplan - 2005
 Variance

| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Operating Assets | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|-----------------------|----------|--------|------------------|--------|---------------------|----------|--------|------------------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| | 51,331 | 26,878 | 19,934 | 14,624 | 27,088 | (91,986) | 13,090 | 160,962 | 158,461 | 158,461 | 19,934 | 12.6% | 7,257 | 142 |
| | 51,331 | 26,878 | 19,934 | 14,624 | 27,088 | (91,986) | 13,090 | 160,962 | 158,461 | 158,461 | 19,934 | 12.6% | 7,257 | 142 |
| Variance Explanation: | | | | | | | | | | | | | | |
| Explanatory Gap | | | | | | | | | | | | | | |

| Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Operating Assets | Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|----------|--------|------------------|--------|---------------------|----------|--------|------------------|----------------------|---------------------------|--------|--------------------|-----------|
| 52,079 | 27,407 | 20,166 | 14,952 | 31,994 | (89,891) | 13,961 | 161,662 | 161,312 | 20,166 | 12.5% | 7,261 | 142 |
| 52,079 | 27,407 | 20,166 | 14,952 | 31,994 | (89,891) | 13,961 | 161,662 | 161,312 | 20,166 | 12.5% | 7,261 | 142 |
| 52,079 | 27,407 | 20,166 | 14,952 | 31,994 | (89,891) | 13,961 | 161,662 | 161,312 | 20,166 | 12.5% | 7,261 | 142 |

Current Year Bplan - 2006
 Prior Year Bplan - 2006
 Variance

Variance Explanation:

| | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|
| [Detailed variance explanation grid with multiple rows and columns, mostly containing dashes or faint text] | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|

Explanatory Gap

Kentucky Americ
KPI's - Prior Year Business Plan
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | Turnover | EBITDA | Operating Result | PBT | Operating Cash Flow | Net Debt | Capex | Net Operating Assets | Avg. Net Operating Assets | 12 Month Operating Result | ROCE % | Value Contribution | Headcount |
|---------------------------|----------|--------|------------------|--------|---------------------|----------|--------|----------------------|---------------------------|---------------------------|--------|--------------------|-----------|
| Current Year Bplan - 2007 | 52,635 | 27,793 | 20,317 | 15,226 | 31,571 | (87,821) | 13,295 | 162,407 | 162,035 | 20,317 | 12.5% | 7,354 | 141 |
| Prior Year Bplan - 2007 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Variance | 52,635 | 27,793 | 20,317 | 15,226 | 31,571 | (87,821) | 13,295 | 162,407 | 162,035 | 20,317 | 12.5% | 7,354 | 141 |
| Variance Explanation: | | | | | | | | | | | | | |
| Explanatory Gap | 52,635 | 27,793 | 20,317 | 15,226 | 31,571 | (87,821) | 13,295 | 162,407 | 162,035 | 20,317 | 12.5% | 7,354 | 141 |

Kentucky America
Risks & Opportunities
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | OPERATING RESULT - Impact | | | | | PBT - Impact | | | | | NET DEBT - Impact | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Balance per Hyperion | 17,414 | 19,934 | 20,166 | 20,317 | 19,569 | 12,319 | 14,624 | 14,952 | 16,226 | 14,972 | (89,771) | (91,986) | (89,891) | (87,821) | (82,618) |
| Risks/Vulnerabilities: | | | | | | | | | | | | | | | |
| Water Sales Weather | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (500) | (300) | (300) | (300) | (300) | (300) |
| 2004 Rate Case | (291) | (1,167) | (1,167) | (1,167) | (1,167) | (291) | (1,167) | (1,167) | (1,167) | (1,167) | (175) | (700) | (700) | (700) | (700) |
| Condemnation | (1,000) | (1,000) | - | - | - | (1,000) | (1,000) | - | - | - | (600) | (600) | - | - | - |
| Code Orange Security | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (120) | (120) | (120) | (120) | (120) |
| Production Cost Weather | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (120) | (120) | (120) | (120) | (120) |
| 50% of Development Plan | (179) | (198) | (294) | (286) | (285) | (179) | (198) | (294) | (286) | (285) | 1,885 | 114 | 399 | 49 | 39 |
| Total Risks/Vulnerabilities | (2,370) | (3,265) | (2,361) | (2,353) | (2,352) | (2,370) | (3,265) | (2,361) | (2,353) | (2,352) | 570 | (1,726) | (841) | (1,191) | (1,201) |
| Opportunities: | | | | | | | | | | | | | | | |
| Water Sales Weather | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 300 | 300 | 300 | 300 | 300 |
| 2004 Rate Case | 83 | 333 | 333 | 333 | 333 | 83 | 333 | 333 | 333 | 333 | 50 | 200 | 200 | 200 | 200 |
| > Pension & OPEB's Dis. Rate | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 120 | 120 | 120 | 120 | 120 |
| Total Opportunities | 783 | 1,033 | 1,033 | 1,033 | 1,033 | 783 | 1,033 | 1,033 | 1,033 | 1,033 | 470 | 620 | 620 | 620 | 620 |
| Total Risks & Opportunities | (1,587) | (2,232) | (1,328) | (1,320) | (1,319) | (1,587) | (2,232) | (1,328) | (1,320) | (1,319) | 1,040 | (1,106) | (221) | (571) | (581) |
| Balance Adjusted for Os & Vs | 15,827 | 17,702 | 18,838 | 18,997 | 18,250 | 10,732 | 12,392 | 13,624 | 13,906 | 13,653 | (88,731) | (93,092) | (90,112) | (88,392) | (83,199) |

Kentucky America
Risks & Opportunities
Business Plan 2004-2008
Base & Development
(\$ 000's)

| | ANOA - Impact | | | | | VALUE CONTRIBUTION - Impact | | | | |
|---|----------------|----------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|----------------|----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Balance per Hyperion | 154,009 | 158,461 | 161,312 | 162,035 | 161,142 | 5,093 | 7,257 | 7,261 | 7,354 | 6,678 |
| Risks/Vulnerabilities: | | | | | | | | | | |
| Water Sales Weather | 300 | 300 | 300 | 300 | 300 | (524) | (524) | (524) | (524) | (524) |
| 2004 Rate Case | 175 | 700 | 700 | 700 | 700 | (305) | (1,223) | (1,223) | (1,223) | (1,223) |
| Condemnation | 600 | 600 | - | - | - | (1,048) | (1,048) | - | - | - |
| Code Orange Security | 120 | 120 | 120 | 120 | 120 | (210) | (210) | (210) | (210) | (210) |
| Production Cost Weather | 120 | 120 | 120 | 120 | 120 | (210) | (210) | (210) | (210) | (210) |
| 50% of Development Plan | (1,885) | (114) | (399) | (49) | (39) | (28) | (189) | (262) | (282) | (282) |
| Total Risks/Vulnerabilities | (570) | 1,726 | 841 | 1,191 | 1,201 | (2,324) | (3,403) | (2,428) | (2,448) | (2,448) |
| Opportunities: | | | | | | | | | | |
| Water Sales Weather | (300) | (300) | (300) | (300) | (300) | 524 | 524 | 524 | 524 | 524 |
| 2004 Rate Case | (50) | (200) | (200) | (200) | (200) | 87 | 349 | 349 | 349 | 349 |
| > Pension & OPEB's Dis. Rate | (120) | (120) | (120) | (120) | (120) | 210 | 210 | 210 | 210 | 210 |
| | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - |
| Total Opportunities | (470) | (620) | (620) | (620) | (620) | 821 | 1,083 | 1,083 | 1,083 | 1,083 |
| Total Risks & Opportunities | (1,040) | 1,106 | 221 | 571 | 581 | (1,504) | (2,320) | (1,346) | (1,366) | (1,366) |
| Balance Adjusted for Os & Vs | 152,969 | 159,567 | 161,533 | 162,606 | 161,723 | 3,589 | 4,937 | 5,915 | 5,989 | 5,312 |

Kentucky American \$
 Capital Expenditures
 Business Plan 2004-2008
 Base & Development
 (\$ 000's)

| | CAPEX | | | OPERATING RESULT - Impact | | |
|----------------------|--------|--------|--------|---------------------------|--------|------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2008 |
| Balance per Hyperion | 17,129 | 13,090 | 13,961 | 13,295 | 10,834 | |
| Description: | | | | | | |
| Explanatory Gap | 17,129 | 13,090 | 13,961 | 13,295 | 10,834 | |

| Project Plan # | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|------|------|------|------|------|
| PROJECT PLAN #1 | | | | | |
| PROJECT PLAN #2 | | | | | |
| PROJECT PLAN #3 | | | | | |
| PROJECT PLAN #4 | | | | | |
| Revenue | | | | | |
| Cost of Sales | | | | | |
| Payroll Costs | | | | | |
| Overheads | | | | | |
| OPEx (excl D&A) | | | | | |
| Sundry Income | | | | | |
| EBITDA | | | | | |
| EBITDA % | | | | | |
| Depreciation | | | | | |
| Amortisation | | | | | |
| Total Depreciation | | | | | |
| EBITA | | | | | |
| EBITA % | | | | | |
| JV's and Dividends | | | | | |
| Operating Results | | | | | |
| Operating Result % | | | | | |
| Amortisation - Goodwill | | | | | |
| Interest | | | | | |
| Profit Before Tax (PBT) | | | | | |
| Taxes | | | | | |
| Profit After Tax (PAT) | | | | | |
| Net Extraordinary Items | | | | | |
| Net Minority Interest | | | | | |
| Distributable Profit | | | | | |
| Dividends | | | | | |
| Retained Profits | | | | | |
| Balance Sheet | | | | | |
| Tangible Assets - Cost | | | | | |
| Tangible Assets - Accum Depn | | | | | |
| Intangible Assets - Accum Amort | | | | | |
| Investments | | | | | |
| Total Fixed Assets - NBV | | | | | |
| Inventory/WIP | | | | | |
| Debtors | | | | | |
| Deferred Tax Asset | | | | | |
| Prepayments | | | | | |
| Other | | | | | |
| Current Assets | | | | | |
| Creditors | | | | | |
| Provisions | | | | | |
| Accruals | | | | | |
| Deferred Income | | | | | |
| Current Liabilities | | | | | |
| Deferred Tax Liabilities | | | | | |
| Long-term Liabilities | | | | | |
| Net Debt | | | | | |
| Auto Rounding | | | | | |
| Net Assets | | | | | |
| Share Capital | | | | | |
| Share Premium | | | | | |
| Capital Reserves | | | | | |
| Reserves | | | | | |
| Total Equity | | | | | |
| Minority Interest | | | | | |
| Total Equity & Minority Interest | | | | | |

Kentucky American \$
Project Plan
Business Plan 2004-2008
Development Plan
(\$ 000's)

Project Name:
Country:
Project Type (BOOT, DBO, etc.):
Investment Type (Acquisition, JV, Capital
Project, etc.):

| PROJECT PLAN # | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------|------|------|------|------|------|
| PROJECT PLAN #1 | | | | | |
| PROJECT PLAN #2 | | | | | |
| PROJECT PLAN #3 | | | | | |

KPIs

Turnover
Y-on-Y Growth %
Operating Result
Y-on-Y Growth %
Operating Margin %
PBT
Y-on-Y Growth %
PBT Margin %
Net Result
Operating Cash Flow
Net Debt
Capex
Equity Investment
Net Operating Assets
Avg. Net Operating Assets
ROCE %
Value Contribution @ 8.0%
Headcount

Key Assumptions:
Total Key Assumptions:
Financing Strategy:
Risks & Implications:
Total Risks & Implications:

Kentucky American \$
IT Project Summary Form
Business Plan 2004-2008
(\$ 000's)

Basic Information:

| | |
|---------------------------------|--|
| RWE Company Name: | |
| TW Region/Company: | |
| Updated: | |
| Project Name: | |
| Project Type: | |
| Project Number: | |
| Internal Project Number: | |
| Ordering Unit: | |
| Org. Unit | |
| Org. Abbrev. | |
| Project Manager/Contact: | |
| Title: | |
| First name: | |
| Surname: | |
| Org. Unit: | |
| Org. Abbrev. | |
| Contractor: | |

Aims/Responsibilities/Results:

| | |
|---|--|
| Category (from the perspective of the company): 1 = Strategic Project 2 = Non-Strategic, Discretionary Project 3 = Non-Strategic, Non-Discretionary Project | |
| Project Aims: | |
| Benefits: | |
| Description of Project Tasks: | |
| Dependencies: | |
| Key words for process grids/solution grids: | |
| Affected Systems: | |
| Risks/Success Factors: | |

Project Data:

| | |
|------------------------|--|
| Start Date: | |
| End Date: | |
| Working Days: | |
| Internal: | |
| External: | |
| Project Budget: | |
| Applied For: | |
| Approved By: | |

Status:

| | |
|----------------------------|--|
| Approval Signature: | |
| Organisational Unit: | |
| Name: | |
| Date: | |
| Current Status: | |

Kentucky-American Water Company
Business Plan 2004 - 2008
Development Plan

SUMMARY OF
DEVELOPMENTS PLANS

| Opportunity | Development Cost (\$000's) | | | | | | Operating Result (\$000's) | | | | | | Value Contribution (\$000's) | | | | | | Net Debt Impact (\$000's) | | | | |
|-------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------------|---------------|---------------|---------------|---------------|-----------------|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | Total | 2004 | 2005 | 2006 | 2007 | 2008 | Total | 2004 | 2005 | 2006 | 2007 | 2008 | Total | 2004 | 2005 | 2006 | 2007 | 2008 |
| Owenton Water | | | | | | 0.00 | 198.84 | 290.51 | 318.83 | 362.20 | 361.27 | 1,531.66 | (1.70) | 86.46 | 83.25 | 99.15 | 100.09 | 367.26 | 1,487.41 | 1,514.82 | 1,904.63 | 1,849.85 | 1,746.71 |
| Owenton Sewer | | | | | | 0.00 | 66.02 | 114.04 | 113.60 | 114.45 | 113.74 | 521.84 | (19.91) | 29.54 | 31.97 | 35.66 | 37.74 | 115.00 | 639.88 | 589.01 | 537.82 | 486.82 | 435.47 |
| South Shore | | | | | | 0.00 | 0.00 | 20.46 | 97.69 | 125.94 | 121.94 | 366.03 | 0.00 | (41.92) | 27.66 | 43.27 | 33.34 | 62.35 | 0.00 | 471.17 | 580.23 | 647.41 | 653.79 |
| ECCWD | | | | | | 0.00 | 0.00 | 0.00 | 303.75 | 296.78 | 265.41 | 865.94 | 0.00 | 0.00 | 103.60 | 97.60 | 72.19 | 273.39 | 0.00 | 0.00 | 1,480.50 | 1,439.18 | 1,335.75 |
| BGSD | | | | | | 0.00 | 32.08 | 32.03 | 31.97 | 31.91 | 31.85 | 159.84 | 31.02 | 30.99 | 30.99 | 30.98 | 30.98 | 154.95 | 5.10 | 1.76 | (1.60) | (4.96) | (8.34) |
| GMWSS tariff | | | | | | 0.00 | 44.43 | 44.37 | 44.30 | 44.24 | 44.17 | 221.52 | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.04) | (4.09) | (8.19) | (12.31) | (16.45) | (20.61) |
| Jackson <i>OK</i> | | | | | | 0.00 | 9.00 | 9.23 | 9.46 | 9.69 | 9.93 | 47.31 | (0.00) | (0.00) | 0.00 | 0.00 | 0.00 | (0.00) | (0.83) | (1.68) | (2.56) | (3.47) | (4.40) |
| Leak Detection | | | | | | 0.00 | 0.00 | 10.93 | 8.64 | 11.28 | 8.88 | 39.74 | 0.00 | 5.93 | 4.14 | 7.78 | 6.38 | 24.24 | 0.00 | 36.71 | 28.59 | 20.19 | 11.95 |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| | | | | | | 0.00 | | | | | | 0.00 | | | | | | 0.00 | | | | | |
| TOTAL | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 350.38 | 521.56 | 928.24 | 996.50 | 957.19 | 3,753.87 | 9.40 | 110.99 | 281.61 | 314.43 | 280.71 | 997.14 | 2,127.47 | 2,603.59 | 4,515.30 | 4,418.55 | 4,150.32 |

This development plan cannot simply be an overlay to the Company's base plan. For regulated projects, the synergies will only be good until the Company's next rate case as projected in the base plan.

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

SCHEDULE OF
CAPITAL EXPENDITURE

Please identify all capital projects > £5m. [NB: UK Utility to provide separate analysis]
Please ensure that the line marked 'other' is used in order to balance the total back to that shown in Hyperion.

| Description | Capital Expenditure (\$000's) | | | | Operating Result (\$000's) | | | | | |
|-----------------|-------------------------------|---------------|-----------------|---------------|----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Ownton Water | 647.0 | 174.3 | 794.6 | 94.9 | 75.2 | 198.8 | 290.5 | 318.8 | 362.2 | 361.3 |
| Ownton Sewer | 157.50 | 3.13 | 3.13 | 3.13 | 3.13 | 66.0 | 114.0 | 113.6 | 114.5 | 113.7 |
| South Shore | 0.00 | 135.88 | 226.05 | 163.73 | 63.91 | 0.0 | 20.5 | 97.7 | 125.9 | 121.9 |
| ECCWD | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 | 0.0 | 0.0 | 303.8 | 296.8 | 265.4 |
| BGSD | 14.04 | 0.00 | 0.00 | 0.00 | 0.00 | 32.1 | 32.0 | 32.0 | 31.9 | 31.8 |
| GMWSS tariff | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 44.4 | 44.4 | 44.3 | 44.2 | 44.2 |
| Jackson | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.0 | 9.2 | 9.5 | 9.7 | 9.9 |
| Leak Detection | 0.00 | 75.00 | 0.00 | 0.00 | 0.00 | 0.0 | 10.9 | 8.6 | 11.3 | 8.9 |
| Other (balance) | | | | | | | | | | |
| Total | 818.56 | 388.31 | 1,023.77 | 361.74 | 142.22 | 350.38 | 521.56 | 928.24 | 996.50 | 957.19 |

Per Hyperion Account R46059

| | | | | | |
|------------|---------|---------|-----------|---------|---------|
| Difference | (818.6) | (388.3) | (1,023.8) | (361.7) | (142.2) |
|------------|---------|---------|-----------|---------|---------|

Kentucky-American Water Company
Business Plan 2004 - 2008
Development Plan

SCHEDULE OF
INVESTMENTS

Please identify all investments anticipated over the planning period
Please ensure that the total balances back to that shown in Hyperion

| Description | Investment (\$000's) | | | | | Operating Result (\$000's) | | | | | Net Debt Impact (\$000's) | | | | |
|------------------------------------|----------------------|---------------|-----------------|-------------|-------------|----------------------------|---------------|---------------|---------------|---------------|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Owenton Water | 1,952.63 | 0.00 | 0.00 | 0.00 | 0.00 | 198.84 | 290.51 | 318.83 | 362.20 | 361.27 | 1,487.41 | 1,514.82 | 1,904.63 | 1,849.85 | 1,746.71 |
| Owenton Sewer | 998.85 | 0.00 | 0.00 | 0.00 | 0.00 | 66.02 | 114.04 | 113.60 | 114.45 | 113.74 | 639.88 | 589.01 | 537.82 | 486.82 | 435.47 |
| South Shore | 0.00 | 675.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20.46 | 97.69 | 125.94 | 121.94 | 0.00 | 471.17 | 580.23 | 647.41 | 653.79 |
| ECCWD | 0.00 | 0.00 | 2,625.41 | 0.00 | 0.00 | 0.00 | 0.00 | 303.75 | 296.78 | 265.41 | 0.00 | 0.00 | 1,480.50 | 1,439.18 | 1,335.75 |
| BGSD | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 32.08 | 32.03 | 31.97 | 31.91 | 31.85 | 5.10 | 1.76 | (1.60) | (4.96) | (8.34) |
| GMWSS tariff | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 44.43 | 44.37 | 44.30 | 44.24 | 44.17 | (4.09) | (8.19) | (12.31) | (16.45) | (20.61) |
| Jackson | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.00 | 9.23 | 9.46 | 9.69 | 9.93 | (0.83) | (1.68) | (2.56) | (3.47) | (4.40) |
| Leak Detection | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.93 | 8.64 | 11.28 | 8.88 | 0.00 | 36.71 | 28.59 | 20.19 | 11.95 |
| Total | 2,951.48 | 675.00 | 2,625.41 | 0.00 | 0.00 | 350.38 | 521.56 | 928.24 | 996.50 | 957.19 | 2,127.47 | 2,603.69 | 4,515.30 | 4,418.55 | 4,160.32 |
| Per Hyperion Account R46069 | | | | | | | | | | | | | | | |
| Difference | (2,951.48) | (675.00) | (2,625.41) | 0.00 | 0.00 | | | | | | | | | | |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 427.51 | 535.71 | 585.75 | 652.62 | 661.32 |
| YoY Growth (%) | | 25% | 9% | 11% | 1% |
| Operating Result | 198.84 | 290.51 | 318.83 | 362.20 | 361.27 |
| YoY Growth (%) | | 46% | 10% | 14% | 0% |
| Margin (%) | 46.5% | 54.2% | 54.4% | 55.5% | 54.6% |
| PBT | 194.47 | 220.62 | 257.22 | 266.71 | 270.12 |
| YoY Growth (%) | | 13% | 17% | 4% | 1% |
| Margin (%) | 45.5% | 41.2% | 43.9% | 40.9% | 40.8% |
| Net Result (PAT&MI) | 110.87 | 128.74 | 158.77 | 154.94 | 157.02 |
| ROCE (%) | 7.9% | 11.4% | 10.8% | 11.0% | 11.1% |
| Average Net Operating Assets | 2,506.73 | 2,550.72 | 2,944.78 | 3,288.14 | 3,264.72 |
| Value Contribution @ 8% (\$000) | (1.7) | 86.5 | 83.3 | 99.1 | 100.1 |
| Net Debt | 1,487.41 | 1,514.82 | 1,904.63 | 1,849.85 | 1,746.71 |
| Operating Cashflow | 151.71 | 195.85 | 213.97 | 248.35 | 250.44 |
| Capex | 2,599.66 | 174.31 | 794.59 | 94.89 | 75.18 |
| Equity investment | 1,019.32 | 1,079.89 | 1,390.22 | 1,431.58 | 1,501.30 |
| Employees (no of FTE) | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Affirmative vote by Council | | | | | |
| 2. Rate increase in year 2 | | | | | |
| Operating Result | 198.84 | 290.51 | 318.83 | 362.20 | 361.27 |
| Value Contribution | (1.7) | 86.5 | 83.3 | 99.1 | 100.1 |

Financing Strategy

60% debt/40% equity - STD
year 1 converted to long term
debt year 2

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Council rejects proposal | | | | | |
| Operating result | (198.8) | (290.5) | (318.8) | (362.2) | (361.3) |
| Value Contribution | 1.70 | (86.50) | (83.30) | (99.10) | (100.10) |
| 2. Rate increase 75% year 2 | | | | | |
| Operating result | 0.00 | (25.00) | (25.00) | (25.00) | (25.00) |
| Value Contribution | 0.00 | (25.00) | (25.00) | (25.00) | (25.00) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 276.10 | 333.08 | 335.05 | 337.03 | 339.00 |
| YoY Growth (%) | | 21% | 1% | 1% | 1% |
| Operating Result | 66.02 | 114.04 | 113.60 | 114.45 | 113.74 |
| YoY Growth (%) | | 73% | 0% | 1% | -1% |
| Margin (%) | 23.9% | 34.2% | 33.9% | 34.0% | 33.6% |
| PBT | 50.02 | 80.24 | 82.61 | 86.28 | 88.37 |
| YoY Growth (%) | | 60% | 3% | 4% | 2% |
| Margin (%) | 18.1% | 24.1% | 24.7% | 25.6% | 26.1% |
| Net Result (PAT&MI) | 30.51 | 48.95 | 50.39 | 52.63 | 53.91 |
| ROCE (%) | 6.1% | 10.8% | 11.1% | 11.6% | 12.0% |
| Average Net Operating Assets | 1,074.10 | 1,056.17 | 1,020.35 | 984.94 | 949.90 |
| Value Contribution @ 8% (\$000's) | (19.9) | 29.5 | 32.0 | 35.7 | 37.7 |
| Net Debt | 639.88 | 589.01 | 537.82 | 486.82 | 435.47 |
| Operating Cashflow | 65.27 | 84.80 | 86.18 | 87.66 | 88.94 |
| Capex | 1,156.35 | 3.13 | 3.13 | 3.13 | 3.13 |
| Equity investment | 434.21 | 449.23 | 464.63 | 480.60 | 496.91 |
| Employees (no of FTE) | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Affirmative vote by Council | | | | | |
| 2. Rate increase in year 2 | | | | | |
| Operating Result | 66.02 | 114.04 | 113.60 | 114.45 | 113.74 |
| Value Contribution | (19.9) | 29.5 | 32.0 | 35.7 | 37.7 |

Financing Strategy

60% debt/40% equity - STD
year 1 converted to long term
debt year 2

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Council rejects proposal | | | | | |
| Operating result | (66.1) | (114.0) | (113.6) | (114.5) | (113.7) |
| Value Contribution | 19.90 | (29.50) | (32.00) | (35.70) | (37.70) |
| 2. Rate increase 75% year 2 | | | | | |
| Operating result | 0.00 | (13.75) | (13.75) | (13.75) | (13.75) |
| Value Contribution | 0.00 | (13.75) | (13.75) | (13.75) | (13.75) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | | 502.85 | 508.77 | 549.76 | 555.84 |
| YoY Growth (%) | | | 1% | 8% | 1% |
| Operating Result | | 20.46 | 97.69 | 125.94 | 121.94 |
| YoY Growth (%) | | | 378% | 29% | -3% |
| Margin (%) | | 4.1% | 19.2% | 22.9% | 21.9% |
| PBT | | (10.56) | 60.86 | 84.37 | 79.30 |
| YoY Growth (%) | | | -676% | 39% | -6% |
| Margin (%) | | -2.1% | 12.0% | 15.3% | 14.3% |
| Net Result (PAT&MI) | | (5.58) | 37.98 | 52.32 | 49.24 |
| ROCE (%) | | 2.6% | 11.2% | 12.2% | 11.0% |
| Average Net Operating Assets | | 779.71 | 875.34 | 1,033.49 | 1,107.48 |
| Value Contribution @ 8% (\$000's) | | (41.9) | 27.7 | 43.3 | 33.3 |
| Net Debt | | 471.17 | 580.23 | 647.41 | 653.79 |
| Operating Cashflow | | 25.59 | 72.78 | 91.01 | 90.20 |
| Capex | | 810.88 | 226.05 | 163.73 | 63.91 |
| Equity investment | | 308.53 | 390.74 | 448.60 | 465.16 |
| Employees (no of FTE) | | 4.00 | 4.00 | 4.00 | 4.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Continued pressure on system will result in sale | | | | | |
| Operating Result | | 20.5 | 97.7 | 125.9 | 121.9 |
| Value Contribution | | (41.90) | 27.70 | 43.30 | 33.30 |

Financing Strategy

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| System sold to Greenup | | | | | |
| Operating Result | | (20.5) | (97.7) | (125.9) | (121.9) |
| Value Contribution | | 41.90 | (27.70) | (43.30) | (33.30) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | | | 1,139.20 | 1,149.81 | 1,185.34 |
| YoY Growth (%) | | | | 1% | 3% |
| Operating Result | | | 303.75 | 296.78 | 265.41 |
| YoY Growth (%) | | | | -2% | -11% |
| Margin (%) | | | 26.7% | 25.8% | 22.4% |
| PBT | | | 189.40 | 257.28 | 276.54 |
| YoY Growth (%) | | | | 36% | 7% |
| Margin (%) | | | 16.6% | 22.4% | 23.3% |
| Net Result (PAT&MI) | | | 137.39 | 178.80 | 190.54 |
| ROCE (%) | | | 12.1% | 11.9% | 11.0% |
| Average Net Operating Assets | | | 2,501.84 | 2,489.76 | 2,415.30 |
| Value Contribution @ 8% (\$000's) | | | 103.6 | 97.6 | 72.2 |
| Net Debt | | | 1,480.50 | 1,439.18 | 1,335.75 |
| Operating Cashflow | | | 260.96 | 302.96 | 315.29 |
| Capex | | | 2,625.41 | 100.00 | 0.00 |
| Equity investment | | | 1,021.34 | 1,038.50 | 1,017.18 |
| Employees (no of FTE) | | | 6.00 | 5.00 | 4.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Continued operating pressures will persuade district to sell | | | | | |
| Operating Result | | | 303.8 | 296.8 | 265.4 |
| Value Contribution | | | 103.6 | 97.6 | 72.2 |

Financing Strategy

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Clark Co. has not been interested in KAWC during condemnation | | | | | |
| Operating Result | | | (303.8) | (296.8) | (265.4) |
| Value Contribution | | | (103.60) | (97.60) | (72.20) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 35.46 | 35.46 | 35.46 | 35.46 | 35.46 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Operating Result | 32.08 | 32.03 | 31.97 | 31.91 | 31.85 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Margin (%) | 90.5% | 90.3% | 90.1% | 90.0% | 89.8% |
| PBT | 31.76 | 31.88 | 32.03 | 32.19 | 32.34 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Margin (%) | 89.6% | 89.9% | 90.3% | 90.8% | 91.2% |
| Net Result (PAT&M) | 19.38 | 19.45 | 19.54 | 19.63 | 19.73 |
| ROCE (%) | 240.6% | 246.7% | 260.3% | 275.5% | 292.7% |
| Average Net Operating Assets | 13.34 | 12.98 | 12.28 | 11.58 | 10.88 |
| Value Contribution @ 8% (\$000) | 31.0 | 31.0 | 31.0 | 31.0 | 31.0 |
| Net Debt | 5.10 | 1.76 | (1.60) | (4.96) | (8.34) |
| Operating Cashflow | 20.08 | 20.15 | 20.24 | 20.34 | 20.43 |
| Capex | 14.04 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity investment | 8.24 | 10.88 | 13.53 | 16.19 | 18.87 |
| Employees (no of FTE) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| BGSD can split water from master meter | | | | | |
| Operating Result | 32.1 | 32.0 | 32.0 | 31.9 | 31.9 |
| Value Contribution | 31.0 | 31.0 | 31.0 | 31.0 | 31.0 |

Financing Strategy

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Grants prohibit O&M contract | | | | | |
| Operating Result | (32.1) | (32.0) | (32.0) | (31.9) | (31.9) |
| Value Contribution | (31.00) | (31.00) | (31.00) | (31.00) | (31.00) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name: **GMWSS Interruptible tariff**

Country: **United States**

Project type (BOOT, DBO etc): **SFR Agreement**

Investment type (acquisition/joint venture/capital project etc): **N/A**

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 56.25 | 56.25 | 56.25 | 56.25 | 56.25 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Operating Result | 44.43 | 44.37 | 44.30 | 44.24 | 44.17 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Margin (%) | 79.0% | 78.9% | 78.8% | 78.6% | 78.5% |
| PBT | 44.69 | 44.84 | 45.04 | 45.23 | 45.43 |
| YoY Growth (%) | | 0% | 0% | 0% | 0% |
| Margin (%) | 79.4% | 79.7% | 80.1% | 80.4% | 80.8% |
| Net Result (PAT&MI) | 27.26 | 27.35 | 27.47 | 27.59 | 27.71 |
| ROCE (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Average Net Operating Assets | 0 | 0 | 0 | 0 | 0 |
| Value Contribution @ 8% (\$000) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Debt | (4.09) | (8.19) | (12.31) | (16.45) | (20.61) |
| Operating Cashflow | 27.26 | 27.35 | 27.47 | 27.59 | 27.71 |
| Capex | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity investment | 4.09 | 8.19 | 12.31 | 16.45 | 20.61 |
| Employees (no of FTE) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| GMWSS will honor verbal agreement to purchase water | | | | | |
| Operating Result | 44.4 | 44.4 | 44.3 | 44.2 | 44.2 |
| Value Contribution | 44.40 | 44.40 | 44.30 | 44.20 | 44.20 |

Financing Strategy

No capital investment - project results in payback of debt and increase in equity

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| PSC will not approve interruptible tariff | | | | | |
| Operating Result | (44.4) | (44.4) | (44.3) | (44.2) | (44.2) |
| Value Contribution | (44.40) | (44.40) | (44.30) | (44.20) | (44.20) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name: Jackson, KY Management Services

Country: United States

Project type (BOOT, DBO etc): Contract O&M

Investment type (acquisition/joint venture/capital project etc): N/A

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 59.00 | 60.48 | 61.99 | 63.54 | 65.12 |
| YoY Growth (%) | | 2% | 2% | 2% | 2% |
| Operating Result | 9.00 | 9.23 | 9.46 | 9.69 | 9.93 |
| YoY Growth (%) | | 2% | 2% | 3% | 3% |
| Margin (%) | 15.3% | 15.3% | 15.3% | 15.3% | 15.3% |
| PBT | 9.05 | 9.32 | 9.61 | 9.90 | 10.20 |
| YoY Growth (%) | | 3% | 3% | 3% | 3% |
| Margin (%) | 15.3% | 15.4% | 15.5% | 15.6% | 15.7% |
| Net Result (PAT&M) | 5.52 | 5.69 | 5.86 | 6.04 | 6.22 |
| ROCE (%) | 0% | 0% | 0% | 0% | 0% |
| Average Net Operating Assets | 0 | 0 | (0) | (0) | (0) |
| Value Contribution @ 8% (\$000's) | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 |
| Net Debt | (0.83) | (1.68) | (2.56) | (3.47) | (4.40) |
| Operating Cashflow | 5.52 | 5.69 | 5.86 | 6.04 | 6.22 |
| Capex | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity investment | 0.83 | 1.68 | 2.56 | 3.47 | 4.40 |
| Employees (no of FTE) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| AW is able to provide affordable and effective management service | | | | | |
| Operating Result | 9.0 | 9.2 | 9.5 | 9.7 | 9.9 |
| Value Contribution | 9.00 | 9.20 | 9.50 | 9.70 | 9.90 |

Financing Strategy

No capital investment - project results in payback of debt and increase in equity

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| AW is not able to provide affordable and effective management service | | | | | |
| Operating Result | (9.0) | (9.2) | (9.5) | (9.7) | (9.9) |
| Value Contribution | (9.00) | (9.20) | (9.50) | (9.70) | (9.90) |

Kentucky-American Water Company

Business Plan 2004 - 2008

Development Plan

PROJECT PLAN

A separate form to be completed for each development plan project

Project Name:

Country:

Project type (BOOT, DBO etc):

Investment type (acquisition/joint venture/capital project etc):

Key Performance Indicators
(for the proposed project)

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | | 120.00 | 120.00 | 125.00 | 125.00 |
| YoY Growth (%) | | | 0% | 4% | 0% |
| Operating Result | | 10.93 | 8.64 | 11.28 | 8.88 |
| YoY Growth (%) | | | -21% | 31% | -21% |
| Margin (%) | | 9.1% | 7.2% | 9.0% | 7.1% |
| PBT | | 8.62 | 6.76 | 9.92 | 8.04 |
| YoY Growth (%) | | | -22% | 47% | -19% |
| Margin (%) | | 7.2% | 5.6% | 7.9% | 6.4% |
| Net Result (PAT&M) | | 5.26 | 4.12 | 6.05 | 4.90 |
| ROCE (%) | | 17.5% | 15.4% | 25.8% | 28.4% |
| Average Net Operating Assets | | 62.50 | 56.25 | 43.75 | 31.25 |
| Value Contribution @ 8% (\$000's) | | 5.9 | 4.1 | 7.8 | 6.4 |
| Net Debt | | 36.71 | 28.59 | 20.19 | 11.95 |
| Operating Cashflow | | 17.76 | 16.62 | 18.55 | 17.40 |
| Capex | | 75.00 | 0.00 | 0.00 | 0.00 |
| Equity investment | | 25.79 | 21.41 | 17.31 | 13.05 |
| Employees (no of FTE) | | 1.00 | 1.00 | 1.00 | 1.00 |

Key Assumptions

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| KRA renews leak detection contract | | | | | |
| Operating Result | | 10.9 | 8.6 | 11.3 | 8.9 |
| Value Contribution | | 5.9 | 4.1 | 7.8 | 6.4 |

Financing Strategy

Risks & Implications

| | 2004 \$000's | 2005 \$000's | 2006 \$000's | 2007 \$000's | 2008 \$000's |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Do not secure sufficient additional contracts to support costs | | | | | |
| Operating Result | | (10.9) | (8.6) | (11.3) | (8.9) |
| Value Contribution | | (5.90) | (4.10) | (7.80) | (6.40) |

Kentucky-American Water Company
Detail of Added Revenue Expected from Rate Filings
 (\$ Thousands)

| <u>Description</u> | | | | | <u>Total</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>For Each Increase</u> | | | |
|--|--------------------|------------------|------------------------------------|-----------------------------------|---|--|----------------|-------------|-------------|-------------|---------------------------------|----------------------------------|---|---|
| <u>Year Filed</u> | <u>Month Filed</u> | <u>Test Year</u> | <u>Water (W) or Wastewater (S)</u> | <u>Effective Date of Increase</u> | <u>Rate Case Filing Amount ⁽¹⁾</u> | <u>Additional operating revenues from rate filings by year of recording in income statements. (A rate increase will generally span two years and the total across must equal the estimate of additional annual revenue explained below.)</u> | | | | | <u>Expected Increase Amount</u> | <u>Expected Percent Increase</u> | <u>Minimum Expected Increase Amount</u> | <u>Maximum Expected Increase Amount</u> |
| 2004 | Mar | Mar-05 | w | Oct | \$5,418 | \$1,167 | \$3,500 | | | | \$4,667 | 10.40% | \$3,500 | \$5,000 |
| 2005 | | | | | | | | | | | | | | |
| 2006 | | | | | | | | | | | | | | |
| 2007 | | | | | | | | | | | | | | |
| 2008 | | | | | | | | | | | | | | |
| Total additional revenues from rate filings | | | | | \$5,418 | \$1,167 | \$3,500 | \$0 | \$0 | \$0 | \$4,667 | \$0 | \$3,500 | \$5,000 |