

PRESS RELEASE

ECOFIN WATER & POWER OPPORTUNITIES PLC

Launch of new £175 million split capital investment trust

Collins Stewart Limited and Ecofin Limited are pleased to announce the establishment of a new split-capital investment trust, Ecofin Water & Power Opportunities plc. The Company is being established to take advantage of investment opportunities in the water, electric power and gas distribution industries, principally in the developed markets of the United Kingdom, Continental Europe, North America and other OECD countries.

Collins Stewart, as Sponsor, has raised £105 million for the Company through an institutional placing of income and capital shares in the ratio 2:1. The income shares are expected to have an initial yield of 8%. The Company expects dealings in the income and capital shares, which will be admitted to listing on the London Stock Exchange, to commence on Tuesday, 26th February. The Bank of Scotland will provide the Company with a multi-currency loan facility equivalent to £70 million. When the loan facility is fully drawn, the Company's gross assets should exceed £170 million. The Company will have a fixed life of seven years. Ecofin Limited, a specialist in the environmental, infrastructure and utility sectors, is the investment advisor to the Company.

Rolly Crawford, head of the investment trust division at Collins Stewart, the broker to the Company, said that investor interest in the Company had been encouraging, especially given the publicity that split capital investment trusts have attracted. "Institutional investors appreciate that each investment trust must be judged on its merits. Ecofin Water & Power will invest in a low-risk portfolio of high-yielding utility shares which is compatible with the geared capital structure. Over the longer term, the Company should be able to take advantage of growth opportunities created by the ongoing restructuring and consolidation of the utility industries which is taking place in most OECD countries."

As part of the launch, the Company will acquire, when dealings commence next week, a 24.6% stake in Bristol Water Holdings plc from Vivendi Water UK plc, a subsidiary of the French company Vivendi Environnement S.A., for approximately £23million in cash and shares, equivalent to £12.95 per ordinary share of Bristol Water. Following the transaction, Vivendi will own around 6.0% of the combined income and capital shares issued by the Company. Bristol Water is a quoted company which supplies water to customers in the greater Bristol area.

Joe Mangion, Finance Director of Vivendi Water UK, said, "We have decided to dispose of our stake in Bristol Water for strategic reasons and are pleased to be one of the founding shareholders of Ecofin Water & Power Opportunities plc. This will be a financial investment for us and we will play no role in the management of the Company."

The Company will also acquire at launch a 2.4% stake in Ondeo Services U.K. plc, formerly Northumbrian Water Group plc, from Dexia Crédit Local, a subsidiary of the Franco/Belgian banking group Dexia, specialising in public finance and financial services for local governance, for approximately £25 million in cash and shares. This transaction will result in Dexia Credit Local holding around 14.5% of the combined income and capital shares issued by the company. Ondeo Services U.K. Plc is majority owned by Ondeo Services, a subsidiary of Suez S.A., the French utility group.

Dexia Credit Local will be represented on the Board by Patrick Blanchard, Global Head of Project Finance. Mr Blanchard commented “Our institution is a European leader in infrastructure and municipal finance and is therefore very pleased to contribute to this specialised investment product.”

Martin Nègre, Chairman of the Company, commented “I am particularly confident about the timing of the company’s commitment to the UK water sector given the recently improved visibility on the future of the industry and its continued ability to deliver attractive returns to shareholders.” Mr Nègre was until 2001 Managing Director of Northumbrian Water Group, as part of a long career in the utilities industry.

Bernard Lambilliotte, Managing Director of Ecofin Limited, the investment advisor, said that the Company expects to be approximately 40% invested shortly after dealings in the Company’s shares commence on 26th February. “Ecofin Water & Power Opportunities plc has been able to make two substantial long-term investments, one in a listed company, Bristol Water, and the other in an unlisted company, Ondeo UK, which together will represent about 28% of the Gross Assets of the Company. We have identified additional stakes which the Company will purchase soon after its launch.” He said that approximately 60% of the Company’s assets will initially be invested in the U.K., 20% in Continental Europe and 20% in the U.S., with approximately 53% of the Company’s assets invested in the water sector, 40% in the electric power sector and 7% in gas distribution companies. The Company will look for dividend yield, sustainable growth in earnings and cash flow and likely beneficiaries of corporate restructuring when choosing investments.

John Murray, Chairman of Ecofin Limited, said that Ecofin is pleased to be the Investment Adviser to this new investment trust which should provide investors with a combination of income and stable growth at a time when the outlook for markets is uncertain. “Utility shares have performed well over the longer term, both in terms of dividend growth and capital appreciation. In the current market, we believe utility valuations are very attractive, especially given the changes which are taking place in these industries, such as market liberalization, deregulation and consolidation, which will transform them over the life of the Company.”

Ecofin Limited is an independent, privately-owned financial services firm which was founded in 1992 as a specialist corporate and investment adviser to companies and institutional investors with an interest in the environmental, infrastructure and utility industries. The firm provides advice on corporate finance matters to companies and

financial institutions and investment advice and discretionary fund management services to institutional clients. The firm is regulated by the Financial Services Authority of the U.K. and its offices are in London.

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