

Cyhoeddir yr atodiad hwn yn yr iaith y'i derbyniwyd gan Gynulliad Cenedlaethol Cymru.

WESTERN POWER DISTRIBUTION'S CASH OFFER FOR HYDER PLC – 31 MAY 2000

WPD Limited ("WPDL")

Cash Offer for Hyder plc ("Hyder")

- WPDL announces the terms of a cash offer (the "Offer"), to be made by Schroder Salomon Smith Barney on behalf of WPDL, to acquire the whole of the issued and to be issued ordinary share capital of Hyder. The Offer:
 - **values each Hyder ordinary share at 300 pence**
 - **represents a premium of 15.4 per cent. to the St David Capital offer**
 - represents a premium of 58.5 per cent. to the ordinary share price on 27 March 2000 (the last dealing day prior to the announcement that Hyder was in discussions with a number of parties regarding a range of strategic options, which included the possibility of an offer for the whole company)
 - represents a premium of 6.4 per cent. to the ordinary share price on 30 May 2000
 - values the entire issued ordinary share capital of Hyder at approximately £464 million
 - WPDL is confident that it will successfully address all regulatory requirements necessary to complete the Offer.
 - WPDL intends to keep the operational headquarters of South Wales Electricity and the headquarters of Dwr Cymru in Cardiff.
 - WPDL intends to support Hyder's activities in the community in Wales.
 - Following completion of the Offer and subject to completion of an agreement entered into with WPD, via UUco, United Utilities will provide certain operational and maintenance and customer services to Dwr Cymru and will acquire Hyder Services (a managed services

business of the Hyder Group).

- WPDL has sought, but not received, a recommendation from the Board of Hyder despite the Offer being at a 15 per cent. premium to the competing recommended offer made by St David Capital. Hyder has expressed concerns that the Offer is subject to greater regulatory uncertainty than the competing offer. The Board of WPDL, having taken appropriate advice, is confident that the necessary regulatory approvals and consents will be obtained and intends to continue discussions with Hyder and all relevant authorities actively seeking the recommendation of the Board of Hyder.

Commenting on the Offer, Robert Symons, Chief Executive of WPDL, said:

"We are disappointed that the Board of Hyder has decided not to recommend our offer, which is at a 15 per cent. premium to the competing recommended offer. We are confident that we will satisfy all legal and regulatory requirements necessary to complete the Offer and will continue working with Hyder with a view to securing their recommendation."

"The combination of Hyder and WPDL, together with United Utilities' skills, will ensure an improved long term future for electricity, water and waste services in Wales. Customer service is our first priority and the additional strength which we will bring to Hyder's operations will underpin the ability to deliver essential services to the community. We intend to retain headquarters in Cardiff for both electricity operations and for Dwr Cymru."

This summary should be read in conjunction with the full text of the Announcement. The conditions of the Offer are set out in Appendix I of this Announcement. Appendix II contains definitions of certain terms used in this Announcement.

A teleconference for analysts will be held today at 10.30a.m. and 2.00p.m. Analysts and investors should register for the call from 10.00a.m. and 1.30p.m. by dialling (+44) 20 7930 0777 (ask for Anthony Cardew or Peter Gaze). All times are British Summer Time.

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This Announcement does not constitute an offer or an invitation to acquire shares or securities.

The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

Unless otherwise determined by the Offeror, the Offer will not be made directly or indirectly in or into Canada, Australia or Japan and, unless otherwise determined by the Offeror, the Offer will not be capable of acceptance within Canada, Australia or Japan. Accordingly, copies of this Announcement are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into or from Canada, Australia or Japan and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from Canada, Australia or Japan. Doing so may invalidate any purported acceptance of the Offer.

Salomon Brothers International Limited (trading as Schroder Salomon Smith Barney) ("Schroder Salomon Smith Barney"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for WPD and WPD and no one else in connection with the Offer and will not be responsible to anyone other than WPD and WPD for providing the protections afforded to customers of Schroder Salomon Smith Barney or for providing advice in relation to the Offer. Salomon Smith Barney is a service mark of Salomon Smith Barney Inc. Schroder is a trademark of Schroders Holdings plc and is used under licence.

Deutsche Bank AG London ("Deutsche Bank"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited is acting for United Utilities and no one else in connection with the agreements between United Utilities and WPD and will not be responsible to anyone other than United Utilities for providing the protections afforded to customers of Deutsche Bank or for providing advice in relation to the agreements between United Utilities and WPD.

The Offer will be made in the United States by the Offeror. References in this announcement to the Offer being made by Schroder Salomon Smith Barney should be read accordingly.

Not for release, publication or distribution in or into Canada, Australia or Japan

WPD Limited ("WPD")

Cash Offer for Hyder plc ("Hyder")

1. Introduction

The Board of WPD announces the terms of a cash offer (the "Offer") to be made by Schroder Salomon Smith Barney on behalf of WPD to acquire the whole of the issued and to be issued ordinary share capital of Hyder.

The Offer values each Hyder ordinary share at 300p and the entire issued ordinary share capital of Hyder at approximately £464 million.

WPD is a company incorporated in Guernsey. WPD is jointly owned by PPL Corporation and Southern Energy Inc. and has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Offer, the financing of the Offer, and the acquisition of a small generator in Devon for US regulatory purposes. PPL Corporation and Southern Energy Inc. also jointly own WPD Holdings UK ("WPD") which is the holding company of South Western Electricity plc (now trading as Western Power Distribution), the electricity distribution business for South West England.

2. The Offer

The Offer, which will be subject to the conditions and further terms set out below and in Appendix I and to be set out in the Offer Document and Form of Acceptance to be sent to Hyder Shareholders, will be made by Schroder Salomon Smith Barney on behalf of WPDL on the following basis:

For each Hyder Share

300 pence in cash

The Offer represents:

- a premium of 15.4 per cent. to the offer made by St David Capital on 28 April 2000
- a premium of 58.5 per cent. to the closing middle market price of 189.25p per Hyder Share on 27 March 2000, the last dealing day prior to the announcement on 28 March 2000 that Hyder was in discussions with a number of parties about a range of strategic options, which included the possibility of an offer for the whole company
- a premium of 6.4 per cent. to the closing middle market price of 282p per Hyder Share on 30 May 2000, the last dealing day prior to this announcement

Hyder Shares will be acquired by WPDL fully paid, or credited as fully paid, and free from all liens, equities, charges, equitable interests, encumbrances and other interests and together with all rights attaching thereto on or after the date of this Announcement, including the right to receive and retain all dividends and other distributions declared, made or paid after the date of this Announcement.

2. Dwr Cymru and Hyder Services

WPD and United Utilities have agreed that, following the Offer becoming or being declared unconditional in all respects and subject to completion of the UU agreements, a company to be acquired by United Utilities from WPD ("UUco") will take up a services contract with Dwr Cymru, under which UUco will provide certain operational and maintenance and customer services, until Dwr Cymru implements a programme of competitive outsourcing in respect of these activities. That outsourcing programme will be undertaken in a manner and according to a timetable which is acceptable to the Director General of Water Services. In addition, and subject to the same conditions as referred to above, UUco will agree to provide certain services to South Wales Electricity plc, for a transitional period of up to one year, and will acquire Hyder Services, which primarily comprises the Hyder Group's business of providing managed services to a range of third party customers.

3. Commitment to Wales

The Boards of WPD and United Utilities recognise the important role that South Wales Electricity and Dwr Cymru occupy in Wales. The board of WPD intends to keep the operational headquarters of South Wales Electricity and the headquarters of Dwr Cymru in Cardiff. WPD intends to support Hyder's activities in the community in Wales.

WPD has a strong track record in customer service, having recorded the lowest level of complaints per customer received by OFGEM of any Regional Electricity Company in each of the last two years. In the year ended 31 March 1999, WPD ranked third out of fourteen for restoration of supply with 93.4% of customers having their supply restored within 3 hours. WPD has also achieved a 57% improvement in its availability of supply (measured as minutes lost per customer) over the four years ended 31 March 1999.

Following the Offer becoming or being declared unconditional in all respects and subject to completion of the UU agreements, United Utilities will provide certain operational and maintenance and customer services to Dwr Cymru. This will enable the customers and employees of Dwr Cymru to benefit from United Utilities' considerable experience gained through its ownership of North West Water.

The board of WPD is confident that South Wales Electricity and Dwr Cymru's customers will benefit from the application of the management skills of both WPD and United Utilities.

4. Regulation

WPD has considered carefully the regulatory and public-interest issues raised by its bid, held discussions with regulators, reviewed the regulators' publicly stated objectives and carefully noted the views of politicians, elected representatives and relevant public bodies. In the light of these and the advice it has received, WPD is confident that it will successfully address all the regulatory requirements necessary to complete the Offer.

Specifically, WPD has been advised that the Offer falls to be considered, from a competition perspective, by the European Commission and that it is unlikely to raise any significant competition issues. WPD is also confident that the common ownership of WPD's and Hyder's electricity distribution businesses and the provision of operational and maintenance services to Dwr Cymru can be effected in a manner consistent with their respective regulators' publicly stated objectives, including agreement on any licence modifications which may be required.

Dwr Cymru holds an Instrument of Appointment as a water and sewerage undertaker issued under the Water Act 1989 and is regulated by the DGWS under the Water Industry Acts 1991 and 1999 (which consolidated the Water Act 1989 and other enactments relating thereto). The Appointment does not contain change of control provisions. It is, however, open to the DGWS to seek modification of the Appointment at any time by agreement with

the appointee or, in the absence of agreement, following a reference to the Competition Commission under the Water Industry Act 1991.

South Wales Electricity is the holder of a PES Licence issued under the Electricity Act 1989 and is regulated by the DGES under this Act. The PES Licence does not contain change of control provisions. It is, however, open to the DGES to seek modification of the PES Licence at any time by agreement with the licensee or, in the absence of agreement, following a reference to the Competition Commission under the Electricity Act 1989.

The Offer is subject to certain regulatory conditions in respect of WPDL and Hyder being resolved in a manner reasonably satisfactory to WPDL.

5. Explanation of the absence of a recommendation

WPDL has sought, but not received, a recommendation from the Board of Hyder despite the Offer being at a 15 per cent. premium to the competing recommended offer made by St David Capital. Hyder has expressed concerns that the Offer is subject to greater regulatory uncertainty than the competing offer. The Board of WPDL, having taken appropriate advice, is confident that the necessary regulatory approvals and consents will be obtained and intends to continue discussions with Hyder and all relevant authorities actively seeking the recommendation of the Board of Hyder.

6. Background to and reasons for the Offer

WPDL and WPD are committed to being leading distributors of electricity in the UK. WPD is recognised as one of the most efficient operators in the industry. The acquisition of Hyder by WPDL will allow WPD to develop its core skills in a neighbouring region.

Hyder's core businesses are operationally sound with a committed workforce. WPDL believes that it is well positioned to develop Hyder's core businesses and to allow them to reach their full potential, to the benefit of Hyder's employees and customers.

7. Management and employees

The Board of WPDL has given assurances to Hyder that the employment rights of Hyder Group's employees, including pension rights, will be fully safeguarded.

WPDL intends to keep the operational headquarters of South Wales Electricity and the headquarters of Dwr Cymru in Cardiff.

8. Information on Hyder

Hyder comprises four main business divisions: water and sewerage, electricity distribution,

managed services and infrastructure.

In the year ended 31 March 1999, the Hyder Group reported external turnover of £1,294.4 million (1998: £1,185.1 million) and profit before tax of £207.7 million (1998: £168.5 million). Reported earnings per ordinary share (basic) were 123.4p (1998: loss per ordinary share of 99.8p and earnings per ordinary share, before exceptional items and "windfall" tax, of 122.7p) and net dividend per ordinary share was 50.4p (1998: 50.4p). Net assets after deducting preference shares and minority interests at 31 March 1999 were £691.2 million (1998: £566.9 million).

Dwr Cymru is Hyder's water and sewerage arm. Turnover for the year ended 31 March 1999 was £456.0 million and profit on ordinary activities before interest and taxation was £166.6 million.

South Wales Electricity is Hyder's electricity distribution subsidiary. Turnover for the year ended 31 March 1999 was £195.4 million. Profit on ordinary activities before interest and taxation was £96.0 million.

Hyder's managed services division markets the core skills in business and information systems which are needed to administer and serve large customer bases. Turnover for the year ended 31 March 1999 was £176.1 million (of which £9.6 million related to third parties) and profit on ordinary activities before interest and taxation was £22.2 million.

Hyder's infrastructure division is established in three growing markets: large scale infrastructure projects, green energy and the provision of utility services to industry and commerce. Turnover for the year ended 31 March 1999 was £236.2 million and profit on ordinary activities before interest and taxation was £24.5 million.

9. Information on WPD, WPD and their shareholders

WPD is a company incorporated in Guernsey. WPD is jointly owned by PPL and SEI and has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Offer, the financing of the Offer, and the acquisition of a small generator in Devon for US regulatory purposes.

PPL and SEI also jointly own WPD which is the holding company of South Western Electricity plc (now trading as Western Power Distribution), the electricity distribution business for South West England. WPD delivers electricity to approximately 1.4 million customers over 14,400 square kilometres in the South West of England. In the year ended 31 March 1999, SWEB Holdings UK (as WPD was then known) reported turnover of £785 million and profit for the financial year of £59 million, and held net assets of £453 million at that date. The annual report and accounts of SWEB Holdings UK for the year ended 31 March 1999 include results for the electricity supply business of South Western Electricity plc, subsequently sold to London Electricity plc in September 1999.

SEI is a wholly-owned subsidiary of the Southern Company. Southern Company is the largest producer of electricity in the US with approximately 50,000MW of installed generating capacity and over 3.9 million customers in South Eastern US. The company also has operations in the UK, Germany, Netherlands, Scandinavia, China, Philippines, Brazil and the Caribbean. In the year ended 31 December 1999, Southern Company reported turnover of \$11.6 billion (1998: \$11.4 billion) and net income of \$1.3 billion (1998: \$1.0 billion).

PPL distributes electricity to 1.3 million customers in Pennsylvania and natural gas to 70,000 customers in Pennsylvania and Maryland. PPL markets wholesale or retail energy in 43 US states and Canada. The company has approximately 7,700MW generating capacity, predominately coal and nuclear, in Pennsylvania, Maine and Montana. PPL Global, PPL's international and development arm, has invested in electricity distribution in Chile, Bolivia and El Salvador and also owns generation assets in Portugal and Spain. In the year ended 31 December 1999, PPL reported operating revenues of \$4.6 billion (1998: \$3.8 billion) and income before extraordinary items of \$0.5 billion (1998: \$0.4 billion).

10. Hyder Share Option Schemes

The Offer will extend to any Hyder Shares which are unconditionally allotted or issued before the date on which the Offer closes (or such earlier date as WPD L may, subject to the City Code, decide), as a result of the exercise of options granted under the Hyder Share Option Schemes or otherwise. If the Offer becomes or is declared unconditional in all respects, appropriate proposals will be made to participants in the Hyder Share Option Schemes.

11. Disclosure of interests in Hyder

Citicorp, a member of Citigroup (of which Schroder Salomon Smith Barney is also a member), is the beneficial holder of 83,895 Hyder Shares. This holding was acquired on 2 March 1999.

Save for the above, neither WPD L nor any director of WPD L nor, so far as WPD L is aware, any person acting in concert with WPD L, owns or controls any Hyder Shares or holds any option to acquire any Hyder Shares or has entered into any derivative referenced to Hyder Shares which remains outstanding.

12. General

The Offer Document containing the formal Offer will be despatched to Hyder Shareholders in due course.

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This Announcement does not constitute an offer or an invitation to acquire shares or securities.

The Offer will comply with the City Code and will be governed by English Law.

The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

Unless otherwise determined by the Offeror, the Offer will not be made directly or indirectly in or into Canada, Australia or Japan and, unless otherwise determined by the Offeror, the Offer will not be capable of acceptance within Canada, Australia or Japan. Accordingly, copies of this Announcement are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into or from Canada, Australia or Japan and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in, into or from Canada, Australia or Japan. Doing so may invalidate any purported acceptance of the Offer.

The Offer will be made in the United States by the Offeror. References in this Announcement to the Offer being made by Schroder Salomon Smith Barney should be read accordingly.

If the Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, the Offeror intends to apply the provisions of section 429 of the Companies Act to acquire compulsorily any outstanding Hyder Shares not acquired or agreed to be acquired pursuant to the Offer or otherwise.

It is the Offeror's intention that, following the Offer becoming or being declared unconditional in all respects and subject to applicable requirements of the London Stock Exchange, Hyder will apply for the entire issued ordinary share capital of Hyder to be delisted. Delisting would significantly reduce the liquidity and marketability of any Hyder Shares not assented to the Offer.

The Offer will be subject to the conditions and further terms set out in Appendix I and to those contained in the formal Offer Document and Form of Acceptance. The definitions of certain expressions used in this Announcement are contained in Appendix II.

Salomon Brothers International Limited (trading as Schroder Salomon Smith Barney) ("Schroder Salomon Smith Barney"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for WPD and WPD and no one else in connection with the Offer and will not be responsible to anyone other than WPD and WPD for providing the protections afforded to customers of Schroder Salomon Smith Barney or for providing advice in relation to the Offer. Salomon Smith Barney is a service mark of Salomon Smith Barney Inc. Schroder is a trademark of Schroders Holdings plc and is used under licence.

Deutsche Bank AG London ("Deutsche Bank"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited is acting for United Utilities and no one else in connection with the agreements between United Utilities and WPD and will not be responsible to anyone other than United Utilities for providing the protections afforded to customers of Deutsche Bank or for providing advice in relation to the agreements between United Utilities and WPD.

Appendix I

Conditions and certain further terms of the Offer

1. Conditions of the Offer

The Offer, which will be made by Schroder Salomon Smith Barney on behalf of the Offeror, will be subject to the following conditions and the terms and conditions set out in the Offer Document and Form of Acceptance:

(a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. (London time) or 10.00 a.m. (New York City time) on the first closing date of the Offer (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the City Code, decide) in respect of not less than 80 per cent. (or such lower percentage as the Offeror may decide) in nominal value of the Hyder Shares to which the Offer relates, provided that this condition will not be satisfied unless the Offeror and/or its wholly-owned subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) Hyder Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at general meetings of Hyder, including for this purpose (to the extent, if any, required by the Panel) any such voting rights attaching to any Hyder Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise and, for this purpose:

(i) the expression "Hyder Shares to which the Offer relates" shall be construed in accordance with sections 428 to 430F of the Companies Act; and

(ii) Hyder Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue;

(b) without limitation to condition (d) below:

- i. the DGWS having indicated in terms reasonably satisfactory to the Offeror that it is not his intention to seek any modifications to the conditions of the Appointment which, taken together, are material in the context of the business conducted under the terms of the Appointment and neither Dwr Cymru nor any other member of the Wider Hyder Group having agreed to any such modifications (except, in each case, on terms reasonably satisfactory to the Offeror);

- ii. the DGWS having indicated in terms reasonably satisfactory to the Offeror that he will not seek undertakings or assurances from any member of the Wider Offeror Group or the Wider Hyder Group which, taken as a whole, are material in the context of any of the Wider Offeror Group, the Hyder Group or the business conducted under the terms of the Appointment (as the case may be) and that in connection with the Offer he will seek or agree only such modifications to the conditions of the Appointment (if any) and such other consents and/or directions (if any) as, taken together, are not material in the context of the business conducted under the terms of the Appointment;
 - iii. the DGWS having indicated in terms reasonably satisfactory to the Offeror the manner in which he would propose (subject to the obligations imposed on him by the Water Industry Act 1991, the Water Industry Act 1999 and other relevant legislation) to exercise his powers and fulfil his functions under the Water Industry Act 1991 and the Water Industry Act 1999 with respect to the Offer, and with respect to any price controls to be applied to Dwr Cymru for the supply of goods and services covered by the Appointment;
 - iv. the DGES having indicated in terms reasonably satisfactory to the Offeror that it is not his intention to seek any modifications to the conditions of South Wales Electricity's PES Licence which, taken together, are material in the context of the business conducted under the terms of the PES Licence, and neither South Wales Electricity nor any other member of the Wider Hyder Group having agreed to any such modifications (except, in each case, on terms reasonably satisfactory to the Offeror);
 - v. the DGES having indicated in terms reasonably satisfactory to the Offeror that he will not seek undertakings or assurances from any member of the Wider Offeror Group or the Wider Hyder Group which, taken as a whole, are material in the context of any of the Offeror Group, the Hyder Group or the business conducted under the terms of the PES Licence (as the case may be) and that in connection with the Offer he will seek or agree only such modifications to the conditions of the PES Licence (if any) and such other consents and/or directions (if any) as, taken together, are not material in the context of the business conducted under the terms of the PES Licence; and
 - vi. the DGES having indicated in terms reasonably satisfactory to the Offeror the manner in which he would propose (subject to the obligations imposed on him by the Electricity Act 1989 and other relevant legislation) to exercise his powers and fulfil his functions under the Electricity Act 1989 with respect to the Offer, and with respect to any price controls to be applied to South Wales Electricity for the supply of goods and services covered by the PES Licence;
- c. without limitation to condition (d) below:
- (i) the European Commission indicating in terms reasonably satisfactory to the Offeror that it will not initiate proceedings under Article 6(1)(c) of Council Regulation (EEC) No. 4064/89 (as amended by Council Regulation (EC) No.

1310/97) (the "Regulation") in respect of the Offer or any matters arising therefrom;

(ii) if the European Commission makes a referral under Article 9(1) of the Regulation to the competent authorities of the United Kingdom, or if the competent authorities of the United Kingdom invoke Article 21(3) of the Regulation, the Office of Fair Trading indicating in terms reasonably satisfactory to the Offeror that it is not the intention of the Secretary of State for Trade and Industry to refer the Offer, or any matters arising therefrom, to the Competition Commission;

- iii. if the Offer does not fall within the jurisdiction of the European Commission under the Regulation, the Office of Fair Trading indicating in terms reasonably satisfactory to the Offeror that it is not the intention of the Secretary of State for Trade and Industry to refer the Offer, or any matters arising therefrom, to the Competition Commission; and
 - iv. the Office of Fair Trading indicating in terms reasonably satisfactory to the Offeror that it is not the intention of the Secretary of State for Trade and Industry to refer the Offer, or any matters or arrangements arising therefrom including the UU agreements, to the Competition Commission under Section 32 of the Water Industry Act 1991.
- c. no Third Party having intervened and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which would or might reasonably be expected to:
- (i) make the Offer, its implementation or the acquisition or proposed acquisition by the Offeror or any member of the Wider Offeror Group of any shares or other securities in, or control of, Hyder or any member of the Wider Hyder Group void, illegal and/or unenforceable in or under the laws of any relevant jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict or delay the Offer or such acquisition or impose any material additional conditions or obligations with respect to the Offer or such acquisition, or otherwise materially impede, challenge or interfere with the Offer or such acquisition, or require any material amendment to the terms of the Offer or the proposed acquisition of any Hyder Shares or the acquisition of control of Hyder or any member of the Wider Hyder Group by the Offeror;
 - (ii) require or prevent the divestiture by the Offeror or any member of the Wider Offeror Group of any shares or other securities (or the equivalent) in Hyder, any other member of the Wider Hyder Group or any member of the Wider Offeror Group (in any case, to an extent which is material in the context of the Offeror Group or of the Hyder Group, as appropriate, taken as a whole);
 - (iii) require or prevent the divestiture by the Offeror, by any member of the Wider Offeror Group or by any member of the Wider Hyder Group of all or any portion of their respective

businesses, assets or properties or impose any limitation on the ability of any of them to conduct any of their respective businesses or to own any of their respective assets or properties or any part thereof (in any case, to an extent which is material in the context of the Offeror Group or of the Hyder Group, as appropriate, taken as a whole);

(iv) impose any limitation on, or result in a delay in, the ability of the Offeror or any member of the Wider Offeror Group or any member of the Wider Hyder Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Hyder Group or any member of the Wider Offeror Group (in any such case, to an extent which is material in the context of the Offeror Group or of the Hyder Group, as the case may be, taken as a whole);

(v) require the Offeror or any member of the Wider Offeror Group or any member of the Wider Hyder Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of the Wider Offeror Group or any member of the Wider Hyder Group owned by any third party (in any such case, to an extent which is material in the context of the Offeror Group or of the Hyder Group, as the case may be, taken as a whole);

(vi) impose any limitation on the ability of the Offeror, any member of the Wider Offeror Group or any member of the Wider Hyder Group to integrate or co-ordinate its business, or any part of it, with the businesses of any other member of the Wider Offeror Group, or any other member of the Wider Hyder Group (in each case, to an extent which is material in the context of the Offeror Group or of the Hyder Group, as the case may be, taken as a whole);
or

(vii) otherwise adversely affect any or all of the businesses, assets, profits or prospects of the Offeror, any member of the Wider Offeror Group or any member of the Wider Hyder Group (to an extent which is material in the context of the Offeror Group or of the Hyder Group, as the case may be, taken as a whole);

and all applicable waiting and other time periods during which any Third Party could intervene in such a way under the laws of any relevant jurisdiction having expired, lapsed or been terminated;

- d. all necessary filings having been made, all appropriate waiting and other time periods under any applicable legislation or regulation of any jurisdiction having expired, lapsed or terminated and all statutory or regulatory obligations in any jurisdiction having been complied with in each case in connection with the Offer or the acquisition of any shares or other securities in, or control of, Hyder or any other member of the Wider Hyder Group by the Offeror, or any member of the Wider Offeror Group and all Authorisations reasonably required in any relevant jurisdiction for or in respect of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, Hyder or any other member of the Wider Hyder Group by any member of the Wider Offeror Group or the

carrying on by any member of the Wider Hyder Group of its business having been obtained, in terms and in a form reasonably satisfactory to the Offeror, from all appropriate Third Parties and all such Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same, in each case where the absence of such Authorisations would have a material adverse effect on the Offeror Group or the Hyder Group, as the case may be, taken as a whole;

- e. except as disclosed in Hyder's annual report and accounts for the year ended 31 March, 1999 or as otherwise publicly announced by Hyder (by the delivery of an announcement to the Company Announcements Office of the London Stock Exchange) prior to 31 May, 2000 or as otherwise fairly disclosed to the Offeror prior to 31 May, 2000, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Hyder Group is a party, or to which any such member or any of its assets is or are or may be bound, entitled or subject, which, in each case as a consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, Hyder or any other member of the Wider Hyder Group by the Offeror, any member of the Wider Offeror Group, or otherwise, might reasonably be expected to result in (to an extent which would be material in the context of the Hyder Group taken as whole):
 - i. any monies borrowed by or any other indebtedness or liabilities, actual or contingent, of, or grant made or available to, any member of the Wider Hyder Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated repayment date, or the ability of any member of the Wider Hyder Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn;
 - ii. the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Hyder Group or any such mortgage, charge or other security interest becoming enforceable;
 - iii. any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Hyder Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any obligation or liability arising thereunder;
 - iv. any asset or interest of any member of the Wider Hyder Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
 - v. the creation of liabilities actual or contingent by any such member;
 - vi. the interests or business of any member of the Wider Hyder Group in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such

interests or business) being terminated, or being adversely modified or affected to any material extent; or

- vii. the financial or trading position of any member of the Wider Hyder Group being adversely prejudiced or affected to an extent which is material in the context of the Hyder Group taken as a whole;

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, might reasonably be expected to result in any of the events or circumstances which are referred to in paragraphs (i) to (vii) of this condition (f) in any case where such result would be material in the context of the Hyder Group taken as a whole;

(g) since 31 March, 1999 and except as disclosed in Hyder's annual report and accounts for the year then ended or as otherwise publicly announced by Hyder (by the delivery of an announcement to the Company Announcements Office of the London Stock Exchange) prior to 31 May, 2000 or as otherwise fairly disclosed to the Offeror prior to 31 May, 2000, no member of the Wider Hyder Group having, save in each case for transactions between Hyder and any of its wholly-owned subsidiaries or between any such wholly-owned subsidiaries:

- i. issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between Hyder and wholly-owned subsidiaries of Hyder and except for any options, awards or other rights granted as disclosed in writing to the Offeror prior to 31 May, 2000 and any shares issued upon the exercise of or pursuant to any options, awards or other rights granted under the Hyder Share Option Schemes);
- ii. recommended, declared, paid or made, or proposed the recommendation, declaration, payment or making of, any bonus, dividend or other distribution whether in cash or otherwise;
- iii. merged with or demerged or acquired any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares and trade investments other than in the ordinary course of business) or authorised, proposed or announced its intention so to do (which in any case would have a material adverse effect on the Hyder Group taken as a whole);
- iv. issued, authorised or proposed the issue of any debentures or incurred or increased any indebtedness or contingent liability which is, in any case, material in the context of the Hyder Group taken as a whole and not in the ordinary course of business;

- v. purchased, redeemed or repaid or proposed the purchase, redemption or repayment of any of its own shares or other securities or reduced or made, or proposed the reduction or making of, any other change to any part of its share capital;
- vi. entered into or varied, or authorised or proposed the entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - A. contains or includes, or would contain or include, any restriction on the business of any member of the Wider Hyder Group, or any member of the Wider Offeror Group, which in each case is material in the context of the business of the relevant member; or
 - B. is other than in the ordinary course of business;
- i. entered into, implemented, effected, authorised or proposed or announced its intention to enter into, implement, effect, authorise or propose any contract, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement which is material in the context of the Hyder Group taken as a whole;
- ii. entered into or varied or made any offer (which remains open for acceptance) to enter into or vary the terms of any contract with any of the directors or senior executives of any member of the Hyder Group;
- iii. taken or proposed any corporate action or had any legal proceedings instituted or threatened against it or petition presented for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or for any analogous proceedings or steps in any jurisdiction or for the appointment of any analogous person in any jurisdiction (in each case with a material adverse effect on the Hyder Group taken as a whole);
- iv. been unable or admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business (in each case with a material adverse effect on the Hyder Group taken as a whole);
- v. waived or compromised any claim which is material in the context of the Hyder Group taken as a whole;
- vi. made any alteration to its memorandum or articles of association, or other incorporation documents; or
- vii. entered into any agreement, contract, commitment or arrangement or passed any resolution

or made any offer (which remains open for acceptance) or announced any intention with respect to any of the transactions, matters or events referred to in this condition (g);

(h) since 31 March, 1999 and except as disclosed in Hyder's annual report and accounts for the year then ended or as otherwise publicly announced by Hyder (by the delivery of an announcement to the Company Announcements Office of the London Stock Exchange) prior to 31 May, 2000 or as otherwise fairly disclosed to the Offeror prior to 31 May, 2000:

- i. there having been no material adverse change or deterioration in the business, assets, or financial or trading position of any member of the Wider Hyder Group which is material in the context of the Hyder Group taken as a whole;
- ii. there not having been any change in the credit rating by Standard and Poor's, Moody's Investor Services Ltd or any other reputable credit rating agency in the UK or the United States of any corporate debt issued by, or of any borrowings (whether or not unsecured or unsubordinated) of, any member of the Hyder Group, where that member is required under the terms of any applicable licence or legislation to maintain at least a particular credit rating and such change results in the credit rating of the relevant debt or borrowing by the relevant credit rating agency being less than the required rating;
- iii. no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Hyder Group is or may become a party (whether as plaintiff or defendant or otherwise) or any investigation (save as a result of the Offer) by any Third Party having been threatened, announced or instituted by or against or in respect of any member of the Wider Hyder Group or remaining outstanding against or in respect of any member of the Wider Hyder Group which, in any such case, is material in the context of the Hyder Group taken as a whole;
- iv. no contingent or other liability having arisen or become apparent or increased which would or could reasonably be expected to affect materially and adversely the Hyder Group taken as a whole; and
- v. there having been no enquiry or investigation (save as a result of the Offer) by, or complaint or reference to, any Third Party of a material nature to Hyder in respect of any member of the Wider Hyder Group and no such enquiry, investigation, complaint or reference having been threatened, announced, implemented, instituted or remaining outstanding which, in any such case, is material in the context of the Hyder Group taken as a whole;

(i) the Offeror not having discovered:

- i. that any financial or business or other information disclosed at any time by or on behalf of any member of the Wider Hyder Group, whether publicly, to the Offeror, any member of the Wider Offeror Group or otherwise, is misleading or contains a misrepresentation of fact or

omits to state a fact necessary to make any information contained therein not misleading in any case which has not subsequently been corrected by public disclosure or disclosure to the Offeror and, in any case, to an extent which is material in the context of the Hyder Group taken as a whole; or

- ii. that any member of the Wider Hyder Group is subject to any liability (contingent or otherwise) which is not disclosed in Hyder's annual report and accounts for the financial year ended 31st March, 1999 and which is material in the context of the Hyder Group taken as a whole;

(j) the Offeror not having discovered that, save as fairly disclosed to the Offeror prior to 31 May, 2000:

- i. any past or present member of the Wider Hyder Group has not complied with all applicable legislation or regulations or authorisations of any jurisdiction with regard to the use, treatment, handling, storage, transport, production, supply, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, production, supply, disposal, discharge, spillage, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations or authorisations and wherever the same may have taken place) which, in any such case, would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member or former member of the Wider Hyder Group which would be material in the context of the Hyder Group taken as a whole;
- ii. there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider Hyder Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority whether by formal notice or order or not or third party or otherwise which, in any such case, would be material in the context of the Hyder Group taken as a whole;
- iii. circumstances exist which are likely to result in any actual or contingent liability under any of the applicable legislation referred to in sub-paragraph (i) or (ii) above to improve, or modify existing, or install new, plant, machinery or equipment or to carry out any changes in the processes currently carried out, which would be material in the context of the Hyder Group taken as a whole; or
- iv. circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the Wider Hyder Group which, in any such case, would be material in the context of the Hyder Group

taken as a whole.

For the purpose of these conditions:

(a) "**Third Party**" means any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, authority (including any national anti-trust or merger control authority), court, trade agency, association, institution or professional or environmental body;

(b) a Third Party shall be regarded as having "**intervened**" if it has decided to take, institute, implement or threaten any action, proceedings, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise done anything and "**intervene**" shall be construed accordingly;

(c) "**Authorisations**" means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions and approvals;

(d) the "**Wider Offeror Group**" means each of PPL and Southern Company and their respective subsidiaries, subsidiary undertakings and associated undertakings (including any joint venture, partnership, firm or company in which any member of the Offeror Group is interested) and any other undertaking in which PPL or Southern Company and their respective subsidiaries, subsidiary undertakings and associated undertakings (aggregating their interests) have a Substantial Interest;

(e) the "**Wider Hyder Group**" means Hyder and its subsidiaries, subsidiary undertakings and associated undertakings (including any joint venture, partnership, firm or company in which any member of the Hyder Group is interested) and any other undertaking in which Hyder and such subsidiaries, subsidiary undertakings and associated undertakings (aggregating their interests) have a Substantial Interest; and

(f) "**Substantial Interest**" means a direct or indirect interest in 20 per cent. or more of the voting equity capital of an undertaking.

Subject to the requirements of the Panel, the Offeror reserves the right to waive, in whole or in part, all or any of the above conditions except condition (a).

Conditions (b) to (j) (inclusive) must be satisfied or waived or, where appropriate, have been determined by the Offeror to be or to remain satisfied by midnight on the day which is 21 days after the later of the first closing date of the Offer and the date on which condition (a) is satisfied or becomes or is declared satisfied (or in each case such later date as the Panel may agree), failing which the Offer will lapse.

The Offeror shall be under no obligation to waive or treat as satisfied any of conditions (b) to (j) (inclusive) by a date earlier than the latest date for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of satisfaction.

If the Offeror is required by the Panel to make an offer for Hyder Shares under the provisions of Rule 9 of the City Code, the Offeror may make such alterations to the conditions of the Offer, including condition (a), as are necessary to comply with the provisions of that Rule.

The offer will lapse (unless otherwise agreed by the Panel) if the acquisition of Hyder by the Offeror: (a) comes within the statutory provisions for possible reference to the Competition Commission and a reference is made to the Competition Commission under the Fair Trading Act 1973 before 3:00pm (London time) or 10:00am (New York City time) on the first closing date or the date when the Offer becomes or is declared unconditional as to acceptances, whichever is the later, or (b) gives rise to a concentration with a Community dimension within the scope of Council Regulation (EEC) 4064/89 and the European Commission either (i) initiates proceedings under Article 6(1)c or (ii) following a referral by the European Commission under Article 9.1 to a competent authority in the United Kingdom, there is a subsequent reference to the Competition Commission, in either case before 3:00pm (London time) or 10:00am (New York City time) on the first closing date or the date when the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

If the Offer lapses, the Offer will cease to be capable of further acceptance and Hyder Shareholders accepting the Offer and the Offeror shall, upon the Offer lapsing, cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

2. Certain Further Terms of the Offer

Hyder Shares will be acquired by the Offeror fully paid, or credited as fully paid, and free from all liens, equities, charges, equitable interests, encumbrances and other interests and together with all rights attaching thereto on or after the date of this Announcement, including the right to receive and retain all dividends and other distributions declared, made or paid after the date of this Announcement.

It is anticipated that the Offer will remain open for acceptance until 3.00 p.m. (London Time) or 10.00 a.m. (New York City time) on the fourteenth day after the later of the first closing date of the Offer or the closing date following the Offer becoming or being declared unconditional as to acceptances. However, the right is reserved to keep the Offer open for acceptance after such date.

The Offer will be on the terms and will be subject, *inter alia*, to the conditions which are set out in this Appendix and those terms which will be set out in the formal Offer Document and Form of Acceptance and such further terms as may be required to comply with the City Code. The Offer

and any acceptances thereunder will be governed by the laws of England.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

Unless otherwise determined by the Offeror, the Offer will not be made, directly or indirectly, in or into Canada, Australia or Japan and, unless otherwise determined by the Offeror, the Offer will not be capable of acceptance within Canada, Australia or Japan. Accordingly, copies of this Announcement are not being, and must not be, mailed, or otherwise forwarded, distributed or sent in or into or from Canada, Australia or Japan and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in, into or from Canada, Australia or Japan. Doing so may render invalid any purported acceptance.

The Offer is being made in the United States by the Offeror. References in this Announcement to the Offer being made by Schroder Salomon Smith Barney should be read accordingly.

Appendix II

Definitions

The following definitions apply throughout this Announcement, unless the context otherwise requires:

"Announcement"	this press announcement issued on 31 May 2000
"Appointment"	the instrument of appointment issued by the Secretary of State for Wales under the Water Act 1989 to Dwr Cymru as a water and sewerage undertaker (as modified from time to time)
"City Code" or "Code"	the City Code on Takeovers and Mergers
"Companies Act"	the Companies Act 1985 (as amended)

"Deutsche Bank"	Deutsche Bank AG London
"DGES"	Director General of Electricity Supply of the United Kingdom
"DGWS"	Director General of Water Services of the United Kingdom
"Directors"	the directors of Hyder or WPD L (as appropriate) at the date of this Announcement
"Dwr Cymru"	Dwr Cymru Cyfyngedig
"Form of Acceptance"	the form of acceptance which will be posted to shareholders along with the Offer Document
"Hyder"	Hyder plc
"Hyder Group" or "Group"	Hyder, its subsidiaries and its subsidiary undertakings and, where the context permits, each of them
"Hyder Shares"	the existing issued or unconditionally allotted and fully paid ordinary shares of 120p each in the capital of Hyder and any further ordinary shares of 120p each in the capital of Hyder which are issued or unconditionally allotted before the date the Offer closes (or such earlier date as the Offeror may decide, not being earlier than the date on which the Offer becomes or is declared unconditional as to acceptances

"Hyder Share Option Schemes"	the Hyder Long Term Incentive Plan 1996, the Hyder Long Term Incentive Plan (number 2) 1999, the Hyder Sharesave Scheme 1996, the Hyder Sharesave Scheme 1999, the Hyder Executive Share Option Scheme 1996, the Hyder Discretionary Share Scheme 1999, the Hyder Overseas Share Plan, the Hyder Utilities Profit Sharing Plan and the Hyder plc Profit Sharing Plan
"Hyder Shareholders"	the holders of Hyder Shares
"Hyder Services"	the business of providing managed services to third party customers carried on by certain entities within the Hyder Group
"Offer"	the cash offer to be made by Schroder Salomon Smith Barney on behalf of the Offeror to acquire the Hyder Shares on the terms and subject to the conditions to be set out in the Offer Document and the Form of Acceptance including, where the context requires, any subsequent revision, variation, extension or renewal thereof
"Offer Document"	the document to be despatched on behalf of the Offeror containing and setting out the terms and conditions of the Offer
"Offeror"	WPDL
"Offeror Group" or the "Group"	PPL and Southern Company and their respective subsidiaries and subsidiary and associated undertakings and, where the context permits, each of them
"Panel"	the Panel on Takeovers and Mergers

"PES Licence"	the licence issued by the Secretary of State for Energy under the Electricity Act 1989 to South Wales Electricity plc as a public electricity supplier (as modified from time to time)
"PPL"	PPL Corporation
"Schroder Salomon Smith Barney"	Salomon Brothers International Limited, trading as Schroder Salomon Smith Barney
"SEI"	Southern Energy Inc.
"South Wales Electricity"	South Wales Electricity plc
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"United Utilities"	United Utilities PLC
"UU agreements"	the conditional share sale agreement dated 26 May 2000 entered into between WPD and United Utilities providing for the acquisition by UUco of Hyder Services and the sale of UUco to United Utilities and the agreement to be entered into prior to such sale between Dwr Cymru and UUco under which UUco will provide certain operation and maintenance and customer services to Dwr Cymru
"UUco"	a company to be acquired by United Utilities from WPD

"US", "USA" or "United States"	the United States of America, its territories and possessions and any state of the United States of America and the District of Columbia
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"WPD"	WPD Holdings UK
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"WPDL"	WPD Limited
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"£" or "pounds sterling"	the lawful currency of the United Kingdom
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"\$" or "dollars"	the lawful currency of the United States
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For the purposes of this Announcement, "subsidiary", "subsidiary undertaking", "undertaking", "holding company" and "associated undertaking" have the meanings given by the Companies Act (but for this purpose ignoring paragraphs 20(1)(b) of Schedule 4A of the Companies Act).