

United Utilities Group PLC
1 February 2012

UNITED UTILITIES INTERIM MANAGEMENT STATEMENT

United Utilities today issues an interim management statement covering the period from 1 October 2011.

Trading update

Current trading is in line with the group's expectations of delivering a good underlying financial performance for 2011/12.

In the first half of 2011/12, revenue increased by around 4%, compared with the first half of last year, and this trend is continuing. As indicated previously, infrastructure renewals expenditure and depreciation are expected to be higher in the second half of 2011/12, compared with the first six months of the financial year, reflecting good progress on the capital investment programme and the impact of the transfer of private sewers.

In December 2011, the RPI inflation index for November 2011 was published and this annual inflation rate will be included in the allowed regulated price limits for the financial year starting 1 April 2012.

Supporting its renewed focus on operational performance and customer service, United Utilities continues to implement a wide range of business improvement initiatives. The company made good progress in the first half of 2011/12, building on the achievements from the prior year, and this improving trend is continuing. United Utilities has moved up four places to fifth position, out of the ten water and sewerage companies, based on Ofwat's quarter three 2011/12 qualitative service incentive mechanism (SIM) assessment. United Utilities is currently in eighth position on this qualitative measure for the financial year to date. Encouragingly, the number of customer complaints received via the Consumer Council for Water has reduced further in the three months to December 2011, positively contributing to Ofwat's quantitative SIM assessment.

United Utilities has continued with its strong year round operational focus on leakage and is on course to meet its 2011/12 regulatory leakage target. In addition, water resource levels are robust, with reservoir stocks currently in excess of 90% and in line with typical levels for this time of year.

The ownership of and responsibility for private sewers was transferred to the English and Welsh water and sewerage companies from 1 October 2011, providing additional benefits for customers and the opportunity for further growth in the regulatory capital value. United Utilities has been preparing for this for some time to help ensure a smooth transfer and the level of customer contacts and the increase in work volumes continues to be broadly in line with expectations. There is no change at this stage to the cost estimates initially outlined in May 2011.

Financial position

United Utilities' financial position remains robust and its regulatory capital asset base continues to grow, reflecting continued high levels of capital investment and positive RPI inflation. Following agreement in November 2011 of a £200 million index-linked term loan facility with the European Investment Bank, to support delivery of the capital investment programme, the group has headroom to cover its projected financing needs into 2014, in line with its policy of maintaining a prudent level of liquidity on a rolling basis. United Utilities aims to draw down this £200 million loan facility, via a number of tranches, by the end of the 2011/12 financial year.

As expected, group net debt is slightly higher, compared with the position at 30 September 2011, principally reflecting ongoing high levels of capital investment and after taking account of the 2011/12 interim dividend payment. Gearing remains stable and in the middle of Ofwat's assumed range (55% to 65% net debt to regulatory capital value), supporting a solid A3 credit rating for United Utilities Water PLC.

Political and regulatory developments

DEFRA published the white paper, "Water for Life", on 8 December 2011 which sets out the UK government's vision for the future of the water industry. On 23 November 2011, Ofwat published the document "Future price limits – a consultation on the framework". Following this, on 21 December 2011, Ofwat published a further industry consultation paper in respect of water companies' conditions of appointment. United Utilities is assessing these papers and will continue to actively engage with all key parties to help achieve the optimal outcome for all its stakeholders.

Outlook

United Utilities has made good progress in the early part of the 2010-15 regulatory period and will continue with its strong focus on improving operational performance, customer service and cost efficiency. Looking ahead, management is confident of delivering a good underlying financial performance for the year ending 31 March 2012.

In line with its usual practice, United Utilities intends to issue a pre-close trading update on 22 March 2012.

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