

## UNITED UTILITIES TRADING UPDATE

United Utilities today issues an update for the six months ending 30 September 2012. Current trading is in line with the group's expectations of delivering a good underlying financial performance for 2012/13. The company continues to make further progress improving operational performance and customer service and remains confident of delivering its 2010-15 regulatory outperformance targets.

Revenue is expected to be higher than last year, reflecting the regulated price increase for 2012/13. However, as expected, this increase is slightly below the allowed regulated price rise, principally reflecting the ongoing impact of customers switching to meters and continued lower commercial volumes. As outlined previously, the increase in revenue for the full year is anticipated to be largely balanced by higher depreciation, alongside higher infrastructure renewals expenditure (IRE) and other operating costs both of which are impacted by the transfer of private sewers.

Regulatory capital investment and depreciation are expected to be slightly higher in the second half of 2012/13, compared with the first half of the year. However, the profile of IRE is anticipated to be smoother across 2012/13 than in 2011/12, when it was skewed much more towards the second half of the year. Furthermore, IRE and other operating costs in the first half of 2011/12 were not impacted by the transfer of private sewers. As a result, the profile of underlying operating profit is expected to be more evenly distributed between the first half and second half of 2012/13, compared with 2011/12 when underlying operating profit was much higher in the first half.

The underlying net finance expense for the first half of 2012/13 is expected to be moderately lower than the first half of last year. This principally reflects lower RPI inflation in respect of the group's index-linked debt.

A deferred taxation credit of approximately £50 million will be recognised in the financial statements for the first half of 2012/13. This follows the UK government substantively enacting the change to reduce the mainstream rate of corporation taxation from 24% to 23% from 1 April 2013. A similar credit was also recognised in the first half of last year.

Group borrowings, net of cash and short term deposits and derivatives, at the half year are expected to be moderately higher than the position at 31 March 2012. This principally reflects expenditure on the regulatory capital investment programme, payment of the 2011/12 final dividend and payments in relation to pensions, interest and tax, partly offset by operational cash flows. Gearing remains in the middle of Ofwat's assumed range (55% to 65% net debt to regulatory capital value), reflecting growth in the regulatory capital value through continued high levels of capital investment coupled with RPI inflation.

United Utilities will announce its half year results on 28 November 2012.

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