



United Utilities PLC

Interim results

Six months ended 30 September 2005

www.unitedutilities.com



Sir Richard Evans

Chairman

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Good morning ladies and gentlemen, and welcome to our interim results presentation. With me on the platform are John Roberts, our Chief Executive, and Simon Batey, our Finance Director. Also with us are other members of our executive team. Before we start, could I remind you to please turn off any portable devices such as mobile phones and blackberrys. Thank you.

We're also pleased to announce today the appointment of Philip Green as our new Chief Executive with effect from 31st March 2006, the date of John Roberts' retirement. Philip brings with him an impressive management record, having led highly competitive, customer-focused, international service companies and I'm delighted to welcome him aboard. More detail on Philip's background can be found in today's announcement.

I would also like to take the opportunity to thank John Roberts for his outstanding leadership over the last six years and to wish him all the best for the future.

Agenda

- **Introduction** **Sir Richard Evans**
- **Financial review** **Simon Batey**
- **Business update** **John Roberts**
- **Questions** **Sir Richard Evans**

In a moment Simon will take you through the numbers. John will then update you on the progress we've made, and our future prospects. At the end of the presentation we'll be pleased to answer your questions.

Dividend

- These results demonstrate the benefits of a consistent strategy
 - adding further value for shareholders through continued underlying profit growth
- In accordance with the group's target of growing dividends in line with inflation, the Board has decided to increase the 2005/06 interim dividend by 3.4 per cent
- The Board thanks shareholders for supporting our strategy through their take up of the second stage of the rights issue in June 2005
 - solid balance sheet in place to support growth in the regulated asset base

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These results demonstrate the benefits of a consistent strategy, adding further value for shareholders through continued underlying profit growth.

In accordance with our target of growing dividends in line with inflation, we've decided to increase the interim dividend by 3.4 per cent.

The Board would also like to thank shareholders for supporting our strategy through their take up of the second stage of the rights issue in June. We now have a solid balance sheet in place to support growth in our regulated asset base.

Now, over to Simon.



Simon Batey

Finance Director

Thank you, Chairman. Good morning, ladies and gentlemen.

Highlights*

- **Profit** before tax increased by 20% to £244m**
 - reflecting allowed regulatory price increases and contract growth
- **Operating profit from continuing operations increased by 8% to £367m**
- **Licensed multi-utility operations**
 - operating profit increased by 13% to £325m
- **Infrastructure management**
 - turnover jumped by 35% and operating profit*** up by 8% to £41m
- **Business process outsourcing**
 - operating profit*** of £11m (2004 - £13m)
- **Your Communications**
 - decision to accelerate disposal
- **Successfully completed second stage of rights issue**
 - raised a further £508m
- **Interim ordinary dividend increased by 3.4% to 14.29p**

* these results and prior period comparisons are consistent with International Financial Reporting Standards (IFRS)

** relating to continuing operations and excluding amortisation of intangibles considered as goodwill under UK GAAP, restructuring costs and the impact of IAS 39

*** excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs

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The group has delivered strong underlying profit growth for the six months to 30 September. Profit before tax has increased by 20 per cent and operating profit by 8 per cent.

In our licensed multi-utility operations, profit is up by 13 per cent, primarily driven by the allowed regulatory price increases.

The success of our infrastructure management business in winning new contracts has driven a 35 per cent rise in turnover. The business also continued its profit growth record, delivering an 8 per cent increase in operating profit despite mobilisation costs associated with these substantial new contracts.

Vertex has made good progress in replacing revenues from our re-shaped contract portfolio. Our successful contract with central government, to help it deliver its benefits modernisation programme, came to a natural close earlier in the year. We also renegotiated our contract with Powergen, providing for a longer-term revenue stream. Despite start-up costs associated with the Thurrock Council contract and the inherited trading position of Marlborough Stirling, Vertex delivered an £11 million profit in the half year.

With regard to Your Communications, we've taken the decision to accelerate the disposal of this business, and I'll say more about this a little later.

We successfully completed the second stage of the rights issue in June, raising a further £508 million to fund the capital investment programmes of our regulated businesses.

International Financial Reporting Standards

- From 1 April 2005, United Utilities is required to comply with International Financial Reporting Standards (IFRS)
 - these results and prior period comparisons are consistent with IFRS
 - with the exception of IAS 39, covering accounting for derivatives, which, as previously announced, is applied prospectively from 1 April 2005
 - reconciliation between IFRS and UK GAAP is provided for the half year and full year periods ended 30 September 2004 and 31 March 2005
 - there are no cash flow or financing implications and no impact on the group's ability to pay dividends

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From 1 April 2005, United Utilities is required to comply with International Financial Reporting Standards, or IFRS.

These results and prior period comparisons are consistent with IFRS, with the exception of IAS 39, covering accounting for derivatives, which, as previously announced, is being applied prospectively from 1 April 2005. I'll discuss this in more detail shortly.

We've also provided a reconciliation between IFRS and UK GAAP for the half year ended 30 September 2004 and the full year ended 31 March 2005.

Let me remind you that there are no cash flow or financing implications and no impact on the group's ability to pay dividends as a result of IFRS compliance.



Turnover*

£m	2005	2004	
Licensed multi-utility operations	745.9	682.6	+9%
Support services	515.9	429.6	+20%
Inter-business eliminations	(104.5)	(86.5)	
Total	1,157.3	1,025.7	

Group turnover has increased by around 13%

* relates to continuing operations

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Turning to the numbers, turnover in our support services businesses increased by 20 per cent, coupled with an increase of 9 per cent in licensed multi-utility operations. Overall, group turnover grew by around 13 per cent.

Profit before tax**

£m	2005	2004	
Group operating profit*	380.3	339.4	+12%
Net interest payable	(136.7)	(137.2)	
Profit** before tax	243.6	202.2	+20%

- Strong underlying profit growth
 - regulatory price increases
 - Infrastructure management continues its growth record
- Modest reduction in interest charge
 - reflects proceeds from second stage of the rights issue
 - lower interest costs on debt

* relating to continuing operations and excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs
 ** relating to continuing operations and excluding amortisation of intangibles considered as goodwill under UK GAAP, restructuring costs and the impact of IAS 39

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Group operating profit was up by around 12 per cent. There was a small reduction in interest payable, reflecting receipt of the proceeds from the second stage of the rights issue and lower interest costs on our debt.

This helped the group increase its profit before tax, prior to adjustment for IAS 39, by approximately 20 per cent.

Accounting for derivatives (IAS 39)

- United Utilities has elected to apply IAS 39 from 1 April 2005
 - there is no impact on comparative periods
- In order to hedge the interest cost implicit in the regulatory contracts
 - fix interest rates for the duration of the five-year review period
 - by typically swapping fixed rate debt to floating at the time of issue
 - then swapping back to fixed rate at the outset of the review period
- IAS 39 has introduced some volatility into the income statement, since it restricts the use of hedge accounting
 - this has increased the reported finance costs by £68m
- However, there is no cash flow impact and the effect of IAS 39 should broadly balance out over the 2005-10 period

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United Utilities has elected to apply IAS 39, covering accounting for derivatives, from 1 April 2005. It should be noted that there is no impact on comparative periods.

I'd just like to remind you of the group's hedging policy. In order to hedge the interest cost implicit in the regulatory contracts, the group fixes interest rates for the duration of each five-year review period by typically swapping fixed rate debt to floating at the time of issue, and then swapping back to fixed rate at the outset of each five-year regulatory contract period.

IAS 39 limits the use of hedge accounting and, as expected, has introduced some volatility into the income statement. This has increased the reported finance costs, in the half year, by around £68 million.

However, this has no cash flow impact and the effect of IAS 39 should broadly balance out over the 2005-10 period.

Amortisation of intangibles and restructuring costs

- Intangibles amortisation* of £5.0m
 - principally reflects the intangibles arising from the acquisition of Marlborough Stirling by Vertex in May 2005
- Restructuring costs of £8.8 million
 - primarily relates to the Marlborough Stirling integration
- Further restructuring charges are expected in the second half of the year, principally arising from further rationalisation of property requirements in Vertex

* refers to amortisation of intangibles considered as goodwill under UK GAAP

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Amortisation of intangibles was £5 million. This principally reflects the intangible assets arising from the acquisition of Marlborough Stirling by Vertex in May this year.

During the period there was a restructuring charge of just under £9 million. This primarily relates to the Marlborough Stirling integration.

Further restructuring charges are expected to be incurred in the second half of the year, principally arising from further rationalisation of property requirements in Vertex.

Your Communications - current trading

- The telecoms market continues to weaken
 - sustained excess capacity in the industry
 - intense pricing pressures
- Your Communications' turnover has fallen by 11.5% to £98.2m, compared with the second half of 2004/05
 - reflecting changes to the tariff for fixed to mobile calls; and
 - substantial pricing pressure being experienced in the industry
- Gross margin relatively stable
 - reflecting the move towards higher margin business traffic and away from wholesale activity, such as premium rate services
- Operating loss* of £11.8m, compared with £4.6m in first half of 2004/05
- Your Communications now broadly neutral EBITDA and cash flow

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* excluding amortisation of intangibles considered as goodwill under UK GAAP

Moving on to our telecoms business.

The telecoms market continues to weaken as a result of sustained excess capacity in the industry and intense pricing pressures.

Turnover in Your Communications has fallen by 11.5 per cent to £98.2 million, compared to the second half of 2004/05. This reflects changes to the tariff for fixed to mobile charges and also the substantial pricing pressure being experienced in the industry.

However, gross margin has been relatively stable. This reflects Your Communications' move towards higher margin business traffic and away from wholesale activity, such as premium rate services.

The business recorded an operating loss of £11.8 million in the first half of the year, compared to a loss of £4.6 million in the corresponding period last year and now has broadly neutral EBITDA and cash flow positions.

Your Communications - impairment charge

- Consolidation of telecoms sector overdue
 - but evidence now of deals being done
- Plans for disposal now being accelerated
 - net impairment charge of £99 million, against a net asset value of £196 million as at 30 September 2005
 - carrying value around 1% of the group's net operating assets
 - in accordance with IFRS, Your Communications business is now reported separately as a business held for sale
- Adjustment to value reflects:
 - challenging trading outlook for telecoms industry
 - participation in current round of consolidation is in interests of the business

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We've recognised for some time that consolidation of the telecoms sector has been overdue, and we're now seeing evidence of deals being done.

As I said earlier, we've taken the decision to accelerate the disposal of this business. Alongside this, the Board has taken the opportunity to review the carrying value of Your Communications under the provisions of IFRS. As a result of this, we have taken a net impairment charge of £99 million against a net asset value of £196 million as at 30 September 2005. The consequent adjusted carrying value represents around one per cent of the group's net operating assets. In accordance with IFRS, the Your Communications business is now reported separately and its financials are netted off in a separate line in the consolidated income statement.

This adjustment to value reflects the challenging trading outlook for the telecoms sector and our view that participation in the current round of consolidation is in the best interests of Your Communications.

Taxation

£m	2005	2004
Current tax	26.4	2.9
Deferred tax	24.0	52.1
Tax credit on restructuring and intangibles	<u>(4.1)</u>	<u>(0.5)</u>
	<u>46.3</u>	<u>54.5</u>

Current tax

- Increase of around £24 million primarily due to changes in tax treatment of capitalised revenue expenditure

Deferred tax

- Charge mainly relates to the requirement to provide in full for deferred tax under IAS 12

Tax credit

- Principally relates to the restructuring costs associated with the Marlborough Stirling acquisition

Tax charge*

- Effective current tax charge of 15%
 - 29% total tax charge including deferred tax

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* excluding the tax credit and impact of amortisation of intangibles and restructuring costs on profit before tax

Turning to our tax position, the group recorded a current tax charge of around £26 million in the half year. This is an increase from around £3 million, in the corresponding period last year, and reflects changes in the tax treatment of capitalised revenue expenditure.

A deferred tax charge of around £24 million was recorded for the half year and mainly relates to the requirement to provide in full for deferred tax under IAS 12.

The tax credit principally relates to the restructuring costs associated with the Marlborough Stirling acquisition.

Excluding this tax credit and the impact of amortisation of intangibles and restructuring costs on profit before tax, the effective current tax charge for the half year is around 15 per cent. The total tax charge, including deferred tax, is just under 30 per cent.

Earnings

Pence per share	2005	2004
Earnings per share (adjusted)		
Before deferred tax*	26.3	25.5

- Increase in EPS (before deferred tax) reflects underlying profit growth partially offset by dilutive effect of the issuance of new shares
 - consistent with Ofwat's tax treatment in its price setting methodology
- Adjusted basic weighted average number of shares used for 2005 EPS calculations = 829.3m (2004: 780.4m - restated)

* relates to continuing operations and adjusted for restructuring costs, amortisation of intangibles considered as goodwill under UK GAAP, deferred tax and the impact of IAS 39

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Earnings per share before deferred tax increased by around 3 per cent, reflecting underlying profit growth, partially offset by the dilutive effect of the issuance of new shares. It's worth noting that this EPS measure is consistent with the way that Ofwat treats tax in its price-setting methodology.

You can also see from this slide the weighted average number of shares used for EPS calculations.

Dividends

Pence per share	2005	2004
Dividend per ordinary share	14.29	13.82*
Dividend cover**		
Before deferred tax	1.7x	1.9x
After deferred tax	1.4x	1.4x

- Interim dividend increased by 3.4 per cent, consistent with our target of growing dividends in line with inflation

* adjusted to take account of the second stage of the rights issue (adjustment factor of 0.9342, as previously communicated to the market) 16
 ** excluding amortisation of intangibles considered as goodwill under UK GAAP, restructuring costs and the impact of IAS 39

The interim dividend has been increased by 3.4 per cent, consistent with our target of growing dividends in line with inflation.

Dividend cover, on a pre-deferred tax basis, and excluding the impact of IAS 39, is 1.7 times.

Balance sheet

£m	30 September 2005	31 March 2005
Net debt prior to fair value adjustment	4,106.0	4,278.6
Adjustment to fair value of debt (IAS 39)	98.9	
Equity shareholders' funds	2,439.4	2,143.1
Total capital employed	<u>6,644.3</u>	<u>6,421.7</u>
Gearing (net debt/total capital employed)	63%	67%

- Reduction in net debt primarily reflects the proceeds from the second stage of the rights issue
- Shareholders' funds also benefited from second stage of the rights issue

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There was a reduction in both net debt and gearing, as at 30 September, compared to 31 March this year. Net debt stood at around £4.1 billion, prior to adjustment for fair value. This reduction primarily reflects the proceeds from the second stage of the rights issue.

The group now has a robust balance sheet to help fund the capital investment requirements of its regulated businesses over the next five years and beyond.

Segmental analysis of profits*

£m	2005	2004	
Licensed multi-utility operations	325.0	286.8	
Infrastructure management	41.1	37.9	
Business process outsourcing	11.0	12.8	
Other activities	5.7	4.0	
Corporate costs	(2.5)	(2.1)	
Group operating profit*	380.3	339.4	+12%

The group has delivered strong underlying profit growth

* relating to continuing operations and excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs

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This slide shows our segmental analysis and, as you can see, the group has delivered strong underlying profit growth. I'd now like to comment on the performance of each of the businesses in turn.

Licensed multi-utility operations

£m	2005	2004	
Turnover	745.9	682.6	+9%
Operating profit	325.0	286.8	+13%

- Increase in turnover reflects allowed price rises, including inflation, of 8.4% for United Utilities Water and 11.5% for United Utilities Electricity
- Increase in operating profit, despite increasing costs that are accompanying the growth in the asset base
- Results have also benefited from the IFRS treatment of infrastructure renewals, resulting in £9m lower reported spend, compared with last year, as the new five-year programme gets underway

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In licensed multi-utility operations, turnover increased by over 9 per cent. This reflects allowed price rises, including inflation, of 8.4 per cent for United Utilities Water and 11.5% for United Utilities Electricity.

Operating profit increased by over 13 per cent, despite increasing costs that are accompanying the growth in the asset base.

The results have also benefited from the IFRS treatment of infrastructure renewals, resulting in a £9m lower reported spend, compared to last year, as the new five-year programme gets underway.

Infrastructure management

£m	2005	2004	
Turnover	308.5	228.4	+35%
Operating profit*	41.1	37.9	+8%

- Growth in turnover and operating profit*
 - reflects the success of the business in terms of recently securing a number of significant new deals
 - continued its operating profit* growth record
 - despite mobilisation costs associated with the commencement of a number of new contracts

* excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs

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Infrastructure management saw a substantial increase in turnover, of around 35 per cent, reflecting the success of the business in recently securing a number of significant new deals.

Despite mobilisation costs associated with the commencement of these new contracts, the business continued its operating profit growth record, with an increase of approximately 8 per cent.

Business process outsourcing

£m	2005	2004
Turnover	207.4	201.2
Operating profit*	11.0	12.8

- Good progress has been made in replacing revenues from recently completed and renegotiated contracts
- As expected, margins have been affected by the start-up costs associated with the Thurrock Council contract and the inherited trading position of Marlborough Stirling
- Growth prospects remain promising for Vertex in the medium-term with a number of opportunities in the pipeline, particularly in the public sector and financial services sector

* excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs

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In Vertex, good progress has been made in replacing revenues from recently completed and renegotiated contracts, with turnover increasing by around 3 per cent.

As expected, margins have been affected by the start-up costs associated with the Thurrock Council contract, which started in April, and the inherited trading position of Marlborough Stirling.

However, growth prospects remain promising for Vertex in the medium-term with a number of opportunities in the pipeline, particularly in the public sector and financial services sector.

Highlights*

- **Profit** before tax increased by 20% to £244m**
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- **Your Communications**
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So, in conclusion, we've made good progress in the half year, with a significant increase in group operating profit and the successful mobilisation of a number of substantial new contracts.

That concludes my part of the presentation, so I'll now hand over to John.



John Roberts

Chief Executive

Thank you Simon, good morning.

Strong growth from outsourcing businesses

- **Licensed multi-utility operations**
 - strong underlying profit growth
 - efficiency targets on track

- **Support services businesses**
 - United Utilities Contract Solutions successfully mobilising new contracts
 - Public sector progress
 - Vertex extends its presence in North America
 - Vertex Financial Services re-branding

- **Summary and outlook**

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What I'd now like to do is talk you through some of our recent key developments.

In licensed multi-utility operations, we're well underway with the implementation of our efficiency plans and remain confident that we can meet the regulatory cost challenges.

Our support services businesses continue to grow and are heavily engaged in mobilising new contracts.

In addition to making further progress in the UK public sector, Vertex has extended its presence in North America, forming an alliance with IBM and securing a contract with US multi-state utility NiSource.

Vertex is also well-advanced in its integration of Marlborough Stirling and, to reflect the stronger combined business offering, has re-branded this business as Vertex Financial Services.

So, I'd now like to talk about each of our businesses in more detail, starting with our licensed multi-utility operations business.



United Utilities North West Operating cost efficiencies

- The business is well-advanced in the implementation of its efficiency plans
 - Customer Sales and Service Delivery divisions merged to form United Utilities North West
 - new customer billing system successfully delivered
 - initial roll-out of multi-utility work management system expected in early 2006
 - Integrated Performance Management project – following the successful pilot programme, this is now being rolled out on a more extensive scale

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We have a number of operating efficiency initiatives in place and good progress has been made in the implementation of these initiatives in the first half of the year.

We have merged our Customer Sales business with our Service Delivery business to form United Utilities North West. This has rationalised operations and reduced management overhead.

To improve customer service and increase efficiency, United Utilities, working with Vertex, has successfully developed a new customer billing system. All customer accounts have now been migrated onto this system on time and to budget.

We have been working on developing a multi-utility work management system and the initial roll-out is set to go ahead in the early part of 2006. This involves supplying mobile devices to field employees, introducing new multi-utility map and address management systems and launching a new customer contact system to help improve service levels.

Another main area of savings relates to our Integrated Performance Management project, which is focused on optimising the way the business manages its major assets in the North West. Positive returns have been realised from the initial pilot programmes and these are now being rolled-out on a more extensive scale.

United Utilities North West Investment strategy

- Implementation of the capital programme partnerships progressing well
 - confident that the business can reduce capital programme overhead by working on a more integrated basis with partners
 - integrated alliances with strategic partners and new delivery structures have been established
 - early benefits have been realised through co-location and development of common systems
- New project and investment management system successfully implemented to support the delivery of the capital programme

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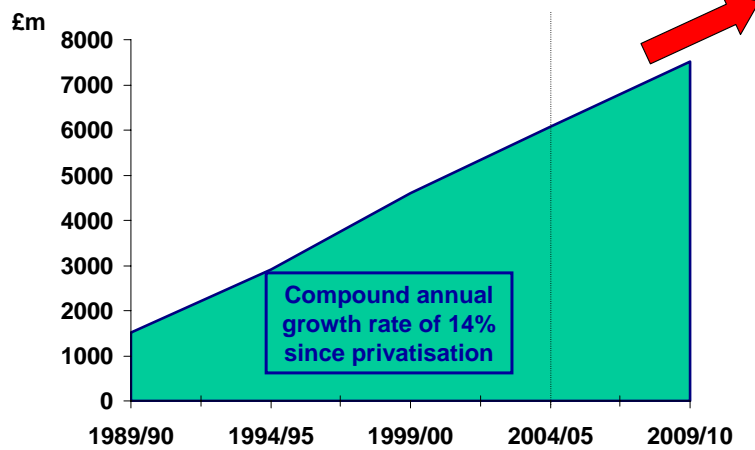
Turning to the capital investment side of the business, the implementation of our partnership frameworks is progressing well.

We're confident that the business can reduce capital programme overhead by working on a more integrated basis with its partners. Integrated alliances with our strategic partners and new delivery structures have been established and early benefits have been realised through co-location and the development of common systems.

The business has also successfully implemented a new project and investment management system to support delivery of the capital programmes.

So, overall, we're pleased with our progress in addressing our regulatory efficiency challenges.

United Utilities Water Regulated Asset Value*



Further growth in RAV based on AMP4 investment drives growth in regulated income stream

“...over the next five years, regulated income growth means that the risk profile of the group’s income stream should not materially change despite excellent opportunities to grow support service activities...”

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* Closing values, outturn prices. 2005-10 growth based on Ofwat’s projections

Let me remind you that our licensed multi-utility operations business is a growth business. Our water regulatory asset value has increased since privatisation at an annual compound growth rate of 14 per cent. Few markets have presented this sort of growth opportunity over such a long period. This growth is set to continue, driven by environmental requirements. Over the 2005-10 period our water and wastewater regulatory asset value is set to grow by around 25 per cent. The significance of this is that, over the next five years, regulated income growth means that the risk profile of the group’s income stream should not materially change despite excellent opportunities to grow support service activities.

Leveraging our increasing scale of activities Procurement economies

- We are looking to leverage our increasing scale of activities by achieving further procurement economies
 - signed a single source pipeline contract earlier in the year
 - for the first time, one company will supply pipeline materials to all of our infrastructure businesses across the country

“...this single source arrangement illustrates that, as a market leader, United Utilities is looking at smarter ways of working to secure cost savings across all of its businesses...”

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In addition to our regulatory efficiency initiatives, we are looking to leverage our increasing scale of activities by achieving further procurement economies on a group-wide basis.

As part of this drive, earlier in the year, we signed a single source pipeline contract. This means that, for the first time, one company will supply pipeline materials to all of our infrastructure businesses across the country.

This single source arrangement illustrates that, as a market leader, we are looking at smarter ways of working to secure cost savings across all our businesses.

Strong growth from outsourcing businesses

- **Licensed multi-utility operations**
 - strong underlying profit growth
 - efficiency targets on track
- **Support services businesses**
 - United Utilities Contract Solutions successfully mobilising new contracts
 - Public sector progress
 - Vertex extends its presence in North America
 - Vertex Financial Services re-branding
- **Summary and outlook**

I'll now move onto our support services businesses, starting with our infrastructure management business.

Building on our first mover advantage

- United Utilities Contract Solutions is now operating substantial high profile contracts with:
 - **Welsh Water** - first time a utility had outsourced its operations to another utility - 15 year contract renewal commenced in April 2005
 - **Scottish Water** - first time a water utility had outsourced the management of its investment programme to another utility
 - **British Gas Trading** - first major meter installation contract to be outsourced
 - **Southern Water** – 5 year, £750m investment programme management contract successfully commenced in April 2005
 - **North of England gas network** – 8 year, £1.1bn operations contract which successfully mobilised on 1 June 2005
 - **Thurrock Council** - first contract secured in partnership with Vertex

“...through these and other contracts United Utilities Contract Solutions has firmly established itself as the leading utility infrastructure outsourcing company in the UK...”

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United Utilities Contract Solutions has delivered sustained growth since its creation.

This slide shows some of the high profile contracts the business is currently operating. These include contracts with Welsh Water, Scottish Water, Southern Water, British Gas Trading, the North of England gas network and Thurrock Council.

A number of these contracts were ground-breaking deals, in the sense that it was the first time such outsourced contracts had been awarded. This has helped the business build on its first mover advantage and is now involved in the operation or management of assets representing around 35 per cent of the UK water industry's asset base. Its order book stands at approximately £5 billion and the business serves a population of over 17 million in the UK. The outsourced utility contracts, when taken together, cover regulated assets totalling around £10 billion.

Through these and other contracts United Utilities Contract Solutions has firmly established itself as the leading utility infrastructure outsourcing company in the UK.

North of England gas distribution network

- United Utilities acquired a 15% stake in the CKI-led consortium that purchased the North of England gas distribution network in June
- United Utilities Contract Solutions secured a £1.1 billion, 8-year contract to operate and maintain the network and manage the capital programme
 - contract successfully commenced on 1 June
 - over 1,000 employees transferred to United Utilities
 - start-up costs will affect first year contributions, but initial progress has been good
 - initiatives now in place to achieve efficiency gains and meet key internal performance indicators

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United Utilities acquired a 15 per cent stake in the CKI-led consortium that purchased the North of England gas distribution network earlier in the year.

We also secured a £1.1 billion, 8-year contract to operate and maintain the network and manage the capital programme on behalf of the consortium.

The contract successfully commenced on 1 June, when over a thousand employees transferred from National Grid Transco to United Utilities. Whilst the start-up costs will affect first year contributions, initial progress has been good. Initiatives are now in place to meet key internal performance indicators and to achieve efficiency gains. Overall, performance has been very satisfactory.

The business will also benefit from the economies secured from the single source pipeline deal signed earlier in the year.

**North of England gas distribution network
Obligations and responsibilities**



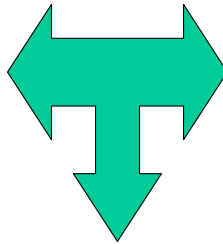
Obligations & responsibilities of Licence holder retained by Northern Gas Networks (NGN)

The Owner, NGN, is accountable for fulfilling Licence and Safety Case Obligations



United Utilities (UU) largely manages field operation and delivery activities

Asset management and operational activities are managed and delivered for NGN by UU



An Asset Services Agreement defines the relationship between NGN and UU

This slide shows the obligations and the responsibilities of the parties involved. Obligations and responsibilities of the licence holder are retained by Northern Gas Networks, who is responsible for fulfilling licence and safety case obligations.

United Utilities is responsible for asset management and operational activities.

An asset services agreement defines the relationship between the two parties.

Southern Water contract

- Five-year, £750m JV contract to manage Southern Water's capital programme was successfully mobilised in April
 - United Utilities has a 40% stake in the special purpose vehicle, 4D, set up specifically for this contract
- Initial progress has been good
 - transition complete
 - Southern Water employees transferred to United Utilities
 - year one expenditure is anticipated to meet Southern Water's expectations
 - 4D effectively working as one team
 - anticipated that the first 40 capital investment projects will be underway by end December
 - expectation that around a half of the AMP4 programme, by value, will have been approved by March 2006

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I'd now like to say a little bit about our contract with Southern Water, which was successfully mobilised in April.

This is a 5-year, £750 million joint venture contract, in which United Utilities has a 40 per cent stake.

Initial progress has been good. The transition phase is complete and Southern Water employees have transferred across to United Utilities. By the end of December, we expect that the first 40 capital investment projects will be underway. We also anticipate that around a half of the AMP 4 programme, by value, will have been approved by March 2006.

So, I hope you can see that our infrastructure management business has made good progress and, through our growing contract portfolio, we have consistently led the utility infrastructure outsourcing market in the UK.



Support services businesses in partnership Thurrock Council contract

- Since April United Utilities Contract Solutions has been working in partnership with Vertex to deliver the £427 million, 15-year contract with Thurrock Council to help the council serve its residents
- Contract progressing well
 - reviews undertaken looking at how services are provided and how they are commercially and financially controlled
 - the customer contact centre went live in June and all services have now migrated across
 - customer contact centre exceeding service level targets
- Partnership arrangement helps to provide a comprehensive outsourcing offering

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Our support services businesses, Vertex and United Utilities Contract Solutions, look to pursue opportunities in partnership where we believe a broader offering, on a single supplier basis, will provide competitive advantage.

Our £427 million contract with Thurrock Council is a good example of our support services businesses working in partnership.

The contract is progressing well, with a number of reviews having been undertaken to look at how services are provided and how they are commercially and financially controlled.

The customer contact centre went live in June and all services have now migrated across. A performance management programme has been delivered and the customer contact centre is exceeding its service level targets.

This partnership arrangement helps to provide a comprehensive outsourcing offering to the market.

UK public sector progress Strategic partnership with Hertfordshire County Council

- Vertex secured a strategic partnership with Hertfordshire County Council in October 2005
 - first phase of partnership is a 10-year, £26 million contract for the provision of customer management and business process re-engineering services
 - aim of the strategic partnership is to transform public service delivery and continually improve services for the resident
 - plans to implement a new customer relationship management system
 - around 100 employees will initially transfer to Vertex

In addition to the Thurrock contract, Vertex secured a strategic partnership with Hertfordshire County Council in October.

The first phase is a 10-year, £26 million contract for the provision of customer management and business process re-engineering services. The aim of the strategic partnership is to transform public service delivery and continually improve services for the residents of Hertfordshire. Vertex aims to implement a new customer relationship management system to enhance service levels. Around 100 employees will initially transfer from the council's current supplier to Vertex's management.

This partnership builds on Vertex's solid presence in the public sector and broadens its contract portfolio.

Vertex extends its presence in North America

- Vertex is pursuing opportunities in the North American utilities market as it continues to deregulate
- IBM / NiSource
 - Vertex entered into an alliance with IBM in June 2005
 - first contract was to team with IBM on its \$1.6 billion contract with US multi-state utility NiSource
 - contract has started well with the transition plan well underway
 - call centre operations are being consolidated
- This alliance, which complements our existing contract with Canadian utility HydroOne, will help Vertex capitalise on the significant opportunities in this market

Vertex is pursuing opportunities in the North American utilities market as it continues to deregulate. An important development for Vertex was its recently formed alliance with IBM to provide business process transformation services to this market.

The alliance secured its first contract win in June, a \$1.6 billion contract with US multi-state utility NiSource. Vertex is responsible for the provision of customer contact centre, sales and billing services. The contract has started well and the transition plan is well underway. Our call centre operations are being consolidated to improve efficiency.

This alliance, which complements our existing contract with Canadian utility Hydro One, will help Vertex capitalise on the significant opportunities in this market.

Marlborough Stirling

- To reflect the stronger combined business offering, Marlborough Stirling has been re-branded as Vertex Financial Services
- The integration of Marlborough Stirling into Vertex is well underway
 - approximately £6 million of efficiencies, on a full-year basis, were identified shortly after acquisition
 - it is anticipated that over £4 million of these efficiencies will be delivered in the 2005/06 financial year
 - management remains confident that the combination of Vertex and Marlborough Stirling will provide the financial services market with an attractive outsourcing proposition

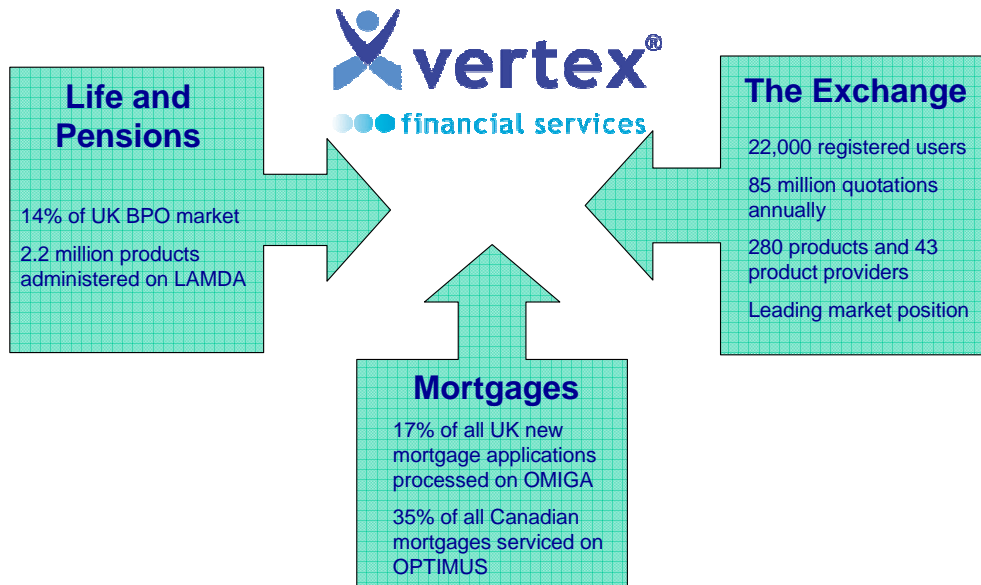
“...the benefits derived from the merging of the two companies’ core skill sets will help us deliver exciting new solutions to the market...”

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A major development for Vertex this year was the acquisition of Marlborough Stirling in May, which provided Vertex with the financial sector-specific IT platforms it needed to move into the financial services sector. To reflect the stronger combined business offering, Marlborough Stirling has been branded as Vertex Financial Services. I’ll say more about our combined offering in a moment.

First, though, I’d like to focus on how the integration of Marlborough Stirling into Vertex is progressing. The integration is well underway. We identified approximately £6 million of efficiencies, on a full-year basis, shortly after acquisition. We expect to deliver over £4 million of these efficiencies in this financial year.

We believe that the benefits derived from the merging of the two companies’ core skill sets will help us deliver exciting new solutions to the market.

**Vertex Financial Services
Comprehensive market offering**


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Marlborough Stirling has three divisions. The Life and pensions division has a 14 per cent market share of the UK outsourced life and pensions market.

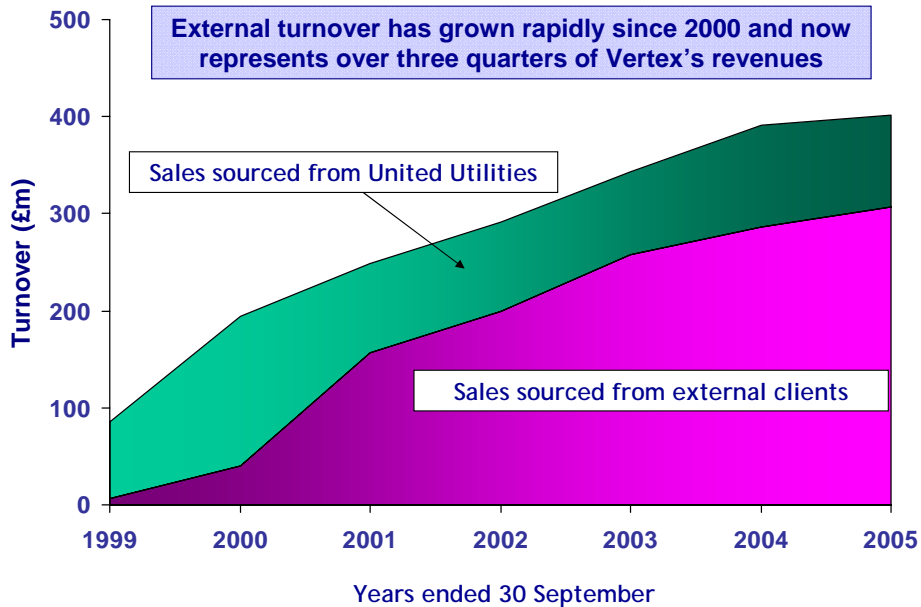
The Mortgages Division operates in both the UK and Canada. 17 per cent of all new mortgage applications in the UK are processed on Marlborough Stirling's OMIGA software, while 35 per cent of all Canadian mortgages are serviced on its OPTIMUS software.

The third division is the Exchange. This is an on-line portal which allows financial intermediaries, typically independent financial advisors, to access policy quotations from financial product providers. Through the Exchange, Marlborough Stirling has contact with over 22,000 financial intermediaries and 43 financial product providers in the UK market. This represents a leading market position.

Overall, it's estimated that the market for BPO services for mortgages and life and pensions will grow at a compound annual growth rate of between 19 and 25 per cent in the medium term.

Vertex Financial Services is now well placed to provide the financial services market with an attractive and comprehensive outsourcing proposition.

Vertex growth



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This chart shows the growth of Vertex since 2000.

Five years ago, Vertex was mainly an in-house provider to United Utilities. It has since grown rapidly to a position where external sales now represent over three quarters of Vertex's revenues.

As the external business has grown, total turnover has more than doubled over the last five years.

Strong growth from outsourcing businesses

- **Licensed multi-utility operations**
 - strong underlying profit growth
 - efficiency targets on track
- **Support services businesses**
 - United Utilities Contract Solutions successfully mobilising new contracts
 - Public sector progress
 - Vertex extends its presence in North America
 - Vertex Financial Services re-branding
- **Summary and outlook**

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That covers all of our businesses.

I'll now finish by briefly summarising and commenting on the outlook for the group.

Summary and outlook Licensed multi-utility operations

- Strong underlying profit growth
- Well-advanced in the implementation of our investment programme and efficiency plans
- We remain confident of achieving our regulatory cost challenges
- Looking to leverage our increasing scale of activities by achieving further procurement economies
- Solid balance sheet to support future growth in the regulated asset base

Our licensed multi-utility operations business has delivered strong underlying profit growth in the half year.

We're well-advanced in the implementation of our investment programme and efficiency plans and remain confident that we can achieve the regulatory cost challenges. Additionally, we will continue to pursue opportunities to leverage our increasing scale to achieve further procurement economies.

The group has a solid balance sheet in place to support future growth in the regulated asset base over the 2005-10 period and beyond.

Summary and outlook Support services businesses

- United Utilities Contract Solutions heavily engaged in mobilising new contracts
 - North of England gas distribution network, Southern Water and Thurrock Council contracts are all progressing well
- Vertex extends its presence in North America
 - alliance formed with IBM and \$1.6bn contract with US utility NiSource
- Further UK public sector progress achieved
 - strategic partnership and contract with Hertfordshire County Council
- Marlborough Stirling re-branded as Vertex Financial Services to reflect the stronger combined business offering to a growth market

“...in summary, both infrastructure management and Vertex are poised for future growth...”

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Our infrastructure management business is heavily engaged in mobilising new contracts which will feed through new profit streams.

We see significant opportunities for Vertex in both the North American utilities market and the UK public sector in the medium-term.

In addition, we now have a strong financial services outsourcing offering in Vertex Financial Services and aim to capitalise on the substantial growth prospects in this market.

In summary, both infrastructure management and Vertex are poised for future growth.

Highlights*

- **Profit** before tax increased by 20% to £244m**
 - reflecting allowed regulatory price increases and contract growth
- **Operating profit from continuing operations increased by 8% to £367m**
- **Licensed multi-utility operations**
 - operating profit increased by 13% to £325m
- **Infrastructure management**
 - turnover jumped by 35% and operating profit*** up by 8% to £41m
- **Business process outsourcing**
 - operating profit*** of £11m (2004 - £13m)
- **Your Communications**
 - decision to accelerate disposal
- **Successfully completed second stage of rights issue**
 - raised a further £508m
- **Interim ordinary dividend increased by 3.4% to 14.29p**

* these results and prior period comparisons are consistent with International Financial Reporting Standards (IFRS)

** relating to continuing operations and excluding amortisation of intangibles considered as goodwill under UK GAAP, restructuring costs and the impact of IAS 39

*** excluding amortisation of intangibles considered as goodwill under UK GAAP, and restructuring costs

That concludes our presentation. Thank you for listening, we'll now take questions.



Supporting information

**Licensed multi-utility operations turnover
half-year ended 30 September**

£m	2005	Price	Volume	2004
Water and wastewater	613	49	1	563
Electricity distribution	133	9	4	120
	<hr/> 746	<hr/> 58	<hr/> 5	<hr/> 683

**Water and wastewater expenses
half-year ended 30 September**

£m	2005	2004
Depreciation and amortisation	104	104
Infrastructure renewals expenditure	20	29
Other costs	230	191
Total costs	<u>354</u>	<u>324</u>

**Electricity expenses
half-year ended 30 September**

£m	2005	2004
Depreciation	29	28
Other costs	38	44
Total costs	<u>67</u>	<u>72</u>

Depreciation and amortisation*
Continuing operations
half-year ended 30 September

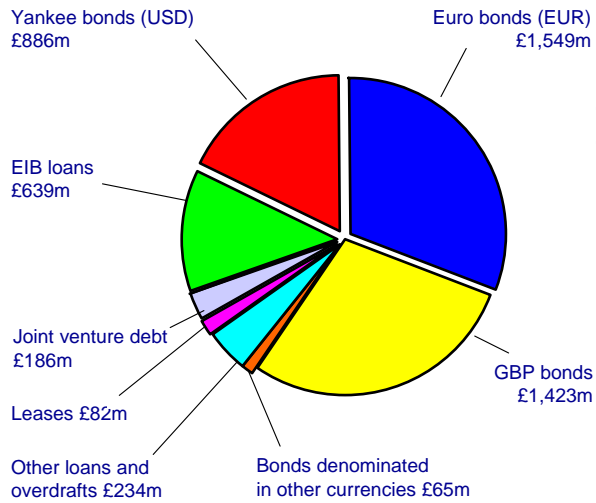
£m	2005	2004
Licensed multi-utility operations	133	132
Infrastructure management	9	10
Business process outsourcing	20	12
Other	1	1
Total	<u>163</u>	<u>155</u>

* excluding amortisation considered as goodwill under UK GAAP

Financing & liquidity as at 30 September 2005

Gross debt = £5,064m

Headroom / pre-funding = £1.8 bn

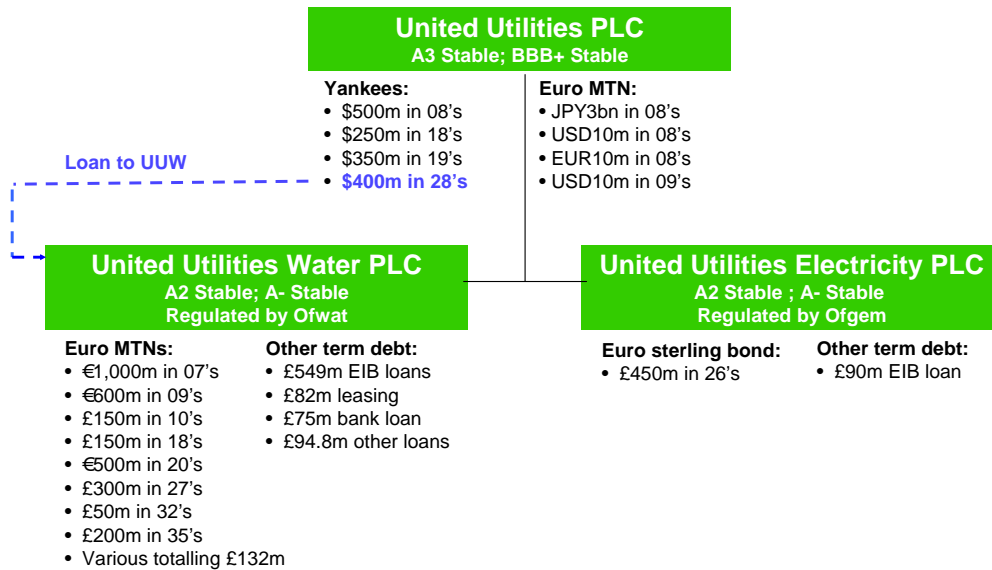


	£m
Cash and short term investments	813.4**
Committed medium term bank facilities	799.6*
EIB facility	200.0
	<u>1,813.0*</u>

*Excludes facilities maturing within one year

**Excludes joint venture cash

Debt structure at 30 September 2005



Note:
Simplified legal entity structure shown for illustrative purposes

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the company.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "potential", "reasonably possible" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, assumptions, estimates and projections which may be significantly varied, and therefore investors should not rely on them. Forward-looking statements involve known and unknown risks and speak only as of the date they are made, and except as required by the rules of the UK Listing Authority and the London Stock Exchange, the company undertakes no obligation to update publicly any of them in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. United Utilities PLC cautions investors that a number of important factors could cause actual results to differ materially from those anticipated or implied in any forward-looking statements. These factors include: (i) the effect of, and changes in, regulation and government policy; (ii) the effects of competition and price pressures; (iii) the ability of the company to achieve cost savings and operational synergies; (iv) the ability of the company to service its future operations and capital requirements; (v) the timely development and acceptance of new products and services by the company; (vi) the effect of technological changes; and (vii) the company's success at managing the risks of the foregoing. The company cautions that the foregoing list of important factors does not address all the factors that could cause the results to differ materially.