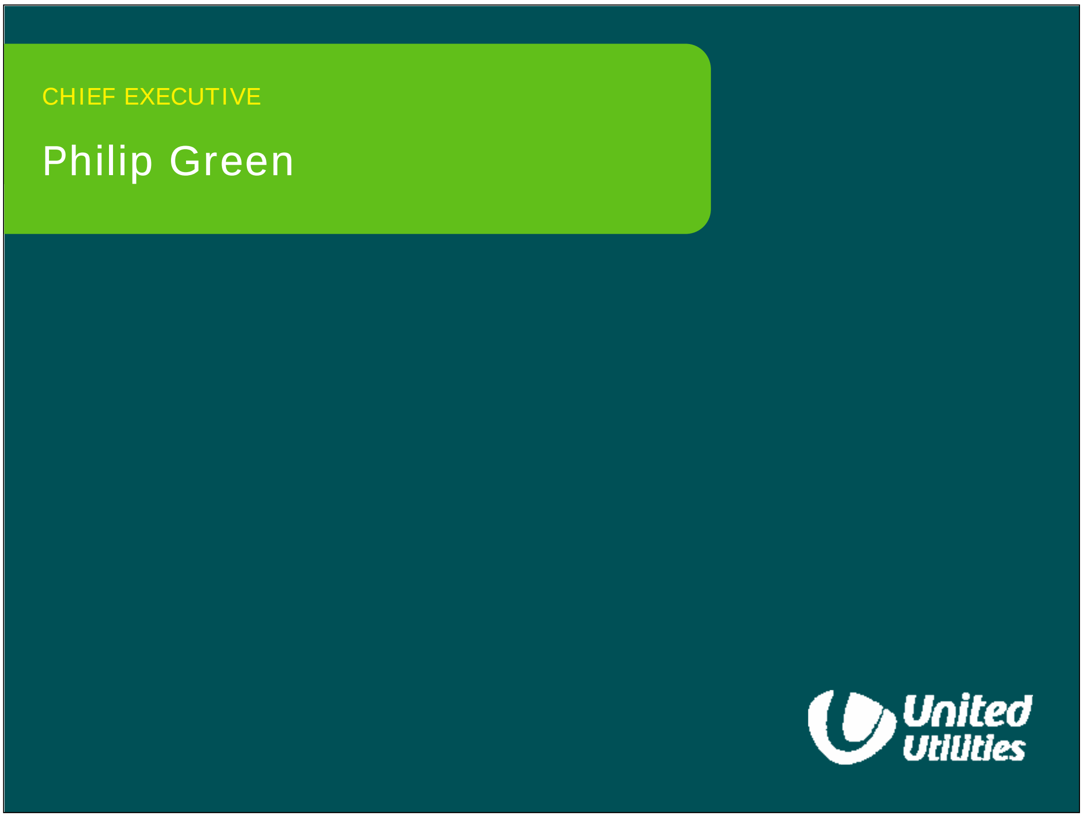
United Utilities Group PLC

Half yearly financial report

Six months ended 30 September 2009



Good morning ladies and gentleman.

With me today is Tim Weller, our Chief Financial Officer, and we also have other members of our senior management in the audience.

Agenda

- Overview — Philip Green
- Financial review — Tim Weller
- Business update — Philip Green
- Questions

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This is the agenda for this morning's presentation.

Before starting, however, I would just like to say a few words about the issues we have been facing in Cumbria, as a result of the exceptional weather conditions over the last week.

The level of rainfall in parts of Cumbria was unprecedented with over a foot falling at Seathwaite in 24 hours. To put this into perspective, this is equivalent to what would normally fall over six months in London and the south east of England.

The Environment Agency estimates this is a one in a thousand year event.

We responded rapidly. Hundreds of our engineers have been working tirelessly alongside the emergency services to help maintain vital water and power supplies.

You may not know this, but we operate four utility networks in Cumbria: water, wastewater, electricity and gas. Water and gas mains were affected by the collapsed Workington bridge and we quickly re-directed those supplies to minimise disruption. We have also re-directed the water supplies that were at risk due to the severely damaged Calva Bridge.

By Monday morning, no customers were without water or gas supplies and electricity had been restored to nearly 90 per cent of properties, with two of our engineers even donning scuba diving gear to get to the necessary switches beneath the bridges.

The one consistent factor throughout this very challenging period has been the dedication and commitment of our people and I would like to thank them for their significant efforts.

This remains a very difficult time for our customers and we will continue to work hard in the affected communities in the aftermath of the floods.

Overview

- Sound underlying financial performance
- Customer satisfaction continues to increase
- Taking action to improve overall performance
- Representations made to Ofwat on draft determination
- Agreed divestments of holdings in Northern Gas Networks and Manila Water for c£130m
- Group plans to assess further opportunities to crystallise value from its non-regulated business

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United Utilities has delivered a sound underlying financial performance in a difficult economic environment.

The group has raised a further £220 million of debt finance in the half year and has financial headroom through to early 2012.

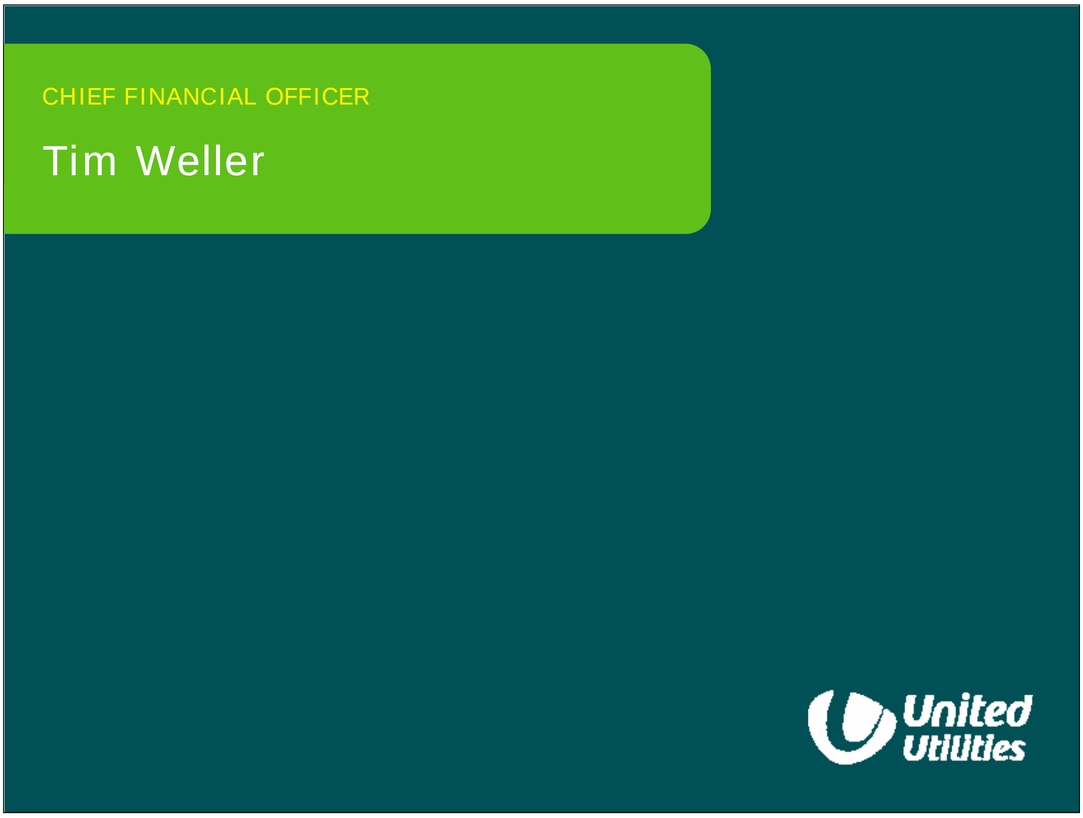
Customer satisfaction is at its highest level for many years and our overall performance assessment, or OPA score, is on track to improve significantly this year.

In July, we received Ofwat's proposals for the 2010-15 period and submitted our representations to the regulator in September. We look forward to receiving Ofwat's final determination of prices tomorrow.

We have agreed the disposals of our holdings in Northern Gas Networks and Manila Water, for approximately £130 million.

Following these divestments, we plan to assess further opportunities to crystallise value from our non-regulated business.

I will now hand over to Tim to take you through our financial performance during the half year.



Thank you Philip. Good morning.

Financial highlights

- Underlying profit before taxation[1] up 6% to £268m
- Underlying operating profit[1] up 1% to £370m
- Regulated underlying operating profit[2] up £1m at £348m
- Non-regulated underlying operating profit[3] up £5m to £28m
- Interim ordinary dividend increased by 5.0% to 11.17p per share

[1] as described on slide 11 [2] as described on slide 6 [3] as described on slide 8

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This slide shows the financial highlights for the period.

Underlying profit before tax was £268 million, up 6 per cent. As in previous periods we have adjusted for one-off items and the volatility from IAS 39 fair value adjustments to provide a more representative view of performance.

Underlying operating profit from continuing operations was marginally up at £370 million.

Our regulated business delivered an underlying operating profit of £348 million, broadly in line with the first half of last year.

Underlying operating profit in our non-regulated activities was up £5 million to £28 million.

The interim dividend of 11.17 pence per share represents a five per cent increase on the previous year, in line with our policy of growing dividends by RPI inflation plus two per cent.

The RPI we use for this calculation is the movement from November 2007 to November 2008, which is the inflation adjustment allowed in our 2009/10 regulated price increase.

Regulated activities

£m	2009	2008	
Revenue	769.2	756.9	*+2%*
Operating profit	**344.9**	**347.4**	***-1%***
Adjustments:			
One-off costs[1]	3.5	-	
Underlying operating profit	**348.4**	**347.4**	***+0%***

- Underlying operating profit broadly in line with prior period
- 6.0% allowed price increase offset as expected by reduced water demand and cost pressures

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[1] principally relates to restructuring within the business

Revenue in our regulated business increased by 2 per cent, reflecting the allowed price rise of six per cent, principally offset by reduced water demand as expected.

Underlying operating profit was broadly in line with the first half of the prior year. This reflects the allowed price rise, offset by higher operating costs and depreciation, which we have highlighted previously.

The regulated business incurred one-off costs of £3.5 million, which principally relate to restructuring within the business.

Regulated activities: operating expenses

£m	2009	2008	
Depreciation and amortisation	124.9	116.1	
Infrastructure renewals expenditure (IRE)	58.4	57.7	
Power	30.6	26.2	
Property rates	30.4	27.6	
Bad debts	27.9	26.5	
Other expenses	148.6	155.4	
Underlying operating expenses	**420.8**	**409.5**	*+3%*

- Higher depreciation in line with planned capital expenditure profile
- Ongoing cost pressures in areas such as power and bad debts
  - increase in power costs, as expected
  - bad debts represent 3.6% of revenue - marginally higher than prior year

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Looking at the movement in regulated operating costs in more detail, depreciation and amortisation have increased reflecting the recent high levels of capital expenditure.

IRE is similar to last year, in line with the planned investment profile.

As we highlighted in May, the business had entered into forward contracts for the majority of its power requirements for 2009/10. Unit power costs this year are approximately 10% higher than in 2008/09 and, coupled with a volume impact, this has resulted in an increase of around £4 million in the half year.

Property rates have also increased.

Bad debt expense has increased marginally compared with the prior period and now represents a slightly higher proportion of regulated revenue at 3.6%. This compares with 3.4% for the year ended 31 March 2009 and reflects the impact of the tough economic environment on cash collection rates.

Other expenses decreased by over 4 per cent, reflecting tight cost control within the business.

Non-regulated activities

£m	2009	2008	
Revenue	436.9	443.7	*-2%*
Operating profit[1, 2]	**25.6**	**23.3**	***+10%***
Adjustments:			
One-off costs[3]	2.3	-	
Underlying operating profit	**27.9**	**23.3**	***+20%***

- Lower contribution from connections – difficult conditions in property market
- Tight cost control measures implemented
- Small impact of IFRIC 12 – prior period restated

[1] depreciation and amortisation in the six months ended 30 September 2009 was £12.7m (£12.4m in six months ended 30 September 2008)
[2] the contribution in dividends from the group's investments in Northern Gas Networks and Manila Water Company was £12.3m for the year ended 31 March 2009, principally received in the second half of the year
[3] principally relates to restructuring within the business

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Moving on to our non-regulated activities, revenue was marginally lower at £437 million, reflecting the impact of the difficult conditions in the UK property market on the group's utility connections business.

We have implemented tight cost control measures and underlying operating profit increased by £5 million.

We incurred one-off costs of approximately £2 million, which also relate to restructuring within the business.

The group is required to adopt a new accounting standard, IFRIC 12 ('Service Concession Arrangements'). This relates to the construction of assets by private sector entities for the provision of public services.

Under IFRIC 12 the prior period results have been restated, reducing operating profit by £3 million. However, this has been largely offset by an increase in investment income, so the net impact on profit before tax is not material. A reconciliation is provided in the supporting information towards the back of this presentation.

As you know, we recently announced the sales of our investments in Northern Gas Networks and Manila Water. Dividend income from these investments for the year ended 31 March 2009 amounted to just over £12 million and was heavily weighted towards the second half of the year.

Finance expense

£m	2009	2008
Published finance expense	**163.1**	**104.8**
Net fair value (losses)/gains on debt and derivative instruments	(62.8)	30.8
Add back interest on swaps and debt under fair value option	11.7	8.3
Underlying interest payable	**112.0**	**143.9**
Investment income	(10.3)	(51.2)
Adjust for net pension interest (expense)/income	(11.5)	3.6
Adjustment for IFRIC 12 financing income	2.9	2.6
Underlying cost of net borrowings	**93.1**	**98.9**
Average net debt	**4,866**	**3,443**
Average annualised underlying rate of net borrowings	**3.8%**	**5.7%**

- RPI interest effect on index-linked debt
- Higher average net debt following £1.5bn return to shareholders in Aug '08

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The group's finance expense as published in the income statement has increased by £58 million. This includes £63 million of fair losses on debt and derivative instruments, compared with £31 million of fair value gains in the prior period.

The large fair value movement is principally a result of the decrease in credit spreads on our debt in the half year, compared with an increase in credit spreads in the prior period. This has had a substantial impact on borrowings that are designated at fair value through profit or loss.

Interest payable on an underlying basis has reduced significantly reflecting the impact of lower RPI on the group's index-linked debt.

Investment income was £10 million, compared with £51 million in the corresponding period, principally reflecting the lower level of cash held since the return of £1.5 billion to shareholders last August.

Overall, the underlying rate of net borrowings has fallen significantly, compared with the prior period, reflecting the recent volatility in RPI which I will now discuss in more detail.

Finance expense: index-linked debt

£m	2009	2008
Interest on index-linked debt	18.2	13.9
RPI adjustment to index-linked debt principal - 3 month lag[1]	17.4	23.3
RPI adjustment to index-linked debt principal - 8 month lag[2]	(25.1)	14.5
Interest charge on index-linked debt	**10.5**	**51.7**
Interest on other debt (including fair value option debt and swaps)	101.5	92.2
Underlying interest payable	**112.0**	**143.9**

- Index-linked debt: RPI interest effect with 3 or 8 month lag
- Benefit in half year from negative RPI adjustment on debt with 8 month lag

[1] affected by movement in RPI between January 2009 and July 2009
[2] affected by movement in RPI between July 2008 and January 2009

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This slide shows the benefit of the group's £2 billion index-linked debt portfolio, which provides a natural hedge to our regulated assets and earnings.

The increase in the interest paid, from £14 million to £18 million, reflects the higher level of index-linked debt held by the group. This includes a £400 million loan facility from the European Investment Bank raised last autumn and the £70 million index-linked bond issued in July.

There is a £17 million charge in relation to the group's index-linked debt with a three month lag.

A key driver in the group's lower net borrowing rate during the half year is the impact of the decrease in RPI over the six months between July 2008 and January 2009. This affects the portion of the group's index-linked debt portfolio with an eight month lag.

The associated indexation adjustment results in a £25 million credit which reduces net finance expense in the period.

Overall, there is an £11 million net charge to the income statement during the six months on approximately £2 billion of index-linked debt.

Profit before tax

£m	2009	2008	
Operating profit	358.9	359.4	*-0%*
Investment income and finance expense	(152.8)	(53.6)	
Profit before tax	**206.1**	**305.8**	***-33%***
Adjustments:			
One-off items[1,2]	11.0	6.5	
Net fair value losses/(gains) on debt and derivative instruments	62.8	(30.8)	
Interest on swaps and debt under fair value option	(11.7)	(8.3)	
Interest associated with cash proceeds from UUE sale	-	(20.6)	
Underlying profit before tax	**268.2**	**252.6**	***+6%***

[1] added to operating profit to obtain underlying operating profit
[2] one-off items in 2009/10 principally relate to restructuring within the business

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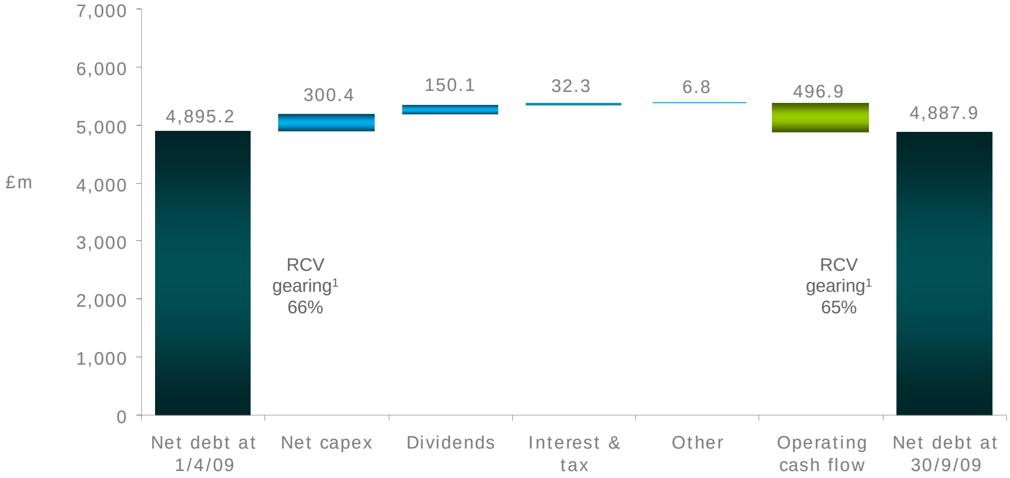
Underlying profit before tax was £268 million, after adjusting for the items set out on this slide.

This six per cent increase principally reflects the impact of the allowed price rise and the low cost of the index-linked debt during the period, partly offset by reduced water demand and cost pressures in the regulated business.

In addition to the interest adjustments, we have adjusted for £11 million of one-off items relating to restructuring across the business.

Without making any adjustments, profit before tax was £206 million.

Movement in net debt



- Adjusting for non-recourse JV debt of £234m, RCV gearing is 62%

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[1] group net debt / United Utilities Water's regulatory capital value in outturn prices

Net debt decreased slightly during the six months to September 2009 as the group benefited from a cash tax inflow of approximately £50 million, following agreement with UK tax authorities of prior years' tax returns.

RCV gearing, measured as group net debt to the water company's regulatory capital value, decreased slightly from the position at March and was 65 per cent at the period end.

This reflects the lower net debt and the inflationary impact on the RCV of increasing RPI over the six months. Adjusting for the group's non-recourse joint venture debt of £234 million, RCV gearing was 62 per cent (compared with 63 per cent at 31 March 2009).

Financial summary

- Sound underlying financial performance
- Raised a further £220m of debt finance
- Financing headroom through to early 2012
- Maturity of term debt portfolio over 25 years
- Index-linked debt provides a natural RPI hedge

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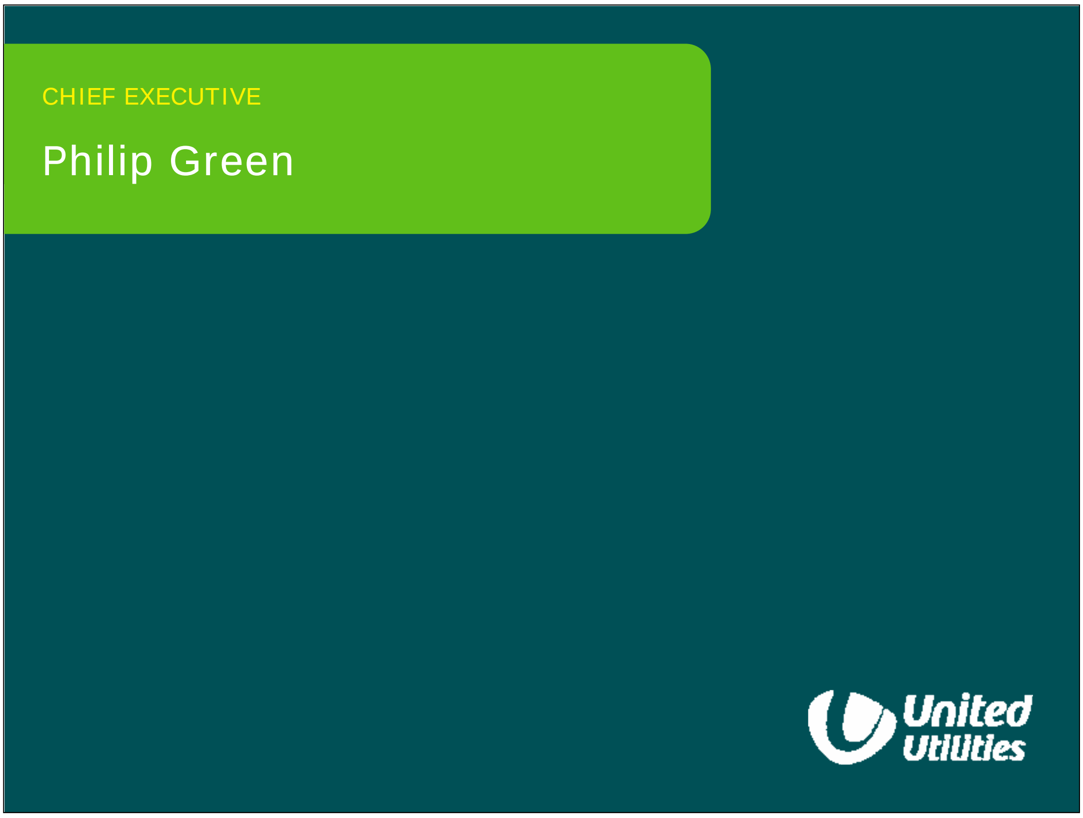
In summary, the group has delivered a sound underlying financial performance.

A further £220 million of debt finance has been raised since March and we have financing headroom through to early 2012.

The maturity of our term debt portfolio is over 25 years and just over 40 per cent of our net debt is index-linked, which provides a natural RPI hedge. The maturity profile of our term debt portfolio is provided in the appendix of this presentation.

I'll now hand back to Philip.



Thank you, Tim.

Business update

- **Operational performance**
- Delivery of 2005-10 regulatory contract
- Non-regulated activities
- 2009 water price review
- Summary and outlook

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I will now give you an update on the group's four key priorities: operational performance, the current regulatory contract, our non-regulated activities and the price review. I will finish with a summary and our views on the outlook for the group.

Key operational and service measures
Customer satisfaction continues to improve

	Start point	Current	Target
Relative efficiency	Below average	Narrowed operating efficiency gap to most efficient water companies since 2005[1] and improved opex position to band B for water and band C for wastewater as assessed by Ofwat – **expect at least to sustain these bandings for 2008/09**	Upper quartile in the medium term
Security of water supply	Had not met economic level of leakage rolling target since 2002	**Met leakage target set by Ofwat for last three years and on track to meet 2009/10 target[2]** No water restrictions anticipated during the year	Meet or outperform rolling leakage targets and avoid the need for water restrictions
Pollution	In 2005/06: 2 water & 21 wastewater incidents[3]	**On course to meet or outperform this target for fourth consecutive year**	Reduce incidents by around 50% in the medium term
Sewer flooding	1091 properties on flooding register in 2005/06[2,4]	**Continued to remove properties from the register** Methodology and processes reviewed and numbers reassessed[2]. Net reduction of 101 properties in the three year period from 2005/06 based on reassessed numbers.	Reduce number by around 50% in the medium term
Overall customer satisfaction (in response to enquiries)	<50%	**78% – further improvement achieved**, building on the significant improvement delivered over last three years. **Customer satisfaction now at highest level for many years**	85% in the medium term Aspiration of 100%

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[1] based on UU internal modelling estimates [2] subject to regulatory audit [3] refers to Category 1&2 incidents as defined by the Environment Agency
[4] reassessed number; refers to properties at risk of experiencing at least one sewer flooding incident in 10 years

You will be familiar by now with this table showing our key operational metrics.

We expect to sustain our relative efficiency bandings in Ofwat's 2008/09 assessment. Improving efficiency remains a key priority as we prepare for the next regulatory period.

We are on track to meet our leakage and pollution targets for the fourth consecutive year and we can report further improvement in overall customer satisfaction, in response to enquiries, which is now at its highest level for many years.

I have often stated that good service generally costs less than bad service and we will continue to focus on improving both our efficiency and our service to customers.

OPA (overall performance assessment)

Three key areas of focus

OPA	Maximum	2008-09
DG2 - low pressure	37.5	36.9
DG3 - unplanned interruptions	37.5	32.6
DG4 - water restrictions	12.5	12.5
OPI - water quality	50.0	44.5
Category 1&2 water pollution incidents	12.5	11.5
Security of supply - absolute	12.5	12.5
Security of supply - target	12.5	12.5
Leakage	12.5	12.5
Water measures total	187.5	175.5
Wastewater treatment works compliance	50.0	23.5
Category 1&2 wastewater pollution incidents	25.0	25.0
Category 3 wastewater pollution incidents	12.5	11.8
Unsatisfactory sludge disposal	12.5	12.5
Sewer flooding (overloaded)	25.0	18.8
Sewer flooding (other causes)	37.5	3.8
Sewer flooding (risk)	12.5	10.2
Wastewater measures total	175.0	105.6
Company contact score	37.5	25.0
Assessed service score	37.5	37.5
Customer measures total	75.0	62.5
Total OPA score	**437.5**	**343.6**

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We have previously talked about the need for improvement in our OPA score.

This slide shows the composition of the OPA score and, as you can see, in many areas we do well, often achieving the maximum possible score.

However, there are three main areas which adversely impact our score: wastewater treatment works compliance, sewer flooding (other causes) and company contact score. We are taking action to achieve improvements in these areas and I will now talk about each of them in a little more detail.

OPA
Taking action to improve performance

- Wastewater treatment works compliance
  - capital investment project underway at Fleetwood
  - plans to install online monitoring system across treatment works
  - number of failing works more than halved
- Sewer flooding (other causes)
  - identification of high risk, high impact locations
  - more effectively allocating operational resources to help mitigate risks
- Company contact score
  - closer monitoring of performance against regulatory targets
  - more flexible resource allocation
  - complex work now dealt with in-house

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The first area we are focusing on to improve our OPA score is wastewater treatment works compliance. As we have highlighted previously, underperformance at one treatment works, Fleetwood, has cost around 25 points in each of the last two years.

We initiated a capital investment programme at Fleetwood over a year ago and this is scheduled to be completed by next summer. We will also be introducing an enhanced monitoring system across our wastewater treatment works to improve performance in respect of meeting consent standards at these works.

We are on track to see an improvement at Fleetwood this year and overall, the number of failing sewage treatment works has more than halved since 2007.

The second area is sewer flooding (other causes), that is the number of properties affected by flooding incidents from equipment failures, blockages or collapses.

We have identified the high risk areas of our sewer network and are now allocating resources more effectively to help mitigate these risks. However, material improvement is not expected until 2010/11.

Another key area of focus is the company contact score. This is based on a number of customer-related measures, including response to billing enquiries.

We have introduced new working practices that have already begun to improve our performance. We are now monitoring regulatory targets much more closely throughout the day and managers have better information and the flexibility to reallocate resources. We have also brought the more complex work back in-house, giving us greater control to resolve issues and help us meet our targets.

Overall, we expect a significant improvement in our OPA score for 2009/10.

Customer satisfaction in response to enquiries
Important element of service incentive mechanism

- Customer satisfaction continues to improve and at highest levels for many years
  - 78% satisfaction score[1] for 12 months to 30 Sept 2009
- Continued focus on getting it right first time
- Benefits of workforce management system
- Service incentive mechanism set to replace OPA
  - performance assessment likely to be more focused on customer experience

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[1] based on an independent monthly survey of 700 customers that contacted UU and made an enquiry

As I mentioned earlier, overall customer satisfaction, in response to enquiries, has continued to improve and we achieved a score of 78 per cent for the 12 months to 30 September 2009. The score for October was 83 per cent, the highest score we have achieved for an individual month.

This improvement has been supported by our continued focus on ‘getting things right first time’ and our workforce management system which has provided better information for operational staff and delivered greater efficiency.

As you may know, Ofwat is looking to replace OPA with a new service incentive mechanism (or SIM) next year which is expected to focus more on the customer experience. The intention is that at the 2014 price review, the incentive/penalty mechanism will be based on the SIM rather than OPA.

Many of the measures that contribute to the OPA score also impact the customer experience and are therefore likely to influence the SIM.

Business update

- Operational performance
- **Delivery of 2005-10 regulatory contract**
- Non-regulated activities
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Now, moving on to our current regulatory contract.

Regulatory performance
Workforce management system delivering benefits

- Enables more effective work scheduling
- Job status updated in real time
- Leakage reports now available on a daily basis
- Halved time taken to resolve poor water supply issues
- Savings of £7m p.a. expected to be realised in full during 2010/11
- Further benefits identified to increase savings to £9m p.a.

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We have a strong focus on cost efficiency and are implementing a range of cost control initiatives across the company.

As part of this cost efficiency programme, our workforce management system, which was implemented a year ago, is a key element in improving the efficiency of frontline staff. The dual benefits of reducing the cost to serve and improving customer satisfaction are being delivered.

Leakage reports are now available on a daily basis and this was a key element in meeting our leakage target during a difficult winter.

We have also halved the time taken to resolve poor water supply issues.

Cost savings of approximately £7 million per annum are expected to be realised in full during 2010/11. In addition, we have now identified further benefits which should take the total annual savings to £9 million thereafter.

Regulatory capital investment programme
Further progress and well set for 2010-15

- £296 million invested in 6 months to 30 September 2009
- Regulatory capital investment programme on track for completion
- West-East Link main contract awarded and construction commenced
- Contractor partners identified for next regulatory capital programme
- Well set for 2010-15 period

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We invested approximately £300 million during the half year and our capital programme is on track for completion.

The West-East Link contract has been awarded and construction activity has begun. This project is a 54 kilometre pipeline connecting Manchester and Liverpool. It increases further the integration of our network, which is important given the potential supply and demand issues that are likely to arise through climate and demographic change.

We have identified our contractor partners to help deliver our 2010-15 capital programme and are well set for the next regulatory period.

Business update

- Operational performance
- Delivery of 2005-10 regulatory contract
- **Non-regulated activities**
- 2009 water price review
- Summary and outlook

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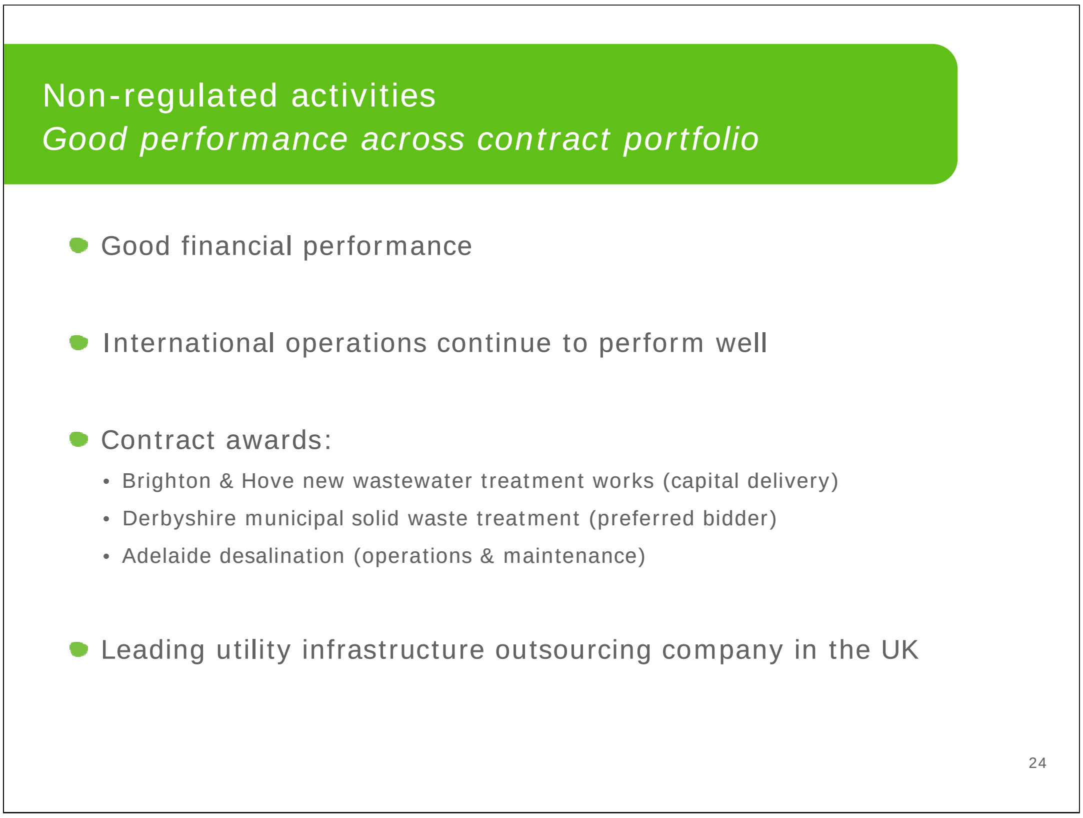
I'll talk about the price review shortly, but first I'd like to update you on our non-regulated activities.



Our non-regulated business has delivered a good financial performance during the first half of the year. We have implemented tight cost control measures and our international operations continue to perform well.

In June, we won a new capital delivery contract, via the 4D consortium, to manage the design and build of a new wastewater treatment works in the Brighton and Hove area on behalf of Southern Water.

The contract has now commenced and the construction phase is expected to take approximately three years, followed by the potential for a two-year contract to operate and maintain the new plant.

As we have highlighted previously, the group was named preferred bidder for a municipal solid waste treatment contract in Derbyshire and we also secured an operations and maintenance contract on a desalination plant to be built in Adelaide.

The non-regulated business continues to be the leading utility infrastructure outsourcing company in the UK.

Non-regulated activities
Disposals of investments

- Completed disposal of 15% stake in Northern Gas Networks for c£86m
- Agreed divestment of 11.7% holding in Manila Water for c£44m
- Completion of Manila Water transaction expected by end of 2009
- Total cash proceeds of c£130m to be retained within the group
- Group plans to assess further opportunities to crystallise value

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We have agreed the disposal of two of our investments, both to existing shareholders, enabling the group to crystallise value.

We have now completed the disposal of our 15 per cent stake in Northern Gas Networks for £86 million.

We have also agreed the sale the of our 11.7 per cent holding in Manila Water Company for approximately £44 million. We expect to complete this transaction by the end of 2009.

Taken together, the cash proceeds total approximately £130 million, which we intend to retain within the group.

Following these divestments, the group plans to assess further opportunities to crystallise value from its non-regulated business.

Business update

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That brings us to the price review which is now nearing its conclusion.

Ofwat's draft determination
Summary of proposals

- £3.4bn capital investment programme (2007/08 prices)
  - £1.2bn water and £2.2bn wastewater
  - CIS ratios of 107 for water and 111 for wastewater
- Improvement in underlying operating efficiency
  - 1.8% p.a. improvement for water and 2.4% p.a. for wastewater
- 4.5% cost of capital (fully post-tax, real)
- Average annual real price decrease of 0.6%, with the profile:

Year to 31 March	2011	2012	2013	2014	2015
K factor	-6.3%	+0.3%	+0.6%	+0.7%	+1.8%

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In July, we received Ofwat's draft determination of price limits for the 2010-15 period and this slide sets out a summary of the proposals. Under these draft proposals we would be funded to invest £3.4 billion over the five year period.

As many of you know, Ofwat has introduced the Capital Expenditure Incentive Scheme or CIS for this price review. Under this scheme, companies are part funded for capital investment above a baseline set by Ofwat, although all capital investment will be added to the RCV. We have some of the lowest CIS ratios in the sector, meaning we have been allowed a greater proportion of what we asked for.

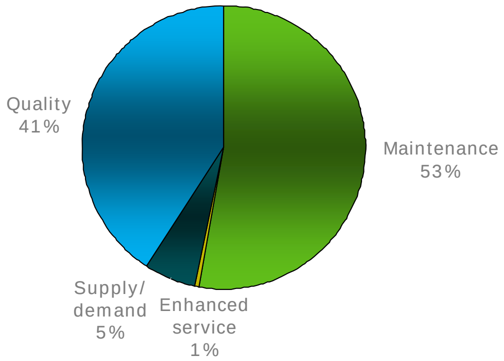
UU has been set annual operating efficiency targets of 1.8 per cent for the water service and 2.4 per cent for the wastewater service.

Ofwat assumed a cost of capital of 4.5 per cent post-tax real, which compares with 5.1 per cent currently.

The combination of assumptions made by the regulator produced an average annual real price decrease for UU of 0.6 per cent over the five years.

Ofwat's draft determination
Capex programme drives further growth

UU £3.4bn capex programme



- RCV growth of c10% real by 2015
- Potential spend relating to North East Irish Sea not included

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Under the terms of the draft determination, we would have a significant capital programme to deliver.

This would in turn drive real growth in the RCV of approximately 10 per cent, or over £700 million, across the five years.

It is worth noting that Ofwat's final determination will not take account of potential additional investment in respect of the North East Irish Sea. This is dependent on a European court case decision involving the UK government, scheduled for 10 December this year. It is a complex issue and is likely to require subsequent interpretation in terms of cost and outputs.

If additional work is required, it would mean investing in nutrient removal at many of our larger wastewater treatment works to improve the quality of discharges to the marine environment. It is likely that this would be the subject of a further price determination.

Ofwat's final determination
Proposals due on 26 November

- Written representation and discussions with Ofwat in September
- Engaged with a broad range of stakeholders
- Final Determination of prices due tomorrow
- Water companies have two months to decide whether to accept Ofwat's final proposals
- UUW will consider proposals carefully before responding

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We submitted our formal response on the draft determination to the regulator in September. We also met with Ofwat later that month.

Throughout the price review process, we have engaged with a broad range of stakeholders to ensure their views were represented.

As you know, Ofwat is due to publish its final determination of prices tomorrow and this is a key landmark in setting prices for the next five years.

Water companies have two months in which to decide whether to accept Ofwat's final proposals and we will consider this determination carefully before responding.

Business update

- Operational performance
- Delivery of 2005-10 regulatory contract
- Non-regulated activities
- 2009 water price review
- **Summary and outlook**

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So, to sum up.

Summary and outlook

Interim dividend up 5% to 11.17p per share

Operational performance

- On track to meet leakage target
- Customer satisfaction at highest level for many years
- OPA improvement expected

2005-10 regulatory contract

- Capital investment programme close to completion
- Strong focus on cost efficiency
- Well set for 2010-15

Non-regulated activities

- Good financial performance
- Agreed sales of stakes in Northern Gas Networks and Manila Water
- Group plans to assess further opportunities to crystallise value

2009 water price review

- Draft determination on 23 July
- £3.4bn investment and 4.5% real, post-tax return
- Representations made to Ofwat
- Final Determination: 26 Nov 09

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The business has delivered a sound underlying financial performance for the first six months of the year and the board has declared an interim dividend of 11.17 pence per share, an increase of 5 per cent, in line with our policy.

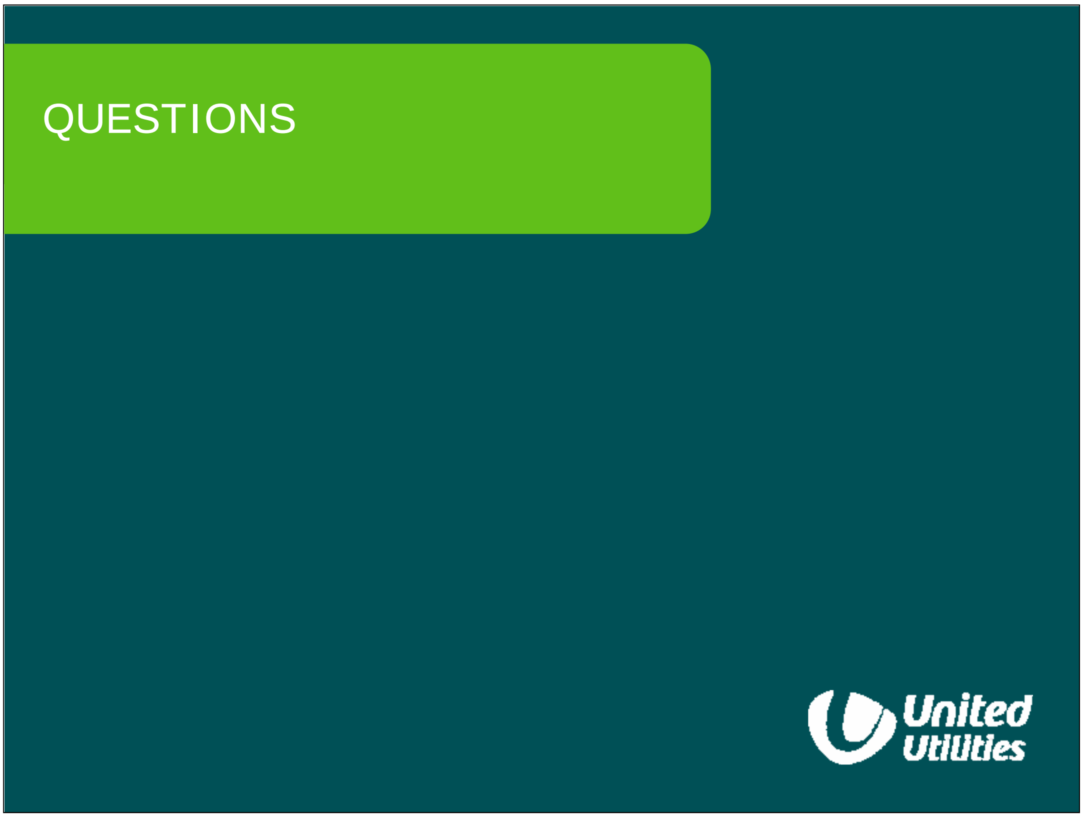
Customer satisfaction continues to improve and we are taking action in a number of key areas to improve our overall performance. We are expecting a significant improvement in our OPA score this year.

Our current regulatory contract is close to completion and we have a strong focus on cost efficiency as we look forward to the next five-year period.

Our non-regulated activities have delivered a good financial performance and we have secured a new contract award for the Brighton and Hove wastewater treatment plant.

We have agreed the sales of our stakes in Northern Gas Networks and Manila Water, for a combined price of approximately £130 million, and we plan to assess further opportunities to crystallise value.

We have until late January 2010 to respond to Ofwat's final determination and, as I said earlier, we will consider the proposals carefully before responding.



That concludes our half year results presentation.

Thank you for listening - we will now be pleased to take questions.

Supporting information

Restatement of historical results for IFRIC 12
Financing and liquidity
Term debt maturity profile
Debt structure

Restatement of historical results for IFRIC 12
Six months ended 30 September 2008

£m	As reported	IFRIC 12[1]	Restated
Regulated activities	347.4	-	347.4
Non-regulated activities	26.0	(2.7)	23.3
All other segments	(11.3)	-	(11.3)
Operating profit from continuing operations	**362.1**	**(2.7)**	**359.4**
Investment income and finance expense	(56.2)	2.6	(53.6)
Profit before taxation	**305.9**	**(0.1)**	**305.8**
Taxation	(301.4)	-	(301.4)
Profit after taxation from continuing operations	**4.5**	**(0.1)**	**4.4**

[1] On 30 November 2006, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 'Service Concession Arrangements'. The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The group has adopted IFRIC 12 during the six months ended 30 September 2009. IFRIC 12 is applied retrospectively hence the prior period has been restated to reflect this.

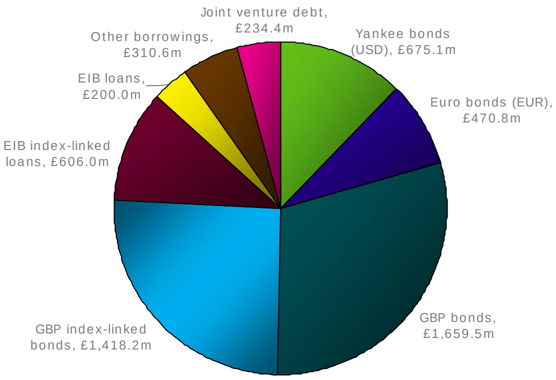
Restatement of historical results for IFRIC 12
Year ended 31 March 2009

£m	As reported	IFRIC 12[1]	Restated
Regulated activities	678.4	-	678.4
Non-regulated activities	69.1	(5.7)	63.4
All other segments	(12.3)	-	(12.3)
Operating profit from continuing operations	**735.2**	**(5.7)**	**729.5**
Investment income and finance expense	(205.4)	5.2	(200.2)
Profit before taxation	**529.8**	**(0.5)**	**529.3**
Taxation	(349.2)	0.2	(349.0)
Profit after taxation from continuing operations	**180.6**	**(0.3)**	**180.3**

[1] On 30 November 2006, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 'Service Concession Arrangements'. The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The group has adopted IFRIC 12 during the six months ended 30 September 2009. IFRIC 12 is applied retrospectively hence the prior year has been restated to reflect this.

Financing & liquidity as at 30 September 2009

Gross debt = £5,574.6m



Headroom / prefunding = £977m

	£m
Cash and short-term deposits	332
Medium-term committed bank facilities[1]	960
Short-term debt	(90)
Term debt maturing within one year[2]	(225)
Total headroom / prefunding	**977**

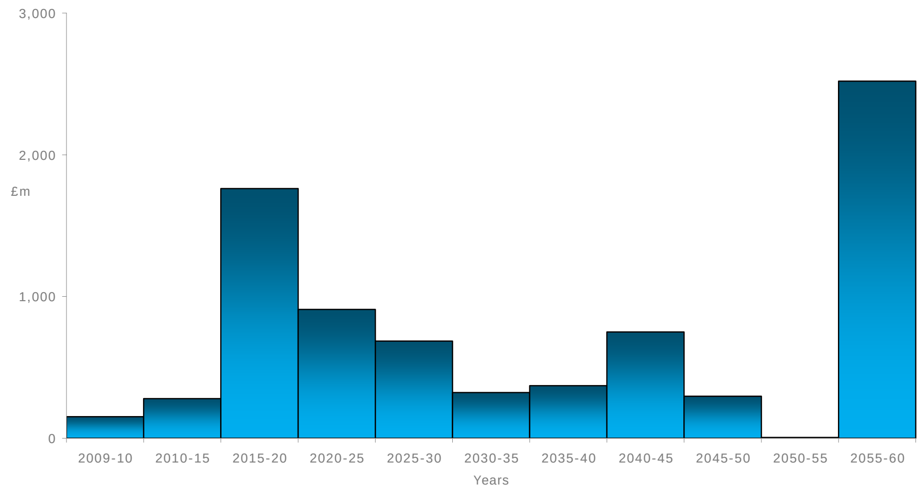
[1] excludes £200m facilities maturing within one year

[2] includes amounts relating to joint ventures of £23m

36

Term debt maturity profile[1]

Average term to maturity over 25 years



[1] future repayments of index-linked debt include inflation based on an average annual RPI rate of 2.65%

Debt structure at 30 September 2009

United Utilities Group PLC

United Utilities PLC
Baa1 stable; BBB+ Negative watch

Yankees:
- $250m in 18's
- $350m in 19's
- $400m in 28's

Euro MTN:
- GBP 6.5m in 13's

Other debt:
- Short-term loans £34m
- Commercial paper £9m

United Utilities Water PLC
A3 stable; A- Negative watch
Ring-fenced and regulated by Ofwat

Euro MTNs:
- £150m in 10's
- £425m in 15's
- £150m in 18's
- €500m in 20's
- £375m in 22's
- £300m in 27's
- £50m in 32's[1]
- £200m in 35's
- £100m in 35's[1]
- £35m in 37's[1]
- £70m in 39's[1]
- £100m in 40's[1]
- £50m in 41's[1]
- £100m in 42's[1]
- £50m in 43's[1]
- £50m in 46's[1]
- £50m in 49's[1]
- £510m in 56's[1]
- £150m in 57's[1]

Other debt:
- EIB index-linked loans £600m[1]
- EIB loans £200m
- EMTN private placements £140m
- Short term bank loan £50m
- Other loans £31m

[1] index-linked finance

Cautionary statement

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and the company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Certain regulatory performance data contained in this presentation is subject to regulatory audit.