



**United
Utilities**

United Utilities PLC

Interim results

Six months ended 30 September 2006

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 Philip Green, our Chief Executive and Tim Weller, our Chief Financial Officer. Also with us are other members of our executive team. I'm pleased to welcome Tim. He joins us from RWE Thames Water where he was Finance Director and brings with him significant utilities experience.

Before we start, could I remind you to please turn off any portable devices such as mobile phones and blackberrys. Thank you.

Agenda

- **Introduction** **Sir Richard Evans**
- **Overview** **Philip Green**
- **Financial review** **Tim Weller**
- **Strategy and business update** **Philip Green**
- **Questions**

In a moment Philip will provide a brief overview before handing over to Tim, who will take you through the numbers. Philip will then discuss our strategy and provide an update on the progress we've made and finish off with a summary and his views on the outlook for the group. At the end of the presentation we'll be pleased to answer your questions.

Now, over to Philip.



Philip Green

Chief Executive

Thank you Chairman, good morning.

Overview

- Strong profit growth, underpinned by United Utilities North West
- Operational and service improvements delivered
- Developing a high performance company, with the medium term aim of being a world class operator of utility infrastructure
- Interim dividend increased by 2.4% to 14.63 pence per ordinary share

The group has delivered good first half results with strong profit growth, underpinned by a robust financial performance in UU North West. The business has delivered operational and service improvements and we've created a good foundation from which to improve further.

We are developing a high performance company and, in the medium term, aim to be a world class operator of utility infrastructure. We will have a strong emphasis on improving operational performance and customer service, as we develop our regulatory strategy ahead of the price reviews in 2009.

In accordance with our policy of growing dividends in line with inflation, the Board has declared a 2.4 per cent increase in the interim dividend to 14.63 pence per ordinary share.

Vertex – not a long-term strategic hold

- Our strategy is to focus on our core skills of managing water, wastewater, electricity and gas networks
- The Board has taken the strategic decision to initiate a process for the divestment of Vertex
- Shareholders' interests best served by concentrating on our core skills

Our strategy is to focus on our core skills of managing water, wastewater, electricity and gas networks.

In line with this strategy, the Board has, in the last few weeks, taken the decision to initiate a process for the divestment of Vertex.

The Board believes that shareholders' interests are best served by concentrating on the group's core skills.

I'll now pass you over to Tim who will discuss the financials.



Tim Weller

Chief Financial Officer

Thank you, Philip. Good morning.

Highlights

- **Profit before tax increased by 98% to £317m**
 - **underlying profit before tax^{1,2,3} up 14%**
- Operating profit from continuing operations increased by 16% to £424m
 - underlying operating profit^{1,2} up 7%, reflecting regulatory price increases and efficiencies
- United Utilities North West – underlying operating profit¹ increased by 9% to £380m
- United Utilities Contract Solutions – underlying operating profit² increased by 3% to £26m
- Vertex – divestment process initiated
- Interim ordinary dividend per share increased by 2.4% to 14.63p

¹ relating to continuing operations and excluding restructuring costs, a £15m one-off credit in respect of settlement of claims with contractors in the six months to 30 September 2006 and a £25m one-off charge, primarily related to the accelerated write-off of IT systems, in the corresponding period last year

² relating to continuing operations and adjusted to exclude restructuring costs and profit on disposals of £6.4m included in the reported figure for the prior period

³ adjusted to reflect IAS 39 fair value adjustments and interest on swaps and interest on debt under fair value option

I'd like to start with the financial highlights.

Profit before tax almost doubled to £317 million, primarily as a result of IAS 39 fair value adjustments and regulated price increases.

In addition, the trend in reported results was flattered by one-off items in both the current and comparative periods as set out in the footnotes to the slide. Adjusted for these one-offs and stripping out the volatility from IAS 39 fair value adjustments, underlying profit before tax of £282 million was up 14 per cent.

Operating profit from continuing operations increased by 16 per cent, or 7 per cent on an underlying basis.

UU North West has delivered a good financial performance and underlying operating profit is up 9 per cent.

Contract Solutions has delivered a small increase in underlying operating profit, partly reflecting the fact that the business is still in the early stages of a number of substantial, long-term contracts.

As Philip said earlier, we have initiated a divestment process in respect of Vertex and the business is treated as a discontinued operation in these results. The adjustments made to the comparative period reported results arising from this reclassification of Vertex are set out in the appendices to this presentation.

£m	2006	2005	
Revenue	812.6	745.9	+9%
Operating profit	390.5	323.4	+21%
<u>Adjustments:</u>			
Restructuring costs	4.0	-	
Settlement of claims ¹	(15.0)	-	
Accelerated write-off of IT systems ²	-	25.0	
Underlying operating profit	379.5	348.4	+9%

- Growth in revenue primarily reflects allowed price rises to help fund regulated capital investment programmes
- Increase in underlying operating profit benefited from the delivery of efficiencies offset by an increase in infrastructure renewals expenditure

¹ UUNW benefited from a £15m settlement of claims with contractors and by the end of the statutory period of potential claims against the group. Such claims are a regular occurrence in the ongoing business of UUNW, but these particular claims were unusual in size

² UUNW incurred a £25m one-off charge in the corresponding period last year, primarily related to the accelerated write off of IT systems

In UU North West, revenue and underlying profit have both increased by 9 per cent.

The results reflect regulated price increases, efficiencies achieved to date and the planned phasing of the infrastructure renewals programme.

In addition, during the period, UU North West benefited from a £15 million one-off settlement of claims made by the group against contractors and by the end of the statutory period of potential claims against the group. Although such claims are a regular occurrence in the ongoing business of UU North West, these particular claims were unusual in size.

Without adjusting for the one-offs which I've just mentioned, operating profit increased by 21% to £391 million in the first half of the year.

**United Utilities North West
Operating expenses**

£m	2006	2005
Depreciation and amortisation (Water)	98.8	95.3
Depreciation and amortisation (Electricity)	31.0	29.1
Infrastructure renewals expenditure (Water)	44.1	19.7
Other costs (Water)	221.4	215.9
Other costs (Electricity)	37.8	37.5
Operating expenses	433.1	397.5
(before restructuring costs and one-off items)		

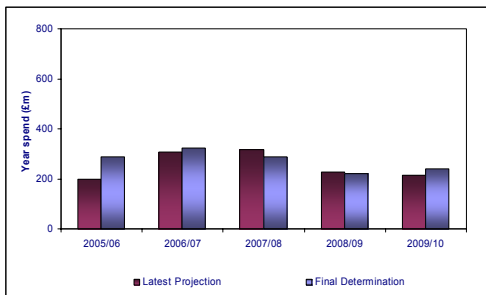
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Here we provide a breakdown of UU North West's main cost components before the one-off items highlighted on the previous slide.

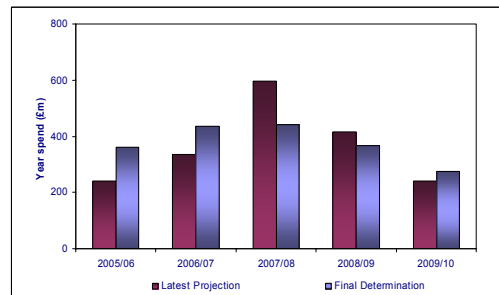
There has been a £24m increase in infrastructure renewals expenditure, compared with the corresponding period last year. In line with our planned phasing, we expect the rate of infrastructure renewals to increase further in the second half of this year and would anticipate full year spend approaching £100 million.

Other costs in the water business are marginally higher than last year reflecting cost pressures in areas such as energy and business rates offset by the delivery of operating efficiencies.

Water capital expenditure profile



Wastewater capital expenditure profile



- Programme re-phasing - water and wastewater capital programmes expected to be in line with regulatory allowances by 2008/09
- Potential for modest outperformance on electricity capital programme
- Overall, we expect to deliver our regulatory outputs

Now, looking at the profile of our regulated capital expenditure programmes.

This chart shows the annual comparatives across this regulatory review period.

Reflecting our planned re-phasing, we expect our water and wastewater capital programmes to be in line with the regulatory allowances by year four of this five-year period.

Given this re-phasing, it is a little early to be estimating any outperformance for UU Water, although we are confident of achieving the capital efficiencies targets set for us by the Regulator.

On our electricity capital expenditure programme, we see potential for modest outperformance at this stage.

Overall, we expect to deliver our regulatory outputs.

United Utilities Contract Solutions



£m	2006	2005	
Revenue	<u>330.7</u>	<u>289.4</u>	+14%
Operating profit	25.3	29.9	
<u>Adjustments:</u>			
Restructuring costs	0.5	1.6	
Profit on disposals	-	(6.4)	
Underlying operating profit	<u>25.8</u>	<u>25.1</u>	+3%

- Performance in line with expectations
- Full six months contribution from Northern Gas Networks contract
- The business continues to pursue growth opportunities and is currently focused on optimising returns from its substantial contract portfolio

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Note: depreciation and amortisation in the six month period ended 30 September 2006 was £10.4m (£9.1m in the corresponding period last year)

Performance in Contract Solutions is in line with expectations. Revenue has increased and this partly reflects a full six-month contribution from the £1.1 billion, eight-year contract with Northern Gas Networks which commenced on 1 June 2005.

There has been a small increase in underlying operating profit, recognising that the business is still in the early stages of a number of substantial, long-term contracts. The prior period has been adjusted for £6.4 million of profit on disposals to enable an accurate comparison of the underlying performance to be made.

United Utilities Property Solutions

- The property trading and management business of the group, previously included within infrastructure management
 - maximises the value of surplus assets
- Owns land and property assets in excess of £100m
- The business has been consistently profitable for over five years
- In the first half of the year operating profit was £8.9m and revenue was £18.8m

“...Property Solutions has a secured pipeline of opportunities and should provide an ongoing contribution to the group...”

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As we explained in our pre-close brief, the financial results for Property Solutions, UU’s property trading and management business, were previously included with Contract Solutions in the infrastructure management segment. In these results, we are showing the results of the two businesses separately to reflect our management structure and to enable a better understanding of underlying performance.

Property trading focuses on maximising the value of surplus and redundant property assets acquired principally from UU North West. The value of these assets is enhanced through obtaining planning consents for higher value uses, such as residential development and participation in development partnerships. Overall, Property Solutions owns land and property assets worth in excess of £100 million.

Property management focuses on offices, depots and operational sites, mainly owned by UU and helps its partners, predominantly UU North West, to manage over 140,000 acres of land.

Property Solutions has been consistently profitable for over five years. In the first half of the year, the business delivered operating profit of £8.9 million, from revenue of £18.8 million. Performance in the first half is in line with the prior period.

It is worth noting that, given the nature of this business, profits are unlikely to follow a smooth profile year on year.

Property Solutions has a secured pipeline of opportunities and should provide an ongoing contribution to the group.

Finance expense

£m	2006	2005
Published net finance expense ¹	107.6	205.9
IAS 39 fair value adjustment	(3.6)	(95.9)
Net finance expense pre IAS 39	104.0	110.0
Interest on swaps and debt under fair value option	27.5	28.0
Net interest payable pre IAS 39	131.5	138.0
Average cost of net borrowing	6.2%	6.6%

- IAS 39 increases volatility in the income statement and balance sheet
 - no cash flow impact and the effect of IAS 39 should substantially balance out over the 2005-10 period

¹ relating to continuing operations

Net finance expense of £108 million was £98 million lower than the corresponding period last year. The current year result included a £4 million fair value loss on debt and derivative instruments compared with a £96 million loss in the comparative period.

IAS 39 limits the use of hedge accounting for commercial hedges, thereby increasing the potential volatility of the income statement. However, this has no cash flow impact and the effect of IAS 39 on the reported profit should substantially balance out over the 2005-10 period.

Net finance expense before the impact of these fair value adjustments was £104 million, compared with £110 million in the corresponding period last year. The reduction in underlying net finance expense reflects a decrease in the group's average net cost of borrowing from around 6.6% to 6.2%, offset by an increase in average net debt of around £65 million.

Profit before tax

£m	2006	2005	
Group operating profit ¹	424.4	365.6	
Net finance expense ¹	(107.6)	(205.9)	
Profit before tax¹	316.8	159.7	+98%
<u>Adjustments:</u>			
IAS 39 fair value adjustments	3.6	95.9	
Interest on swaps and debt under fair value option	(27.5)	(28.0)	
Restructuring costs	4.5	1.6	
Settlement of claims	(15.0)	-	
Accelerated write-off of IT systems	-	25.0	
Profit on disposals	-	(6.4)	
Underlying profit before tax	282.4	247.8	+14%

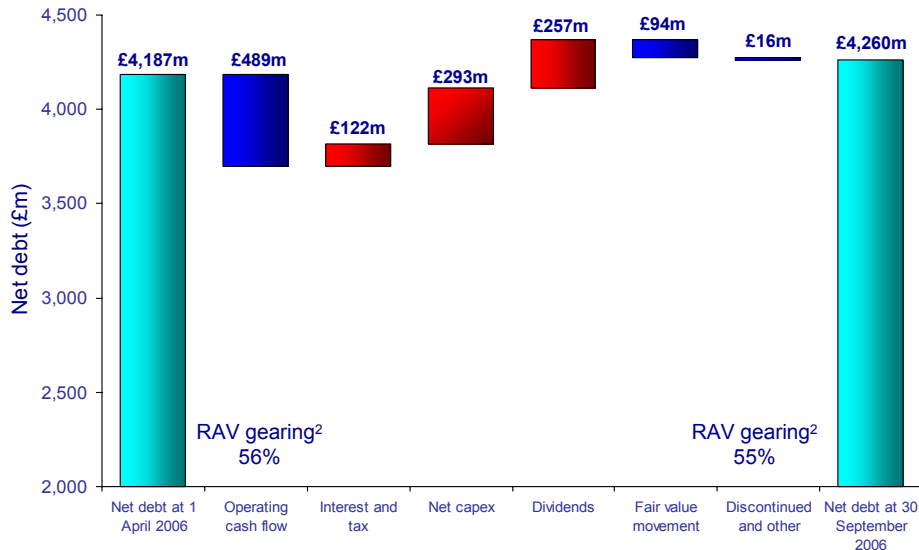
- Group has again delivered strong profit growth

Group operating profit was up by around 16 per cent, primarily reflecting regulatory price increases and operational efficiencies.

There was a significant reduction in IAS 39 fair value losses and this, coupled with the growth in reported operating profit, resulted in an increase in profit before tax of 98 per cent.

As can be seen from the adjustments on the slide, underlying profit before tax was up 14 per cent.

Movement in net debt¹



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¹ excluding derivative financial instruments ² group net debt (excluding pensions and operating leases) to total regulated asset value

Here you can see the main components driving the change in net debt over the six month period. Net debt has increased by £73 million to £4.26 billion and would have been around £94 million higher had we not recorded a fair value gain in the half year.

RAV gearing is broadly unchanged from the start of the financial year, reflecting the re-phasing of the capital expenditure programmes and the fair value gain I've just mentioned. We expect our regulated capital expenditure, over the five-year period, to move the group's RAV gearing towards the upper end of Ofwat's 55 per cent to 65 per cent gearing assumption range by 2010.

Long-term, index-linked debt Financing outperformance

- Total index-linked debt now amounts to £1,360m and represents around one third of net debt
 - includes over £0.5 billion with 50-year maturities
- Good match for the group's regulated assets and revenue profile - both linked to RPI
- Low cost of funding gives scope for significant outperformance in the current five-year period

“...approximately 20 per cent of the regulated asset value of United Utilities Water is now supported by index-linked debt, which we believe compares favourably with the rest of the water industry ...”

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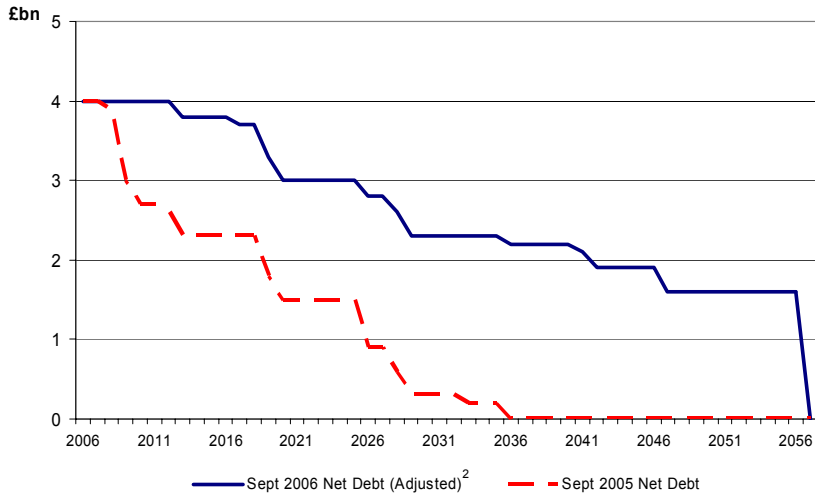
We have made great progress on raising index-linked funding at attractive interest rates and, in total, our index-linked debt now amounts to around £1.36 billion, which represents just less than a third of net debt. This includes over £0.5 billion of funding with 50-year maturities.

The principal amount of this debt will be adjusted upward with inflation, tracking the UK Retail Price Index. This form of long-term, index-linked liability is a good match for our regulated assets, which are also linked to RPI.

The relatively low cost of this funding has secured substantial additional value for our shareholders and gives us scope for significant outperformance in the current five-year period.

Approximately 20 per cent of the regulated asset value of UU Water is now supported by the index-linked funding we have in place. We believe this proportion of index-linked funding and the borrowing costs we have obtained compare favourably with the rest of the water industry.

Improved term structure of net debt¹



“...the average term to maturity has more than doubled, from under 13 years, to over 33 years...”

¹ Net debt is calculated as gross borrowings less JV debt less cash and short term investments as per September 2006 interim statements. The term structure includes indexation of index-linked debt at 2.65 per cent p.a. and ignores non-financing cash flows.

² The position as at September 2006 has been adjusted for £135m of further index-linked debt issuance through to 30 November 2006.

The chart shows the maturity profile of net debt.

Index-linked debt has significantly improved our term structure with the average term to maturity more than doubling from under 13 years to over 33 years. This reduces refinancing risk and improves our credit profile.

Highlights

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³ adjusted to reflect IAS 39 fair value adjustments and interest on swaps and interest on debt under fair value option

So, in conclusion, we've made good progress this half year with healthy increases in underlying operating profit and pre-tax profits.

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



Philip Green

Chief Executive

Thank you Tim.

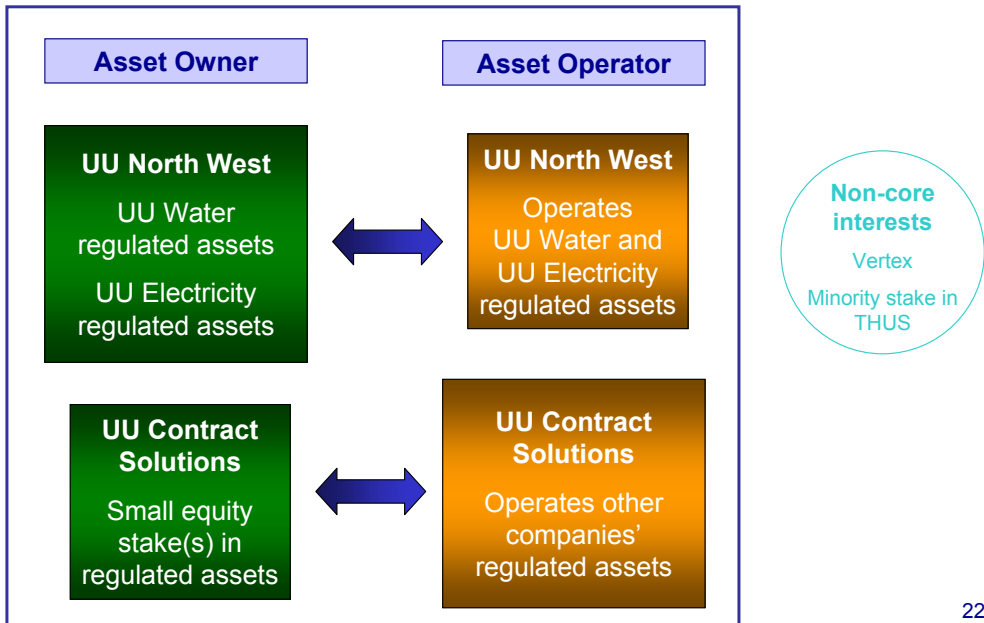
Focus on core skills

- **United Utilities' strategy**
- **Management team**
- **Business update**
 - **United Utilities North West**
 - **United Utilities Contract Solutions**
- **Summary and outlook**

I've been with United Utilities for almost nine months and would like to take this opportunity to share my views with you on how we intend to take the group forward.

I'll start with a discussion on the strategic direction of the group and briefly update you on changes in our management team before discussing business performance. I'll finish off with a summary and some views on the outlook for the group.

Focus on core skills



So, starting with group strategy.

United Utilities will focus on its core skills of managing water, wastewater, electricity and gas networks. UU North West owns and operates regulated assets and Contract Solutions primarily operates other companies' regulated assets.

The only difference is the level of asset ownership. Contract Solutions does for other companies what UU North West does for itself in its home territory.

We will continue to leverage these core skills in related outsourcing markets.

Vertex and our minority stake in THUS are both non-core to the group and represent a very small proportion of United Utilities' market value.

I'm a great believer in focusing on core skills and have a track record in doing so.

Focus on core skills

- United Utilities' strategy
- **Management team**
- Business update
 - United Utilities North West
 - United Utilities Contract Solutions
- Summary and outlook

Before I provide you with an update of the performance of our businesses, I'd like to say a few words about changes in our management team.

Our management team



Philip Green, Chief Executive

Tim Weller, Chief Financial Officer



Charlie Cornish, MD UU North West

Gordon Waters, MD UU Contract Solutions



Tom Drury, MD Vertex

Gaynor Kenyon, Communications Director



Tim Rayner, General Counsel

Linda Booth, Group HR Director



"...infrastructure experience drawn from utilities, engineering, construction, and service businesses..."

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Here we have our management team.

They've substantial infrastructure experience, drawn from a variety of different backgrounds, including utilities, engineering, construction and service businesses.

I'm very pleased to welcome Tim, who took over as CFO in August.

I'm also pleased to welcome Gaynor, our new Communications Director, who joined the company in May of this year. Gaynor was previously with Scottish Power and brings extensive media and corporate relations experience.

I'd also like to highlight an appointment in UU North West. Brian Hurd has recently joined us and is now responsible for customer service. He was previously at Prudential where he was director of customer services.

I believe we have the right blend of experience to take the group forward.

Focus on core skills

- United Utilities' strategy
- Management team
- **Business update**
 - **United Utilities North West**
 - United Utilities Contract Solutions
- Summary and outlook

Now, looking at UU North West.

- Good progress in delivering efficiencies
 - capital investment partnership framework now fully integrated into the business
 - project and investment system working well
 - integrated performance management process now in place across the North West
 - customer billing system performing well
 - benefits from new business processes and work planning and scheduling programmes
 - further benefits expected from customer service transformation programme

“...we remain confident of achieving our regulatory efficiency targets...”

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The business continues to make good progress in delivering its efficiencies.

The capital investment partnership framework is fully integrated into the business and the project and investment management system is working well.

With regard to operating efficiencies, the integrated performance management process, which is focused on optimising the way the business manages its major assets in the North West, has been extensively rolled-out across the region.

Our new customer billing system is also performing well.

In addition, new business processes and improved work planning and scheduling programmes, which make better use of mobile technology, are realising benefits.

We expect further benefits to come from our customer service transformation programme.

Overall, we remain confident of achieving our regulatory efficiency targets.

- Up from 6th to 4th position in Ofwat's 2005/06 overall performance assessment (OPA) score
- Overall customer satisfaction, in response to enquiries, has improved
 - satisfaction levels for water and wastewater customers up from <50% prior to the start of this year to around 70%
 - customer satisfaction for electricity customers up from below 70% at the start of the year to approximately 75%
- On track to meet economic level of leakage rolling target for 2006/07 for the first time in four years
- Water resource levels are robust

“...we are confident that we can maintain a healthy supply and demand balance, avoiding the need for water restrictions...”

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UU North West has delivered a number of operational performance and customer service improvements in the last year or so.

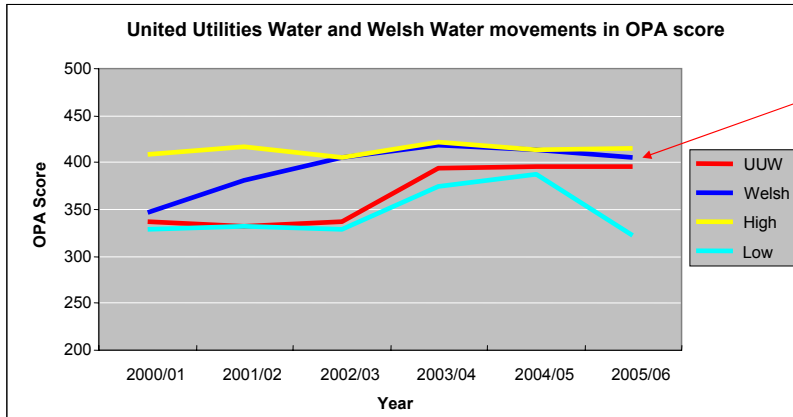
United Utilities Water has moved up from 6th position, in 2004/05, to 4th position on Ofwat's 2005/06 overall performance assessment, or OPA, measure.

There has also been an improvement in overall customer satisfaction. Overall satisfaction levels, in response to queries, for water and wastewater customers have improved from below 50 per cent, prior to the start of this year, to over 70 per cent. Customer satisfaction levels for electricity customers have increased from below 70 per cent to approximately 75 per cent.

United Utilities Water is also on course to achieve its rolling leakage target, of 470 megalitres per day, for 2006/07 for the first time in four years. In addition, water resource levels are robust.

We are confident that we can maintain a healthy supply and demand balance, avoiding the need for water restrictions.

United Utilities Water Overall performance assessment (OPA)



Sustained relative improvement for both UU Water and Welsh water

- Contract Solutions, through its outsourcing contract, has helped Welsh Water sustain its upper quartile position
- United Utilities Water ranking improved

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This chart compares United Utilities Water and Welsh Water against the industry, as measured by Ofwat's OPA metric.

Contract Solutions manages the operations of Welsh Water and we've helped to move the company from seventh to a sustained upper quartile position since our initial contract commenced.

At the same time, we've improved the position of our own water business.

United Utilities Electricity Performance improvements

- Continues to perform well against regulatory targets for:
 - customer interruptions; and
 - customer minutes lost
- Improvement in customer satisfaction since the start of the year

“...our water, wastewater and electricity customers have all benefited from operational performance and customer service improvements, but there is scope to achieve much more...”

Moving onto our regulated electricity business.

UU Electricity continues to perform well against the regulatory targets for both customer interruptions and customer minutes lost.

As I said earlier, we've also seen an improvement in customer satisfaction.

Overall, our water, wastewater and electricity customers have all benefited from operational performance and customer service improvements, but there is scope to achieve much more.

Benefits of operational performance and service improvements

- Good service often, actually, costs less than bad service
- Good service is just good business
- Developing regulatory strategy for 2009 price reviews

“...good service and a strong operational performance can help to mitigate regulatory risk ...”

Whilst delivering the capital programmes and regulatory efficiency targets are of prime importance, there are number of benefits associated with achieving operational performance and service improvements.

First of all, good service is just good business. Performance improvements will also provide the added benefit of further exchange of best practice across the group.

Aside from the cost benefits of getting things right first time, there is a broader perspective to consider. At this point in the five-year period, we do need to be considering and developing our regulatory strategy for the 2009 price reviews.

The efficiency gains have largely been realised, so we think there could be a shift in emphasis from the regulators towards service and performance issues. This could lead to a strengthening of the incentive and penalty mechanisms. We need to optimise our position in the event that this materialises.

Overall, I'd say that good service and strong operational performance will help to mitigate regulatory risk.

United Utilities North West Developing a high performance company



- We aim to be an upper quartile company on key measures
- Restructuring UU North West to sharpen its commercial focus
 - asset owner / asset operator management reorganisation
 - builds on the successful Contract Solutions business model
 - increases transparency, accountability and performance
 - operational disciplines inherent in arm's length trading arrangements
 - greater sharing of best practice and utilisation of management capital
 - linking performance to remuneration for all employees
- Key operational and customer service measures...

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We have a number of initiatives in place as part of our drive to create a high performance company. We aim to be an upper quartile company, as a minimum, on key operational and service measures in the medium term.

We are in the process of restructuring the management organisation of UU North West to sharpen its commercial focus. This will involve creating an asset owner function and an asset operator function and builds on the successful business model of Contract Solutions. This functional split will help increase transparency and accountability and optimise performance by instilling the operational disciplines inherent in arm's length trading arrangements. It will also help to optimise the benefits of sharing best practice and utilisation of management capital. In addition, we're in the process of linking performance to remuneration for all employees.

As part of this performance improvement programme, we've outlined a number of key operational and customer service measures, which I'll now discuss.

Key operational and service measures



	Start point	Current position	Target
Relative efficiency	Below average	Below average	Upper quartile in the medium term
Security of supply	Have not met economic level of leakage rolling target ¹ for last 3 years	On track to meet 2006/07 rolling target	Meet or outperform rolling leakage targets and avoid the need for water restrictions
Pollution	In 2005/06: 2 water & 21 wastewater incidents ²	On course to improve performance in 2006/07	Reduce incidents by around 50% in the medium term
Sewer flooding	641 properties on flooding register in 2005/06 ³	On course to reduce number of properties on register in 2006/07	Reduce number by around 50% in the medium term
Customer minutes lost and customer interruptions	Outperformed 2004/05 regulatory targets ⁴	Outperformed 2005/06 regulatory targets ⁴	Meet or outperform regulatory targets ⁴ over 2005-10 period
Overall customer satisfaction (response to enquiries)	<50% water <70% electricity	70% water 75% electricity	85% in the medium term Aspiration of 100%



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¹ refers to economic level of leakage target set by Ofwat ² refers to Category 1 & 2 incidents as defined by the Environment Agency
³ refers to properties at risk of experiencing one sewer flooding incident in 10 years ⁴ refers to targets set by Ofgem

This slide shows the matrix of key operational and service measures that we have identified. We aim to be a high performance company and progress against these measures will help to demonstrate that.

Whilst we perform well in a number of operational areas, we are currently below average for relative efficiency. Our target is to achieve and then maintain an upper quartile position in the medium term.

We have not met the economic level of leakage rolling target for the last three years, but are on course to meet this year's rolling target. Going forward we aim to meet or outperform rolling leakage targets and avoid the need for water restrictions. UU Water has a healthy security of supply position, ranked first by Ofwat in its recent Security of Supply report and with no deficits in any of our regional zones for water resources.

In 2005/06, there were two water and twenty-one wastewater pollution incidents. We are on course to improve on this position in the current year and aim to reduce the number of incidents by around half in the medium term.

Last year there were 641 properties on the sewer flooding register and we are on track to reduce this number this year. Our target is to reduce the number by around 50 per cent in the medium term.

We outperformed our regulatory targets for customer minutes lost and customer interruptions in the last two years. We aim to meet or outperform regulatory targets over the remainder of the regulatory period to 2010.

And finally overall customer satisfaction, in response to customer enquiries, has improved steadily and we aim to achieve scores of over 85% in the medium term, with the aspiration of 100%.

Environmental responsibility

- For the first time, this year, all seaside waters in our region now meet tough European quality standards
- Working closely with the Carbon Trust to develop our carbon management programme and maximise our contribution in tackling climate change
- More robust approach to assessing our own emissions
- Davyhulme, our biggest wastewater treatment works, should be largely energy self-sufficient next year



“...we have invested over £7 billion since privatisation in environmental and quality improvements to the benefit of all our customers...”

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We take our environmental responsibilities seriously. For the first time, this year, all the seaside waters in our region have passed tough environmental standards.

We are committed to improving and embedding our carbon management approach and are working closely with the Carbon Trust to develop our programme and identify ways to maximise our contribution in tackling climate change.

We have developed a more robust approach to assessing our own emissions, enabling us to prioritise our future actions for the benefit of our business and the environment. We are continuously looking at ways to improve our energy efficiency.

For example, our biggest wastewater treatment works at Davyhulme should be largely energy self-sufficient next year.

We can use combined heat and power units to generate electricity from the biogas or methane produced. This offsets imported power at our treatment sites and is exported to the National Grid.

Once the project has been delivered, this will generate additional power sufficient to supply around 15,000 homes.

I also think its worth noting we have invested over £7 billion since privatisation in environmental and quality improvements to the benefit of all our customers.

Focus on core skills

- United Utilities' strategy
- Management team
- **Business update**
 - United Utilities North West
 - **United Utilities Contract Solutions**
- Summary and outlook

Now, turning to Contract Solutions, which represents a direct application of our core utility skills.

Dwr Cymru Welsh Water	Good performance with profit levels maintained despite inflationary price pressures. United Utilities Contract Solutions has helped move Dwr Cymru Welsh Water from a below average OPA position to a sustained upper quartile position
Northern Gas Networks	Strong performance against its contract KPIs
Southern Water¹	Contract commenced on 1 April 2005 and 25% of contract spend delivered by the end of this half year. Good overall performance against key KPIs
British Gas Trading	Initial value of £225 million, subsequently increased to £276m. Continues to progress well with around two years to run
Scottish Water²	Robust performance. Scottish Water customers have seen a substantial reduction in their bills ³

¹ contract awarded to 4D, a joint venture company in which United Utilities Contract Solutions has a 40% share

² contract awarded to Scottish Water Solutions, a joint venture company in which United Utilities Contract Solutions is a major partner

³ Water Industry Commission for Scotland: "Costs and performance report 2003-06", November 2006

Overall, we're pleased with the performance across our contract portfolio.

On our £1.5 billion, 15-year contract with Welsh Water, performance continues to be good. As we mentioned earlier, we have also helped move Welsh Water from a below average position to a sustained upper quartile position on Ofwat's overall performance assessment measure.

With regard to our contract with Northern Gas Networks, the business has delivered a strong performance against its contract KPIs.

The contract with Southern Water, through our involvement in the 4D consortium, commenced in April 2005 and around one quarter of the contract spend had been delivered by the end of this half year. Delivery of outputs and spend is in line with Southern Water's expectations and performance to date against the contract KPIs has been good.

We won the first major meter installation contract to be outsourced with British Gas Trading and the contract has around two years left to run. The initial value of the contract was £225 million and this was subsequently increased to £276m. The contract continues to progress well.

We have helped deliver a substantial reduction in household bills for Scottish Water customers, alongside efficiency improvements, through our involvement in Scottish Water Solutions. Performance to date is robust and the business is performing well in the areas of health and safety. The contract was renewed earlier in the year and I'll now talk about this in more detail.

Scottish Water contract renewal

- Contract¹ renewal in June 2006, worth around £760m with potential for additional work with an estimated value of £240m
 - our share of this potential combined contract is worth around £150m
- Consolidates our position as the leading utility infrastructure outsourcing company in the UK
- Water Industry Commission for Scotland² highlighted that Scottish household water bills are £90 lower as a result of efficiencies delivered, achieved alongside service improvements

“...this deal builds on our strong performance with Scottish Water and demonstrates our ability to leverage our core utility skills...”

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¹ contract awarded to Scottish Water Solutions, a joint venture company in which United Utilities Contract Solutions is a major partner
² Water Industry Commission for Scotland: "Costs and performance report 2003-06", November 2006

The business was successful in renewing a significant £760 million contract with Scottish Water in June this year to help manage and deliver a substantial part of its 2006-10 capital investment programme.

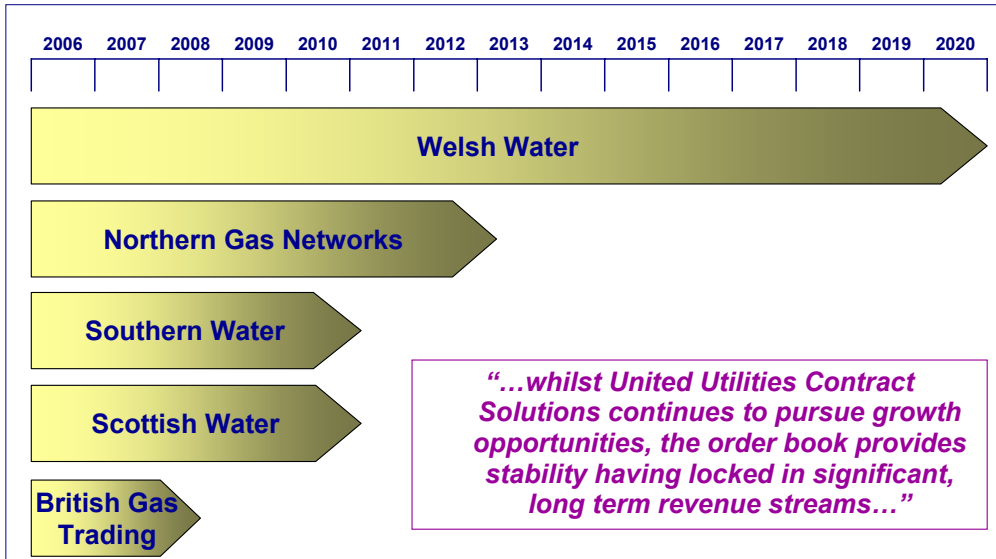
This contract covers the design, build and management of a range of projects to upgrade Scottish Water's treatment works and sewer network infrastructure. There is also the potential to secure further project management related work, over the 2006-10 period, with an estimated value of around £240 million. Our share of this potential combined value is estimated to be around £150 million.

This further consolidates our position as the leading utility infrastructure outsourcing company in the UK.

The Water Industry Commission for Scotland said, last month, that water bills for Scottish household customers were £90 lower last year as a result of efficiencies delivered, achieved alongside service improvements.

This contract renewal builds on our strong performance with Scottish Water over the last three years and further demonstrates United Utilities' ability to transfer its core skills into related growth markets.

Robust order book



This slide demonstrates the long term nature of some of the prominent contracts we have in the UK utility sector.

We have a robust order book, and whilst Contract Solutions continues to pursue growth opportunities, the order book provides stability having locked in significant long term revenue streams.

Focus on core skills

- **United Utilities' strategy**
- **Management team**
- **Business update**
 - United Utilities North West
 - United Utilities Contract Solutions
- **Summary and outlook**

I'd like to finish off with a brief summary and a few comments about the outlook for the group.

Summary and outlook

- Strong profit growth underpinned by United Utilities North West
- Strategy is to focus on core skills of managing water, wastewater, electricity and gas networks
- Drive to create a high performance company
 - target upper quartile results across key operational and service measures
- Predictable regulated income streams
 - expected to generate robust profit growth
- Confident of delivering full year results in line with our expectations

“...we aim to be a world class operator of utility infrastructure...”

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In summary, United Utilities has again delivered strong profit growth underpinned by a good financial performance in UU North West and coupled with operational and service improvements.

Looking ahead, our strategy is based around our core skills of managing water, wastewater, electricity and gas networks.

We intend to create a high performance company and to leverage our core skills in related outsourcing markets. We are targeting upper quartile results, as a minimum, across key operational and service measures in the medium term.

United Utilities should continue to generate strong profit growth underpinned by predictable regulated income streams.

We are confident of delivering results in line with our expectations for the full year.

We aim to be a world class operator of utility infrastructure.



Questions

That concludes our presentation.

Thank you for listening, we'll now take questions.

Supporting information

Key operational and service measures
Reclassification of historical results
Financing and liquidity
Debt structure

Key operational and service measures

Relative efficiency

- United Utilities Water performs well in areas such as water resources and treatment, distribution, network, sewer network and sludge activities
 - however, underperformance in areas such as customer services and large wastewater treatment works has resulted in a below average assessment for operating expenditure relative efficiency
- United Utilities Electricity has delivered robust operational performance but was rated below average by Ofgem in its relative efficiency assessment

“...the goal is to be an upper quartile company on the regulators’ relative efficiency assessments in the medium term...”

Key operational and service measures

Security of supply

- United Utilities Water has not achieved its economic level of leakage rolling target¹ for the last three years
 - on track to meet 2006/07 target¹ of 470 megalitres per day
- Going forward, the business aims to achieve or outperform its economic level of leakage target¹
 - has plans in place to maintain and enhance its water supply network

“...through effective resource management processes, the business intends to avoid the need for water restrictions...”

¹ refers to economic level of leakage set by Ofwat

Key operational and service measures

Pollution

- United Utilities Water aims to halve the number of Category 1 & 2¹ pollution incidents in the medium term
- This will be measured from a base position in 2005/06 when:
 - two Category 1 & 2¹ water pollution incidents were recorded; and
 - twenty one Category 1 & 2¹ wastewater pollution incidents were recorded

¹ as defined by the Environment Agency

Key operational and service measures

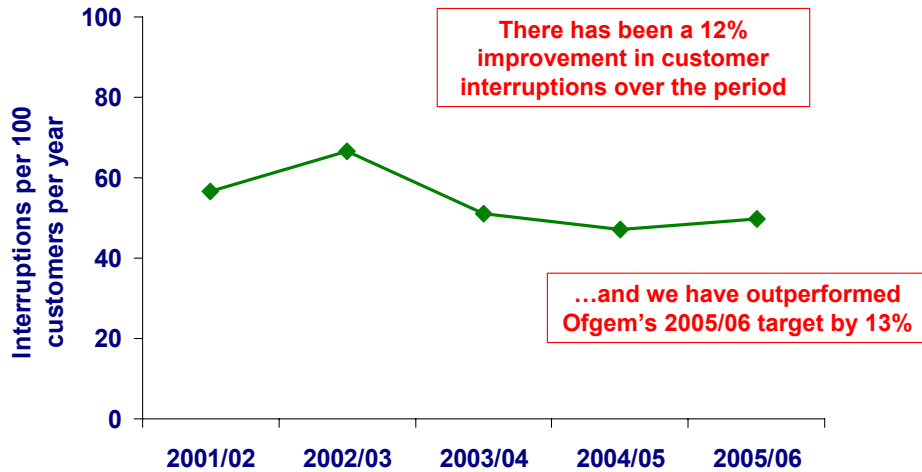
Sewer flooding

- United Utilities Water will focus on reducing the number of properties at risk of sewer flooding

- Good progress has been made in recent years
 - in 2005/06, 237 properties at risk of one sewer flooding incident in ten years were removed from the sewer flooding risk register

- 641 properties remain on this register
 - the business aims to reduce the number of properties by around 50% in the medium term

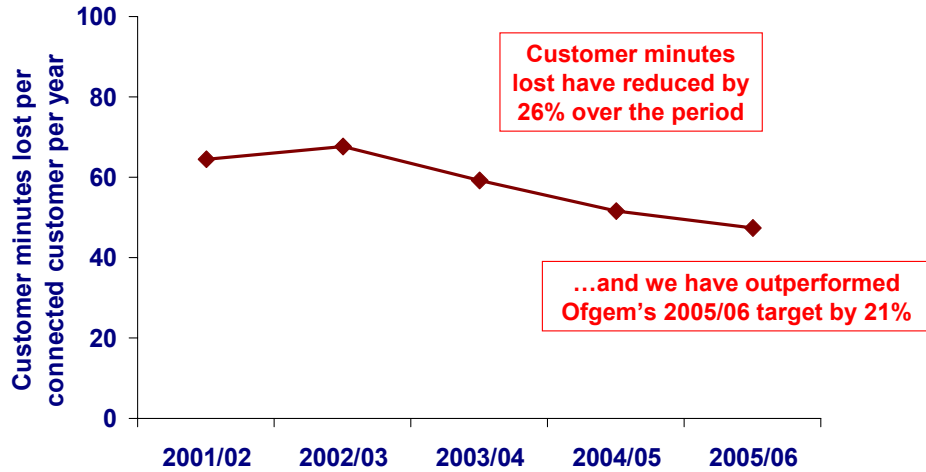
Key operational and service measures Customer interruptions (CIs)



“...good progress has been achieved over the last few years and we have again outperformed Ofwat’s target...”

Source: Ofgem's electricity distribution quality of service reports (2005/06 subject to Ofgem confirmation)

Key operational and service measures Customer minutes lost (CMLs)



“...we aim to meet or outperform the regulator's targets for customer interruptions and customer minutes lost over the remainder of the 2005-10 price control period...”

Key operational and service measures

Overall customer satisfaction



- Overall customer experience assessment in place, measuring the level of satisfaction in relation to the response received after an enquiry
 - involves monthly interviews by a third party with water, wastewater and electricity customers to measure operational and customer service performance
- Levels of customer satisfaction have increased
 - prior to the start of this year, satisfaction levels for water and wastewater customers were <50%
 - these levels have now increased to around 70%
 - customer satisfaction for electricity customers have risen from below 70% at the start of the year to approximately 75%

“...we aim to achieve an overall customer satisfaction level, in response to enquiries, of at least 85% in the medium term, with the aspiration, of course, being 100% customer satisfaction...”

Reclassification of historical results Six months ended 30 September 2005



	As reported £m	UUPS transfer £m	UUCS Intangibles £m	Vertex discontinuance £m	Restated £m
United Utilities North West (formerly described as licensed multi-utility operations)	325.0	-	-	(1.6)	323.4
United Utilities Contract Solutions (formerly included within infrastructure management)	41.1	(9.1)	(0.5)	-	31.5
Vertex	11.0	-	-	(11.0)	-
Other activities	3.2	9.1	-	-	12.3
Operating profit from continuing operations before intangibles and restructuring	380.3	-	(0.5)	(12.6)	367.2
Intangibles and restructuring	(13.8)	-	0.5	11.7	(1.6)
Operating profit from continuing operations	366.5	-	-	(0.9)	365.6
Net finance costs	(204.6)	-	-	(1.3)	(205.9)
Profit before taxation	161.9	-	-	(2.2)	159.7
Taxation	(46.3)	-	-	0.7	(45.6)
Profit after taxation from continuing operations	115.6	-	-	(1.5)	114.1
Profit from discontinued operations	(109.6)	-	-	1.5	(108.1)
Profit for the period	6.0	-	-	-	6.0

Reclassification of historical results Year ended 31 March 2006

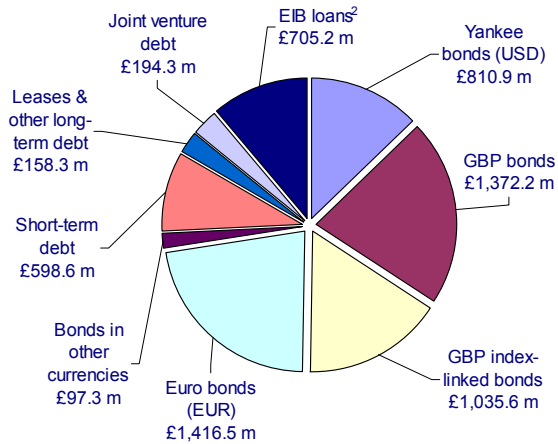


	As reported £m	UUPS transfer £m	UUCS Intangibles £m	Vertex discontinuance £m	Restated £m
United Utilities North West (formerly described as licensed multi-utility operations)	652.3	-	-	(2.6)	649.7
United Utilities Contract Solutions (formerly included within infrastructure management)	95.5	(18.1)	(1.1)	-	76.3
Vertex	20.8	-	-	(20.8)	-
Other activities	6.7	18.1	-	-	24.8
Operating profit from continuing operations before intangibles and restructuring	<u>775.3</u>	<u>-</u>	<u>(1.1)</u>	<u>(23.4)</u>	<u>750.8</u>
Intangibles and restructuring	(35.3)	-	1.1	29.4	(4.8)
Operating profit from continuing operations	<u>740.0</u>	<u>-</u>	<u>-</u>	<u>6.0</u>	<u>746.0</u>
Net finance costs	(300.7)	-	-	(0.2)	(300.9)
Profit before taxation	<u>439.3</u>	<u>-</u>	<u>-</u>	<u>5.8</u>	<u>445.1</u>
Taxation	(120.3)	-	-	(1.7)	(122.0)
Profit after taxation from continuing operations	<u>319.0</u>	<u>-</u>	<u>-</u>	<u>4.1</u>	<u>323.1</u>
Loss from discontinued operations	(110.8)	-	-	(4.1)	(114.9)
Profit for the period	<u>208.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208.2</u>

Financing & liquidity as at 30 September 2006

Gross debt = £6,388.9m

Headroom/prefunding = £2,258.4m

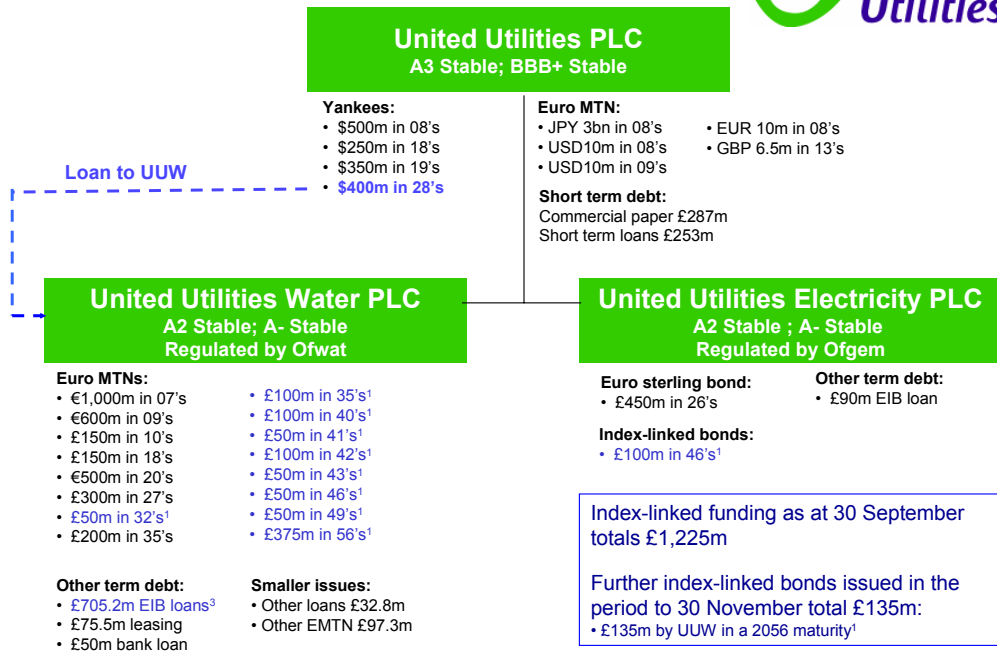


	£m
Cash and short-term deposits	2,129.1
Medium-term committed bank facilities ¹	775.0
Short-term debt	(598.6)
Term debt maturing within one year	(47.1)
Total headroom / prefunding	2,258.4

Further funding raised since 30 September 2006:

- £135m index-linked bonds by UUW in a 2056 maturity

¹ excludes £275m committed facilities maturing within one year
² includes £200m EIB index-linked loans



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.