



United Utilities PLC

Preliminary results
Year ended 31 March 2007

www.unitedutilities.com



Sir Richard Evans

Chairman

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Good morning ladies and gentlemen, and welcome to United Utilities' preliminary 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: Charlie, Paul, Gaynor, Alison, Clive and Martin.

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**
- **Business update and strategy** **Philip Green**
- **Questions**

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In a moment Philip will provide an overview on the progress we've made before handing over to Tim, who will take you through the numbers.

Philip will then provide an update on the business and our strategy.

He'll 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

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Thank you Chairman. Good morning.

This marks the end of my first full financial year with UU and I am very pleased with the progress we have made.

We have delivered operational performance improvements and today announce a good set of financial results. We are also announcing that we have initiated a sale process for the electricity distribution assets.

Overview of recent progress

Key issues identified

- Portfolio
- Capital structure
- Operational performance

One business, one vision: a world class operator of utility infrastructure

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When I joined UU just over a year ago, I discussed with many of you the key issues that I had identified: portfolio, capital structure and operational performance.

I will now provide an overview of how we have addressed these issues and talk about the progress we have made.

Overview of recent progress Portfolio

- Clear strategy to focus on core skills of managing utility networks
 - Vertex disposal: UU workforce halved, profitability largely unchanged
- Initiation of a sale process for electricity distribution assets
 - focus on much larger, higher growth water asset base
 - intend to continue operating these assets
- Evolving into a simpler, more focused business
- No plans to dispose of water assets

One business, one vision: a world class operator of utility infrastructure

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First of all, portfolio.

We have made clear that our strategy is to focus on our core skills of managing water, wastewater, electricity and gas networks. We have built up significant expertise in managing utility assets and our aim is to be a world class operator of utility infrastructure.

Consistent with our strategy was the disposal of Vertex which completed towards the end of March. This disposal allowed us much greater focus on our core business as well as halving our workforce with little impact on our profitability.

Today we have announced an intention to initiate a sale process for our electricity distribution assets, with a view to maximising shareholder value.

Our water business represents over 85 per cent of the group's regulatory asset value and has significantly more growth potential than our electricity assets. This is due to the size and nature of the water capital investment programme which is delivering quality and environmental improvements. We believe that shareholders' interests are best served by the group focusing on the much larger water asset base. We have no plans to dispose of the water assets or any other part of the business.

We intend to continue operating the electricity distribution assets after the sale.

I will talk about this in more detail later in the presentation, but you can see that the UU of today is a much simpler and more focused business than it was a year ago.

Overview of recent progress Capital structure



In light of electricity distribution assets sale process:

- Expect to return to shareholders net equity proceeds from proposed sale
- Capital structure and dividend policy to be reviewed
 - appropriate for revised composition of group
 - recognise importance of income to our shareholders
- Board's intention that shareholders will realise total distributions over the remainder of 2005-10 period at least equivalent to the distributions targeted for that period under the current dividend policy
- Target a credit rating to best mirror regulatory assumptions for UU Water

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Secondly, capital structure.

We do expect to return to shareholders the net equity proceeds from the proposed sale.

At the conclusion of the sale process for our electricity distribution assets, we will be reviewing the capital structure and dividend policy so that they will be appropriate for the revised composition of the group.

It is too early in the process to provide specific details of the outcome but we are very mindful of the importance of income to our shareholders.

Furthermore, it is our intention that shareholders will realise total distributions over the remainder of the 2005-10 price control period at least equivalent to the distributions targeted for that period under the current dividend policy.

We will also determine a credit rating that we feel best mirrors regulatory assumptions for UU Water.

Overview of recent progress Operational performance



- Progress in delivering performance improvements
 - met economic level of leakage rolling target for 2006/07
- Reorganisation – new management team to take business forward
 - new asset owner / asset operator functions implemented
 - stronger commercial approach in regulated utility operations
 - estimated overall annual savings of £10m
- Good set of financial results
 - supports investment on behalf of customers

One business, one vision: a world class operator of utility infrastructure

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And thirdly, operational performance.

We have made good progress in delivering improvements in operational performance. I am very pleased to announce that we have met our leakage target for 2006/07 - the first time in five years we have done so.

We have also made good progress against other key performance indicators and there is more to come. We have implemented a management reorganisation to deliver further improvements. Within the new structure we have established an asset owner and an asset operator function. I will talk about the responsibilities of these functions later but this reorganisation will ensure a stronger commercial approach in operating our own regulated assets.

We estimate annual savings of around £10 million as a result of this reorganisation.

So, we have delivered operational performance improvements. Furthermore the good financial results help support the £748 million investment in our infrastructure to deliver benefits for our customers.

I will now hand over to Tim to talk you through the numbers.



Tim Weller

Chief Financial Officer

Thank you, Philip. Good morning.

Highlights

- **Profit before taxation increased by 52% to £676m**
 - **underlying profit before taxation¹ up 16% to £561m**
- Operating profit from continuing operations increased by 13% to £828m
 - underlying operating profit¹ up 8%, reflecting regulatory price increases and efficiencies
- United Utilities North West – underlying operating profit² increased by 11% to £736m
- United Utilities Contract Solutions – underlying operating profit³ slightly lower at £66m
- Total ordinary dividend per share increased by 2.4% to 44.93p

¹ as described on slide 15
² as described on slide 11
³ as described on slide 13

I'd like to start with the financial highlights.

Reported profit before tax has increased by 52 per cent to £676 million.

The reported results include one-off items in both the current and comparative periods as set out in the following slides. Adjusted for these one-offs and stripping out the volatility from IAS 39 fair value adjustments, underlying profit before tax was £561 million, up 16 per cent. This growth is primarily a result of regulated price increases and delivery of efficiencies.

Operating profit from continuing operations increased by 13 per cent, to £828 million. On an underlying basis, the increase was 8 per cent.

UU North West has delivered a good financial performance and underlying operating profit is up 11 per cent to £736 million.

Contract Solutions' underlying operating profit is marginally down on last year, reflecting limited new opportunities in 2006/07.

For the avoidance of doubt, our electricity distribution business is treated as a continuing operation in these results, since the Board's decision to initiate the sale process has only just been taken.

We completed the disposal of Vertex in March 2007 and the business is treated as a discontinued operation in these results.

United Utilities North West



£m	2007	2006	
Revenue	1,636.2	1,502.9	+9%
Operating profit¹	750.1	637.5	+18%
<u>Adjustments:</u>			
Restructuring costs	5.3	0.1	
Settlement claims ²	(27.6)	-	
Accelerated write-off of IT systems ³	-	25.0	
Proposed Ofwat transfer pricing fine	8.5	-	
Underlying operating profit	736.3	662.6	+11%

- Strong underlying growth in regulated business

¹ interest income and expenditure associated with the group's defined benefit pension schemes have been reclassified from employee benefits expense to investment income and finance expense to provide a fairer presentation of the nature of that income and expenditure.

² UUNW benefited from a £27.6m settlement of claims with contractors and from the end of the statutory period of potential claims against the group. Such claims are a regular occurrence in the ongoing business of UU, but these particular claims were unusual in size

³ UUNW incurred a £25.0m one-off charge last year, primarily related to the accelerated write off of IT systems

In UU North West, revenue and underlying operating profit have increased by 9 per cent and 11 per cent respectively.

The results reflect regulated price increases and efficiencies achieved to date.

As we mentioned in the interims, UU North West benefited from one-off settlement of claims made by the group against contractors and from the end of the statutory period of potential claims against the group. The total for the year is around £28 million.

There are also a number of other one-off items, including the proposed £8.5 million Ofwat fine relating to historical transfer pricing issues, as outlined on this slide. Without adjusting for these one-offs, operating profit increased by 18% to £750 million.

**United Utilities North West
Operating expenses**

£m	2007	2006
Depreciation and amortisation (Water)	206.8	182.6
Depreciation and amortisation (Electricity)	62.9	57.7
Infrastructure renewals expenditure (Water)	101.2	70.6
Other expenses (Water)	439.9	449.3
Other expenses (Electricity)	89.1	80.1
Operating expenses (before restructuring costs and one-off items)	899.9	840.3

- Infrastructure renewals expenditure increased by £31m in line with planned re-phasing of this programme

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Here we provide a breakdown of UU North West's main cost components, excluding the one-off items set out on the previous slide.

There has been a £31 million increase in infrastructure renewals expenditure, compared with the prior year, consistent with our planned re-phasing over the price review period. Full year expenditure was £101 million and in line with the guidance we provided earlier in the year.

Other costs in the water business are down year on year, reflecting the delivery of efficiencies which have more than offset inflation and cost pressures in areas such as energy and property rates.

In our electricity business, costs before depreciation increased year on year reflecting higher National Grid exit charges.

United Utilities Contract Solutions



£m	2007	2006	
Revenue	742.2	654.5	+13%
Operating profit^{1,2}	69.1	68.5	+1%
<u>Adjustments:</u>			
Restructuring costs	0.3	4.7	
Settlement claims ³	(3.0)	-	
Profit on disposals	-	(6.4)	
Underlying operating profit	66.4	66.8	-1%

- Performance marginally lower than prior year
- Peak contribution from Southern Water contract
- Strong order book of over £4.5bn with secured revenue streams

¹ interest income and expenditure associated with the group's defined benefit pension schemes have been reclassified from employee benefits expense to investment income and finance expense to provide a fairer presentation of the nature of that income and expenditure.

² depreciation and amortisation in the year ended 31 March 2007 was £27.3m (£17.5m in 2006)

³ UUCS benefited from a £3.0m 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 UU, but these particular claims were unusual in size

Underlying performance in Contract Solutions is marginally down on the previous year. The result has benefited from a strong contribution from the peak year of the Southern Water contract, reflecting the planned capital investment profile. A natural reduction in contribution is expected from this contract in the forthcoming financial year.

The strong performance from the Southern Water contract was offset by margin reductions elsewhere in our contract portfolio. Margins in our Scottish Water Solutions business in particular were suppressed. This reflects the closing stages of the initial contract and start-up costs incurred in the new four-year £760 million contract which we won in the early part of 2006/07.

Operational performance across the contract portfolio is good and the order book remains strong with secured revenue streams.

Finance expense

£m	2007	2006
Published finance expense¹	308.4	352.9
Total IAS 39 fair value gain/(loss)	2.7	(71.3)
Add back interest on swaps and debt under fair value option	81.7	55.4
Underlying interest payable	392.8	337.0
Interest income	(138.2)	(68.5)
Adjust for net pension interest income	25.1	16.5
Underlying cost of net borrowing	279.7	285.0
Average net debt²	4,270.6	4,165.2
Average cost of net borrowing³	6.6%	6.8%

- Pension interest reclassification reduces underlying cost of net borrowing
- Cash benefit of index-linked debt

¹ relating to continuing operations

² adjusted for Vertex disposal and fair value and foreign exchange movements

³ excluding fair value volatility and including investment income

Finance expense of £308 million was £45 million lower than last year. The current year result included a £3 million fair value gain on debt and derivative instruments compared with a £71 million loss in the comparative period.

As we indicated in our pre-close trading statement, we have reclassified net interest income associated with the group's defined benefit pension schemes from employee costs to net finance expense as we believe this provides a fairer presentation of the nature of these costs. There is no effect on profit before tax but stripping out this net interest income reduces the operating profit figure in the current year by £25 million and in the prior year by £17 million.

The supporting information at the back of the slide pack includes a reconciliation showing the impact of this reclassification.

Net finance expense before the impact of fair value adjustments and the pension interest reclassification was £280 million, compared with £285 million last year.

The average cost of net borrowing has decreased on an underlying basis reflecting the higher proportion of index-linked debt compared with the prior year. The index-linked debt is locked in at low interest rates and inflation in the first half of the year was at relatively low levels. The average interest rate did increase in the second half of the year as a result of higher inflation rates.

However, our Regulatory Asset Value is also linked to RPI and inflationary increases will be reflected in regulated income going forward.

I should emphasise that, whilst the cost of index-linked debt in the income statement rises with inflation, there is not a commensurate increase in the cash interest paid. In addition, given the long-dated maturities of our index-linked debt, ranging from 37 to 50 years, we will continue to benefit on a cashflow basis over the long-term.

Profit before tax



£m	2007	2006	
Group operating profit ^{1,2}	827.5	729.5	
Investment income and finance expense ^{1,2}	(170.2)	(284.4)	
Share of results of associated company (Thus)	18.7	-	
Profit before tax¹	676.0	445.1	+52%
<u>Adjustments:</u>			
IAS 39 fair value adjustments	(2.7)	71.3	
Interest on swaps and debt under fair value option	(81.7)	(55.4)	
Restructuring costs ³	10.6	4.8	
Settlement claims ³	(30.6)	-	
Accelerated write-off of IT systems ³	-	25.0	
Profit on disposals ³	-	(6.4)	
Proposed Ofwat transfer pricing fine ³	8.5	-	
Share of results of associated company (Thus)	(18.7)	-	
Underlying profit before tax¹	561.4	484.4	+16%

¹ relating to continuing operations

² interest income and expenditure associated with the group's defined benefit pension schemes have been reclassified from employee benefits expense to investment income and finance expense to provide a fairer presentation of the nature of that income and expenditure. Profit before tax is unaffected by this reclassification

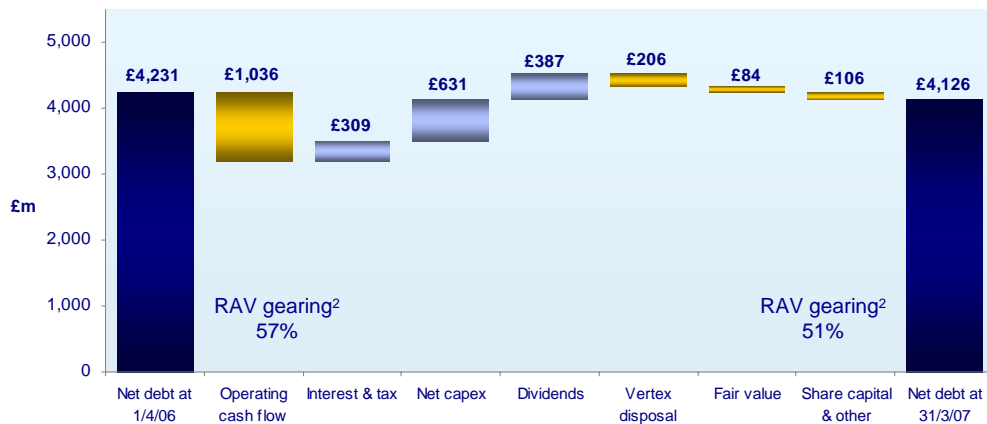
³ deducted from group operating profit to obtain underlying group operating profit

Group profit before tax was up by around 52 per cent, primarily reflecting regulatory price increases, operational efficiencies, the one-off items previously discussed and fair value volatility in the net finance expense.

To provide a more representative view of the group's performance, this slide sets out a number of adjustments and one-off items in the current and previous year to show an underlying profit before tax figure.

Taking account of these adjustments, underlying profit before tax was up 16 per cent.

Movement in net debt¹



- Capex to peak in 2007/08 and 2008/09
- Programme on track to meet regulatory assumptions
- Confident of delivering outputs

¹ opening net debt inclusive of net derivative financial instruments of £44m; fair value movement excludes interest payable on swaps and debt under fair value option of £82m

² group net debt to total regulatory asset value

Here you can see the main components driving the movement in net debt over the year.

Net debt has reduced year on year, with cash flow from operations and proceeds from the sale of Vertex broadly offsetting capital expenditure, interest, tax and dividend payments.

Gearing, measured as group net debt to total regulatory asset value, has reduced to 51%. This partly reflects the planned re-phasing of the capital expenditure programme and the proceeds from the sale of Vertex, coupled with growth in regulatory asset value.

We expect our capital expenditure to peak in the next two years, with cumulative water capex expected to match regulatory assumptions by 2008 and cumulative wastewater capex by 2009. This level of capital spend will naturally cause our RAV gearing to rise significantly over the remaining years of the price review period. Overall, we remain confident of delivering our outputs across the 2005-10 period.

Since the year end, we have issued another £50 million of index-linked debt at an all in rate of 1.7 per cent real and our total index-linked debt now stands at £1.45 billion, supporting around 18 per cent of the group's total regulatory asset value.

US delisting and deregistration

- US delisting and deregistration process initiated
 - reduced compliance costs (Sarbanes-Oxley) of around £2m per year
 - reduced reporting costs (Form 20-F, US GAAP reconciliation)
 - optimise management time
- Committed to US investors
 - ADRs to continue on an Over The Counter (OTC) basis
 - continue equity and credit US investor relations programme

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As we announced last week, we have taken the decision to delist and deregister our US listed ADRs and SEC registered debt securities.

This decision follows regulatory rule changes in the US and we expect the deregistration filing process to be completed by the end of June.

The benefits of deregistration are principally reduced compliance and reporting costs and optimisation of management time. Net annual cost savings of around £2 million are expected.

We remain committed to our US investors and intend to maintain our ADR programme in the US as a Level I programme. This means the company's ADRs will be traded on the over-the-counter market, in line with a number of other major UK companies. We also intend to continue with our equity and credit US investor relations programme.

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- Total ordinary dividend per share increased by 2.4% to 44.93p

¹ as described on slide 15

² as described on slide 11

³ as described on slide 13

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

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



Philip Green

Chief Executive

Thank you Tim.

Business update and strategy

- **Business update**

- **United Utilities' strategy**
 - focus on core skills
 - asset owner/operator reorganisation
 - management team

- **Sale process for electricity distribution assets**

- **Summary and outlook**

I will start by providing you with an update on the business, before discussing the group's strategy and the asset owner / asset operator reorganisation we are implementing. I will also say a few words about our new management team.

I will then discuss our decision to initiate a sale process for our electricity distribution assets before rounding off with a summary and some views on the outlook for the group.

Business update Key operational and service measures



	Start point	Current	Target
Relative efficiency	Below average	Improved 2005/06 opex position: Band B for water and Band C for wastewater	Upper quartile in the medium term
Security of water supply	Have not met economic level of leakage rolling target ² since 2002	Met¹ 2006/07 rolling leakage target² for the first time in five years and no water restrictions	Meet or outperform rolling leakage targets and avoid the need for water restrictions
Pollution	In 2005/06: 2 water & 21 wastewater incidents ³	Met target in one year: 0 ¹ water & 9 ¹ wastewater incidents ³ in 2006/07	Reduce incidents by around 50% in the medium term
Sewer flooding	641 properties on flooding register in 2005/06 ⁴	2006/07: 469 ¹ properties on register ⁴ – a net reduction of 172 in the year	Reduce number by around 50% in the medium term
Customer minutes lost and customer interruptions	Outperformed 2004/05 regulatory targets ⁵	Outperformed 2005/06 and 2006/07 ¹ cumulative two-year regulatory targets ⁵	Meet or outperform regulatory targets ⁵ over 2005-10 period
Overall customer satisfaction (response to enquiries)	<50% water <70% electricity	74% water 70% electricity } }	85% in the medium term Aspiration of 100%

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¹ subject to regulatory audit ² refers to economic level of leakage target set by Ofwat ³ refers to Category 1 & 2 incidents as defined by the Environment Agency ⁴ refers to properties at risk of experiencing one sewer flooding incident in 10 years ⁵ refers to targets set by Ofgem

This slide shows the matrix of key operational and service measures that we introduced at the interim results, and we are very encouraged by the progress made. Last year we committed to a journey of several years to become a high performance company. I also committed to demonstrating that the needle had moved in our first year – this slide shows that.

We have improved our opex bandings for both water and wastewater, moving up to band B for water and band C for wastewater, narrowing the gap to the efficiency frontiers.

We have met the rolling leakage target for 2006/07 - the first time in five years. 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, with no deficits in any of our regional zones for water resources.

In 2006/07 we recorded no category 1 or 2 water pollution incidents and only 9 wastewater pollution incidents, which already meets our medium term target of a 50 per cent reduction. The challenge is now to sustain this improvement and aim for outperformance.

We have reduced the number of properties on the sewer flooding register to 469 this year. Our target is to reduce the number by around 50 per cent in the medium term and we are well on track to meeting this target.

In our electricity business, we have outperformed our cumulative regulatory targets for customer minutes lost and customer interruptions over 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 shown a marked improvement for water customers. We started with a score of below 50 per cent and this has increased to around 75 per cent – this is the highest score for three years.

Business update Efficiency initiatives



- Efficiency initiatives on track
- Capex partnership framework and project and investment system helping to optimise delivery of outputs
- Customer service transformation programme progressing well
 - customer billing system delivering efficiencies
 - improved cash collection
- Improved efficiency at our large treatment plants
 - process and resource optimisation programmes delivering benefits
- New work planning and scheduling processes embedded in the business

“...we remain on course to deliver our regulatory efficiency targets...”

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Delivery of our efficiency initiatives remains on track.

The capex partnership framework and the project and investment system are helping to optimise the delivery of outputs.

Our customer service transformation programme and customer billing system continue to progress well; cash collection is also improving.

We are seeing improved efficiency at our large treatment plants; our process and resource optimisation programmes are also delivering benefits.

The new work planning and scheduling processes have also been embedded in the business.

Overall, we remain on course to deliver our regulatory efficiency targets.

Business update

Additional growth in regulated water business

- On top of the £2.9bn 2005-10 capex programme, the 2004 water price review recognised potential additional investment with environmental benefits
 - principally relates to Unsatisfactory Intermittent Discharges (UIDs)
- Outcome of recent inquiries indicates an estimated investment programme in excess of £200m
 - to be funded through price limits
 - additional growth in regulatory asset value (RAV)
- Planning inquiry relating to coastal waters to take place later in the year
 - may drive further investment and RAV growth

“...additional investment will drive further growth in the regulatory asset value...”

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On top of the £2.9 billion capital expenditure programme for the 2005-10 period, the 2004 water price review recognised the potential for additional investment with environmental benefits. This principally relates to Unsatisfactory Intermittent Discharges of wastewater or UID. It is worth noting that this is in addition to the UID programme carried forward from the last price control period.

A planning inquiry was held in October 2006 which considered three appeals for UIDs discharging to inland waters to help establish principles going forward. The inspector's findings were published earlier in the year and we are now preparing a submission to Ofwat.

If endorsed by DEFRA, we expect this will lead to an investment programme with an estimated value of more than £200 million. This extra investment will be funded through price limits and will drive additional growth in the water business.

A further planning inquiry relating to coastal waters will take place later this year and this may result in additional capital expenditure.

This additional investment will drive growth in the regulatory asset value of the water business.

Business update Carbon strategy



- First UK water company to announce a carbon action plan
 - UU's electricity consumption has almost doubled since privatisation delivering environmental and customer improvements
 - cost-effective programme developed with the Carbon Trust
 - £37m investment programme with 3-5 year payback
- Targeting a 26% gross reduction in carbon emissions in the medium term¹
 - 18% reduction from renewable energy supplies up to 2010¹
 - 8% reduction up to 2012¹ through harvesting sustainable energy from wastewater treatment processes
 - UU now has close to a quarter of the UK's sewage-gas CHP² sites
 - this plan targets a reversal in rising trend of carbon emissions

"...we intend to be an industry leader in tackling climate change..."

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¹ compared to position in 2005/06 ² combined heat and power

We are the first UK water company to set out an action plan to reduce its carbon emissions.

The company's electricity consumption has almost doubled since privatisation, as a result of delivering significant environmental and customer improvements.

After working with the Carbon Trust, we have developed a clear and cost effective strategy to help maximise our contribution in tackling climate change. We have a £37 million investment programme in place with an estimated payback period of 3-5 years.

We are targeting a 26 per cent gross reduction in carbon emissions in the medium term. We expect approximately 8 per cent of this to come from harvesting sustainable energy from our wastewater treatment processes and around 18 per cent via renewable energy supply contracts.

Exploiting the potential of this renewable energy has already seen UU double the amount of electricity it generates from these sources in the past two years. Our carbon plan will implement combined heat and power, or CHP, processes used at a total of 23 sites. This means we have almost a quarter of the UK's sewage-gas CHP facilities.

So, with this plan, we are actually targeting a reversal in the trend of rising carbon emissions.

Business update and strategy

- **Business update**

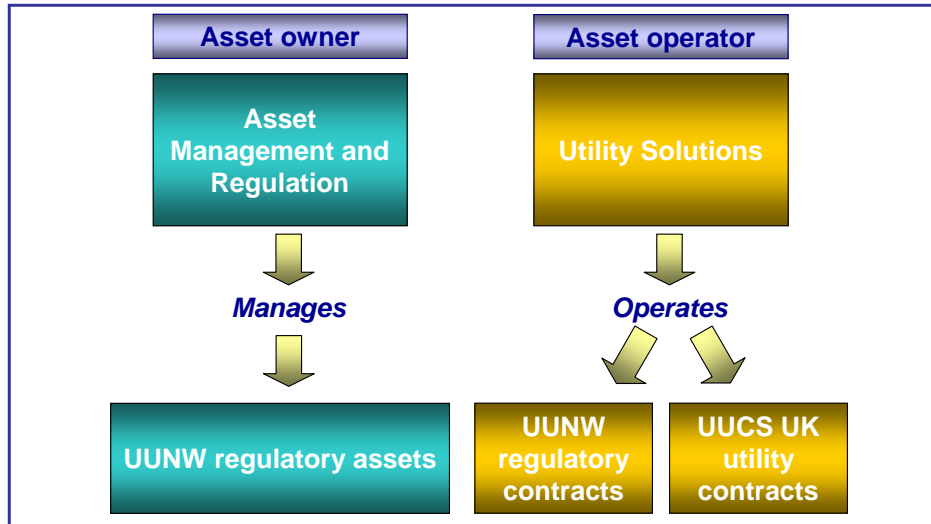
- **United Utilities' strategy**
 - **focus on core skills**
 - **asset owner/operator reorganisation**
 - **management team**

- **Sale process for electricity distribution assets**

- **Summary and outlook**

Now, moving on to our strategy.

Stronger commercial focus



- Overall reorganisation to deliver annual savings of around £10m

As we announced late last year, we are restructuring our management organisation to sharpen our commercial focus in the regulated business, learning some of the lessons from our very successful third party contract management. As part of this reorganisation, we have separated the business into an asset owner function and an asset operator function.

This new structure will help optimise performance by instilling the operational disciplines inherent in commercial trading arrangements and enable greater sharing of best practice.

We expect the overall management reorganisation to deliver annual savings of around £10 million, which should be realised in full by 2008/09. This is partly based on savings from the centralisation of functions, such as HR, Finance and Communications, as we simplify the business structure.

I'll now provide more detail on the roles and responsibilities of each of these functions.

Asset Management and Regulation

- Develop price review strategy
- Setting and monitoring KPIs for Utility Solutions
- Managing regulatory compliance
- Short and long-term investment planning
- Responsible for relationships with regulators and key opinion-formers

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Asset Management and Regulation will develop and deliver our regulatory price review strategy.

It has responsibility for setting key operational metrics and monitoring the performance of Utility Solutions in relation to operating the assets we own.

This function will manage regulatory compliance and is responsible for our investment planning. This includes the increasingly important area of long-term investment planning.

It is also responsible for maintaining and building our relationships with regulators and other key opinion-formers, such as ministers and civil servants.

Utility Solutions

- Operates all our UK utility contracts
- Stronger operational disciplines instilled through commercial arrangements with Asset Management and Regulation
- Transfer of best practice from portfolio of UK utility contracts
- Contains the majority of the group's workforce

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Utility Solutions is responsible for operating all of our UK utility contracts. This combines the operations of the assets we own and the UK contract portfolio previously managed by Contract Solutions.

The asset owner and asset operator functional split means that the commercial disciplines under which Contract Solutions has successfully operated are now applied to the networks we own.

An operational arrangement will be implemented, with challenging performance targets, to drive high performance and help us achieve our goal of becoming a world class operator of utility infrastructure.

Management team Right blend of skills and experience

- Six of our nine senior executives and around a quarter of our senior managers new to the business
- Recruiting high quality individuals and retaining key internal talent
- Right blend of skills and experience to take the group forward

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As well as the operational restructuring, I would like to highlight changes in the senior management team.

Six of the nine members of our senior executive team and around a quarter of our senior managers are new.

A number of roles have been redefined and we have recruited some high calibre individuals, whilst retaining key internal talent to achieve the right blend of skills and experience to take the group forward.

Executive team



Tim Weller, Chief Financial Officer

Charlie Cornish, MD Utility Solutions



Paul Capell, MD Business Development

Alison Clarke, HR Director



Gaynor Kenyon, Communications Director

Martin Bradbury, Chief Information Officer



Clive Elphick, MD Asset Management & Regulation

**To be appointed
General Counsel**

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Here we have our new executive team.

Charlie Cornish, previously MD of UU North West, is now running Utility Solutions.

I am pleased to welcome Paul Capell as Managing Director of Business Development. Paul joined us on 1 May from Veolia and brings significant strategic planning and utility experience.

I am also very pleased to welcome Alison Clarke who joined us two weeks ago as HR Director. Alison was previously HR Director of a large Hutchison Whampoa subsidiary in Hong Kong and before that had a senior HR role at Whitbread.

Clive Elphick has been promoted from within the group to MD of Asset Management and Regulation.

Martin Bradbury, who has been heading Contract Solutions over the last few months, is Chief Information Officer.

We are currently recruiting for the post of General Counsel, to replace Tim Rayner who left the group in March to join Rolls Royce.

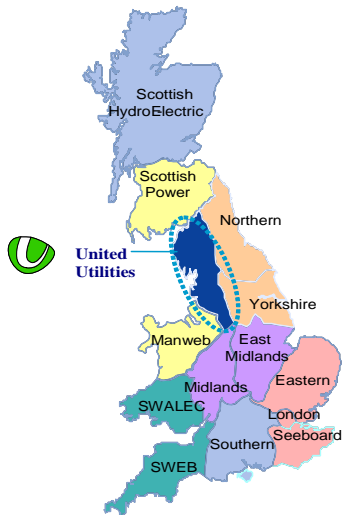
I believe that we now have a strong team in place with the right blend of experience and skills to lead the company through the next phase of its development.

Business update and strategy

- **Business update**
- **United Utilities' strategy**
 - focus on core skills
 - asset owner/operator reorganisation
 - management team
- **Sale process for electricity distribution assets**
- **Summary and outlook**

I will now talk in more detail about the sale process for our electricity distribution assets.

Sale process initiated for electricity distribution assets



- Focus on much larger, higher growth water assets
- United Utilities is the only single electricity distribution network owner
- Expect to return net equity proceeds to shareholders
- Capital structure and dividend policy to be reviewed, recognising importance of income to shareholders
- Intention that shareholders will receive distributions at least equivalent to distributions targeted for remainder of 2005-10 period
- Target a credit rating to mirror regulatory assumptions
- Intend to continue operating electricity assets, consistent with core skills strategy

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The purpose of this sale process is to maximise shareholder value by focusing on the much larger, more attractive water asset base which offers much greater opportunity to deliver regulatory asset growth.

As you can see from this chart, UU is the only company to own a single electricity distribution network in the UK.

We do expect to return the net equity proceeds from the potential sale to shareholders. The mechanism for this return will be determined at the time of sale completion.

On completion of the sale process and expected return of value, we intend to review our capital structure and dividend policy so that they will be appropriate for the revised composition of the group, recognising of course the importance of income to our shareholders.

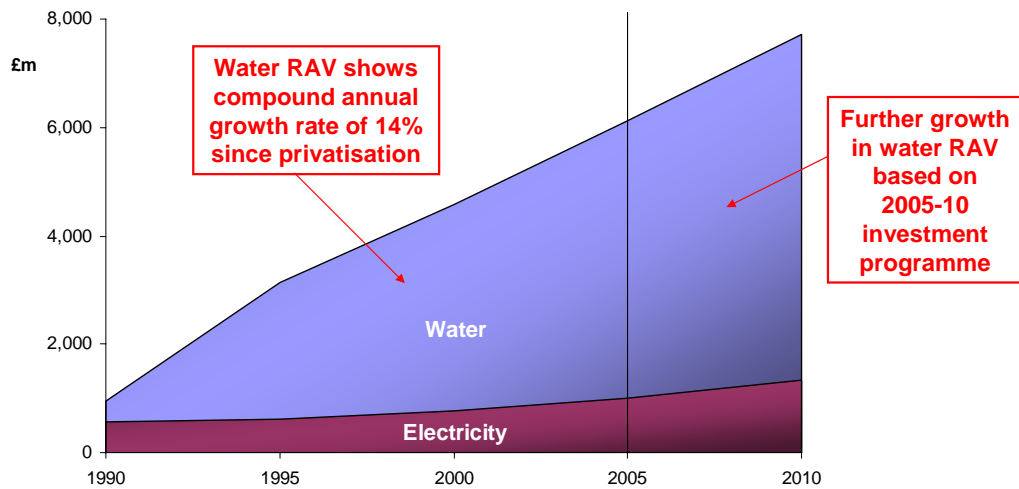
It is our intention that as part of this review, shareholders will realise total distributions over the remainder of the 2005-10 price control period at least equivalent to the distributions targeted for that period under the current dividend policy, adjusted to take account of the manner in which the net equity proceeds are returned.

The assessment of capital structure will also involve determining a target credit rating that we believe best mirrors regulatory assumptions for UU Water and we will be consulting with the credit rating agencies on appropriate financial indicators to maintain this rating.

We intend to continue operating the assets, consistent with our strategy of focusing on our core skills to create a world class operator of utility infrastructure.

In summary, in carrying out the review, we will be looking to set a dividend policy which continues to be attractive to income orientated investors underpinned by a credit rating target to deliver a financial profile in line with regulatory assumptions.

Growth in regulatory asset value (RAV)¹



“...water and wastewater investment drives significant growth in the regulated income stream...”

¹ outturn prices. 2005-10 growth based on Ofwat and Ofgem projections

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This chart shows that the principal driver of growth in UU is delivering the water and wastewater capital programmes and growing the Regulatory Asset Value (RAV).

The regulated water RAV accounts for over 85 per cent of the total RAV of the group and offers much greater growth potential than the electricity RAV. This is because the substantial water and wastewater investment programmes are heavily focused on quality and environmental improvements, whereas electricity investment is primarily related to network maintenance. Therefore, the proportion of regulated income from the water business should naturally continue to increase as we go forward.

We believe that shareholders' interests are best served by the group focusing on the much larger water asset base, which offers significant growth in the regulated income stream and provides long-term stability to underpin dividend payments.

Business update and strategy

- Business update

- United Utilities' strategy
 - focus on core skills
 - asset owner/operator reorganisation
 - management team

- Sale process for electricity distribution assets

- **Summary and outlook**

So, to sum up.

Summary and outlook

- Strong profit growth continues
 - supporting investment on behalf of customers and the environment
- Focus on core skills delivers performance improvements
- A leaner, more focused United Utilities
- New structure and management team to generate higher performance
- Sale process for electricity distribution assets initiated
 - capital structure and dividend policy to be reviewed
- Confident of delivering future profit growth in line with our expectations

One business, one vision: a world class operator of utility infrastructure

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We continue to deliver strong profit growth underpinned by good financial performance in UU North West. This supports the substantial investment we are making on behalf of our customers and the environment.

Our focus on core skills has already begun to deliver operational improvements.

We are now a leaner and more focused business and our strategy is to concentrate on our core skills of managing water, wastewater, electricity and gas networks.

We have brought in high calibre individuals at the senior level and I believe we now have a strong management team to take the business forward.

We have initiated a sale process for our electricity distribution assets and will review our capital structure and dividend policy at the end of this process.

We intend to create a high performance company and, supported by our new structure and management team, are confident of delivering future profit growth in line with our expectations.

UU is one business with a single vision – to be a world class operator of utility infrastructure.



Questions

Thank you for listening, we'll be pleased to take questions.



Supporting information

Reclassification of historical results
Financing and liquidity
Debt structure
UU Electricity summary financials

Reclassification of historical results Year ended 31 March 2006



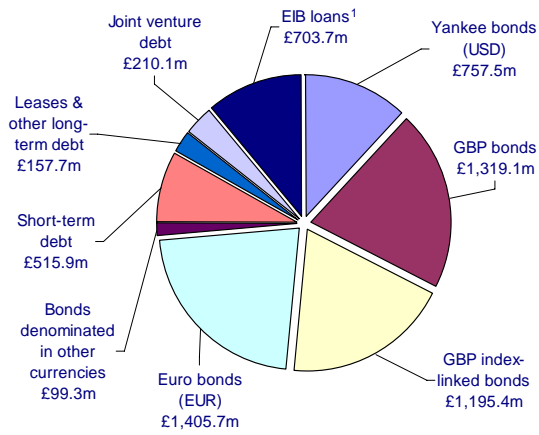
£m	As reported	UUPS transfer	intangibles	Vertex discontinuance	Pension interest reclassification	Restructuring	Restated
United Utilities North West (formerly described as licensed multi-utility operations)	652.3	-	-	(2.6)	(12.1)	(0.1)	637.5
United Utilities Contract Solutions (formerly included within infrastructure management)	95.5	(18.1)	(1.1)	-	(3.1)	(4.7)	68.5
Vertex	20.8	-	-	(20.8)	-	-	-
Other activities	6.7	18.1	-	-	(1.3)	-	23.5
Operating profit from continuing operations	775.3	-	(1.1)	(23.4)	(16.5)	(4.8)	729.5
Restructuring	(25.5)	-	-	20.7	-	4.8	-
Intangible asset amortisation	(9.8)	-	1.1	8.7	-	-	-
Investment income and finance expense	(300.7)	-	-	(0.2)	16.5	-	(284.4)
Profit before taxation	439.3	-	-	5.8	-	-	445.1
Taxation	(120.3)	-	-	(1.7)	-	-	(122.0)
Profit after taxation from continuing operations	319.0	-	-	4.1	-	-	323.1
Loss from discontinued operations	(110.8)	-	-	(4.1)	-	-	(114.9)
Profit for the period	208.2	-	-	-	-	-	208.2

Financing & liquidity as at 31 March 2007



Gross debt = £6,364.4m

Headroom/prefunding = £2,080.8m



	£m
Cash and short-term deposits ²	2,403.3
Medium-term committed bank facilities ³	1,175.0
Short-term debt ²	(515.9)
Term debt maturing within one year ²	(981.6)
Total headroom / prefunding	2,080.8

Further funding raised since 31 March 2007:

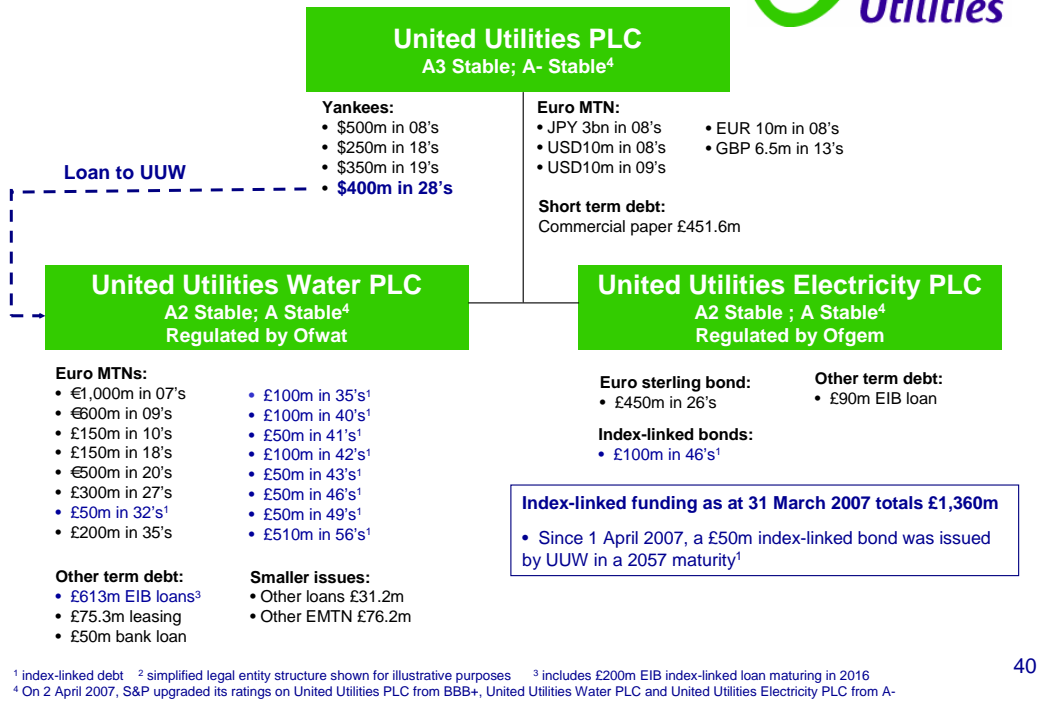
- £50m index-linked bond by UUW in a 2057 maturity

¹ includes £200m EIB index-linked loans

² includes amounts relating to joint ventures: cash and short-term deposits (£44m); short-term debt (£21m); and term debt maturing within one year (£27m)

³ excludes £125m committed facilities maturing within one year

Debt structure² at 31 March 2007





United Utilities Electricity Summary financials

£m	2007	2006
Revenue	315	282
Operating profit ¹	168	145
Net debt at fair value	541	627
RAV ²	1,154	1,059

¹ non-statutory measures including group charges ² outturn prices

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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.