

Summary Financial Statement & Notice of AGM 07

Summary Financial Statement

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in United Utilities PLC you should pass this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

ALTERNATIVE FORMATS

If it would help you to receive shareholder communications in an alternative format – large print, Braille or audio tape – please contact the registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone: 0870 600 3971, or textphone: 0870 600 3950 for shareholders with hearing difficulties. Give your name, address, shareholder account number and your preferred alternative format.

Chairman's review

Revenue – continuing operations

£2,323.0m

(2005/06: £2,086.0m)

Operating profit – continuing operations

£827.5m

(2005/06: £729.5m)

Dividend per ordinary share

44.93p

(2005/06: 43.87p)

Final dividend of 30.30p will be paid on 24 August 2007.

The group has again delivered a good set of results, supported by a robust financial performance in United Utilities North West. We would like to thank our employees for making this possible through their continuing hard work and loyalty.

People

We were saddened by the death of Gordon Waters, managing director of United Utilities Contract Solutions, in December 2006. Gordon worked closely with the Carbon Trust and we feel he would have approved of our decision to put carbon management high on our agenda.

In March, we completed the sale of Vertex to a consortium led by Oak Hill Capital Partners in line with our strategy of focusing on our core skills. Tom Drury left the board as a result, and we wish him well for the future.

We have strengthened our team with two recent appointments. We welcome Dr Catherine Bell to the board as a non-executive director and Paul Capell as our business development director. We say a fond farewell to Sir Peter Middleton, who will retire at the annual general meeting after 13 years as a non-executive director. I thank him on behalf of the board for his substantial contribution. Nick Salmon will replace Sir Peter as senior independent director.

Performance

Revenue from continuing operations rose 11.4 per cent to £2,323.0 million, principally reflecting growth in United Utilities North West. Operating profit from continuing operations increased to £827.5 million, up 13.4 per cent on last year.

The board is proposing a final dividend in respect of the year ended 31 March 2007 of 30.30 pence per ordinary share. This is an increase of 2.4 per cent, consistent with the group's policy of growing dividends in line with inflation. The final dividend of 30.30 pence will be paid to shareholders on 24 August 2007.

Annual General Meeting

I am pleased to invite you to the company's annual general meeting. We are holding the meeting on Friday, 27 July 2007 at the Bridgewater Hall, Manchester. Please note that the meeting will start at 11.00 am. Doors will open at 10.00 am. This document contains the formal notice calling the meeting and explanations of the resolutions the directors will be proposing at the meeting together with the summary financial

statement for the year ended 31 March 2007. You will also find enclosed either our stakeholder report or the full annual report and accounts, if you asked to have that.

This year, in addition to the matters normally dealt with at the annual general meeting, we are proposing that shareholders pass resolutions to:

- amend the articles of association of the company; and
- adopt the rules of the United Utilities PLC 2007 Matching Share Award Plan ('the Matching Plan').

Further details of the Matching Plan and the proposed amendments to the articles with an explanation as to why they are sought, are set out in the explanatory notes to the resolutions contained in the formal notice calling the meeting on page 12. Exact details of the Matching Plan are set out in appendix 1 to the formal notice calling the meeting.

The directors consider all the proposed resolutions to be in the best interests of the shareholders of the company as a whole and therefore recommend you vote in favour of these resolutions, as we unanimously intend to do in respect of our own beneficial shareholdings.

We hope you enjoy reading this report and continue to share in our company's success.

Dick Evans
Chairman

Financial summary

This is a summary of information from the 2007 annual report and accounts

This summary financial statement was approved by the board of directors on 4 June 2007 and signed on its behalf by Sir Richard Evans, chairman and Tim Weller, chief financial officer.

The auditors have issued an unqualified audit report on the full accounts and the auditable part of the directors' remuneration report. The Companies Act 1985 requires the auditors to report if the accounting records are not properly kept or if the required information and explanations are not received. The auditors' report on the full accounts and the auditable part of the directors' remuneration report contains no such statement.

Independent auditors' statement to the members of United Utilities PLC

We have examined the summary financial statement which comprises the consolidated income statement, balance sheets and the summary directors' remuneration report.

This report is made solely to the company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statement in accordance with United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts and the directors' remuneration report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the summary financial statement described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements and the directors' remuneration report.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts and the directors' remuneration report of United Utilities PLC for the year ended 31 March 2007 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder. We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements, 4 June 2007, and the date of this statement.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors, Manchester, England
15 June 2007

Summary directors' report Review of the business

Group

United Utilities has again delivered a strong financial performance in the year ended 31 March 2007. Profit before taxation from continuing operations increased to £676.0 million, an increase of 51.9 per cent. Operating profit from continuing operations increased by 13.4 per cent to £827.5 million. Revenue from continuing operations increased by 11.4 per cent to £2,323.0 million in 2006/07 compared with £2,086.0 million in 2005/06, principally reflecting growth in United Utilities Northwest (UUNW).

In March 2007, United Utilities' business outsourcing subsidiary, Vertex, was sold to a consortium of private equity investors led by Oak Hill Capital Partners, Knox Lawrence and GenNx360.

United Utilities North West

UUNW has delivered strong growth in the year. Segmental operating profit increased by 17.7 per cent to £750.1 million (2005/06: £637.5 million), which primarily reflects allowed price increases and delivery of efficiencies.

As expected, infrastructure renewals expenditure was higher in the second half of the year compared with the first six months, in line with the planned rephasing of this programme. Adjusting for a number of one-off items, segmental underlying operating profit from continuing operations* for the year increased by 11.1 per cent to £736.3 million.

Capital investment in the period, including £101.2 million of infrastructure renewals expenditure, was £747.9 million (2005/06: £582.5 million), of which £570.3 million (2005/06: £440.9 million) related to water and wastewater and £177.6 million (2005/06: £141.6 million) to electricity distribution. This is an increase in expenditure of £165.4 million when compared with the previous year. We remain confident of meeting the regulatory operating and capital expenditure efficiency targets.

United Utilities Contract Solutions (UUCS)
Revenue in UUCS increased by 13.4 per cent to £742.2 million in 2006/07. This partly

reflects a full 12-month contribution in 2006/07 from the £1.1 billion, eight-year contract with Northern Gas Networks which commenced on 1 June 2005. Revenue also benefited from the planned capital investment profile relating to the Southern Water Contract, which provided a strong contribution in the year.

Segmental operating profit was broadly flat at £69.1 million in 2006/07, reflecting the increasing maturity of contracts, the successful transformation of the major outsourcing contracts, and continued performance improvements in the Connections and Metering business units within Industrial and Commercial Solutions. Segmental underlying operating profit from continuing operations* for the year decreased slightly at £66.4 million.

UUCS renewed the contract with Scottish Water, via Scottish Water Solutions, during the year although new opportunities were limited. The order book remains strong with future revenue streams secured.

* Underlying operating profit from continuing operations is stated after adjusting for restructuring costs and other significant non-recurring items and is reconciled to operating profit from continuing operations in tables 5 and 6 on page 25 of the full annual report. The board believes this financial measure provides useful information to investors as it is the measure that management uses to evaluate trading performance.

Business structure

Since the end of the financial year, we have realigned our organisational structure to encourage improved performance and to lead to more commercial behaviour.

From 1 April 2007, Utility Solutions will manage the operation of all water and wastewater, electricity and gas networks, whether that is on behalf of our own businesses or for external clients. The Asset Management and Regulation function will develop and deliver the water and electricity regulatory price review strategy and will engage with key opinion formers, ministers, regulators and civil servants. Finally, the Business Development function will develop a business growth strategy for the group and deliver its international businesses' financial targets.

Sale of electricity distribution assets

We have taken the decision 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 we believe that shareholders' interests are best served by focusing on the much larger water asset base, which offers significantly more growth potential than our electricity assets.

Delisting from the NYSE

On 30 May 2007, we announced our intention to pursue a delisting from the New York Stock Exchange (NYSE) and deregistration under the US Securities Exchange Act of 1934, with the aim of reducing compliance costs. Annual savings of around £2 million are expected.

Dividend

The directors are recommending a final dividend of 30.30 pence for each ordinary share for the year ended 31 March 2007. Together with the interim dividend of 14.63 pence per ordinary share, the total ordinary dividend relating to the year is 44.93 pence. Subject to shareholders approving this recommendation at the annual general meeting, the dividend will be paid on 24 August 2007 to shareholders on the register at the close of business on 29 June 2007.

The business for the annual general meeting

Details of the resolutions to be proposed at the 2007 annual general meeting are set out in the notice calling the meeting on page 10. There is also a full explanation of the resolutions on page 12.

Good governance

The board is committed to high standards of corporate governance. Throughout the year, the board has complied fully with the revised Combined Code. Full details of how those principles have been applied can be found in the corporate governance report and the directors' remuneration report on pages 46 and 52 respectively of the full annual report and accounts.

People

Substantially all of our employees are based in the United Kingdom. In March 2007, on completion of the sale of Vertex, around 8,000 employees left the group, effectively halving our workforce.

We seek to involve employees with open and regular communications about business developments and issues of general interest, both formally and informally. We have carried out an interim employee opinion survey against nine key measures. Employee satisfaction was 69 per cent compared to 74 per cent last year.

We encourage employees to work to their full potential and we are committed to improving employee skills through training and development and by nurturing a culture in which employees feel valued. We respect the dignity and rights of every employee and we support them in performing various roles in society.

Good industrial relations remain a priority for us across the whole of our business and parts of the group have been recognised in the UK for excellence in this area. We continue to recognise and work in partnership with a range of trade unions.

Health and safety

We remain committed to maintaining high standards of health and safety in every area of our business. Our health and safety aims and objectives are integrated into the business planning processes. The Accident Incident Rate (AIR) per 100,000 employees for the year was 498. This was below the AIR target of 590 set for the year.

Key objectives delivered during 2006/07 included putting in place group wide: a health and safety contractor management framework; common health and safety role profile documentation; and a standardised approach to monitoring work related sickness absence.

Corporate responsibility

We believe that being responsible in the way we conduct our operations makes sound business sense. Active management of our key environmental, social and economic impacts helps us work in a way that is ethical and balances the needs of all of our stakeholders. It enables us to reduce risk, identify business opportunities, provide stability in our markets, protect resources, make savings, improve performance and build trust and understanding. Full details are set out in our stakeholder report, which is an important part of our integrated approach to reporting on the group's overall performance, together with the annual report and our website.

Carbon emissions

We are the first UK water company to set out an action plan to reduce our carbon emissions. Our electricity consumption has almost doubled since privatisation, as a result of delivering environmental and customer improvements and this plan is actually targeting a reversal in the rising trend of carbon emissions.

Our carbon investment programme is estimated at around £37 million, with an expected three to five-year payback period. We are targeting a gross reduction in carbon emissions of around 26 per cent in the medium term, with approximately eight per cent to come from our internal carbon reduction plans and around 18 per cent via renewable energy supply contracts.

Outlook

Our strategy is to focus on our core skills of managing water, wastewater, electricity and gas networks to create a world class operator of utility infrastructure.

By focusing on core skills, the business is well placed to meet our expectations for the forthcoming financial year. With predictable regulated revenue increases ahead, we expect to continue to deliver strong profit growth.

On completion of the proposed sale of our electricity distribution assets, we intend to review our capital structure and dividend policy so that they will be appropriate for the revised composition of the group, recognising the importance of income to our shareholders. It is our intention that, as part of this capital restructuring, shareholders will realise total distributions over the remainder of the 2005-10 price control period at least equivalent to the distributions targeted for the same period under the current dividend policy, adjusted to take account of the manner in which the net equity proceeds are returned.

The directors

Executive directors

Philip Green	Chief executive officer (aged 54) A
Tim Weller	Chief financial officer (aged 44)
Charlie Cornish	Managing director, Utilities Solutions (aged 47)
Paul Capell	Managing director, Business Development (aged 50) (appointed 1 May 2007)

Non-executive directors

Sir Richard Evans	Chairman and chairman of the nomination committee (aged 64) A
Norman Broadhurst	Chairman of the audit committee (aged 65) A and C
David Jones CBE	Chairman of the remuneration committee (aged 65) A, B and C
Sir Peter Middleton	Deputy chairman and senior independent non-executive director (aged 73) A and C
Dr Catherine Bell	(aged 56) A and C (appointed 19 March 2007)
Andrew Pinder CBE	(aged 60) A and B
Nick Salmon	(aged 54) A and B
Paul Heiden	(aged 50) A and C

A – member of the nomination committee, which considers and makes recommendations to the board on the composition, balance and membership of the board.

B – member of the remuneration committee, which considers and makes recommendations to the board on the group's framework of executive remuneration and its cost and approves the recruitment terms, remuneration benefits, employment conditions and severance terms for executive directors and other senior executives.

C – member of the audit committee, which reviews the internal and external audit activities, the effectiveness of the group's internal control systems, and the half year and annual financial statements before submission to the board, and monitors compliance with statutory requirements for financial reporting.

Summary of the directors' remuneration report

This report provides a summary of the directors' remuneration policy. The directors' remuneration report contained within the report and accounts gives full details of the group's remuneration policy as well as details of remuneration earned by directors in the year ended 31 March 2007. The report and accounts can be accessed on the group's website – www.unitedutilities.com – and is available free of charge by post (see page 19). Shareholders will be asked to approve the remuneration report at the forthcoming annual general meeting.

Approach to reward

The group aims to ensure that its remuneration arrangements attract and keep people of the right calibre in order to achieve corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and keep talented people at all levels, pay competitive salaries and benefits to its staff and encourage its staff to hold shares in the company. The board reviews its policy in the light of emerging best practice.

Non-executive directors

The company's policy is to pay annual fees that reflect the responsibilities placed upon the non-executive directors. Fees are reviewed each year when account is taken of the level of fees paid in companies of similar size and complexity. There are separate annual fees for the chairman, deputy chairman and the other non-executive directors. Additional fees are paid to the chairmen of the audit committee (Norman Broadhurst) and remuneration committee (David Jones). Non-executive directors do not participate in any annual bonus or incentive plan, the pension scheme, healthcare arrangements, the company's long-term incentive plans or employee share schemes. The company

repays the reasonable expenses they incur in carrying out their duties as directors.

Table 1: Non-executive directors' fees (audited information)

Year ended 31 March	Total fees	
	2007 £'000	2006 £'000
Sir Richard Evans	215.8	205.0
Dr Catherine Bell	1.7	–
Norman Broadhurst	58.9	56.3
Paul Heiden	48.9	23.1
David Jones CBE	57.8	51.4
Sir Peter Middleton	87.5	82.3
Jane Newell	15.4	46.3
Andrew Pinder CBE	48.9	93.8
Nick Salmon	48.9	45.9
John Seed	–	17.2
Total	583.8	621.3

Notes:

- Nick Salmon was appointed to the board on 4 April 2005.
- Paul Heiden was appointed to the board on 5 October 2005.
- Dr Catherine Bell was appointed to the board on 19 March 2007.
- John Seed resigned from the board on 29 July 2005.
- Jane Newell resigned from the board on 28 July 2006.
- Between August 2004 and March 2006, Andrew Pinder received additional fees in his capacity as a non-executive director of Vertex Data Science Limited. During the year to 31 March 2006, fees of £47,500 became due. These are included in the 2006 figures above. He resigned as a director of Vertex Data Science Limited on 31 March 2006.

Executive directors

The board's policy for executive directors' and senior executives' remuneration is to:

- pay a basic salary which compares with other companies of comparable size and complexity;
- use short and long-term incentives to encourage executives to out-perform key targets, thereby linking their rewards to the

interests of shareholders and other stakeholders and giving them the opportunity to increase their earnings;

- encourage executives to hold shares in the company; and
- overall, reward executives fairly and responsibly for their contribution to the group's short and long-term performance and avoid paying more than is necessary for achieving this objective.

In deciding the executive directors' total remuneration package and individual elements of it, the remuneration committee assesses both the performance of the individual and the company as well as the range of pay of similar companies. In making these comparisons it considers the results carefully. The company aims to pay within a range of the mid-market rate over time but may pay higher salaries and total remuneration for out-performing individuals (or to attract or retain executives of the right calibre) and where the company itself out-performs. The company also takes account of a range of other factors, including the general increases in base salaries taking place within the company. Below mid-market pay may result from under-performance by the individual and/or the company or where the individual is new to the role.

Fixed rewards include basic salary, a car allowance or company car and fuel for private mileage, life, medical and permanent health insurance and pension benefits. Variable rewards take the form of an annual bonus and a long-term incentive (the performance share plan). The plans are designed to establish a clear link between pay and performance by encouraging and rewarding out-performance in both the short and long-term. They are based on business and individual performance, linking executives'

Table 2: Executive directors' emoluments and long-term incentive payments (audited information)

	Gross salary		Annual bonus		Other benefits		Total emoluments		Long-term incentive vesting during the year ended 31 March	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
John Roberts	–	525.0	–	229.7	–	36.8	–	791.5	217.2	465.1
Philip Green	686.7	74.3	488.2	–	28.4	2.4	1,203.3	76.7	–	–
Simon Batey	120.7	360.8	78.4	179.5	336.1	18.4	535.2	558.7	148.2	310.1
Charlie Cornish	340.0	273.3	241.7	142.0	17.5	25.4	599.2	440.7	107.5	–
Tom Drury	312.0	277.5	131.7	103.9	667.5	14.5	1,111.2	395.9	–	–
Gordon Waters	235.3	306.3	166.7	143.5	26.3	28.8	428.3	478.6	110.5	237.7
Tim Weller	266.7	–	185.1	–	40.1	–	491.9	–	–	–
Total	1,961.4	1,817.2	1,291.8	798.6	1,115.9	126.3	4,369.1	2,742.1	583.4	1,012.9

Notes:

- Philip Green was appointed to the board on 20 February 2006.
- Tim Weller was appointed to the board on 1 August 2006. His other benefits include £30,435 in relation to reimbursement of relocation costs.
- Tom Drury was appointed to the board on 9 May 2005, resigned from the board on 27 March 2007 and left the company on 31 March 2007. His other benefits include payments of £319,300 in relation to the disposal of Vertex Data Science Limited and £329,712 made in connection with his loss of office.
- Simon Batey resigned from the board on 28 July 2006 and left the company on 31 July 2006. His other benefits include payments totalling £331,003 made in connection with his loss of office.
- Gordon Waters died on 24 December 2006. An ex-gratia payment was made to his widow, with a net value of £9,410 after offsetting amounts due to Gordon.
- The value of the long-term incentive vesting during the year ended 31 March 2007 is based on the share price when the awards under the 2003/04 performance share plan were exercised. The awards relate to the three-year performance period which ended on 31 March 2006.
- 'Other benefits' include the taxable value of the car or car allowance, private fuel and medical insurance.

rewards directly to the interests of shareholders and other stakeholders. Annual and long-term awards are non-pensionable.

The committee aims to achieve an appropriate balance between fixed and variable rewards. It recognises that the group operates in both a regulated and non-regulated environment and therefore needs to ensure that the structure of executive remuneration reflects the practices of the markets in which its executives operate and stakeholder expectations of how the group should be run.

During 2006/07, the committee reviewed the operation of the group's incentive arrangements in the light of evolving market practice and to ensure that rewards remained competitive and aligned to stakeholder interests. With effect from 2007/08 the annual bonus maximum for executive directors will be 100 per cent of salary (increased from 75 per cent) and performance share plan awards will be 100 per cent of salary (previously 80 per cent).

Information on and a resolution seeking shareholder approval to the introduction of a matching share award plan are included in the notice for this year's annual general meeting on page 10. Appendix 1 to that notice, on pages 15 to 18, sets out full details of the new plan. The plan's rules will be available for inspection by shareholders. Under the plan, participants will be able to invest, initially, up to 50 per cent of the annual bonus paid in respect of the previous financial year in company shares which will be matched by the company. The vesting of the matched shares will depend upon the achievement of corporate performance targets.

Detailed policy in relation to executive directors' remuneration is set out below.

Salary

The remuneration committee reviews salaries each year taking account of group and personal performance. It commissions independent assessments of market rates based on the practice of other utility companies and companies of a similar size and complexity and takes account of the levels of pay awards elsewhere in the group. In this way it aims to establish whether an increase should apply and, if so, what the increase should be. It also considers whether there should be any departures from the norm, for example, to ensure that salaries are competitive and consistent with the application of board policy on executive remuneration.

Annual bonus

The annual bonus is designed to motivate executive directors and other senior executives to achieve the group's financial, operational and strategic objectives. Directors are rewarded according to the company's financial and non-financial performance for the year and the achievement of individual targets. Targets are set each year. The operational and individual targets may include

performance against key stakeholder measures and personal objectives. Annual bonus awards are normally paid in cash.

Other benefits

Directors are paid a car allowance of £14,000 a year or have the use of a company car, are reimbursed the cost of fuel for business and private use and are provided with medical and life insurance and, if not a member of the defined benefit pension scheme, permanent health insurance.

Long-term incentives

Performance share plan

Executive directors and other senior executives participate in the performance share plan. Awards are granted at the discretion of the plan's trustee (United Utilities Employee Share Trust Limited) on the recommendation of the remuneration committee.

Each year, participants may be awarded a right to acquire a maximum number of shares worth up to a percentage of their annual salary at the date of the award, at no cost to them. The number of shares awarded is based on the market price of a share at that time. The plan's rules provide for a maximum award of 100 per cent of annual salary. However, annual awards made to date to directors have been limited to 80 per cent of salary. Awards to other executives range between 15 per cent and 60 per cent of salary.

The proportion of the award that will vest depends on the group's performance against specified targets over a performance period. This period is not less than three years, beginning at the start of the financial year during which the award is made. There is no re-testing if the performance criteria are not met. To date the performance criteria have been: the company's total shareholder return (TSR) performance when compared with the TSR performance of a comparator group of other companies; and underlying business performance.

TSR is widely used as an externally verifiable measure of a shareholder's return. Relating awards to the company's relative TSR performance supports the policy objectives of linking executives' rewards directly to the group's performance and shareholders' interests and gives executives the opportunity to increase their earnings by meeting and out-performing key long-term measures.

No award will vest if the company's TSR performance is below the median for the comparator group. If performance is between median and upper quartile, the proportion of the maximum number of shares in the award which will vest will be calculated on a straight-line basis between 25 per cent and 100 per cent.

Share schemes

From 2003, awards under the performance share plan have replaced further grants of executive share options. Executive directors are eligible to participate in the all-employee

SAYE scheme (ShareSave). Neither the award nor the exercise of ShareSave options is dependent upon the satisfaction of performance conditions. The last grant of options was ShareSave 2004. The main all-employee scheme is the HM Revenue & Customs approved share incentive plan, 'ShareBuy'.

Executive directors' shareholdings

Executive directors are expected to build up and retain a target shareholding equal to the value of their basic salary, normally within five years of appointment.

Matched share investment scheme for Philip Green

Full details of the matched share investment scheme for Philip Green, introduced as part of his terms of appointment, were disclosed in the remuneration report for 2006. In accordance with the rules of that scheme, Philip Green invested in 100,000 shares and a matched award of 100,000 shares was made to him on 16 January 2007. The number of shares subject to the matching share award will be increased by the notional reinvestment of dividends payable on the matched shares over the course of the five-year retention period which ends on 12 February 2011.

Matched share investment scheme for Tim Weller

The company agreed to establish a matched share investment scheme to attract and retain Tim Weller as chief financial officer, beyond the implementation of the next regulatory reviews.

The principal terms of the agreement are that he acquired, at the start of his contract and at his expense, 39,000 shares which the company has agreed to match on a one-for-one basis. The number of shares subject to the matching award will be increased by the notional investment of dividends payable on the matched shares over the course of the five-year period commencing on 1 July 2006.

The matched shares will transfer to him after that five-year period provided that he has maintained that shareholding throughout this period and provided that he has been employed by the company for the whole of the period (save for cessation of employment in special circumstances including ill health, dismissal without cause during years four and five of the period or a change in control of the company). The company believes that this arrangement is a forceful alignment of interests between Tim Weller and shareholders.

Long-term incentive scheme for Charlie Cornish

The company agreed to establish a long-term incentive scheme to attract and retain Charlie Cornish as managing director, Utility Solutions, beyond the implementation of the next regulatory reviews. On 16 March 2007, he was awarded an option over 47,027 shares.

The principal terms are that the exercise price payable shall be zero, the option will be capable of being exercised at the end of a four-year performance period starting 1 April 2006, provided that Charlie Cornish remains an employee for the whole period (save for cessation of employment in special circumstances including ill health or a change in control of the company) and the number of shares subject to the award will be increased by the notional reinvestment of dividends payable on them until the award vests.

The number of shares over which the option may be exercised will depend on the extent to which the performance conditions attached to the award have been satisfied over the four-year performance period.

Pension arrangements

Several pension schemes operate within the group. The main pension scheme is the United Utilities Pension Scheme (UUPS). The group, with trustee agreement where required, has made the rule changes necessary to ensure that the schemes qualify as registered pension schemes under the new legislative regime.

The remuneration committee recognises that pension is an important but potentially costly element of remuneration. Decisions have previously been made to close entry to the defined benefit section of UUPS to newly recruited directors and other senior executives, not to introduce any new unfunded unapproved arrangements to provide pension benefits above those approved by HM Revenue & Customs and to close entry to the defined benefit executive section (which provides enhanced benefits).

Newly recruited executive directors may join the defined contribution section of UUPS. They may make a regular contribution of up to seven per cent of basic pay and may make additional voluntary contributions. The company contributes up to 25 per cent of basic pay. Philip Green, Tim Weller and Charlie Cornish are members of this section. The normal pension age is 65.

Simon Batey, Tom Drury and Gordon Waters were members of the defined benefit section which is now closed to new executives. It provides a pension for them on normal retirement at age 60 based on a maximum accrual rate of 1/30th of pensionable earnings for each completed year of service. The maximum pension is two thirds of pensionable earnings.

Contracts of service and compensation for termination

The company's policy is that the executive directors and executive officers normally have one-year notice periods. The company may offer a longer notice period if it considers that necessary to recruit a new director or executive officer. If it offers an initial notice period of more than one year, it will usually reduce that to a rolling one-year notice period after the initial period has expired. All current executive directors have one-year notice periods with the exception of Paul Capell who was awarded an initial two-year rolling service contract upon appointment, reducing to 12 months (rolling) after one year's service.

With the exception of Paul Capell's contract, service contracts do not provide explicitly for termination payments (other than for holidays due but not taken), liquidated damages or payments in lieu of notice. If a contract is to be terminated, the remuneration committee will apply such mitigation it considers is fair and reasonable. Its policy is to take a robust line on reducing compensation.

Aggregate emoluments

The directors' aggregate emoluments (salaries, fees, benefits and annual bonuses) in the year ended 31 March 2007 were £4,952,739 (2005/06: £3,363,400). In addition, long-term awards under the 2003/04 performance share plan vested during the year. The aggregate value based on share prices at the date of exercise, was £583,419 (2005/06: £1,012,900).

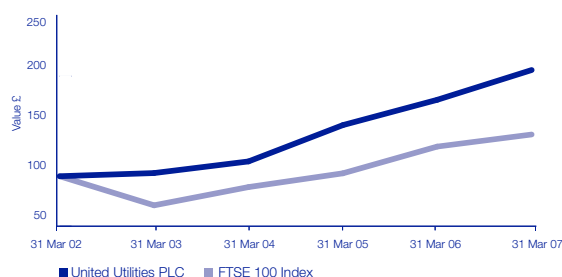
Aggregate notional gains made by executive directors on exercise of share options during the year were £nil (2005/06: £7,852).

Performance graph

The graph below compares the company's annual total shareholder return performance for the past five years against the FTSE 100 Index. The TSR indices used in the chart have been calculated relative to a base date of 31 March 2002.

Total shareholder return

Source: Thomson Financial



Note:

- This graph shows the value, by 31 March 2007, of £100 invested in United Utilities on 31 March 2002 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year-ends.

Consolidated income statement

For the year ended 31 March

	Note	2007 £m	2006 £m
Continuing operations			
Revenue	1	2,323.0	2,086.0
Other income		22.2	21.1
Employee benefits expense		(280.3)	(257.3)
Depreciation and amortisation expense		(288.5)	(282.8)
Infrastructure renewals expenditure		(101.2)	(70.6)
Other operating costs		(847.7)	(766.9)
Total operating expenses		(1,495.5)	(1,356.5)
Operating profit		827.5	729.5
Investment income		138.2	68.5
Finance expense		(308.4)	(352.9)
Investment income and finance expense		(170.2)	(284.4)
Share of results of associated company		18.7	–
Profit before taxation		676.0	445.1
Current taxation charge		(75.8)	(49.4)
Deferred taxation charge		(99.5)	(72.6)
Taxation		(175.3)	(122.0)
Profit for the year from continuing operations		500.7	323.1
Loss for the period from discontinued operations		(67.2)	(114.9)
Profit for the year	2	433.5	208.2
Attributable to:			
Equity holders of the company		433.5	207.9
Minority interest		–	0.3
		433.5	208.2
Earnings per share from continuing and discontinued operations			
Basic	3	49.4p	24.3p
Diluted	4	49.2p	24.2p
Earnings per share from continuing operations			
Basic	3	57.1p	37.8p
Diluted	4	56.9p	37.6p
Dividend per ordinary share		44.93p	43.87p

(1) Revenue represents the income receivable for services provided in the ordinary course of business.

(2) Profit earned in the year available to pay dividends to shareholders and to re-invest in the business.

(3) Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the company by the weighted average number of shares in issue.

(4) The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares.

Balance sheets

At 31 March

(5) Property, plant and equipment comprises infrastructure assets (mains, sewers, water storage reservoirs, dams, sludge pipelines and sea outfalls) and other assets (including properties, overground plant and equipment and electricity operational assets).

This summary financial statement does not contain as much information as you need to gain a full understanding of the results and state of affairs of the group. Copies of the full annual report are free upon request – see page 19.

		Group		Company	
	Note	2007 £m	2006 £m	2007 £m	2006 £m
Assets					
Property, plant and equipment	5	8,894.6	8,543.9	0.6	0.8
Goodwill		5.0	153.1	–	–
Other intangible assets		115.5	236.2	–	–
Investments		201.8	170.7	5,268.3	5,501.7
Trade and other receivables		21.6	22.0	–	–
Retirement benefit surplus		62.2	19.3	10.1	–
Deferred tax asset		–	–	7.3	7.4
Derivative financial instruments		15.2	40.8	–	–
Non-current assets		9,315.9	9,186.0	5,286.3	5,509.9
Inventories		24.3	28.2	–	–
Trade and other receivables		418.2	490.1	993.6	1,130.6
Investments		38.5	29.7	–	–
Cash and short-term deposits		2,403.3	1,513.5	336.7	120.4
Derivative financial instruments		61.0	48.9	18.8	–
Current assets		2,945.3	2,110.4	1,349.1	1,251.0
Total assets		12,261.2	11,296.4	6,635.4	6,760.9
Liabilities					
Trade and other payables		(414.3)	(383.7)	–	–
Borrowings		(4,854.9)	(5,081.1)	(765.2)	(880.9)
Retirement benefit obligations		–	–	–	(1.2)
Deferred tax liabilities		(1,550.8)	(1,426.6)	–	–
Provisions		(30.4)	(16.6)	(12.5)	–
Derivative financial instruments		(173.5)	(57.6)	(100.1)	(32.7)
Non-current liabilities		(7,023.9)	(6,965.6)	(877.8)	(914.8)
Trade and other payables		(749.2)	(855.1)	(502.5)	(550.8)
Borrowings		(1,509.5)	(619.1)	(928.0)	(478.2)
Current income tax liabilities		(168.0)	(112.8)	–	–
Provisions		(8.5)	(36.5)	(2.0)	–
Derivative financial instruments		(67.3)	(76.4)	(7.3)	(5.8)
Current liabilities		(2,502.5)	(1,699.9)	(1,439.8)	(1,034.8)
Total liabilities		(9,526.4)	(8,665.5)	(2,317.6)	(1,949.6)
Total net assets		2,734.8	2,630.9	4,317.8	4,811.3
Equity					
Capital and reserves attributable to equity holders of the company					
Share capital	6	879.8	875.4	879.8	875.4
Share premium account		1,421.9	1,407.8	1,421.9	1,407.8
Revaluation reserve		158.8	158.8	–	–
Treasury shares		(0.3)	(0.3)	(0.3)	(0.3)
Cumulative exchange reserve		(4.2)	2.2	(1.7)	5.2
Retained earnings		278.8	185.3	2,018.1	2,523.2
Shareholders' equity	7	2,734.8	2,629.2	4,317.8	4,811.3
Minority interest		–	1.7	–	–
Total equity		2,734.8	2,630.9	4,317.8	4,811.3

(6) The allotted and fully paid share capital of the company at 31 March 2007 was 879,812,392 ordinary shares with a nominal value of £1 each (2006: 875,422,577 ordinary shares of £1 each).

(7) The total interest of shareholders in the reported amounts of the group's assets less its reported liabilities.

Notice of AGM 07

Your invitation to the meeting and information about the meeting

The date and time of the meeting

The annual general meeting will be held on Friday, 27 July 2007. Please note that the meeting will start at 11.00 a.m. The doors will open at 10.00 a.m. and the services described below will be available.

The venue for the meeting

The meeting will be held at the Bridgewater Hall, Lower Mosley Street, Manchester (there is a map on the back of this leaflet and on the back of the admission card). The Hall is well served by public transport, including the Metrolink, and there is car parking nearby.

Your admission card

An admission card is enclosed with this leaflet. Please bring the card with you to the meeting. This card contains your unique shareholder number and it will help speed up the registration process.

Your proxy form

The enclosed proxy form can be used to record votes on all ordinary shares held in your name as at the latest practicable date before the meeting. Voting on all resolutions will be taken by poll and returning this form will ensure that your vote is properly counted whether or not you attend the meeting. If you submit a proxy form, you will not need to complete the poll card at the meeting itself unless you want to change the way you have voted. There are notes on the proxy form explaining how to complete it.

When you arrive at the venue

Please bring your admission and poll card with you to the meeting. This will help us to get you into the meeting as quickly as possible. The card will also serve as a personalised poll card making sure we are able to count your votes quickly and accurately after the meeting.

If you do not bring your admission and poll card, we will have to accredit you. This means you will need to produce proof of your identity, which the registrar's staff will check with the share register to confirm that you are entitled to attend the meeting. A replacement poll card will then be issued to you after you have been accredited.

If you are a proxy, you will have to be accredited too. The registrar's staff will check with the list of valid proxies to confirm that you are entitled to attend the meeting.

There will also be security checks at the venue for your safety, so please try to avoid bringing large bags or briefcases. We reserve the right to search bags before allowing entry to the meeting. We do not allow cameras or tape recorders in the meeting and you will have to keep your personal belongings with you during the meeting.

The services at the venue

The following services will be provided in the foyer to deal with your personal concerns and queries:

- shareholder enquiries, where the registrar's staff will answer any questions you may want to ask about your shareholding or deal with any changes (for example, a change of address) you may need to tell us about; and
- customer enquiries, where representatives from the business will answer your queries and give you further information about the services they provide to customers. Stewards will help direct you to any of the facilities.

Documents you can look at

You can look at copies of minutes of previous general meetings, the executive directors' service contracts, the non-executive directors' letters of appointment and the list of their share interests in the company during business hours (from 9.00 a.m. to 5.00 p.m. on weekdays) at the registered office of United Utilities PLC at Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.

A copy of the draft form of the rules of the United Utilities PLC 2007 Matching Share Award Plan will also be available for inspection at the company's registered office and at the offices of Eversheds LLP, Senator House, 85 Queen Victoria Street, London EC4V 4JL during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of dispatch of the notice convening the meeting until the close of the meeting.

In addition, copies of the existing articles of association and the proposed new articles of association of United Utilities PLC will be available for inspection at the company's registered office and at the offices of Addleshaw Goddard LLP, 150 Aldersgate Street, London, EC1A 4EJ during normal business hours on any weekday (Saturdays,

Sundays and public holidays excepted) from the date of dispatch of the notice convening the meeting until the close of the meeting.

You can also inspect all of the documents mentioned above at the accreditation desk at the meeting where they will be made available from at least 15 minutes prior to the meeting until the close of the annual general meeting.

Registering and asking your questions

Shareholders can ask questions during the meeting on any of the resolutions which the directors will be proposing at the meeting. However, please restrict your questions to shareholder matters. If your question is a customer matter, we have a customer enquiries desk in the foyer to help you.

It will be helpful if you could follow this procedure so that we can deal with as many questions as quickly as possible:

- before the meeting starts, please go to the question registration desk in the auditorium and give details of the question you want to ask to the question registration desk manager. Please indicate the resolution on the agenda to which your question refers;
- the question registration desk manager will tell you if your question has already been registered by another shareholder;
- a steward will ask you to sit in a designated area in the auditorium near a question point;
- when it is your turn to ask your question, a steward will take you to the question point; and
- before asking your question, please state your name and, after asking your question, please wait at the question point while the appropriate director answers your question. A steward will then take you back to your seat.

The chairman of the meeting will invite shareholders to ask their questions on a particular resolution after he has introduced it.

Assistance for shareholders with disabilities

If you need assistance, please tell a steward when you arrive. If you have a companion to help you, we will admit them to the meeting. We will be providing facilities if you are hard of hearing, including sign language interpreters.

The notice calling the annual general meeting of United Utilities PLC

This is to give you formal notice that the company is holding its annual general meeting on Friday, 27 July 2007 at the Bridgewater Hall, Manchester. The meeting will start at 11.00 a.m. and will deal with the following items of business:

The ordinary business of the meeting

- 1 To receive the accounts and the directors' and auditors' reports for the year ended 31 March 2007.
- 2 To declare a final dividend.
- 3 To approve the directors' remuneration report for the year ended 31 March 2007.
- 4 To reappoint Sir Richard Evans as a director.
- 5 To reappoint Tim Weller as a director.
- 6 To reappoint Dr Catherine Bell as a director.
- 7 To reappoint Paul Capell as a director.
- 8 To reappoint Charlie Cornish as a director.
- 9 To reappoint Andrew Pinder as a director.
- 10 To reappoint Deloitte & Touche LLP as auditors of the company.
- 11 To authorise the directors to fix the auditors' remuneration.

The special business of the meeting

To consider and, if thought fit, pass the following resolutions. Resolutions 12, 13, 15 and 16 will be proposed as ordinary resolutions and resolutions 14 and 17 as special resolutions:

- 12 That the authorised ordinary share capital of the company is hereby increased from £1,119,000,000 to £1,300,000,000 by the creation of an additional 181,000,000 ordinary shares of £1 each.
- 13 That the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the company to allot relevant securities (as defined in section 80(2) of the Act) of the company up to an aggregate nominal amount of £293,344,197 provided that this authority shall expire on the earlier of the conclusion of the next annual general meeting of the company and 27 October 2008, save that the company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all authorities subsisting at the time this resolution is passed.
- 14 That the directors be and they are hereby empowered pursuant to section 95(1) of the Act to make an allotment or

allotments of equity securities (as defined in sections 94(2) and 94(3A) of the Act) of the company, pursuant to any general authority conferred on the directors, as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares and in favour of holders of any other class of equity security in accordance with the rights attached to such class, where the equity securities respectively attributable to the interests of such persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by them, subject only to such exclusions or other arrangements as the directors may judge to be necessary or expedient to deal with fractional entitlements or any legal or practical problems arising under the laws of any territory, or due to any shares being represented by depository receipts, or to deal with the requirements of any recognised regulatory body or any stock exchange in any territory; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution) of equity securities which are, or are to be, wholly paid up in cash and have an aggregate nominal amount not exceeding £44,001,629;

and provided further that the authorities conferred by sub-paragraphs (a) and (b) of this resolution shall expire at the conclusion of the next annual general meeting of the company, or if earlier on 27 October 2008, save that in any such case, the directors shall be entitled to make at any time prior to such expiry any offer or agreement which would or might require equity securities to be allotted thereafter and the directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred had not expired.

These authorities are in substitution for all authorities subsisting at the time this resolution is passed.

- 15 That in accordance with Chapter VII of Part V of the Act, or otherwise as permitted by law and by the company's articles of association, the company be and is hereby generally and unconditionally authorised to make market purchases (as defined in section 163(3) of the Act) of its own ordinary shares of £1 each on such terms and in such manner as the directors of the company may from time to time determine, provided that the authority conferred by this resolution shall:
 - (a) expire at the conclusion of the next annual general meeting of the company, or if earlier on 27 October 2008;

- (b) be limited to the purchase of a maximum of 88,003,259 ordinary shares;
 - (c) require that the company does not pay less than £1 for each share;
 - (d) not permit the payment per ordinary share of more than five per cent above the average of the middle market quotations for an ordinary share derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which any such share is contracted to be purchased by the company (excluding expenses (if any) payable by the company);
 - (e) before its expiry entitle the company to enter into any contract for the purchase of ordinary shares which might be executed and completed wholly or partly after its expiry; and
 - (f) only be capable of variation, revocation or renewal by special resolution of the company in general meeting.
- 16 That the directors of the company be authorised:
 - (a) to adopt and establish the United Utilities PLC 2007 Matching Share Award Plan, the principal terms of which are summarised in appendix 1 to this notice of meeting and to be constituted by the rules produced in draft to the meeting and for the purpose of identification initialled by the chairman of the meeting, and to do all such things as may be necessary or desirable to operate such plan; and
 - (b) to establish further plans based on the United Utilities PLC 2007 Matching Share Award Plan but modified to take account of local taxes, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the United Utilities PLC 2007 Matching Share Award Plan.
 - 17 That the articles of association of the company be and are hereby amended as follows:
 - (a) by deleting the final sentence of article 96 and also deleting the words "and section 293 CA 1985 shall not apply to the company" from that article;
 - (b) by inserting the following as a new article 132(g):

"any proposal concerning any arrangement to be entered into by the company for the provision of any indemnity in favour of any other current

or former director, alternate director, company secretary, officer or employee of the company or any of its subsidiary undertakings in respect of liabilities incurred by any such person in the course of his office or employment with the company or any such subsidiary undertaking (notwithstanding the fact that such director may also be provided with an indemnity on equivalent terms)."

(c) by deleting the existing article 160.1 and replacing it with the following:

"160.1 The company may give any notice, document or information to a member:

- (a) personally;
- (b) by sending it by post or other delivery service in a pre-paid envelope addressed to the member at his registered address or by leaving it at that address or by any other means, authorised in writing by the member concerned;
- (c) by electronic mail to an address authorised in writing by the member concerned; or
- (d) by making it available on a website provided that the company has notified such member that the notice, document or information is so available by giving notice in the manner specified in any of the paragraphs (a), (b) or (c) of this article 160.1.

In the case of a member registered on an overseas branch register any such document or information which is posted may be posted either in the United Kingdom or in the territory in which such branch register is maintained."

(d) by inserting the following as a new article 160.6:

"Where a member authorises the company to serve notices, documents or information on that member by electronic mail, if the company receives an immediate electronic notification that such electronic mail address has ceased to be maintained, the company shall serve such notices, documents or information on the shareholder by such other means as may be permitted in accordance with article 160.1."

(e) by deleting the last sentence of article 162.2 and replacing it with the following:

"Any notice, document or information sent by electronic mail shall be deemed to be delivered at the time it was sent. Any notice, document or information made available on a website shall be treated as being delivered when the material was first made available on the website, or if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website."

For the board	Registered office:
Paul Davies	Haweswater House
Secretary	Lingley Mere Business Park
27 June 2007	Lingley Green Avenue
	Great Sankey
	Warrington WA5 3LP

The explanatory notes about the resolutions we will be proposing at the meeting

Resolution 1: receiving the report and accounts

The directors will present to shareholders at the annual general meeting the accounts for the previous financial year, on this occasion for the year ended 31 March 2007, together with their report and the auditors' report on those accounts.

Resolution 2: declaring a final dividend

Final dividends are approved by the shareholders. However, they cannot be more than the amount the board recommends. The board is recommending a final dividend of 30.30 pence per ordinary share.

If shareholders approve the recommended dividend, it will be paid on 24 August 2007 to shareholders on the register at the close of business on 29 June 2007.

Resolution 3: approving the directors' remuneration report

The directors are required to include specified information within the remuneration report and must submit that report for approval by shareholders at each annual general meeting in accordance with the Directors' Remuneration Report Regulations 2002. The remuneration report has been prepared accordingly and approved by the directors.

The remuneration report is included in full on pages 52 to 68 of the 'United Utilities annual report and accounts 2007'. A summary of the directors' remuneration report is contained in this document on pages 4 to 6.

Resolution 4: reappointing Sir Richard Evans

Under the articles of association, if at the start of business on the date of the notice convening that annual general meeting, a director has served for a continuous period of nine years he must retire and may offer himself for reappointment. Sir Richard Evans has completed over nine years' service at the date of this notice and therefore retires and offers himself, and the board is recommending him, for reappointment at the 2007 annual general meeting.

Sir Richard Evans, aged 64, was appointed a non-executive director on 1 September 1997 and chairman in January 2001. In October 2006, he was appointed chairman of Samruk, the Kazakhstan state holding company. He started his career in the Military Aircraft Division of British Aircraft Corporation (BAC), joining the board of British Aerospace plc as marketing director in January 1987. In 1990 he became its chief executive. He was also a director of the Airbus company. He was appointed chairman of British Aerospace plc (now BAE Systems plc) in May 1998, a post from which he retired in July 2004, after more than 30 years with the company (and its predecessors). He was also a non-executive director of NatWest plc from 1998 to 2000.

Resolutions 5, 6 and 7: reappointing Tim Weller, Dr Catherine Bell and Paul Capell

Under the articles of association, a director appointed by the board to fill a casual

vacancy must retire at the annual general meeting of the company next following such appointment. Tim Weller was appointed as an additional director by the board on 1 August 2006 and offers himself for reappointment. Dr Catherine Bell was appointed as an additional non-executive director on 19 March 2007 and offers herself for reappointment. Paul Capell was appointed by the board as an additional director on 1 May 2007 and offers himself for reappointment.

Tim Weller, age 44, joined the board as the chief financial officer on 1 August 2006. He was previously group finance director at RWE Thames Water plc and prior to that group finance director of Innogy Holdings plc from 2002 to 2004. He has been a partner at KPMG and director of financial control with the Granada group of companies and a non-executive director of Stanley Leisure Plc.

Dr Catherine Bell, age 56, was appointed a non-executive director on 19 March 2007. She is a former civil servant and was Acting Permanent Secretary at the Department for Trade and Industry from March to October 2005. Prior to that, she was the Director General of the Corporate Services Group and the Competition and Markets Group overseeing employment law, competition and consumer policy, company law and corporate governance; and was previously the head of Competition and Utility Regulation. She is currently a non-executive director of the Civil Aviation Authority, Ensus Limited and Swiss Reinsurance GB plc.

Paul Capell, age 50, was appointed managing director of Business Development on 1 May 2007. He was previously a senior executive responsible for developing major industrial project capability at Veolia Water Solutions and Technologies and chairman of VWS Westgarth. Prior to that he was divisional managing director of the global contracting business Weir Techna. In 2005 he led the sale of the water and wastewater businesses of Weir Techna to Veolia. Paul Capell is a Fellow of the Institute of Mechanical Engineers and a Chartered Engineer.

Resolution 8: reappointing Charlie Cornish

Under the articles of association, a director must retire at the third annual general meeting following his or her last appointment. Charlie Cornish was appointed at the annual general meeting in 2004 and is therefore retiring and offering himself, and the board is recommending him, for reappointment.

Charlie Cornish, age 47, is responsible for the delivery of all utility contracts in the business, both to the group's regulated businesses and to external clients. He joined the group in January 2004 and was formally appointed to the board on 27 January 2004. After graduating from Strathclyde University, he worked for British Aerospace, Plessey Telecommunications and Associated British Foods and also served as an executive

director of NHS trusts. In 1998, he joined the West of Scotland Water Authority as human resources director and was involved with major change programmes. He went on to become its customer services director and later chief executive. He joined Thames Water in 2002 as global business performance director, working across Europe, Asia/Pacific and the Americas, eventually becoming chief operating officer with Thames Water UK and Ireland with responsibility for service delivery, including operations and capital programmes. He is chairman of Young Enterprise North West and was appointed to the board of Water UK in March 2006. He is a director of The Mersey Partnership, an organisation promoting the Liverpool City region.

Resolution 9: reappointing Andrew Pinder

Under the articles of association, one third of the directors (excluding those seeking reappointment on other grounds) must retire by rotation at each annual general meeting. Andrew Pinder, the director determined by lot as required under the articles, was appointed at the annual general meeting in 2005 and retires and offers himself, and the board is recommending him, for reappointment.

Andrew Pinder, age 60, was appointed a non-executive director on 1 September 2001. As the e-Envoy to the UK government from 2000 to 2004, he was responsible to the Prime Minister for the delivery of internet access to all British citizens and businesses. He is currently a senior executive of Entrust, a US-based security specialist, on whose board he sat from 2004 to 2006, and the senior independent non-executive director of Spring Group plc. He is also a member of the Intel Global Advisory Board. In January 2006, he became chairman of Becta (British Educational Communications and Technology Agency), an agency of the DfES, which looks after IT in schools and further education. Before his appointment as e-Envoy, he was a partner in a venture capital firm and carried out a number of management consultancy assignments for the British government. Previous executive leadership roles also include positions as the head of European operations and technology at Citibank, director of operations and technology at Prudential Corporation and as director of information technology at the Office of Inland Revenue.

Resolution 10: reappointing the auditors

The auditors are required to be reappointed at each annual general meeting at which accounts are presented. The board is proposing the reappointment of Deloitte & Touche LLP as auditors.

Resolution 11: remunerating the auditors

It is normal practice for a company's directors to be authorised to fix the auditors' remuneration and shareholders' approval to do so is sought in this resolution.

Resolution 12: increasing authorised share capital of the company

It has been standard practice to seek authority each year for the board to allot up to one third of the shares in issue each year (see resolution 13 below). This resolution increases the authorised share capital of the company to provide sufficient headroom for the company to continue to seek an allotment authority over one third of the shares in issue.

Resolution 13: authorising the directors to allot shares

This resolution is to give the directors the general authority to allot shares. The resolution will give the board the authority to allot up to 293,344,197 ordinary shares of £1 each. That represents 33.3 per cent of the issued ordinary share capital of the company at 31 May 2007. The directors do not intend at present to use this authority, which will expire at the end of the annual general meeting to be held in 2008. As usual, the directors intend to seek a similar authority at subsequent annual general meetings.

Resolution 14: disapplying statutory pre-emption rights

This is a resolution which the directors propose each year at the annual general meeting. The Companies Act 1985 requires that, subject to certain exceptions, before directors of a company can issue any new shares, or sell the company's own shares out of treasury for cash, those shares must first be offered to existing shareholders proportionately to their existing shareholdings. The directors are seeking authority to allot a limited number of shares for cash and to dispose of treasury shares without having to offer such shares to existing shareholders. Some of the ways in which this power might be used are set out below:

- (a) to issue a limited number of new shares for cash without first offering those shares to existing shareholders possibly as part of the consideration for a small acquisition; or
- (b) the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 permit the company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares, in which case they would carry no voting rights and no entitlement to any dividend for as long as they are held as treasury shares. Treasury shares may be sold for cash, transferred for the purposes of employee share schemes, or cancelled. The company does not currently hold any of its own shares as treasury shares. The authority provided by resolution 14 would permit the directors to sell any such shares held as treasury shares for cash without first offering them pro rata to existing shareholders.

Resolution 14 would restrict the number of new ordinary shares which may be allotted for cash and the number of treasury shares which may be sold for cash to an aggregate maximum of 44,001,629 ordinary shares. That represents five per cent of the issued ordinary share capital of the company at 31 May 2007.

The authority which the directors are seeking will expire at the end of the 2008 annual general meeting. As usual, the directors intend to seek a similar authority at subsequent annual general meetings. The directors are not currently contemplating using this power.

Resolution 15: authorising the market purchase of its own shares by the company

At the 2006 annual general meeting, the company was authorised to make market purchases of its own shares. This resolution is to renew that authority for a further year. It does not mean that the company will buy its own shares at any particular price or indeed at all. This authority relates to the purchase by the company of its own shares and should not be confused with any share dealing facilities which the company makes available to its shareholders from time to time.

The authority would expire at the end of the 2008 annual general meeting. As usual, the directors intend to seek a similar power at subsequent annual general meetings. The resolution would permit the purchase of up to 88,003,259 ordinary shares. That represents ten per cent of the issued ordinary share capital of the company at 31 May 2007.

The resolution also specifies the maximum and minimum prices at which the company can buy the shares, reflecting the requirements of the Companies Act 1985 and the Listing Rules of the UK Listing Authority.

The directors would consider exercising this authority only if they felt it was in the best interests of the company to do so and after considering the effects on earnings per share and the benefits for longer-term shareholders. The directors do not intend at present to use this power but wish to retain the flexibility to do so in the future. Any shares repurchased would either be cancelled, or be held by the company as treasury shares, in which case they would carry no voting rights and no entitlement to receive any dividend for as long as they are held as treasury shares. As at 31 May 2007, options over a total of 7,054,023 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 0.80 per cent of the company's issued ordinary share capital at 31 May 2007. It would represent 0.89 per cent of the issued ordinary share capital if the proposed authority to buy the company's own shares had been used in full at that date and the shares so purchased had been cancelled.

Resolution 16: adopting the United Utilities PLC 2007 Matching Share Award Plan ('the Matching Plan')

The effect of this resolution is to give the directors authority to adopt the Matching Plan. The reasons for wishing to adopt the Matching Plan are set out below. A detailed summary of the principal terms of the Matching Plan is set out in appendix 1 which forms part of the notice of the annual general meeting.

The remuneration committee has undertaken an overall review of the bonus and long-term incentive arrangements for directors and senior executives in the light of current market practice.

Having undertaken such a review, the remuneration committee wishes to make adjustments to the incentive arrangements for directors and senior executives which sharpen responsibility, retain cohesion and take account of market practice and investor views – focusing especially on linking a substantial part of the long-term reward of directors and senior executives to the investment of their own funds in the company's shares.

The Matching Plan has therefore been specifically designed to:

- enhance the alignment between the remuneration of directors and senior executives and the company's long-term performance and reward them for the achievement of substantial improvement in the company's underlying financial performance;
- link a substantial part of the long-term reward of directors and senior executives to the investment of their own funds in the company's shares; and
- help retain the senior management team over the long-term.

Under the Matching Plan, the remuneration committee may, at its discretion, nominate individuals to participate. Each nomination may specify:

- a percentage (not exceeding 20 per cent) of their forthcoming bonus which the individual must, if they wish to participate in the Matching Plan, invest in the company's shares, ('Automatic Percentage'); and/or
- a percentage of their forthcoming bonus which they may voluntarily elect to invest in the company's shares, ('Voluntary Percentage').

Both the Automatic Percentage and the Voluntary Percentage will be determined at the discretion of the remuneration committee.

In order to participate in the Matching Plan, potential participants must invest an amount equal to the Automatic Percentage of their forthcoming annual bonus (after tax) and/or where relevant an amount not exceeding the Voluntary Percentage of such annual bonus (after tax) in the company's shares. It is this

facet of the Matching Plan that links the long-term reward of directors to the investment of their own funds in the company's shares.

The number of shares in the company subject to any award shall be determined as follows:

- a participant who invests an amount equal to the Automatic Percentage of his post-tax bonus in the acquisition of shares in the company, may be granted an award over two times the number of shares in the company which could have been acquired using an amount equal to the Automatic Percentage of that participant's pre-tax annual bonus; and
- a participant who invests an amount equal to the Voluntary Percentage specified in his nomination (or a lesser percentage at his discretion) of his post-tax bonus in the acquisition of shares in the company, may be granted an award over one times the number of shares in the company which could have been acquired using an amount equal to such percentage of that participant's pre-tax annual bonus.

A participant who has been nominated to invest both the Automatic Percentage and the Voluntary Percentage of their annual bonus (after tax) in the company's shares, and does so, may be granted an award over an aggregate number of shares determined by applying the provisions in the two bullet points above to the relevant Automatic Percentage and Voluntary Percentage (or such part thereof) of his annual bonus (after tax) actually applied in the acquisition of the company's shares.

The aggregate market value of the shares subject to any award (measured at the date of grant of an award) cannot exceed the participant's base salary for the financial year preceding his nomination.

The participant's ability to acquire the shares under an award will be subject to the satisfaction of performance targets measured over a performance period (which is, in relation to initial awards, intended to be not less than three years long). An award will normally vest and then be capable of exercise only to the extent that the performance targets are satisfied. Details of the proposed performance targets for the initial grant of awards under the Matching Plan are set out in appendix 1 to this notice of meeting.

Ordinarily, if the individual disposes of his beneficial interest in the shares (or any of them) that he acquired in order to be made an award before the date upon which the related award first becomes capable of exercise, then that award will lapse.

This effectively means that the participant's investment in the company must, in ordinary circumstances, remain intact until the company's performance is measured after the end of the performance period, thereby facilitating both a meaningful commitment

on the part of the participant to the growth in value of the company's shares and to his long-term investment in the company.

The Matching Plan also better aligns the interests of participants with that of shareholders by following the guidelines of the Association of British Insurers ('ABI') in its recommendation that in respect of those shares that vest under awards, equivalent value to that which has accrued to shareholders by way of dividends during the period from date of grant to vesting should also vest in the hands of award holders. The Matching Plan achieves this by allowing additional shares to be delivered to participants when their awards are exercised after the end of the relevant performance period. Such number of additional shares shall reflect the number of shares that could have been acquired had dividends paid from the start of the performance period relating to an award to the vesting of that award in respect of the shares under the award been reinvested in shares. In accordance with the ABI guidelines, the number of additional shares delivered to participants will be pro-rated down to the same proportion of shares that vest under the award.

In order to protect shareholders from dilution, the Matching Plan complies with the ABI guidelines on the five per cent anti-dilution limit for discretionary employee share schemes and the ten per cent anti-dilution limit for all employees' share schemes operated by the company.

The remuneration committee is of the view that the Matching Plan, if approved by shareholders, will be capable of delivering the key objectives outlined above in a manner which is consistent with current investor guidelines and market practice.

Resolution 17: amendments to the articles of association of the company

Since the company's articles of association were last amended, there have been a number of changes to company law and best practice. The directors therefore believe that it is appropriate and timely to update the articles of association by making the following changes:

- (a) The current articles of association require notice to be issued in relation to the appointment or reappointment of any director who has reached 70 years of age, reflecting certain requirements of the Companies Act 1985. These provisions have been repealed by the Companies Act 2006, which has removed all references to an upper age limit for directors from the legislation. The last sentence of article 96 requires notification to be made to shareholders of a director achieving the age of 70. As legislation no longer requires such a notice to be served on members, it is proposed this sentence be deleted.
- (b) Following recent changes in company law it is becoming common practice for UK listed companies to provide their

directors and senior executives with the benefit of an indemnity from the company in respect of potential liabilities which could be incurred by them personally in the course of fulfilling their duties. The board is proposing an amendment to the articles to make clear provision for the directors to participate in the approval of such indemnity arrangements, notwithstanding the fact that they may benefit from those arrangements. Any such indemnities would be implemented in compliance with the applicable limitations provided by company law.

- (c) Parts of the Companies Act 2006 which were introduced with effect from January 2007 permit companies to serve notices, documents or information on shareholders by electronic means, including delivery of documents by electronic mail and/or by making documents available on a website. In order to make use of such provisions, the company is required to include such a provision within its articles of association. Prior to the company proposing to utilise the right to use such electronic communications in communications with shareholders, shareholders will be provided with the opportunity to continue to receive paper-based communications from the company. Amendments to articles 160 and 162 provide the appropriate amendments to enable communications to be effected with shareholders by electronic means, including by making documents available on a website.

THE UNITED UTILITIES PLC 2007 MATCHING SHARE AWARD PLAN ('MATCHING PLAN')

Eligibility

Any employees and directors (other than non-executive directors) of the company and any of its subsidiaries may be granted awards under the Matching Plan.

Invitations to participate

The remuneration committee has absolute discretion to nominate persons who may participate in the Matching Plan.

In relation to any person who is nominated to participate in the Matching Plan, the Remuneration Committee has the discretion to specify in such nomination that the person nominated:

- must, if they wish to participate in the Matching Plan, invest a percentage (to be selected by the Remuneration Committee but not exceeding 20 per cent) ('the Automatic Percentage') of their forthcoming annual bonus in the company's shares;
- may, in addition to the requirement to invest the Automatic Percentage of their forthcoming annual bonus, invest a percentage (to be selected by the Remuneration Committee) ('the Maximum Voluntary Percentage') of such bonus in the company's shares; or
- may, in the event that no Automatic Percentage is specified in the nomination, invest a percentage (to be selected by the Remuneration Committee) ('the Maximum Voluntary Percentage') of such bonus in the company's shares.

In relation to the Maximum Voluntary Percentage, the individual nominated may select any percentage of his forthcoming annual bonus ('Voluntary Percentage') to invest in the company's shares which does not exceed the Maximum Voluntary Percentage specified in the nomination.

Application procedure and determination of number of shares to be awarded

Following receipt of a nomination, a potential participant wishing to be granted an award under the Matching Plan, must where his nomination has specified an Automatic Percentage, instruct the company to withhold from the post-tax annual bonus concerned an amount equal to the Automatic Percentage of such post-tax annual bonus and apply this amount on his behalf in the acquisition of the company's shares.

Where the potential participant's nomination has specified a Maximum Voluntary Percentage (either in addition to the Automatic Percentage specified in such nomination or alone), the potential participant may instruct the company to withhold from the post-tax annual bonus concerned an amount equal to their chosen Voluntary Percentage and apply this amount on his behalf in the acquisition of the

company's shares. These instructions must be contained in an application sent to the company by the potential participant pursuant to their nomination by a certain date specified in that nomination. A potential participant whose nomination specifies both an Automatic Percentage and a Maximum Voluntary Percentage can only invest a Voluntary Percentage of his relevant post-tax annual bonus in company shares if he also gives an instruction to invest the Automatic Percentage of his relevant post-tax bonus in company shares.

On the proposed date of grant of an award to a participant who has returned a valid application to participate, the Remuneration Committee shall, in relation to that participant determine the number of company shares (rounded down to the nearest whole number) that may be acquired with an amount equal to the aggregate of:

- two times the Automatic Percentage (if any has been specified in that application) of the relevant pre-tax bonus; and
- the Voluntary Percentage (if any has been specified in that application) of the relevant pre-tax bonus

using a price per share equal to the market value of a company's share on the proposed date of grant.

Provided that the aggregate market value (on the proposed date of grant) of the number of shares determined in accordance with the preceding paragraph does not exceed one times the participant's base salary for the financial year preceding the relevant nomination, the number of shares to be placed under the award to be made to that participant shall be the number determined in accordance with the preceding paragraph.

If the aggregate market value (on the proposed date of grant) of the number of shares determined in accordance with the mechanism described above exceeds one times the participant's base salary for the financial year preceding the relevant nomination, then the Remuneration Committee shall scale back the Automatic Percentage and/or the Voluntary Percentage specified by the participant in his application so that the market value of the shares to be placed under the award using the adjusted Automatic Percentage and/or adjusted Voluntary Percentage shall not exceed such one times base salary limit.

Grant of awards

Awards may only be granted during the period of 42 days commencing on the day following: (a) the date upon which the Matching Plan is adopted by the company or the date upon which it is adopted by the trustee of the United Utilities Employee Share Trust ('Trustee'), whichever is the later; and (b) a day on which the company announces its results for any period to the London Stock Exchange (unless the

Remuneration Committee considers that exceptional circumstances exist which would justify granting options outside of this period). However, if by reason of the Model Code or any statute or any regulation or order made thereunder or any governmental directive, the company or the Trustee shall be restricted from granting awards at the times previously described, the awards may be granted within the period commencing immediately after the second dealing day following the lifting of such restrictions and ending 42 days thereafter.

On the date of grant of an award, the company shall pursuant to the application submitted to it by the participant:

- acquire on behalf of that participant, as his agent, such number of company shares (using their market value on the date of grant) as may be purchased with an amount equal to the Automatic Percentage of his relevant post-tax annual bonus, if any such percentage is specified in such application; and/or
- acquire on behalf of that participant, as his agent, such number of company shares (using their market value on the date of grant) as may be purchased with an amount equal to the Voluntary Percentage of his relevant post-tax annual bonus, if any is specified in such application.

On the same date that the company shares are acquired on behalf of the participant concerned, the Trustee may grant that participant an award in respect of such number of shares as is determined in accordance with the mechanism described above under the heading "Application procedure and determination of number of shares to be awarded".

In the event that an adjustment has to be made to the Automatic Percentage and/or Voluntary Percentage by virtue of scaling back so as not to breach the one times base salary limit described above, then the adjusted Automatic Percentage and/or adjusted Voluntary Percentage as the case may be shall be applied in the acquisition of shares on behalf of the participant and for determining the number of shares to be put under his award.

Dividend enhancement

If a dividend or other distribution is made by the company at any time during the period commencing at the beginning of the performance period relating to an award and ending on the issue of the performance certificate relating to such award there is notionally added to the number of shares subject to the award such number of whole shares in the company as could have been acquired with a sum equal to the aggregate cash amount of such dividend or distribution attributable to the shares under award.

Any shares notionally added in this way to an award are referred to as 'Dividend Equivalent Shares'.

In determining the number of Dividend Equivalent Shares, the price payable for a company share is the price per share equal to the middle market quotation for a share as derived from the Daily Official List of the London Stock Exchange for the day on which such dividend or distribution is made, or if such day is not a business day, the next following business day.

In the event of any further dividend or other distribution being paid or made by the company, the Dividend Equivalent Shares already notionally added to the shares subject to the award are included in the calculation of any further Dividend Equivalent Shares.

There is no entitlement for participants to acquire the Dividend Equivalent Shares that are notionally added to their awards unless and until the awards are exercised.

Performance conditions

The exercise of awards shall be conditional on the satisfaction of one or more performance conditions measured over a performance period (of not less than three years long) set by the Trustee at the date of grant. Such performance conditions shall be determined by the Trustee on the recommendation of the Remuneration Committee before the awards are granted and will be set out on the award certificates relating to the awards in question. If events occur which cause the Remuneration Committee to reasonably consider that any performance conditions are no longer appropriate, the Remuneration Committee has absolute discretion to recommend that the Trustee waives or varies the performance conditions in such a way as, in the reasonable opinion of the Remuneration Committee, produces a fairer measure of performance of the company provided that any varied performance conditions are not materially more difficult to satisfy than the original performance conditions.

It is intended that the following performance conditions shall apply to the awards initially granted under the Matching Plan and that the performance period for these purposes shall be 1 April 2007 to 31 March 2010 ('Performance Period'):

- half of the shares under an award (rounded to the nearest whole number of shares) shall be subject to the total shareholder return target set out below ('Relative TSR Target'); and
- the rest of the shares under that award shall be subject to the key operational measures target set out below, ('Key Operational Measures Target').

Relative TSR Target

The company's TSR performance over the Performance Period will be measured against a TSR index. The TSR index will be constructed by assessing the TSR performance of the following companies over the Performance Period with their influence on the index being weighted according to their relevance and size:

Company	Weighting
Kelda	100%
National Grid	25%
Northumbrian Water	75%
Pennon Group	75%
Scottish and Southern Energy	25%
Severn Trent	100%

None of the shares subject to the Relative TSR Target will vest if the company's TSR performance over the Performance Period is below the index. 25 per cent of the shares subject to the Relative TSR Target will vest if the company's TSR performance over the Performance Period is equal to the index ('the Lower Target') and 100 per cent of the shares subject to the Relative TSR Target will vest if the company's TSR performance over the Performance Period outperforms the index by 12 per cent ('the Upper Target'). Vesting will be on a sliding scale where the company's TSR performance over the Performance Period falls between the Lower Target and the Upper Target. The vesting of shares subject to the Relative TSR Target will also be subject to the Remuneration Committee being satisfied that the company's recorded TSR performance is consistent with underlying business performance.

Key Operational Measures Target

In respect of this target there will be 17 measures in four operational areas. A quarter of the shares which are subject to the Key Operational Measures Target (12.5 per cent of the total number of shares under the award) will vest for satisfying all the measures in an operational area. All 17 measures need to be achieved for all of the shares subject to the Key Operational Measures Target to vest. The scale of vesting is set out in Table 1 below.

The targets in relation to each of the 17 measures will be set by the remuneration committee before awards are granted and depending on the measure, will require maintenance or improvement of the company's performance. The measures are:

1. Quality & environment
 - 1.1 OPI water quality index performance – a comparative index of performance across all water companies

- 1.2 Bacteriological failure incidents
- 1.3 Wastewater compliance
- 1.4 Pollution incidents
- 1.5 Leakage
2. Customer service – all measures as reported by the relevant regulator
 - 2.1 Customer minutes lost
 - 2.2 Customer interruptions
 - 2.3 Customer satisfaction (electricity)
 - 2.4 Customer satisfaction (water)
3. Finance & efficiency
 - 3.1 Water – improvement in the relative efficiency band as published by the regulator
 - 3.2 Wastewater – improvement in the relative efficiency band as published by the regulator
 - 3.3 Electricity – improvement in the relative efficiency ranking as published by the regulator
 - 3.4 PBET
4. Employee opinion survey – all measures verified against survey results published by the company's external consultant
 - 4.1 Overall job satisfaction
 - 4.2 Overall satisfaction with their business as an employer
 - 4.3 'Directors and senior managers in their part of the business don't just talk about our values, they live by them'
 - 4.4 Employee engagement

Scheme limits and restrictions on grant

The number of shares which may be awarded under the Matching Plan are subject to the following limits:

- in any ten-year period, the number of shares issued for the purposes of satisfying awards granted pursuant to the Matching Plan and/or issued or then capable of being issued pursuant to awards granted or rights obtained in such ten-year period under any employees' share scheme enabling group employees to acquire company shares (excluding any share scheme approved by the Inland Revenue pursuant to Schedules 2 and 3 to the Income Tax (Earnings and Pensions) Act 2003 or any other share option schemes of the company which are linked

Table 1 – Scale of vesting

Operational areas	Total number of measures	Number of measures to be achieved for vesting under each operational area*			
		0% vesting	25% vesting	50% vesting	100% vesting
Quality & environment	5	< 3	3	4	5
Customer service	4	< 2	2	3	4
Finance & efficiency	4	< 2	2	3	4
Employee opinion survey	4	< 2	2	3	4
<i>Value of vesting per operational area (% of total matching award)</i>		0%	3.125%	6.25%	12.5%

* Vesting under each operational area is not dependent on achieving a certain level of performance across the other three operational areas.

to contractual savings schemes), shall not exceed in aggregate five per cent of the company's issued ordinary share capital for the time being; and

- in any ten-year period, the number of shares issued for the purposes of satisfying awards granted pursuant to the Matching Plan and/or issued or then capable of being issued pursuant to options granted or rights obtained in such ten-year period under any other share option or profit sharing scheme or employee share ownership plan approved by the company in general meeting, shall not exceed in aggregate ten per cent of the company's issued ordinary share capital for the time being.

No awards can be granted more than ten years after the Matching Plan is adopted by the company or the Trustee (whichever is later) or if such grant would be in breach of the Model Code.

Individual limits

In no circumstances shall the aggregate market value of the shares subject to any award (measured at the date of grant) exceed the award holder's base salary for the financial year preceding the date of the relevant nomination relating to that award.

Exercise of awards in normal circumstances

In normal circumstances after the end of the performance period relating to awards, the Remuneration Committee will notify participants and the Trustee of the extent to which the performance conditions have been satisfied by issuing a performance certificate.

To the extent to which the performance conditions have not been satisfied so that an award does not become exercisable in respect of all the shares under such award, then the award shall lapse in respect of such number of shares over which the award is no longer capable of exercise.

Normally provided that a participant has remained an employee or director of the company or its subsidiaries throughout the period commencing on the date of grant of his award and ending on the expiry of the performance period in respect of such award, his award may be exercised in relation to the shares subject to such award (taking into account any accrued Dividend Equivalent Shares), to the extent to which the performance conditions have been satisfied at any time during the period commencing on the day immediately following the issue of a performance certificate and ending three months thereafter.

Awards are generally only capable of exercise on one occasion and to the extent not so exercised shall lapse.

No person is entitled to exercise their awards at any time when such exercise would be in breach of the Model Code, but if the exercise of an award is, or has

been, prevented by virtue of the Model Code and the last day of the three-month period allowed for exercise of such award following the issue of the performance certificate has elapsed, the award holder may exercise their award during the period ending thirty days after the first day on which the Model Code would no longer prevent the exercise of such award.

Cessation of employment

In the event of cessation of employment of a participant during the performance period relating to his award, the award may, at the discretion of the Trustee (but subject to the consent of the Remuneration Committee), be exercised after such cessation of employment in certain special circumstances. These are the retirement, redundancy or injury, disability or ill-health of the award holder (evidenced to the satisfaction of the Remuneration Committee and Trustee) or upon the sale or transfer out of the group of the company or business employing such award holder or where the cessation occurs by reason of other special circumstances as determined by the Trustee with the consent of the Remuneration Committee. In these circumstances, the award may be exercised over such number of shares (taking into account any accrued Dividend Equivalent Shares) determined by the extent to which the performance conditions have been satisfied. Such exercise may occur after the issue of the relevant performance certificate during such period determined at the discretion of the Trustee. Alternatively, at the discretion of the Trustee acting on the recommendation of the Remuneration Committee, the participant may be permitted to exercise his award during the period of three months following cessation of employment. In such case, the exercise of the award may occur over such number of shares (taking into account any accrued Dividend Equivalent Shares) as the Trustee shall determine having regard to the extent to which the performance conditions have been satisfied over the abbreviated performance period ending with the cessation of employment.

In all circumstances where there is a cessation of employment for one of the reasons mentioned above, the number of shares over which the award may be exercised shall be reduced on the basis of a time apportionment having regard to the proportion of time that has elapsed from the first day of the relevant performance period to the cessation of employment as compared to the applicable unabbreviated performance period.

Similar provisions apply where a participant dies during a performance period relating to his award.

If an award holder ceases to be a director or employee in circumstances other than those set out above, his award shall lapse on cessation of employment.

Corporate events

Exercise of an award is also possible in the event of a takeover of the company and in the event of notice being given to shareholders of the company to consider a resolution for the members' voluntary winding up of the company. In these circumstances, the award may, at the discretion of the Trustee acting on the recommendation of the Remuneration Committee, be exercised over the shares subject to the award (including any accrued Dividend Equivalent Shares) but only to the extent the Trustee considers it fair and reasonable, taking into account the extent to which the performance conditions applied over such modified period as the Trustee considers appropriate, have been satisfied.

The Matching Plan allows awards to be exercised at the discretion of the Trustee (with the consent of the Remuneration Committee) immediately prior to but conditional on a change of control of the company in order to preserve statutory corporation tax relief for the company and its subsidiaries.

Lapse of awards

An award will lapse in a number of situations, including: (i) in the event that performance conditions cannot be satisfied; (ii) if the award holder ceases to be an employee or director of the company or its subsidiaries prior to the end of the relevant performance period (other than for one of the reasons mentioned above allowing exercise of the award over certain of the shares); (iii) on the tenth anniversary of the grant of the award; (iv) on the voluntary or compulsory winding up of the company; and (v) in the event of the award holder becoming bankrupt.

Ordinarily, if a participant disposes of his beneficial interest in the shares (or any of them) that he acquired in order to be made an award before the date upon which the performance period relating to such award expires, then that award shall lapse. For these purposes, if the shares are held by the participant's spouse or civil partner or their children under the age of 18 or via a trust for their benefit, the participant will be regarded as holding a beneficial interest in the shares. The Remuneration Committee has a discretion not to apply this lapse provision but may require the participant to satisfy certain conditions before allowing the relevant award not to lapse.

Adjustments of awards

Upon the occurrence of any capitalisation issue or rights issue or rights offer or any other variation in the share capital of the company including (without limitation) any consolidation, sub-division or reduction of capital of the company, the number of shares comprised in an award and/or their denomination may be adjusted in such manner as the Trustee may consider appropriate taking into account the wishes of the Remuneration Committee.

Transferability

An award is personal to the employee or director to whom it is granted and is not transferable or assignable.

Awards do not qualify for pension purposes

Awards made under the Matching Plan are not pensionable.

Amendments to the Matching Plan

The rules of the Matching Plan may be amended by resolution of the board from time to time. However, no amendments can be made to the following provisions without the prior approval of shareholders in general meeting:

- the persons to whom shares are provided under the Matching Plan;
- the limitations on the number or amount of shares subject to the Matching Plan;
- the maximum entitlement for any employee or director;
- the basis for determining an employee's or director's entitlement to shares or awards and for the adjustment thereof in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or other variation of capital of the company

save that the board may make minor amendments without obtaining the prior approval of shareholders in general meeting to benefit the administration of the Matching Plan, to take account of a change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, for the company or any members of the company's group.

This appendix summarises the principal features of the Matching Plan but does not form part of the Plan and should not be taken as affecting the interpretation of its detailed terms and conditions. The directors reserve the right up to the time of the forthcoming annual general meeting to make such amendments to the rules of the Matching Plan as may be necessary to take account of any legal or regulatory matter, provided that such amendments do not conflict in any material way with the summary of the Matching Plan in this appendix.

Admission card and proxy form

- 1 An admission card and a proxy form are enclosed with this leaflet. Please complete and return the proxy form whether or not you intend to attend the meeting in person. The return of the proxy form will not prevent you from attending and voting at the meeting if you so wish. You can appoint the chairman of the meeting or ask one or more persons of your choice to be your proxy. Your proxy does not have to be a shareholder of the company. There are notes on the proxy form explaining how you should complete it.

To be valid, completed proxy forms must be received by the company's registrar, Lloyds TSB Registrars, at Freepost SEA 7131, The Causeway, Worthing BN99 6BY by no later than 11.00 a.m. on Wednesday 25 July 2007. Alternatively, you can submit your proxy electronically (see below).

If you are coming to the meeting, please bring the admission card with you. The admission card will also be your personalised poll card at the meeting. However, if you have already lodged a proxy card you will only need to fill in the poll card if you wish to change the way you voted on the proxy form.

- 2 We have to set a time and date for eligibility to attend the meeting. This year, only those shareholders registered on the company's register of members at 6.00 p.m. on Wednesday 25 July 2007 will be eligible to attend or vote at this annual general meeting. We will disregard changes to entries on the register after 6.00 p.m. on 25 July 2007. If the meeting were to be adjourned for any reason, then only those shareholders registered on the company's register of members as at 6.00 p.m. on the day which is two days prior to the day fixed for the adjourned meeting will be eligible to attend.
- 3 Holders of the company's American depository shares evidenced by American depository receipts may exercise their votes through the depository, JPMorgan Chase Bank.

Electronic proxy voting

Shareholders may register the appointment of a proxy for this meeting via the internet at www.sharevote.co.uk. To do this, you will need your voting reference numbers, the three 8-digit numbers quoted on your proxy form. Then just follow the instructions on the website.

The website is operated by the company's registrar, Lloyds TSB Registrars. Shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may also be viewed on the website. Any electronic communication sent by a shareholder that is found to contain a virus will not be accepted.

Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged in any way.

Within Sharevote you will also be invited to register with the Shareview website which provides a range of electronic services for shareholders (see Shareview details on page 19 under 'Enquiring about your shareholding').

CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) no later than 11.00 a.m. on Wednesday 25 July 2007.

Normal system timings and limitations will apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Useful information for shareholders

Key events for shareholders

The company is holding its 2007 annual general meeting on Friday 27 July 2007 at the Bridgewater Hall, Manchester. It will start at 11.00 a.m. The notice calling the meeting is set out on pages 9 and 11 of this leaflet.

During the next year, the company plans to:

- pay the 2007 final dividend on 24 August 2007;
- announce the half year results on 29 November 2007 (provisional);
- pay the 2007 interim dividend in February 2008;
- announce the preliminary full year results in May or June 2008;
- publish the combined annual report and accounts, the stakeholder report and summary financial statement in June 2008; and
- hold the annual general meeting in July 2008.

Keeping you in the picture

You can find more information about United Utilities quickly and easily on the United Utilities website. In addition to the annual report and accounts, the stakeholder report and other reports, company announcements are also published on the website, including the interim and preliminary results announcements and associated presentations. www.unitedutilities.com

In addition to these reports, the group also publishes in printed form a wide range of reports, leaflets and fact sheets about aspects of its businesses. For more information please contact Gaynor Kenyon, group communications director at Haweswater House, Lingley Mere Business Park, Lingley Mere Avenue, Great Sankey, Warrington WA5 3LP – 01925 237000 – email gaynor.kenyon@uuplc.co.uk

Copies of the separate regulatory accounts for the year ended 31 March 2007 for the licensed water and electricity businesses, which are required to be given to the water and energy regulators, are available free of charge. If you would like to receive copies, please contact the group secretariat on 01925 237000. Alternatively, they are available on the company's website.

Summary financial statement and the full annual report

This summary financial statement is a shorter document and does not contain as much information as you need to gain a full understanding of the results and state of affairs of the group as is contained in the annual report and accounts. If you need more information, we have included the full report on our website for quick and easy access. Alternatively, a free copy is available on request and members may elect to receive a full copy of the annual report automatically for future years. Please contact the group secretariat on 01925 237000.

Enquiring about your shareholding

If you want to ask about your shareholding, or need any information, please contact the company's registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (telephone: 0870 600 3971, or telephone for shareholders with hearing difficulties: 0870 600 3950).

The registrar's website allows shareholders with internet access to view details of their shareholdings and dividends, to vote at general meetings and to register to receive communications electronically. Registering with Shareview is easy, secure, and free. Just go to www.shareview.co.uk, click on 'Register' and follow the onscreen registration process using the 8-digit account number on the enclosed proxy form.

If you have received more than one copy of this document, you may have more than one account in your name on the register of members. To merge your holdings, please write to Lloyds TSB Registrars at the above address giving details of the accounts concerned and how you want them to be merged.

Paying your dividends direct to your account

The registrars pay dividends direct to a shareholder's bank or building society account through the BACS (Bankers' Automated Clearing Service) system. If you have not already arranged for your dividends to be paid direct to your bank or building society account and you want to do so, please contact the company's registrar at the address above.

Dealing in United Utilities shares cost effectively

You can buy or sell ordinary shares using Lloyds TSB Registrars' low-cost share dealing service (telephone: 0870 850 0852), or deal online at the registrars' website. www.shareview.co.uk/dealing

Holding your shares tax efficiently

The United Utilities single company ISA, a Maxi or Mini shares only individual savings account, managed by Lloyds TSB Registrars, offers a tax efficient way of holding United Utilities shares. If you want more information, please ring 08702 424244 quoting 'United Utilities shareholder'.

Donating shares to the ShareGift scheme

Many shareholders can find themselves owning parcels of shares so small that it would cost more to sell them than they are worth. The ShareGift scheme, a registered charity administered by The Orr Mackintosh Foundation, allows you to donate shares to the Foundation which aggregates them, sells them when possible and donates the proceeds to a growing list of charities. If you would like further information, write to The Orr Mackintosh Foundation, 46 Grosvenor Street, London, W1K 3HN (telephone: 020 7337 0501), or visit the scheme's website. www.sharegift.org

Enquiring about the American listing

United Utilities' shares are currently listed on the New York Stock Exchange in the form of American depositary shares (ADS), evidenced by American depositary receipts (ADR), and trade under the symbol 'UU'. Each ADS represents two shares. With effect from 25 June 2007 the United Utilities ADRs will move to be traded over-the-counter and will be allocated a new five character ticker symbol accordingly. JPMorgan Chase Bank, N.A. is the depositary and its address for enquiries is JPMorgan Chase Bank, N.A., JPMorgan Service Center, PO Box 3408, South Hackensack, NJ 07606 3408. Telephone: (800) 990 1135 (US toll free) or outside the US, +1 (201) 680 6630 or visit the website. www.adr.com/shareholder

Warning to shareholders

Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

The Financial Services Authority (FSA) maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. More detailed information on this or similar activity can be found on the FSA website.

www.moneymadeclear.fsa.gov.uk/

Avoiding unsolicited post

The company is legally obliged to make its register of members available to other organisations. Because of this, you may receive post you have not asked for. If you want to limit the amount of personally addressed unsolicited mail you receive, please write to the Mailing Preference Service, MPS Freepost LON20771, London W1E 0ZT or ring Alison McKenzie (telephone: 020 7291 3321).

www.mpsonline.org.uk

If you have any further questions about your dividend or shareholding, please call the helpline on 0870 600 3971 or visit our website. www.unitedutilities.com

How to get to the annual general meeting 2007

The Bridgewater Hall, Manchester

The Bridgewater Hall, Manchester, is on Lower Mosley Street. It is well served by public transport, including the Metrolink, and there is car parking nearby.

Please bring your admission card with you if you are coming to the meeting. It will speed up the registration process and will also act as your poll card to record your votes on the day.



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Designed and produced by
Black Sun Plc +44 (0)20 7736 0011.
Printed by Butler and Tanner.



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