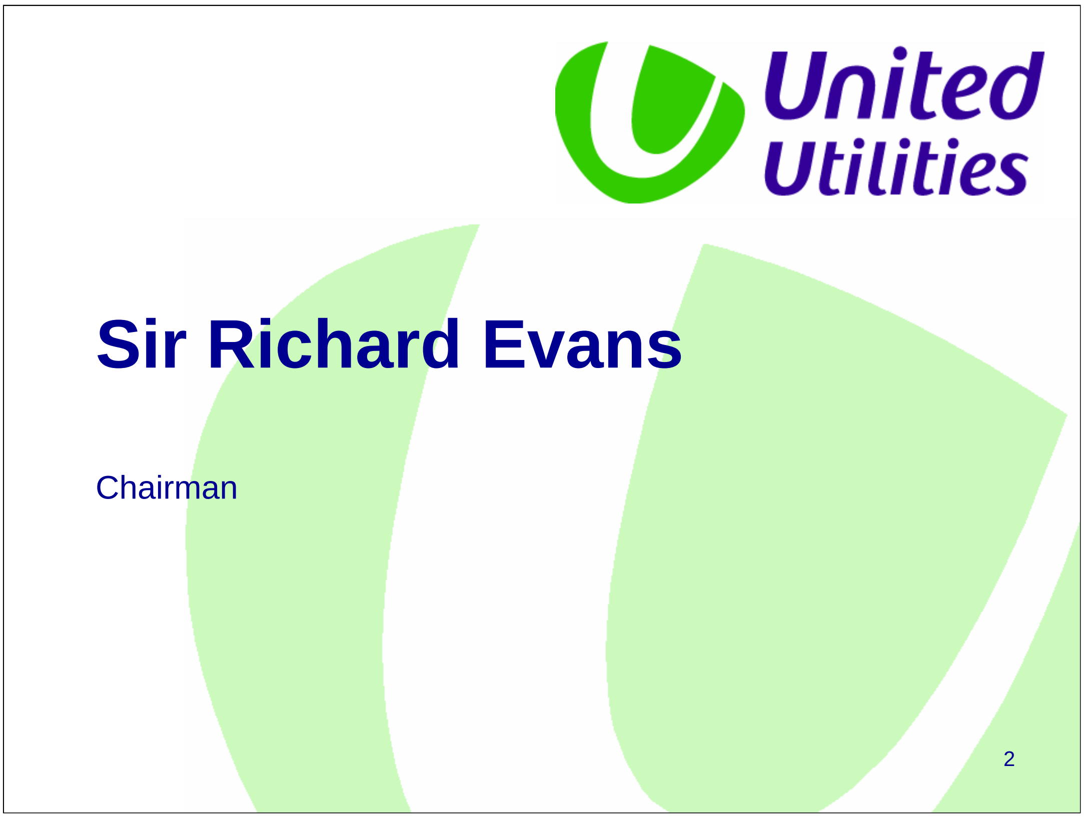
United Utilities PLC

Half yearly financial report

Six months ended 30 September 2007

www.unitedutilities.com



Good morning ladies and gentlemen, and welcome to United Utilities' half year results presentation. With me on the platform are Philip Green, our Chief Executive, and Tim Weller, our Chief Financial Officer. Also with us are other members of our executive team: Charlie Cornish, Gaynor Kenyon, Alison Clarke, Clive Elphick and Martin Bradbury.

I would also like to welcome our new General Counsel and Company Secretary, Tom Keevil, who joins us from Gallaher Group.

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

Agenda

• Introduction	Sir Richard Evans
• Overview	Philip Green
• Financial review	Tim Weller
• Business update	Philip Green
• Questions	

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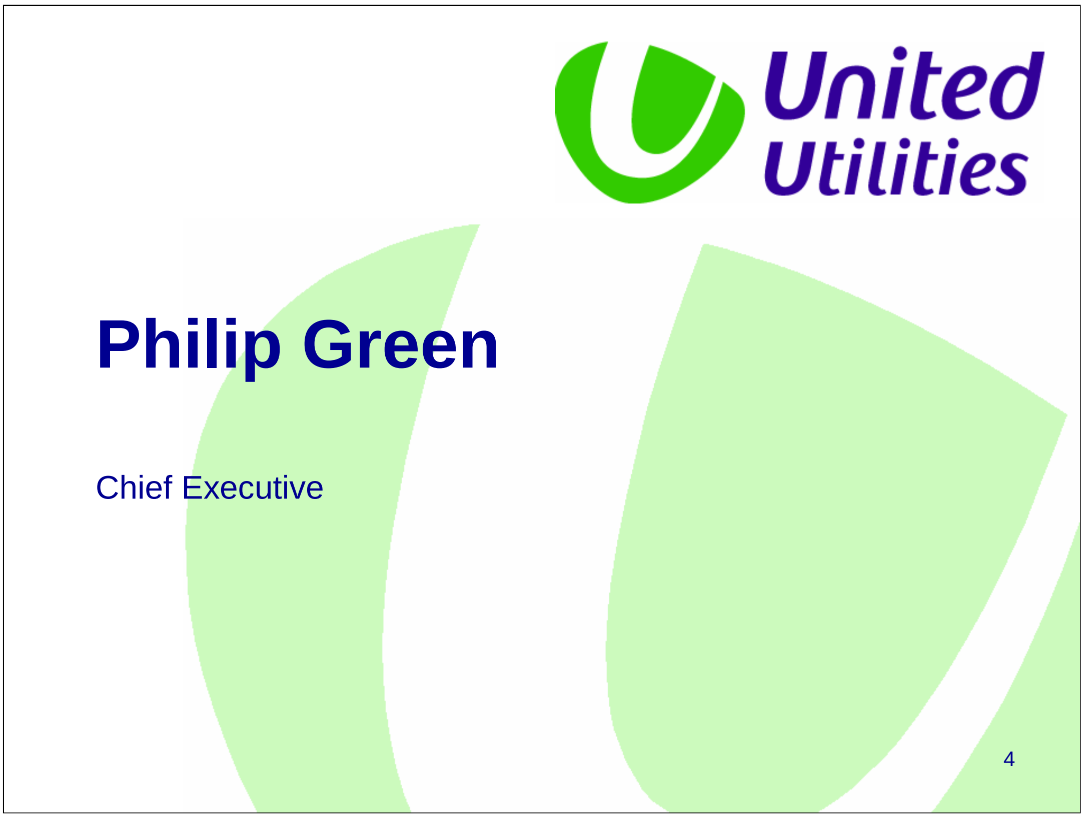
In a moment, Philip will provide an overview on the progress we've made and discuss the sale of our electricity assets. He'll then hand over to Tim, who will take you through our results and provide details of the outcome of our capital structure and dividend policy review and the mechanism for returning value to shareholders.

Philip will then provide an update on the business before finishing off with a summary and our views on the outlook for the group.

At the end of the presentation we'll be pleased to answer your questions.

Now, over to Philip.



Thank you Chairman. Good morning.

On several occasions over the last two years, I have defined our challenges in the context of three topics: portfolio, capital structure and operational performance. In this presentation, we will demonstrate the progress we have made in addressing each of these areas.

Looking at our portfolio, we have established a strategy based on our core skills of managing water, wastewater, electricity and gas networks and have sold those businesses that are not aligned with these core skills. We are now a leaner, more focused company.

Back in June we said we would sell our electricity assets to focus on the much larger water asset base, and we have. We also said that we intended to continue operating the electricity assets, and we will continue to do so.

On capital structure, we said we would review this in light of the electricity sale, and we have now completed this review. We are targeting a more efficient capital structure and have determined a new and sustainable dividend policy which targets real growth.

On operational performance, we are delivering further improvements as we progress towards our medium term target of achieving an upper quartile position on all important measures.

I would now like to provide you with an overview of what we have achieved this year.

Overview

- Strong set of financial results
- Further performance improvements
- Regulatory capex up 49% to £362m – as we enter programme peak
- Agreed sale of electricity distribution assets for an enterprise value of £1,782m to North West Electricity Networks Limited
  - substantial 45% premium to regulatory asset value
  - represents net equity proceeds of just over £1bn
- Proposed total return to shareholders of £1.5bn
- New sustainable dividend policy from 2008/09

Our vision: to be a world class operator of utility infrastructure

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We have delivered another strong set of financial results in this half year.

We remain committed to delivering further performance improvements and are on track to meet our economic level of leakage rolling target for 2007/08, having met our target last year for the first time in five years. We said we would improve operational performance and we are doing so.

Our capital expenditure is up by almost a half compared with the previous period as we enter the peak phase of our investment programme.

We are very pleased to have agreed the sale of our electricity distribution assets for an enterprise value of £1.78 billion. This represents a substantial 45 per cent premium to the forecast March 2008 regulatory asset value and provides net equity proceeds of just over £1 billion. We have agreed the sale by the end of this calendar year, as we said we would.

Including the additional proposed return of value, which I will talk about shortly, we intend to return to shareholders a total of £1.5 billion.

We have also set a new and sustainable dividend policy. I will highlight the key points of the sale, the outcome of our capital structure and dividend policy review and the return of value before I hand over to Tim.

Overview
£1,782 million sale of electricity distribution assets

- Sale agreed by end of 2007 - in line with our target
- Net equity proceeds of £1,050m or 119 pence per share[1] proposed to be returned to shareholders as part of total return
- £1.5bn operating and capex management contract through to 2015
  - plus potential for a five-year extension to 2020
- Sale completion expected by 31 December 2007

[1] based on 880m shares currently in issue

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In line with what we said in June, when we initiated the sale process, we intend to return the net equity proceeds of just over £1 billion or 119 pence per share to shareholders. This will form part of the total return of value we are proposing.

I am also pleased that we will continue to manage the electricity distribution assets, which at present is the only outsourcing contract of its type in the UK. This contract covers operations and maintenance, management of the capital programme and the provision of connections.

The total contract value is estimated at around £1.5 billion and runs through to 2015. There is also potential for a further five year contract extension to 2020.

We expect to complete the sale by the end of this year.

I will now talk about how we have addressed our capital structure.

Overview
Capital structure and dividend policy

- Capital structure and target credit rating to mirror regulatory assumptions
  - target of A3 for United Utilities Water PLC
- Additional proposed return of value of £450m or 51 pence per share[1]
- 2007/08 dividend per share in line with current policy
- New dividend policy appropriate for revised composition of the group
  - 2008/09 dividend per share to be reduced by 30%
  - real dividend growth target of RPI+2% per annum from 2009/10
- Meets our intention to provide total distributions at least in line with 2005-10 expectations under current dividend policy

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[1] based on 880m shares currently in issue

We are targeting a capital structure and credit rating that we believe best mirrors regulatory assumptions and we are aiming for a credit rating of A3 for UU Water PLC.

In addition to the net equity proceeds from the sale, we are proposing to return to shareholders a further £450 million or 51 pence per share as a result of our capital structure review.

The interim and final dividends for this financial year will be based on the current policy.

For subsequent years we are setting a new dividend policy which reflects the revised composition of the group.

The dividend per share for 2008/09 will be reduced by 30 per cent and we intend to grow the dividend in real terms by two per cent per year thereafter from this revised base.

The combination of the additional return and the new dividend policy meets our intention to provide total distributions at least in line with expectations over the 2005-10 period under the current dividend policy. On the basis of our assumptions, that Tim will discuss later, this means shareholders will receive distributions of 149 pence per share compared with 144 pence under the current dividend policy. To be clear, this is in addition to the net equity proceeds from the sale.

I'll now hand over to Tim.

Tim Weller

Chief Financial Officer

Thank you Philip. Good morning.

Financial review

- **Half year results**

- **Agreed sale of electricity distribution assets**
  - **net equity proceeds**
  - **capital structure and dividend policy**
  - **return components**
  - **return mechanism**
  - **timetable**

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I'd like to start by discussing our financial performance in the half year, before providing more detail on the outcome of our review of capital structure and dividend policy and the mechanism and timing for the return of value.

Results highlights

- **Underlying profit before taxation[1] up 10% to £243m**
  - profit before taxation of £252m
- Underlying operating profit[1] up 8% to £348m
- Regulated activities – underlying operating profit[2] up 9% to £325m
- Non regulated activities – underlying operating profit[3] down slightly at £22m
- Interim ordinary dividend of 15.20p
- Forecast final ordinary dividend of 31.47p

$\left.\begin{array}{l}\\ \\ \end{array}\right\}$ **46.67p for 2007/08**

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

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Starting with the financial highlights.

I am pleased to report another strong financial performance.

Adjusting for one-off items and stripping out the volatility from IAS 39 fair value adjustments, underlying profit before tax was £243 million, up 10 per cent.

Operating profit from continuing operations increased by 5 per cent, to £348 million, with an 8 per cent increase on an underlying basis.

Operating profit from our regulated activities was up 9 per cent at £325 million compared with the prior period.

Non-regulated activities incorporate our utility outsourcing contracts and, as we indicated in our pre-close trading statement, operating profit is slightly down compared with the corresponding period last year.

The contribution from the ownership of our electricity distribution assets is treated as a discontinued operation in these results. The supporting information at the back of the presentation pack includes a re-presentation of the six months ended 30 September 2006 and the year ended 31 March 2007.

Regulated activities

£m	2007	2006	
Revenue	713.0	669.1	+7%
Operating profit[1]	**325.3**	**309.2**	***+5%***
Adjustments:			
Restructuring costs	-	4.0	
Settlement claims[2]	-	(15.0)	
Underlying operating profit	**325.3**	**298.2**	***+9%***

- Strong underlying growth in regulated activities

[1] operating profit for the prior period has been re-presented as set out on slide 37
[2] in the prior period, the regulated business benefited from a £15.0m settlement of claims with contractors and from the end of the statutory period of potential claims against the group

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Revenue in our regulated business has increased by 7 per cent and underlying operating profit is up 9 per cent.

The results primarily reflect regulated price increases to help deliver our substantial capital investment programmes.

In the prior period, regulated activities benefited from a one-off settlement of claims made by the group against contractors and from the end of the statutory period of potential claims against the group. The total for the period was £15 million.

Without adjusting for these one-offs, operating profit increased by 5% to £325 million.

Regulated activities
Operating expenses

£m	2007	2006
Depreciation and amortisation	106.2	98.8
Infrastructure renewals expenditure	61.6	44.1
Other expenses	219.9	228.0
Operating expenses **(before restructuring costs and one-off items)**	**387.7**	**370.9**

- Infrastructure renewals expenditure increased by £18m in line with the planned expenditure profile

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Here we provide a breakdown of the main cost components in our regulated business, excluding the one-off items set out on the previous slide.

There has been an £18 million increase in infrastructure renewals expenditure which is consistent with our planned re-phasing over the price review period.

Other costs in the water business are slightly lower than last year, reflecting the delivery of efficiencies and lower energy costs, partly offset by inflation and cost pressures in areas such as property rates.

Non-regulated activities

£m	2007	2006	
Revenue	454.3	321.8	*+41%*
Operating profit[1,2]	**21.5**	**22.1**	**-3%**
Adjustments:			
Restructuring costs	-	0.5	
Underlying operating profit	**21.5**	**22.6**	***-5%***

- Peak contribution from Southern Water contract in prior year
- Alleviated by first time contribution from electricity distribution contract

[1] operating profit for the prior period has been re-presented as set out on slide 37
[2] depreciation and amortisation in the period ended 30 September 2007 was £11.7m (£7.6m in 2006)

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Performance in our non-regulated activities is marginally down on the previous period. The prior period benefited from a strong contribution from the peak year of the Southern Water contract, reflecting the planned capital investment profile. A natural reduction in contribution was therefore expected from the contract in this financial year.

Non-regulated activities also include the first six month contribution from the electricity distribution outsourcing contract. This has helped to alleviate the reduced contribution from the Southern Water contract.

Operational performance across the contract portfolio is good and the order book is strong, at over £6 billion.

Finance expense

Continuing operations

£m	2007	2006
Published finance expense	**168.0**	**137.0**
Total fair value loss	(18.5)	(10.0)
Add back interest on swaps and debt under fair value option	27.6	28.5
Underlying interest payable	**177.1**	**155.5**
Investment income	(72.6)	(54.9)
Adjust for net pension interest income	11.7	8.1
Underlying cost of net borrowings	**116.2**	**108.7**
Average net debt[1]	**3,738**	**3,772**
Average underlying cost of net borrowings	**6.2%**	**5.8%**

- Repayment of €1bn, 6.625% bond since 30 September 2007
- Sale of electricity distribution assets also reduces average cost of net borrowing

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[1] excluding net debt relating to UUE and adjusted for disposal of stake in THUS Group plc and fair value and foreign exchange movements

Finance expense of £168 million was £31 million higher than in the comparative period after adjusting for the disposal of the electricity assets. The current period expense includes a £19 million fair value loss on debt and derivative instruments compared with a £10 million loss in the comparative period.

The underlying cost of net borrowings was £116 million, compared with £109 million in the prior period.

The average cost of net borrowing has increased on an underlying basis reflecting the impact of higher inflation on our index-linked debt. However, our index-linked debt is locked in at low real interest rates and our water regulatory capital value and allowed revenues are also linked to RPI and will benefit from the higher inflation rates.

The redemption of a €1 billion 6.625 per cent bond earlier this month and the exit of debt associated with the sale of the electricity assets should both contribute to a lower underlying cost of net borrowings going forward.

Profit before tax
Continuing operations

£m	2007	2006	
Operating profit[1]	347.8	332.4	
Investment income and finance expense[1]	(95.4)	(82.1)	
Profit before tax[1]	**252.4**	**250.3**	***+1%***
Adjustments:			
IAS 39 fair value adjustments	18.5	10.0	
Interest on swaps and debt under fair value option	(27.6)	(28.5)	
Restructuring costs[2]	-	4.5	
Settlement claims[2]	-	(15.0)	
Underlying profit before tax[1]	**243.3**	**221.3**	***+10%***

[1] operating profit for the prior period has been re-presented as set out on slide 37
[2] deducted from operating profit to obtain underlying operating profit

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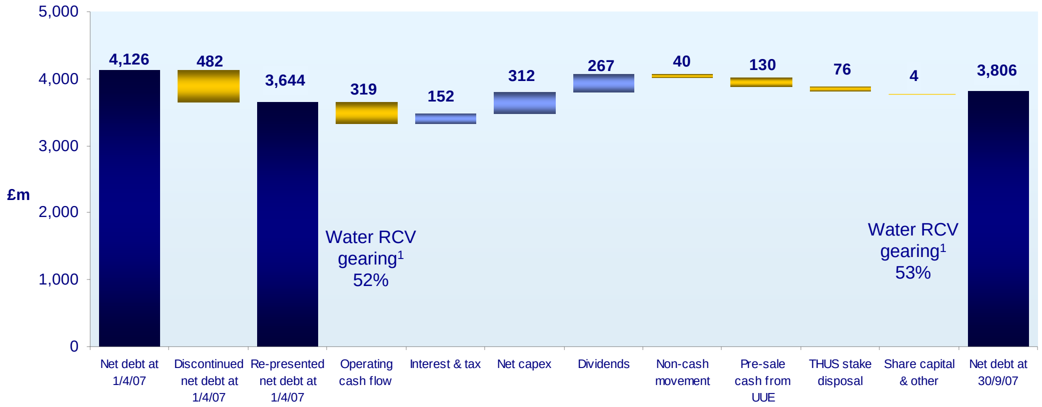
Underlying profit before tax was up 10 per cent after adjusting for the items set out on this slide.

Adjusting for the one-off items previously discussed and fair value volatility provides a more representative view of the group's performance.

Without adjusting for these items, reported group profit before tax was marginally up.

Movement in net debt



- Gearing remains below Ofwat's assumptions
- Entering peak capex phase in current price review period

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[1] group net debt less net debt associated with electricity distribution assets / water regulatory capital value in outturn prices

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

Net debt has increased as a result of higher capital expenditure along with payments of interest, tax and dividends, partly offset by operating cashflow and proceeds from the sale of our stake in THUS.

Gearing, measured as net debt to the water regulatory capital value, or RCV, has remained broadly flat at 53 per cent and is below Ofwat's assumed range of 55 per cent to 65 per cent. This excludes the net debt associated with the electricity distribution assets.

We have now entered the peak capital expenditure phase of the five year regulatory review period and this will see higher levels of capital expenditure over the next two years. This level of capital spend will naturally cause our gearing to rise over the remaining years of the price review period.

During the first half of the year, we issued another £150 million of index-linked debt at an average interest rate of just over 1.6 per cent real with maturities of around fifty years.

We have continued to make progress and earlier this month issued a further £35m of index-linked debt at a rate of 1.66 per cent with a thirty year maturity.

Our total index-linked debt now stands at around £1.5 billion, supporting approximately 21 per cent of the water RCV.

Results highlights

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- Forecast final ordinary dividend of 31.47p

46.67p for 2007/08

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

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So, in summary, we've delivered another strong set of financial results.

Financial review

- Half year results

- **Agreed sale of electricity distribution assets**
  - net equity proceeds
  - capital structure and dividend policy
  - return components
  - return mechanism
  - timetable

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Now, moving onto the sale of our electricity distribution assets, our capital structure and dividend policy and the associated return of value.

Net equity proceeds

	£m	p/share[2]
Total enterprise value	1,782	-
Less UUE net debt at fair value[1]	(732)	-
Proposed net equity proceeds to return to shareholders	**1,050**	**119**

- Represents a 45% premium to March 2008 regulatory asset value[3]

[1] at time of agreed sale, including United Utilities' group debt apportioned to the electricity business and transaction costs
[2] based on 880m shares currently in issue
[3] 31 March 2008 regulatory asset value of £1,230 million in outturn prices (based on an RPI forecast of 3.2% for 2007/08)

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As Philip said earlier, we have agreed the sale of UU Electricity for £1.78 billion. This represents a 45 per cent premium to the forecast March 2008 regulatory asset value.

Deducting the fair value of net debt relating to the electricity distribution assets at the time of the agreed sale and transaction costs, produces net equity proceeds of £1.05 billion which we intend to return to shareholders.

Capital structure and dividend policy

- Capital structure and target credit rating to mirror regulatory assumptions
  - target credit rating of A3 for United Utilities Water PLC
  - more efficient capital structure
- Additional proposed return of £450m or 51 pence per share[1]
- Dividend per share for 2007/08 based on current dividend policy
- In light of revised composition and earnings profile of the group
  - rebased dividend per share for 2008/09 forecast to be 32.67 pence
  - real dividend growth target of RPI+2% per annum thereafter

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[1] based on 880m shares currently in issue

When we announced in June that we had initiated a sale process for the electricity assets, we said that we would review our capital structure and dividend policy, so that they will be appropriate for the revised composition of the group.

We also stated our intention to target a capital structure and credit rating that we believe best reflects regulatory assumptions. We intend to target an investment grade credit rating of A3 for UU Water PLC.

We are aiming for a more efficient capital structure with a gearing target towards the upper end of Ofwat's 55 per cent to 65 per cent range.

A further return of £450 million is proposed to create the revised capital structure. This is in addition to the proposed return of net equity proceeds.

Since the UUE assets have been part of the group for the first half of this financial year and will also contribute to earnings in the second half, dividends for 2007/08 will be based on the current policy of increasing dividends in line with inflation and we are forecasting a full year dividend of 46.67 pence per share.

In light of the revised composition and earnings profile of the group we are announcing a new dividend policy. It is our intention to rebase the dividend in 2008/09 to reflect the new group structure and our anticipated total dividend for that year will be 32.67 pence per share, a reduction of 30 per cent.

From 2009/10 onwards we intend to apply a target real growth rate of RPI+2% per annum.

Return components
Proposed total return to shareholders

	£m	p/share[1]
Net equity proceeds from sale	1,050	119
Additional return of value – more efficient capital structure	450	51
Total return to shareholders	**1,500**	**170**

- Proposed return to shareholders by way of redeemable B share scheme

"…the B share scheme provides shareholders[2] with a choice of receiving the return as capital or income and the option to spread the return over two financial years…"

[1] based on 880m shares currently in issue
[2] other than shareholders in certain overseas jurisdictions

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So, combining the net equity proceeds of £1.05 billion from the sale and the additional return of value, following the review of capital structure, the total proposed return to shareholders will amount to £1.5 billion or 170 pence per share.

We anticipate that this return will be made via a redeemable B share scheme, thus giving shareholders the choice of receiving the return as capital or income and the option to spread the return over two financial years.

Revised dividend policy - illustrative example[1]

United Utilities

Current policy	2007/08	2008/09	2009/10	3 year total	Pence per existing share
Estimated dividend per share (pence)[2]	46.67	47.95	49.27		
Number of shares (m)	880	880[3]	880[3]		
Distributions to shareholders (£m)	411	422	434	**1,267**	**144**

New policy	2007/08	2008/09	2009/10	3 year total	Pence per existing share
Estimated dividend per share (pence)[2]	46.67	32.67[4]	34.22[5]		
Number of shares (m)	880	673[6]	673[6]		
Dividends to be paid (£m)[2]	411	220	230	**861**	**98**
Additional return (£m)	-	450	-	**450**	**51**
Distributions to shareholders (£m)	**411**	**670**	**230**	**1,311**	**149**

[1] the figures set out in these tables are subject to a number of uncertainties and are therefore illustrative and do not constitute a forecast
[2] assumes RPI of 2.75% p.a. for 2008/09 and 2009/10
[3] simplified analysis excluding the share reduction effect from return of net equity proceeds
[4] 30% reduction on 2007/08 dividend per share
[5] RPI (as per note 2) + 2% growth rate applied to 2008/09 reduced dividend (as per note 4)
[6] based on assumption of 673m shares in issue from 2008/09 using a closing share price of 724p on 26 November 2007 to calculate the shares in issue assumption

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This slide gives an illustrative example of the effect of the additional return and new dividend policy. I should emphasise that these calculations are illustrative only and, unlike the total dividend forecast for 2007/08, are not dividend forecasts.

Based on an estimated inflation rate of 2.75 per cent from 2008/09, total forecast dividends over the remainder of this price review period would amount to around 144 pence per share or £1.267 billion.

The 2007/08 dividends are unaffected by the changes but dividends for the last two years of the price review period will be lower. In our illustration we expect the 2008/09 dividend to be 32.67 pence per share, paid on the reduced number of shares in issue, which I will talk about shortly. We are targeting a real growth rate of RPI+2 per cent to be applied to this revised base and the table shows an estimated 2009/10 dividend of 34.22 pence per share.

On the basis of this inflation assumption, the total sum to be paid over the final three years of this price review period as ongoing dividends would be £861 million.

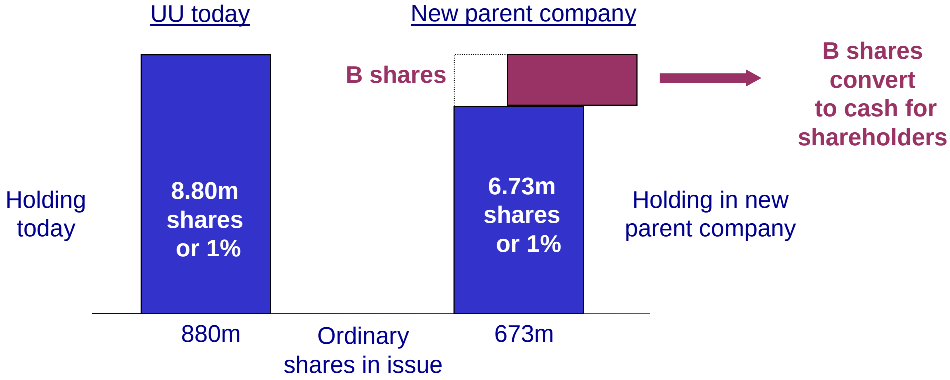
On top of this, an additional return of £450 million will be paid out as a result of the capital structure review.

Using the assumptions outlined on this slide, the new dividend policy, taken together with the additional £450 million return, addresses our intention of providing total distributions at least in line with expectations over the remainder of the 2005-10 period under the current dividend policy.

On this basis, the equivalent distributions under the new policy are projected to be 149 pence per share compared with 144 pence per share under the current policy.

Return mechanism – illustrative example
Redeemable B share scheme

United Utilities



- Number of ordinary shares issued by new parent company will be lower, commensurate with return of value

"…shareholders retain the same percentage shareholding in the new parent company…"

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This slide provides an illustrative example of the return to shareholders. To facilitate the return, a new parent company will be created above United Utilities PLC.

It is our intention that shareholders will receive redeemable B shares to enable the £1.5 billion return which will convert into cash, either as a capital return or as income. The new parent company will issue a reduced number of ordinary shares commensurate with this total return of value.

Although the number of shares in issue will reduce to reflect the sale of the electricity assets and return of value, shareholders will retain the same percentage shareholding in the new parent company.

Indicative timetable for return of value

Date	Event
Nov 07	Announcement of agreed sale of electricity assets
Dec 07	Estimated sale transaction completion
Feb 08	Payment of 2007/08 interim dividend under current policy
June 08	Circular posted to shareholders
June/July 08	EGM for scheme of arrangement to create new parent company
July 08	AGM
July/Aug 08	Issue of redeemable B shares, listing of new parent company and issue of new parent company ordinary shares
Aug 08	Payment of 2007/08 final dividend under current policy
Aug 08	Return of value – first option to redeem B shares
Feb 09	Payment of 2008/09 interim dividend under new policy
April 09	Return of value – all remaining B shares redeemed

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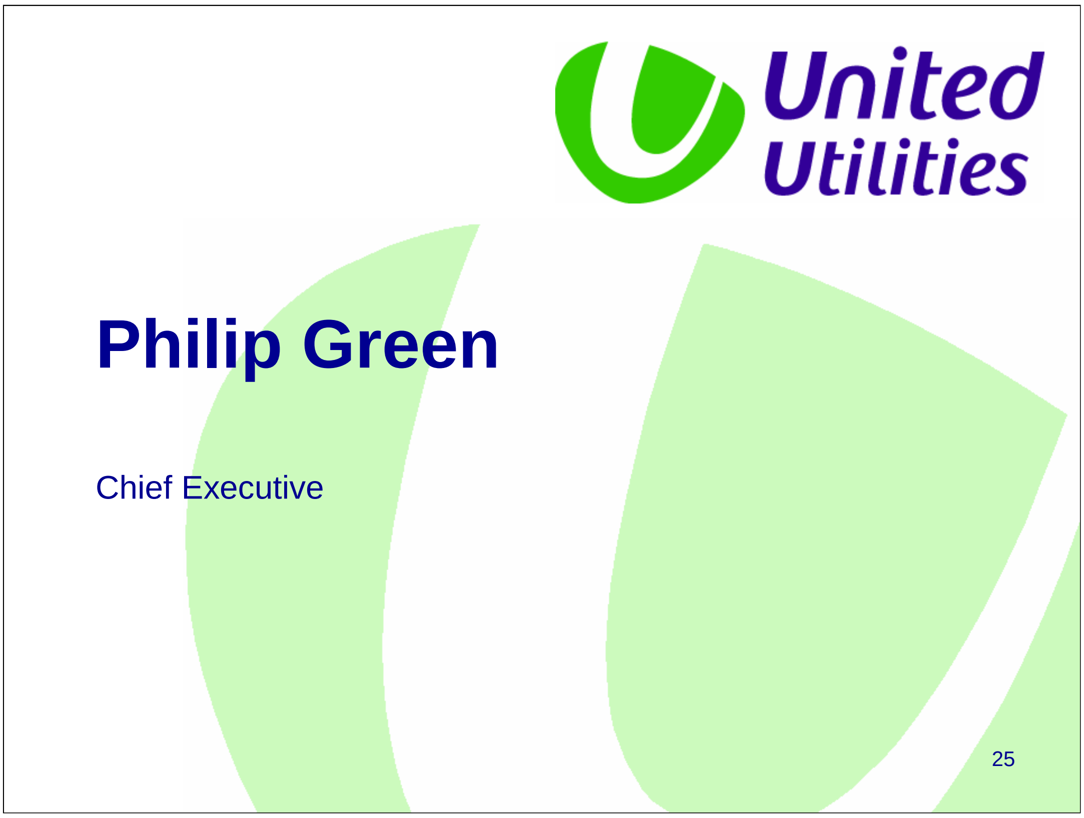
We have set out an indicative return timetable for the completion of the sale and the return of value to shareholders, with the first return of value anticipated next summer.

That concludes our review of capital structure and dividend policy.

I'll now hand back to Philip.



Thank you Tim.

Business update

- Portfolio and structure
- Operational and regulatory performance
- Sustainability
- Water price review
- Non-regulated activities
- Summary and outlook

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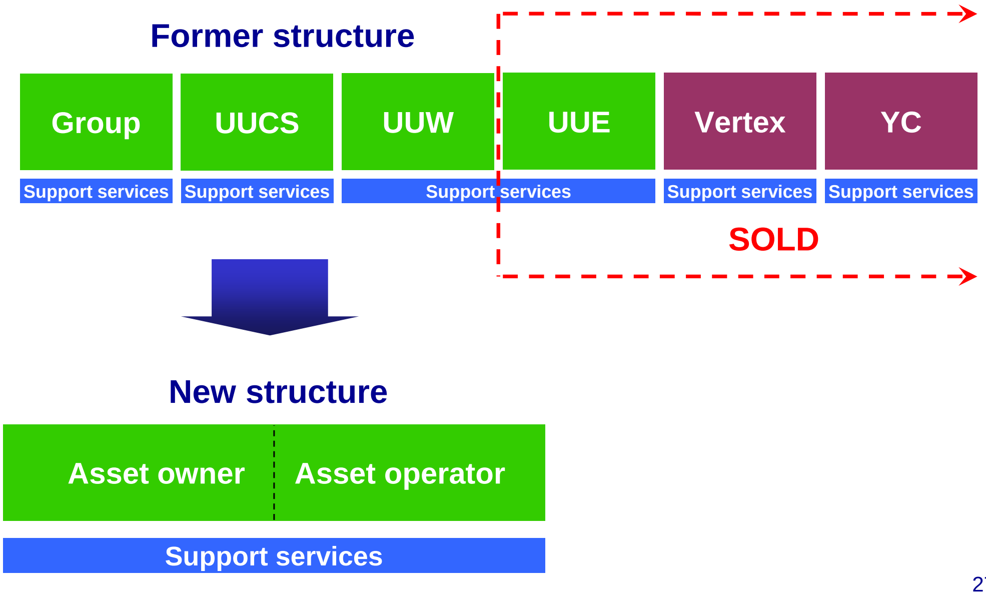
I will start by providing you with an update on how we have developed the portfolio and structure of the group.

I'll then discuss our operational performance, talk about the important area of sustainability and the next water price review.

I'll then move on to our non-regulated activities before rounding off with a summary and our views on the outlook for the group.

Portfolio and structure



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We said we would review our portfolio and we have transformed UU into a company based on its core skills of managing water, wastewater, electricity and gas networks. Non-core activities have been divested and the improved focus has helped to drive performance improvements.

Our asset owner / asset operator model has now been successfully implemented. This model further supports operational improvements and has instilled a more commercial environment, with strong incentive mechanisms in place.

We have also centralised our support functions of human resources, IT, finance, legal and communications, leading to cost savings and a more efficient operating model.

The focused portfolio and restructuring means UU is now well placed to build on the performance improvements that we have already delivered.

I will now update you on the progress we have made in the first half of the year.

Key operational and service measures

	Start point	Half year 2007/08 (unaudited)	Target
Relative efficiency	Below average	Improved 2005/06 opex position to: band B for water and band C for wastewater and **sustained performance forecast for 2006/07**	Upper quartile in the medium term
Security of water supply	Had not met economic level of leakage rolling target since 2002	Met 2006/07 economic level of leakage rolling target and **also on track to meet tougher target in 2007/08**	Meet or outperform rolling leakage targets and avoid the need for water restrictions
Pollution	In 2005/06: 2 water & 21 wastewater incidents[1]	Met the target in one year in 2006/07 and **on course to sustain this target performance in the medium term**	Reduce incidents by around 50% in the medium term
Sewer flooding	641 properties on flooding register in 2005/06[2]	A net reduction of over 20% in 2006/07 and **further progress achieved in 2007/08 – on track to meet medium term target**	Reduce number by around 50% in the medium term
Customer minutes lost and customer interruptions	Outperformed 2004/05 regulatory targets	Outperformed 2005/06 and 2006/07 cumulative regulatory targets and **also on course to meet or outperform 2007/08 regulatory targets**	Meet or outperform regulatory targets over 2005-10 period
Overall customer satisfaction (response to enquiries)	<50% water <70% electricity	**72% water – sustained higher performance** 68% electricity	85% in the medium term Aspiration of 100%

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[1] refers to Category 1 & 2 incidents as defined by the Environment Agency
[2] refers to properties at risk of experiencing at least one sewer flooding incident in 10 years

We said that we would update you every six months on our performance on our key operational and service measures. We are committed to becoming a high performance company and improvements against these measures demonstrate that commitment.

We delivered some good improvements last year and progress during the first half of this year has been encouraging. We are sustaining these higher levels of performance and are making further improvements. For example, we are now at the efficiency frontier for water service operational performance.

I would also like to mention that we remain on track to achieve our economic level of leakage rolling target for 2007/08 of 465 megalitres per day, which is a tougher target than the previous year and reflects continued improvement in the business.

Overall, we remain on course to meet our medium term targets.

Regulatory performance

- Business improvement initiatives progressing well
  - on track to meet regulatory efficiency targets
- First in Ofwat's asset serviceability assessments
  - reflects UU's long-term stewardship of assets
- Entering peak phase of capex programme
- Expect to match regulator's capex assumptions
  - water service cumulative expenditure by end of 2008
  - wastewater service cumulative expenditure by end of 2009
- Confident of delivering regulatory outputs across 2005-10 period

"…we remain confident of meeting our efficiency targets and delivering our regulatory outputs…"

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Turning to the performance of our regulated business, our improvement initiatives are progressing well and we remain on track to meet our regulatory efficiency targets.

We were ranked first by Ofwat in its 2006/07 asset serviceability assessment which reflects our long-term stewardship of our water and wastewater assets.

As we have already mentioned, we are now in the peak phase of the capital expenditure programme. We expect to match Ofwat's cumulative assumptions on water capital investment by the end of 2008 and on wastewater capital investment by the end of 2009.

Overall, we remain confident of delivering our efficiency targets and regulatory outputs across the 2005-10 period.

Sustainability

- Mitigation - carbon action plan making good progress
- Adaptation to climate change also key
  - longer term investment planning
  - combat flooding to protect assets, water supplies and properties
  - counter increasing water supply volatility
  - importance recognised by Ofwat

"…we are working with our regulators and other key stakeholders to develop longer term climate change and funding strategies…"

30

Sustainability is a key issue, particularly for the water sector which is a heavy user of electricity and provides essential services to customers.

Our approach to sustainability involves both climate change mitigation and adaptation.

We announced our carbon action plan earlier in the year. We are making good progress against our target of achieving a 26% reduction in carbon emissions by 2012 and aim to halve these by 2035.

Adaptation to climate change is also key and long term investment planning is required to combat flooding and ensure the protection of essential assets, water supplies and customer properties.

We also need to counter the increasing volatility of water supplies caused by weather changes and we welcome Ofwat's recognition of the importance of sustainability.

We will continue to work with our regulators and other key stakeholders to develop longer term climate change and funding strategies.

Future investment requirements

United Utilities

- Significant capital investment still required
- Further environmental and quality improvements
- Investment to protect homes and infrastructure from flooding
- Ageing infrastructure and responsibility for private sewers
- Strategic Direction Statement[1] covers requirements over next 25 years

"…raising debt finance will remain vital in supporting the water industry's future investment requirements…"

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[1] due to be published December 2007

We believe that significant investment is still required in our water and wastewater assets. Further environmental and quality improvements will be required and there is a growing need for investment to protect homes and infrastructure from flooding.

A large proportion of our networks is old and in need of replacement and the transfer of private sewers would require further funding to cover higher maintenance requirements.

We will shortly be releasing our 25 year Strategic Direction Statement and in this we will provide more detail on our long term views on future investment and sustainability.

Raising debt finance will therefore remain vital in supporting the water industry's future investment requirements.

Water price review

United Utilities supports:

- **A long term framework -** Ofwat's increased focus on climate change
- **Menu regulation** - based on balanced approach to rewards/penalties
- **The Competition Commission's view -** interest rate risk should be managed by companies to avoid volatility in customer bills
- **Greater reward / penalty incentives** - extend to cover water conservation and greenhouse gases
- **Financeability -** vital to maintain a solid investment grade rating

"…we welcome Ofwat's approach and believe strong incentive mechanisms have a key role in delivering further improvements…"

32

Looking forward to the next water price review, we welcome Ofwat's increased focus on climate change which is aligned with our approach of mitigation and adaptation.

We support Ofwat's proposals for menu regulation but we believe it is important to ensure a balanced approach to rewards and penalties is adopted.

Debt cost pass through has also been considered, but we agree with the Competition Commission that companies are better placed to manage interest rate risk than customers. As such, we do not support this proposal as we do not think that volatility in water bills would benefit customers.

We welcome greater use of incentive and penalty mechanisms as a means of improving performance. We believe that there is greater scope in this area than currently envisaged by Ofwat and incentives could also be used on water conservation and greenhouse gas emissions.

Financeability remains vital to enable companies to maintain a solid investment grade credit rating to fund the high levels of ongoing capital investment I have just discussed.

Overall, we welcome Ofwat's approach and in particular believe that strong incentive mechanisms have a key role to play in delivering further improvements.

Non-regulated activities

- UK utility sector remains key market
- UU holds only UK electricity and gas distribution outsourcing contracts
- Potential for further opportunities in metering sector
- Target asset light growth opportunities in markets where we are comfortable with risk and reward dynamics

"…our asset light and core skills approach means very little impact on the risk profile of the group…"

33

Turning to our non-regulated activities.

The UK utility sector remains a key market for us. We hold the only UK electricity and gas distribution outsourcing contracts and see potential in these sectors for further outsourcing.

There is further potential in the metering sector where we already have a contract with British Gas Trading and the advent of smart meters should present further opportunities.

We will continue to target asset light growth opportunities in markets where we are comfortable with the risk and reward dynamics.

Our asset light and core skills approach means there is very little impact on the risk profile of the group.

Summary and outlook

- Strong set of financial results
- Increasing capital investment with benefits for customers

Portfolio

- Sale of UUE assets agreed at substantial 45% premium to March '08 RAV
- Net equity proceeds of £1.05bn or 119 pence per share

Capital structure

- More efficient capital structure and sustainable dividend policy with real growth
- Meets dividend expectations to 2010[1]

Operational performance

- Performance improvements supported by our focus on core skills

"…confident of delivering regulatory outputs and strong financial performance…"

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[1] based on assumptions outlined on slide 22

In summary, we continue to deliver strong underlying profit growth underpinned by good financial performance in our regulated business.

Increasing capital investment in our regulated assets will continue to benefit our customers and the environment.

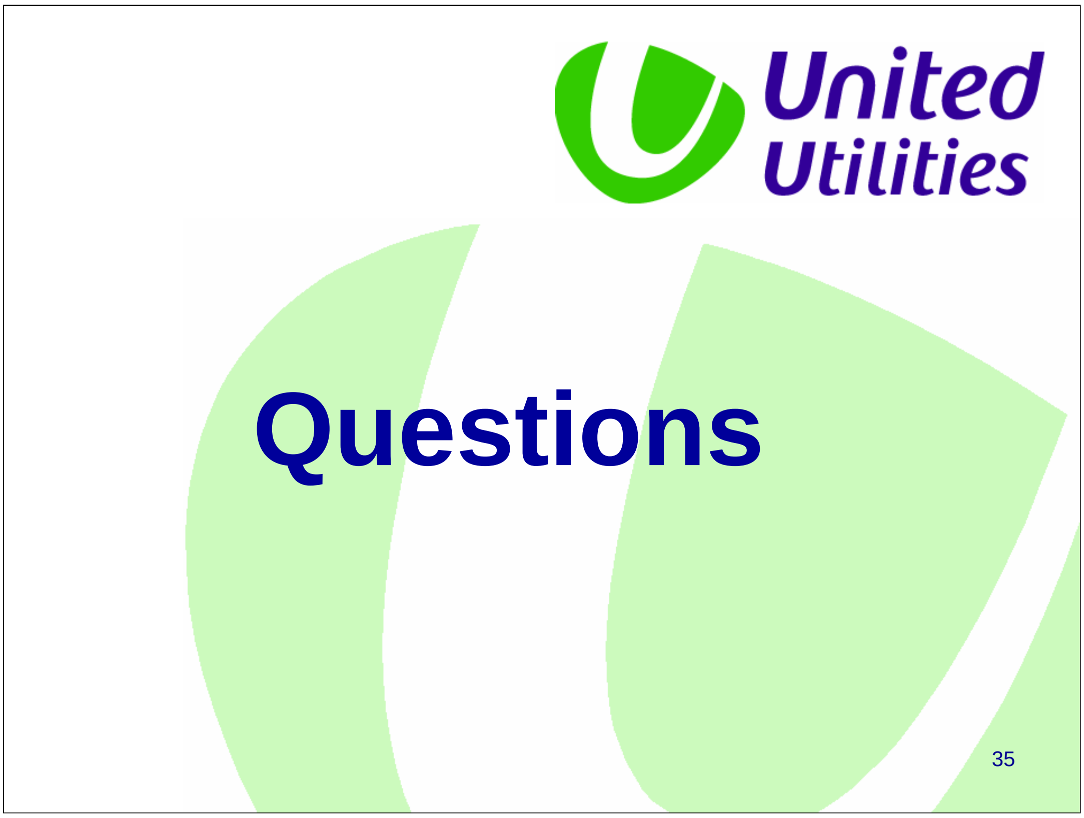
At the start of this presentation, I outlined the three topics that I felt had to be addressed by UU. Portfolio, and I think we can tick that box. Capital structure, I think another tick there with what we have announced today. And operational performance, well we've probably achieved half a tick. Why do I say that?

We have re-shaped our portfolio in line with our core skills. We are very pleased to have agreed the sale of our electricity distribution assets at a substantial 45 per cent premium to the forecast March 2008 regulatory asset value. This means there are net equity proceeds of over £1 billion or 119 pence per share which we intend to return to shareholders.

Our new capital structure will be more efficient and our new dividend policy targets real growth and sustainability. Shareholders should expect to receive total distributions of around 149 pence per share through to 2010 under the new policy compared with expectations of around 144 pence under the current policy.

On operational performance we have sustained the improvements already made, are making further progress, supported by our focus on our core skills, but there is still some way to go before we achieve our aim of becoming a high performing company.

Looking ahead, we remain confident of delivering our regulatory outputs and a strong financial performance.



That concludes our presentation.

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

Supporting information

Re-presentation of historical results
Financing and liquidity
Debt structure
Growth in regulatory capital value

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Re-presentation of historical results
Six months ended 30 September 2006

United Utilities

£m	As reported	Discontinued operations	Pension interest reclassification[1]	Re-presented
Regulated activities (formerly included within United Utilities North West)	390.5	(71.5)	(9.8)	309.2
Non-regulated activities (formerly included within United Utilities Contract Solutions)	25.3	(1.4)	(1.8)	22.1
Other activities	8.6	(6.8)	(0.7)	1.1
Operating profit from continuing operations	**424.4**	**(79.7)**	**(12.3)**	**332.4**
Investment income and finance expense	(107.6)	13.2	12.3	(82.1)
Profit before taxation	**316.8**	**(66.5)**	**-**	**250.3**
Taxation	(97.0)	19.6	-	(77.4)
Profit after taxation from continuing operations	**219.8**	**(46.9)**	**-**	**172.9**
Share of results of associated company	5.4	(5.4)	-	-
Profit for the period from discontinued operations	1.0	52.3	-	53.3
Profit for the period	**226.2**	**-**	**-**	**226.2**

[1] of the £12.3m pension interest reclassification, £8.1m relates to continuing operations and £4.2m to discontinued operations.

Re-presentation of historical results
Year ended 31 March 2007

£m	As reported	Discontinued operations	Re-presented
Regulated activities (formerly included within United Utilities North West)	750.1	(169.1)	581.0
Non-regulated activities (formerly included within United Utilities Contract Solutions)	69.1	(6.5)	62.6
Other activities	8.3	(9.8)	(1.5)
Operating profit from continuing operations	**827.5**	**(185.4)**	**642.1**
Investment income and finance expense	(170.2)	30.4	(139.8)
Share of results of associated company	18.7	(18.7)	-
Profit before taxation	**676.0**	**(173.7)**	**502.3**
Taxation	(175.3)	31.4	(143.9)
Profit after taxation from continuing operations	**500.7**	**(142.3)**	**358.4**
Loss/(profit) for the period from discontinued operations	(67.2)	142.3	75.1
Profit for the year	**433.5**	**-**	**433.5**

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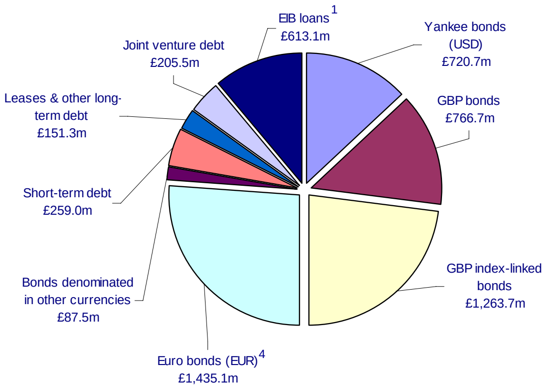
Financing & liquidity as at 30 September 2007

Continuing operations

Gross debt = £5,502.6m



Headroom/prefunding = £1,452.8m

	£m
Cash and short-term deposits[2]	1,811.5
Medium-term committed bank facilities[3]	1,145.0
Short-term debt[2]	(259.0)
Term debt maturing within one year	(1,244.7)
Total headroom / prefunding	**1,452.8**

Further funding raised since 30 September 2007:

- £35m index-linked bond by UUW in a 2037 maturity at 1.66%

[1] includes £200m EIB index-linked loans [2] includes £13.8m relating to joint ventures [3] excludes £155m committed facilities maturing within one year
[4] includes EUR1bn 6.625% bond redeemed on 8 November 2007

Debt structure at 30 September 2007

United Utilities PLC
A3 review for downgrade;
A- watch negative[3]

Yankees:
- $500m in 08's
- $250m in 18's
- $350m in 19's
- **$400m in 28's**

Euro MTN:
- JPY 3bn in 08's
- USD10m in 08's
- USD10m in 09's
- EUR 10m in 08's
- GBP 6.5m in 13's

Short term debt:
- Commercial paper £19.4m
- Committed facilities £160m

Loan to UUW

United Utilities Water PLC
A2 review for downgrade;
A watch negative[3]
Regulated by Ofwat

Euro MTNs:
- €1,000m in 07's
- €600m in 09's
- £150m in 10's
- £150m in 18's
- €500m in 20's
- £300m in 27's
- £50m in 32's[1]
- £200m in 35's
- £100m in 35's[1]
- £100m in 40's[1]
- £50m in 41's[1]
- £100m in 42's[1]
- £50m in 43's[1]
- £50m in 46's[1]
- £50m in 49's[1]
- £510m in 56's[1]
- £150m in 57's[1]

Other term debt:
- £613m EIB loans[2]
- £69m leasing
- £50m bank loan

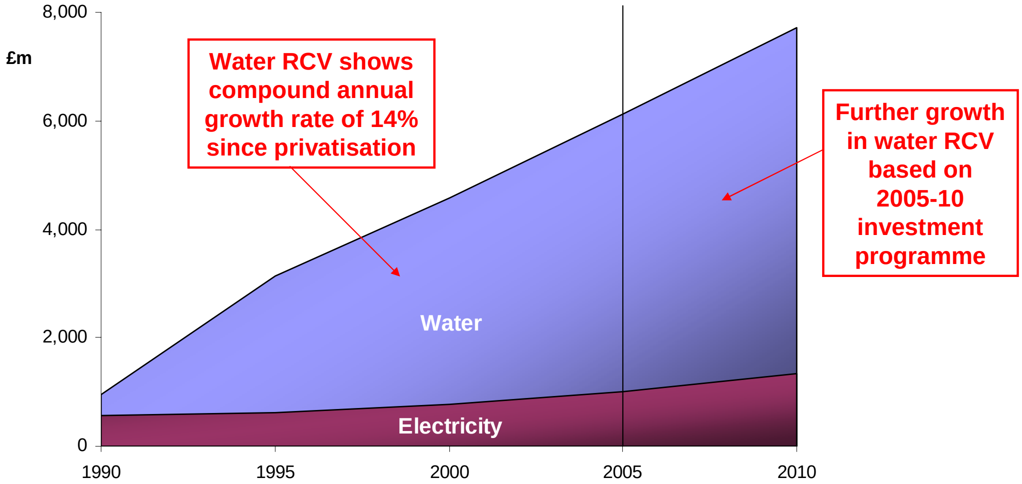
Smaller issues:
- Other loans £31.1m
- Other EMTN £64.8m

Index-linked debt in UUW at 30 September 2007 was £1,468m including indexation

- Since 30 September 2007, a £35m index-linked bond was issued by UUW in a 2037 maturity[1] and the €1bn Euro MTN loan was redeemed

[1] index-linked debt [2] includes £200m EIB index-linked loan maturing in 2016
[3] on 5/6 June 2007, having been on previously stable ratings, UU PLC and UUW PLC were placed on review by Moody's for possible downgrade and on credit watch with negative implications by S&P

Growth in regulatory capital value (RCV)[1]



"…water and wastewater investment drives significant growth in the regulated income stream…"

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

PRINCIPAL RISKS AND UNCERTAINTIES

The group performs an annual risk assessment exercise involving self-assessment by management of all business risks in terms of impact, likelihood and control strength and an objective challenge of that assessment by the internal audit team. The group's principal risks over the second half of the financial year and beyond remain as stated in its 2007 Annual Report and Accounts with the addition of the completion of the sale of the group's electricity distribution assets. The principal risks are set out in full on pages 36, 37 and 38 of the 2007 Annual Report and include (i) the effect of, and changes in, regulation and government policy; (ii) the ability of the company to deliver its capital investment programmes; (iii) the ability of the company to deliver operational performance or cost savings implicit in the regulatory reviews; (iv) the imposition of new or stricter environmental regulations; (v) service interruptions or contamination of water supplies; (vi) non-recovery of customer debt; (vii) rapid or conversely slow growth in the infrastructure management sector; (viii) pension scheme obligations which might require the group to make additional contributions; (ix) operational risk in processing a large number of transactions efficiently and accurately; and (x) litigation.

There has been no change to the nature of related party transactions in the first six months of the financial year which has materially affected the financial position or performance of United Utilities.

DISCLAIMER

Certain statements included or incorporated by reference within this half yearly report may constitute 'forward-looking statements'. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated. The Board considers the risks and uncertainties listed above to be the principal ones that might affect the group's performance and results for the second half of this financial year and beyond but cautions that the risks listed in this section do not address all the factors that could cause results to differ materially. There may be additional risks that the group does not currently know of, or that are deemed immaterial based on either information currently available or the group's current assessment of the risk. The group's business, financial condition or results of operations could be materially affected by any of these risks, resulting in a decline in the trading price of the group's ordinary shares.