



United Utilities Group PLC

Half yearly financial report

Six months ended 30 September 2008

www.unitedutilities.com



John McAdam

Chairman

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Good morning ladies and gentlemen, and welcome to United Utilities' half year results presentation.

My name is John McAdam and I succeeded Sir Richard Evans as Chairman of the company at the AGM in July, having joined the Board in February this year.

United Utilities' vision is to be a world class operator of utility infrastructure and our strategy is to focus on our core skills of operating water, wastewater, electricity and gas networks.

This strategy is being successfully implemented. A programme of disposals of non-core activities culminated with the sale last year of our electricity assets for a very good price while retaining the operating contract. In August we returned £1.5 billion to shareholders and today announce our first dividend at the new level following this financial restructuring.

Our balance sheet is in good shape and we have achieved a good financial performance in the first six months of the year as Philip and Tim will explain.

Now, over to Philip.



Philip Green

Chief Executive

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Thank you John. Good morning ladies and gentlemen.

With me on the platform today is Tim Weller, our Chief Financial Officer.

We also have other members of our executive team with us, with whom I'm sure you are quite familiar.

Agenda

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

This slide sets out the agenda for today's presentation.

I will start with a brief overview of the business before handing over to Tim, who will take you through our half year results.

I'll then provide an update on the business before finishing 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.

Highlights



- Good financial performance in challenging economic climate
- Operational improvements delivered
 - on course to meet regulatory leakage target for third consecutive year
 - customer satisfaction at highest level for many years
- Good progress on capital investment programme
- Robust financing position: headroom into 2010
- £1.5 billion returned to shareholders in August
- Draft business plan submitted to Ofwat in August covering 2010-15 period

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First of all, I am pleased to report another good set of financial results despite the difficult economic climate.

We continue to make improvements on operational performance: we are on course to meet our leakage target for the third consecutive year and customer satisfaction is at its highest level for many years.

We are making good progress on delivering our regulatory capital investment programme in what is the peak phase of the current five year plan.

We have a robust financing position and have headroom to cover our projected financing needs into 2010. This is especially relevant at the moment and Tim will talk more about this later.

We returned £1.5 billion to shareholders in August and our gearing, measured as net debt to regulatory capital value, is now within Ofwat's assumed range.

The water price review process is gathering pace. We submitted our draft business plan, for the five year period commencing April 2010, to Ofwat in August and are currently in deliberations with our regulators.

Key areas of focus

- Operational performance
- Delivery of 2005-10 regulatory contract
- 2009 water price review
- Growth in the non-regulated business

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

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Our key areas of focus remain the same as those outlined at our last results presentation in June.

The key priorities for the group are: continue to improve operational performance, successful delivery of the current regulatory contract, the 2009 water price review and growth in the non-regulated business.

We have made good progress in each of these areas and I will provide an update later. But first, I would like to hand over to Tim who will take you through our results.



Tim Weller

Chief Financial Officer

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Thank you Philip. Good morning.

Financial highlights



- **Underlying profit before taxation¹ up 4% to £253m**
- Underlying operating profit¹ up 6% to £369m
- Regulated activities – operating profit² up 7% to £347m
- Non-regulated activities – operating profit³ up 21% at £26m
- Interim ordinary dividend of 10.64p per share based on new policy⁴ as announced previously
- £1.5 billion returned to shareholders in August 2008

¹ as described on slide 13; ² as described on slide 9; ³ as described on slide 11

⁴ 2008/09 interim dividend per share reduced by 30% compared with 2007/08 interim dividend per share, as outlined in United Utilities' half yearly financial report published on 29 November 2007, in light of the revised composition of the group following the sale of United Utilities Electricity and the £1.5 billion return to shareholders

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This slide sets out the financial highlights for the period.

Underlying profit before tax was £253 million, up 4 per cent. We have consistently adjusted for one-off items and the volatility from IAS 39 fair value adjustments to provide a more representative view of performance.

Underlying operating profit from continuing operations increased by 6 per cent, to £369 million.

Operating profit from our regulated business was up 7 per cent, at £347 million.

Our non-regulated activities delivered an operating profit of £26 million, up 21% compared with the corresponding period last year.

Our dividend policy aims to target a sustainable and growing level of dividends. The interim dividend of 10.64 pence per share is the first under our new dividend policy which we announced a year ago, following the sale of United Utilities Electricity (UUE). We intend to apply a growth factor of RPI plus two per cent to the dividend from 2009/10.

Regulated activities

£m	2008	2007	
Revenue	756.9	713.0	+6%
Operating profit	347.4	325.3	+7%

- Good growth in regulated business
- Underpinned by allowed price increase of 7.8% including inflation

Revenue in our regulated business has increased by 6 per cent and operating profit is up 7 per cent. There were no one-off items in the period.

These increases primarily reflect the price rise allowed by Ofwat, partially offset by lower water demand and cost increases, in areas such as power and bad debts, as outlined at our last full year results announcement.

Regulated activities Operating expenses

£m	2008	2007	
Depreciation and amortisation	116.1	106.2	
Infrastructure renewals expenditure (IRE)	57.7	61.6	
Other expenses	235.7	219.9	
Operating expenses	409.5	387.7	+6%

- Higher depreciation in line with planned expenditure profile
- Cost pressures in areas such as power and bad debts
 - bad debts represent 3.5% of revenue, similar to 2007/08 full year

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This slide summarises the main costs in our regulated business.

Depreciation and amortisation has increased, reflecting the recent high levels of spend in the peak phase of our capital investment programme.

Infrastructure renewals expenditure continues at high levels, which is consistent with the phasing over the five-year plan.

We have seen an increase in other expenses, which principally relates to power costs, reflecting the higher costs seen in the market, and an increase in our bad debt expense.

The increase in the unit price of power has been partially offset by lower consumption as we benefit from our combined heat and power plants and our integrated performance management scheme which helps optimise energy consumption.

Whilst our bad debt expense has increased, reflecting revenue growth and the collection rates experienced over the last 12 months, the charge represents around 3.5 per cent of regulated revenue which is similar to the levels seen in the last full year. The economic climate remains difficult and cash collection continues to be challenging.

Non-regulated activities

£m	2008	2007	
Revenue	447.3	454.3	-2%
Operating profit¹	26.0	21.5	+21%

- Rise in operating profit principally reflects:
 - planned increase in activity in relation to Scottish Water contract
 - favourable effect of foreign exchange rate movements of £1.1m

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¹ depreciation and amortisation in the six months ended 30 September 2008 was £13.1m (£11.7m in six months ended 30 September 2007)

Operating profit in our non-regulated activities has increased by £4.5 million, or 21 per cent, compared with the corresponding period last year.

This principally reflects the planned increase in activity on the Scottish Water contract and an increase in contribution from the company's international operations, including the benefit of foreign exchange rate movements in the period.

Adjusting for the effect of these FX movements of £1.1 million, our non-regulated activities have still delivered good operating profit growth.

Finance expense
Continuing operations



£m	2008	2007
Published finance expense	104.8	168.0
Fair value gains / (losses) on debt and derivative instruments	30.8	(18.5)
Add back interest on swaps and debt under fair value option	8.3	27.6
Underlying interest payable	143.9	177.1
Investment income	(48.6)	(72.6)
Adjust for net pension interest income	3.6	11.7
Underlying cost of net borrowings	98.9	116.2
Average net debt	3,443	3,738
Average annualised underlying rate of net borrowings	5.7%	6.2%

- Lower average net debt due to cash proceeds from UUE sale
- Impact of repayment of 6.625% €1,000m bond and associated swaps in Nov 07
- Higher RPI interest effect on index-linked debt

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Finance expense of £105 million was £63 million lower than in the comparative period.

The current period expense includes a £31 million fair value gain on debt and derivative instruments, compared with a £19 million loss in the comparative period.

This volatility arises because IAS 39 limits the use of hedge accounting for the interest rate hedges we've put in place for the duration of the current price review period. In addition, the fair value movements include the impact of changes in credit spread on debt accounted for at fair value through profit or loss. However, these fair value movements have no cash flow impact.

The movement in interest expense on swaps and debt under the fair value option is primarily due to the derivative contracts associated with the €1 billion bond which matured in November 2007.

The underlying cost of net borrowings was £99 million, compared with £116 million in the corresponding period last year. This reduction principally reflects lower average net debt across the period due to the cash proceeds from the sale of UUE.

The average interest rate on net borrowing has fallen on an underlying basis, principally reflecting the repayment of the €1 billion bond and associated swaps in November 2007. This was partly offset by the impact of higher inflation on our index-linked debt.

Following the return of £1.5 billion to shareholders in August, we now have a more efficient capital structure. Looking ahead, we would naturally expect to see a lower level of investment income and a higher finance expense, resulting in an overall increase in the underlying cost of net borrowings.

Profit before tax
Continuing operations



£m	2008	2007	
Operating profit	362.1	347.8	+4%
Investment income and finance expense	(56.2)	(95.4)	
Profit before tax	305.9	252.4	+21%
<u>Adjustments:</u>			
One-off costs ^{1,2}	6.5	-	
Fair value (gains) / losses on debt and derivative instruments	(30.8)	18.5	
Interest on swaps and debt under fair value option	(8.3)	(27.6)	
Interest associated with cash proceeds from UUE sale	(20.6)	-	
Underlying profit before tax	252.7	243.3	+4%

¹ added to operating profit to obtain underlying operating profit

² principally relates to the capital restructuring associated with the £1.5 billion return to shareholders (contained within the other activities segment)

Underlying profit before tax was £253 million, up 4 per cent after adjusting for the items set out on this slide.

This reflects a good performance in both our regulated and non-regulated activities. UU Property Solutions made a small operating profit of £1 million, compared with £10 million in the comparative period, reflecting the slowdown in the UK property market.

In addition to the interest adjustments, in calculating our underlying results, we have also stripped out £6.5 million of one-off costs principally relating to the capital restructuring associated with the £1.5 billion return to shareholders.

Without making any adjustments, profit before tax increased by 21 per cent.

Earnings per share (EPS)
Impact of one-off deferred tax items



Six months ended 30 September

	2008	2007
Basic earnings per share (pence) ¹	0.7	38.5

2008/09

- £213.6m deferred tax charge - abolition of industrial buildings allowances
- H1 08/09 EPS lower by 31.3 pence

2007/08

- £81.9m deferred tax credit - change in corporation tax rate from 30% to 28%
- H1 07/08 EPS higher by 12.0 pence

¹ continuing operations

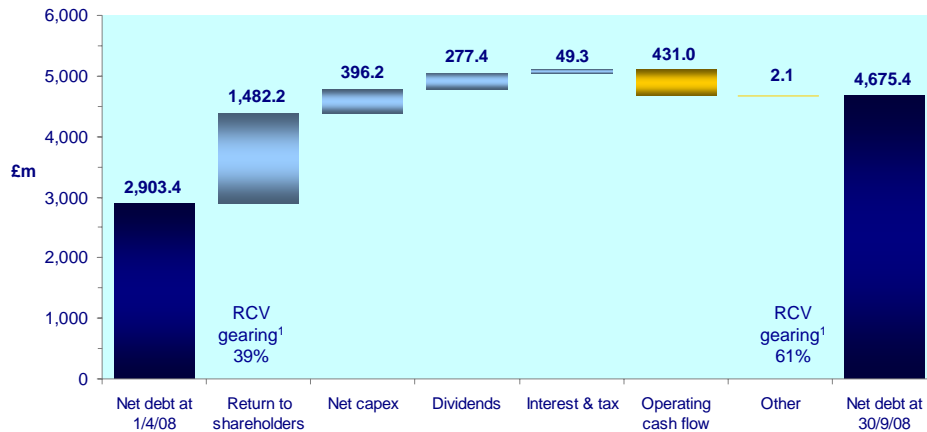
Recent tax changes have had a significant effect on our reported earnings per share. This slide shows the impact of two significant one-off deferred tax items on EPS.

In the first half of this year, we recorded a deferred tax charge of £214 million, which reduces EPS by 31.3 pence per share.

Last year we recorded an £82 million credit in relation to the reduction in corporation tax rate from 30 per cent to 28 per cent. This increased EPS in the first half of last year by 12 pence.

As you have seen, underlying operating profit and underlying profit before tax have both increased and these measures provide a better indication of the group's performance.

Movement in net debt



- £1.5 billion cash returned to shareholders in August
- RCV gearing¹ now in Ofwat's assumed range (55% to 65% for 2005-10 period)

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

Now, looking at the movement in net debt over the six months.

Net debt has increased primarily due to the capital return in August.

RCV gearing, measured as group net debt to the water company's regulatory capital value, has increased moving within Ofwat's assumed range, of 55 to 65 per cent, for the 2005-10 period.

We expect to move towards the upper end of Ofwat's range by the end of the current regulatory period in 2010.

Robust funding and strong refinancing position

- Headroom into 2010 in line with board's treasury policy
- £400m loan with the European Investment Bank to support capital investment programme has now been signed
 - £300m has already been drawn with 12-year duration
- All commercial bank facilities are bilateral with spread of maturities
 - no large single refinancing requirement
- Average term to maturity of debt portfolio of over 30 years

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We continue to benefit from a robust financing position and, in line with the board's treasury policy, the group has headroom to cover its projected financing needs into 2010.

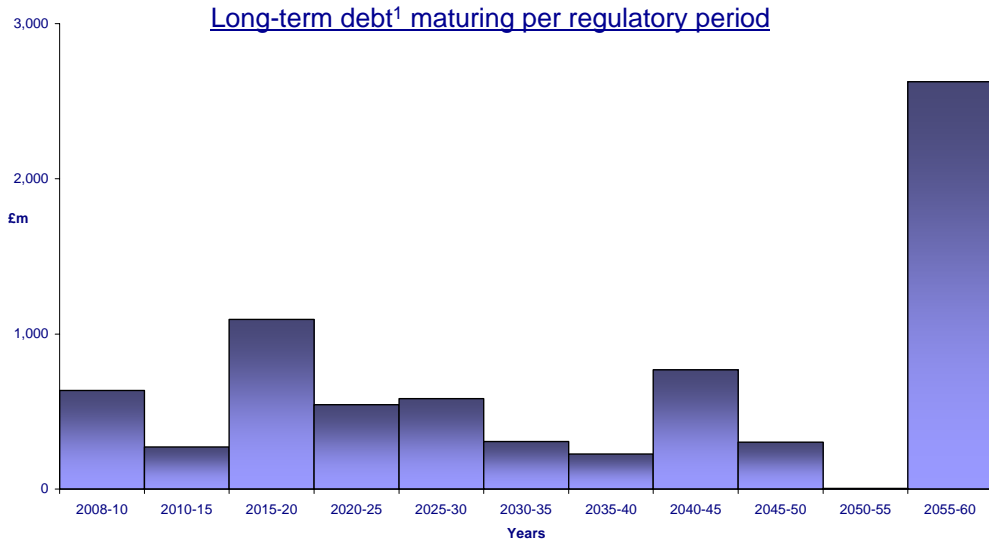
In July, we announced the approval of a £400 million loan from the European Investment Bank (EIB), whose loans help fund our significant capital investment programmes.

This £400 million EIB loan has now been signed and we have already drawn down £300 million. The EIB loan facility has a 12-year term.

I would add that all our regular commercial bank facilities are negotiated on a bilateral basis and over the last 12 months we have successfully completed the renewal of all maturing facilities. Our commercial bank facilities have a spread of maturity dates, ranging from 2010 at the earliest through to 2014. This means that we have no large, single refinancing requirement.

Refinancing risk is further mitigated by the average term to maturity of our debt portfolio, which is over 30 years.

Debt portfolio
Average term to maturity over 30 years



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

This chart shows the maturity profile of our long-term debt portfolio. A significant proportion of our debt is not due to be refinanced until after 2055.

Our draft business plan for the 2010-15 period includes an investment programme of approximately £4 billion and to finance a plan of this scale, we expect to borrow a further £2 billion between 2010 and 2015. This could be an increasing challenge in today's financial markets.

I would like to remind you that prior to the onset of the credit crunch, we took the opportunity to issue around £1.5 billion of index-linked debt at a real interest rate of around 1.8 per cent. The majority of this debt is very long-dated.

As well as being a good match for our regulated assets, this debt has helped to lower the group's refinancing risk.

Financial highlights

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In summary, we have delivered another good financial performance and I'll now hand back to Philip.



Philip Green

Chief Executive

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Thank you Tim.

Business update

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

I would like to update you on the four key priorities I mentioned earlier.

Key operational and service measures Improved and sustained performance



	Start point	Current	Target
Relative efficiency	Below average	Narrowed operating efficiency gap to most efficient water companies since 2005 ¹ and improved opex position to band B for water and band C for wastewater as assessed by Ofwat – expect to sustain these bandings for 2007/08²	Upper quartile in the medium term
Security of water supply	Had not met economic level of leakage rolling target since 2002	Met leakage target set by Ofwat for last two years and on track to meet 2008/09 target. No water restrictions anticipated during the year	Meet or outperform rolling leakage targets and avoid the need for water restrictions
Pollution	In 2005/06: 2 water & 21 wastewater incidents ³	On course to meet or outperform this target for the third consecutive year	Reduce incidents by around 50% in the medium term
Sewer flooding	641 properties on flooding register in 2005/06 ⁴	Continued to remove properties from the register Methodology and processes being reviewed in parallel with Ofwat's water sector sewer flooding at risk registers review. Restatement of numbers expected - still envisage to demonstrate good progress since 2005/06	Reduce number by around 50% in the medium term
Overall customer satisfaction (in response to enquiries)	<50%	75% – further improvement achieved , building on the significant improvement delivered over the last two years. Customer satisfaction now at highest level for many years	85% in the medium term Aspiration of 100%

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

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First of all, operational performance. You will have seen this slide showing our KPIs several times before.

We have delivered some good improvements, although we recognise that there is more to do.

We are on track to meet our regulatory leakage target for the third consecutive year.

Since 2005, we have closed the operational efficiency gap to the most efficient water companies and this has been reflected in Ofwat's relative efficiency assessments. We expect to sustain these ratings for 2007/08.

We also remain on track to meet or outperform our medium term target of a 50% reduction in the number of serious pollution incidents for the third consecutive year.

We have continued to make good progress in removing properties from our sewer flooding register. As you may have seen, Ofwat initiated an industry-wide review of how properties at risk of sewer flooding are compiled and reported and an independent consultation report by Mott McDonald was published last month.

We are currently in discussions with Ofwat regarding our own methodology and processes in this area. We expect to restate the number of properties on the register, but still envisage the restated numbers to demonstrate good progress since our start point in 2005/06.

We aim to build on the progress we have made over the last two years and will provide a further update when our sewer flooding registers have been reassessed.

Customer satisfaction, in response to enquiries, is now at its highest level for many years and we intend to deliver further improvements.

I would now like to provide a bit more detail on how we have improved our leakage performance and how we have raised customer satisfaction, before discussing our OPA score.

Security of water supply ***On course to meet regulatory leakage target***

- On course to meet regulatory leakage target for third consecutive year
 - follows a period where the target was missed for five years
- Replaced 1,579 km of water mains since April 2006
- Continued strong management focus
 - stricter internal leakage repair targets
 - better operational equipment
 - enhanced management information systems



Leakage repair

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As I just mentioned, we are on course to meet our regulatory leakage target for the third consecutive year. This follows a period where the leakage target was missed for five consecutive years.

Our capital investment programme contributes to our improved performance and we have replaced over 1,500 kilometres of water mains since April 2006.

We continue to focus strongly on leakage: we have set ourselves stricter internal leakage repair targets, have better operational equipment and have enhanced our management information systems, helping us to detect and monitor leaks more effectively.

Customer satisfaction in response to enquiries ***Now at highest level for many years***

- Focus on getting it right first time
 - reduced reasons for customer enquiries
 - improved productivity
 - enhanced customer experience
- Customer satisfaction continues to improve
 - 75% satisfaction score¹ over the last 12 months
- UU recognised by the Times in October 2008 as:
 - UK's top call centre for customer service in telecoms & utilities sector



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

Overall, customers have a high level of satisfaction with the service they receive from us. We therefore focus on those customers who have made an enquiry to see how happy they are with the response they received.

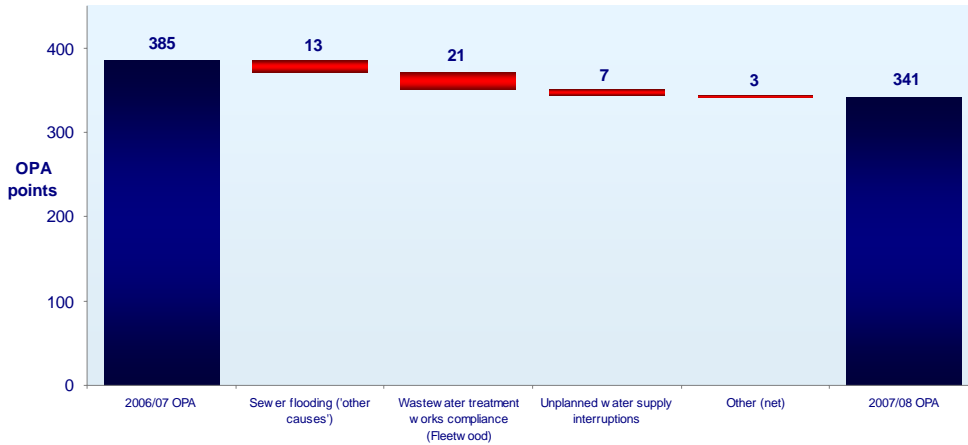
We have achieved our highest score for many years on customer satisfaction in response to enquiries. This is the product of evolving the culture of the business to focus on the customer and, more importantly, getting it right first time.

Reducing the reasons for customer enquiries and getting things right first time not only mean we provide an improved overall service but also mean that we can increase our productivity.

We have seen an improving trend in customer satisfaction over the last few years and achieved a customer satisfaction level of 75 per cent for the last 12 months. This compares with a start point of less than 50 per cent three years ago.

I am pleased to say that we also have been externally recognised for good performance in this area. We received the award of the UK's top call centre for customer service in the telecoms and utilities sector by the Times last month.

OPA score



- Movement principally driven by wastewater treatment works and sewer flooding
- Strong focus on delivering improvements in these areas

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OPA is an operational overall performance assessment score as compiled by Ofwat

As I have said, whilst we have delivered real progress, we do recognise that there is more to do in improving operational performance.

We discussed at our last set of results the expectation of a lower OPA score for 2007/08.

As this chart demonstrates, we have indeed received a lower score for the last financial year. This principally reflects a higher level of sewer flooding incidents, influenced by adverse weather conditions, and environmental underperformance at our Fleetwood wastewater treatment works. These two factors have had a significant impact on our OPA score, accounting for over three quarters of the net reduction.

We have already initiated a funded capital investment programme at our Fleetwood works, which is scheduled to be delivered over the next two years. Whilst a material improvement in performance at this works cannot be expected until completion of this investment programme, we will continue to focus strongly on all aspects of operational performance.

Business update

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

Turning to our current regulatory contract.

Regulatory performance *Efficiency initiatives progressing well*

- Business improvement schemes delivering benefits
 - integrated performance management
 - asset improvement
 - combined heat & power
 - workforce management
 - supply chain management
 - customer service transformation



Combined heat & power installation

- Overall, remain on track to meet regulatory efficiency targets
 - although, increasing cost pressures in areas such as power & bad debts

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We have spoken to you before about our efficiency initiatives and these continue to progress well and deliver benefits.

In particular, I would like to highlight our workforce management project, which went live earlier this month.

It is not often that any company launches a major initiative of this scale on time and to budget. Workforce management, or WFM as we call it, connects our people working out in the field directly with our customer call centre. This enables us to schedule work more effectively and keep our customers up to date on how we are dealing with their issue.

Although it is still early days, we are expecting real improvements in our response times and in our levels of customer service, in addition to reducing the cost to serve.

I look forward to updating you on our progress at our next set of results.

Overall, we remain on track to meet our regulatory efficiency targets although we are facing increasing cost pressures in areas such as power and bad debts.

Capital programme ***Spend and outputs on track***

- Continue to make good progress on regulatory capital programme
- Capital investment remains at high levels
 - £353 million in the half year
 - around two thirds of 2005-10 expenditure already delivered
- Spend and outputs broadly in line with regulatory assumptions
- Well set for 2010-15 period
 - enhanced approach to AMP5 submission
 - more comprehensive and earlier preparation

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Our regulatory capital investment programme continues to progress well as we proceed through the peak phase of the programme. Capital investment during the first half of the year remained high at £353 million and around two thirds of the expenditure for the 2005-10 period has now been delivered.

Having agreed a revised strategy with Ofwat for dealing with sewage sludge, our spend and outputs are in line with regulatory assumptions.

We are well set for the next five year regulatory period, having adopted an enhanced approach to the AMP5 submission, with more comprehensive and earlier preparation.

Business update

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

That brings us to the 2009 water price review.

2009 water price review
Draft business plan submitted August 2008

- £4bn capital investment programme (2007/08 prices)
- 1.5% p.a. improvement in underlying operating efficiency
- 3% efficiency improvement in capital programme
- 4.7% cost of capital (post-tax, real)
 - targeting an A3 credit rating for United Utilities Water PLC
- Average annual real price increase of 2.7%



“...our draft business plan takes account of the geography and legacy of the north west region and aims to meet existing standards of service and address new, higher quality standards...”

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We submitted our draft regulatory business plan for 2010 to 2015 in August this year. The draft plan contains a £4 billion capital investment programme, which includes expenditure on quality improvements, service enhancements, maintaining the supply/demand balance and infrastructure maintenance.

The draft plan assumes a 1.5 per cent per annum improvement in underlying operating efficiency and a 3 per cent efficiency improvement in the capital programme.

In July, NERA Economic Consulting published a report assessing the industry’s cost of capital. We used the mid point of NERA’s estimate, equivalent to a cost of capital of 4.7 per cent post tax, real. However, we will reassess financing costs in the final business plan submission to Ofwat in spring 2009 in light of the prevailing market conditions.

We continue to target an A3 credit rating for UU Water which we believe is an appropriate investment grade credit rating to allow us to raise finance to fund our substantial capital expenditure programmes.

The current turbulent financial markets make it doubly important to maintain strong investment grade ratings and we understand that access to debt markets for companies with ratings below A3 is currently very difficult and if not, at times, impossible.

Based on a £4 billion capital investment programme and an allowed return of 4.7 per cent, the draft plan requires an average annual real price increase of 2.7 per cent.

We believe this represents excellent value for money. With these proposals, our customers would only pay approximately £1 per day to receive both high quality water and have their wastewater treated to high environmental standards.

Unsatisfactory Intermittent Discharges (UIDs) ***Potential for further investment***

- 3,000 intermittent discharges in the region - c.10% are unsatisfactory¹
- Two funding submissions (Change Protocols) made to Ofwat
- Funding requirement estimated at approximately £600m
 - of which £280m included in draft business plan
- Further submission likely to be included in final business plan in April 2009
- Statutory obligations to deliver environmental benefits

¹ an Unsatisfactory Intermittent Discharge is an overflow on the sewer network that is required to be improved so as to meet environmental standards for the water body into which it discharges or which it affects

It is likely that there will be additional investment, mainly regarding unsatisfactory intermittent discharge, or UID, projects, that were not part of our 2005-10 regulatory contract.

We have made two submissions for funding from Ofwat in the current regulatory period and the draft business plan includes funding for projects worth £280 million.

Further investment on other UID projects is likely to be included in the final business plan. We estimate that the total funding likely to be required to complete these UID projects, which are designed to deliver environmental benefits, could be approximately £600 million, which includes the £280 million already in the draft plan.

Business update

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

I'll now give you an update on our non-regulated activities.

Non-regulated activities***Good performance across contract portfolio***

- Good profit growth
- Increased activity on contract with Scottish Water
- International operations performing well
- Solid operational performance across contract portfolio

As Tim said earlier, our non-regulated business has delivered good profit growth. Our operations, both in the UK and overseas, are performing well. Overall, we are pleased with the operational performance across our contract portfolio.

Non-regulated activities

UK market leader and pursuing further opportunities

- UU still the leading utility infrastructure outsourcing company in the UK
 - contract renewals with Southern Water and British Gas Trading¹ earlier in the year consolidate this position
- Order book worth over £6 billion
- Bidding for UK municipal solid waste treatment contracts linked to core skills
- Pursuing asset-light opportunities in Australia and Gulf region

¹ a division of Centrica plc

In terms of scale, we are still the leading utility infrastructure outsourcing company in the UK.

We consolidated our position through significant contract renewals with Southern Water and British Gas Trading earlier this year and our order book is worth over £6 billion in revenue.

We continue to bid for municipal solid waste treatment contracts in the UK and are looking at opportunities, on an asset-light basis, in Australia and the Gulf region.

Business update

- Operational performance
- Delivery of 2005-10 regulatory contract
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- **Summary and outlook**

So, to sum up.

Summary and outlook



Good results and a robust financing position

Confident of further good underlying financial performance

Operational performance

- On course to meet leakage target
- Customer satisfaction at highest level for many years
- More to do

2005-10 regulatory contract

- Good progress on capital investment programme
- Spend and outputs broadly in line
- On track to meet efficiency targets

Non-regulated growth

- Good financial performance
- UK market leader
- Pursuing opportunities based on core skills and asset-light strategy

2009 water price review

- Draft plan submitted Aug 08
- £4bn investment proposed
- 4.7% real, post-tax return
- In deliberations with Ofwat

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

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We are pleased to report a good set of financial results, particularly in view of the current economic climate, and we continue to benefit from a robust financing position.

We are making good progress on our key priorities.

On operational performance, we are on course to meet our regulatory leakage target for the third consecutive year and customer satisfaction, as I've said, is now at its highest level for many years. We do recognise that there is more to do in this area and will continue to focus strongly on all aspects of operational performance.

With regard to our current regulatory contract, our capital investment programme is on track and our efficiency initiatives are progressing well.

Our non-regulated business has delivered good profit growth. We remain the market leader in the UK utility infrastructure outsourcing sector and we continue to pursue further asset-light opportunities based on our core skills.

The 2009 water price review is clearly a significant value driver for the group. We submitted our draft business plan in August and are in active deliberations with our regulators. We expect investment in our assets to continue at high levels post 2010, providing further environmental and customer benefits.

Looking ahead, we remain confident of delivering a good underlying financial performance over the remainder of 2008/09.



Questions

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That concludes our results presentation.

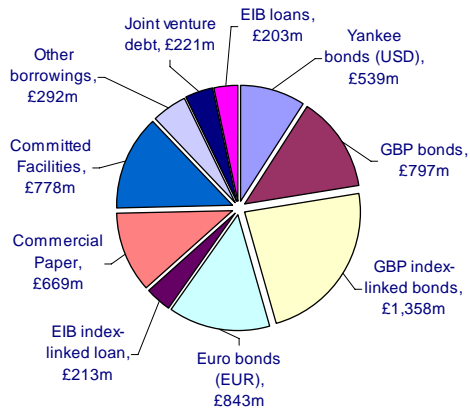
Thank you for listening and we will now take questions.

Supporting information

Financing and liquidity
Debt structure

Financing & liquidity at 30 September 2008

Gross debt = £5,913m

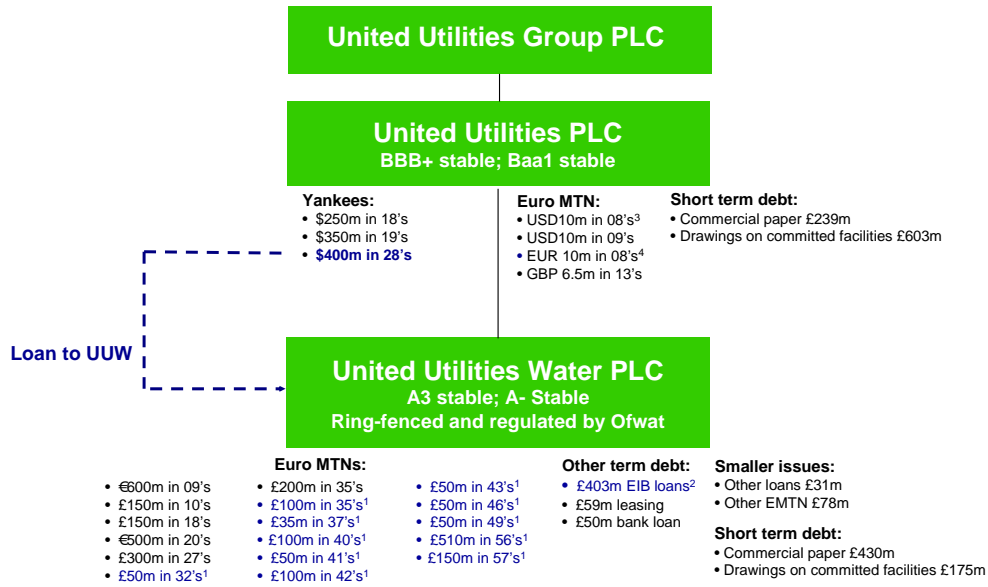


Headroom / prefunding = £807m

	£m
Cash and short-term deposits	1,080
Medium-term committed bank facilities	1,332
EIB 12-year term loan	200
Short-term debt ¹	(1,499)
Term debt maturing within one year ²	(506)
	<hr/>
	607
EIB 12-year term loan signed since 30/09/08	200
Total headroom / prefunding	<hr/> 807 <hr/>

¹ includes £778m of drawings on medium-term committed facilities
² includes amounts relating to joint ventures of £17m

Debt structure at 30 September 2008



¹ index-linked debt ² includes £200m EIB index-linked loan maturing in 2016 ³ since repaid ⁴ due to mature on 12/12/08

CAUTIONARY STATEMENT

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

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

Save the date



Edison Electric Institute conference, London 15-17 March 2009

Opportunity to meet CEOs, CFOs, IR directors and treasurers from major European & US utilities in one convenient location in Europe.

Europe EEI: Since 1999, the annual EEI Europe conference has been growing in importance and is becoming a major event for global utility analysts & investors. Both credit & equity investors can meet United Utilities' management team there on 15-17 March 2009. Save the date.

US EEI: The 44th annual EEI US conference will be held next year in Florida, providing a forum for global utility executives, analysts & investors to meet at a single venue to exchange information. This year, almost 50 major utility companies gave formal presentations open to all delegates, with a similar number holding table sessions allowing one-to-one contact with senior utility executives.

More info available from www.eei.org/meetings

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