



United Utilities PLC

Interim results

Six months ended 30 September 2004

www.unitedutilities.com



Sir Richard Evans

Chairman

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Good morning ladies and gentlemen, and welcome to our interim results presentation. With me on the platform are John Roberts, our Chief Executive, and Simon Batey, our Finance Director. Also with us are other members of our executive team.

Agenda

- **Introduction** **Sir Richard Evans**
- **Financial review** **Simon Batey**
- **Business update** **John Roberts**
- **Questions** **Sir Richard Evans**

In a moment Simon will take you through the numbers. John will then update you on the progress we've made, and our future prospects. At the end of the presentation we'll be pleased to answer your questions.

These results demonstrate that the group's strategy is continuing to create significant value for our shareholders. The board has decided to increase the interim dividend by 2.5 per cent, in line with the inflation-related increase in our water and wastewater revenues.

Looking ahead, as we said at the time of the rights issue, we will seek to maximise dividends consistent with our assessment of risk and licence obligations. Our specific decision on dividend policy for the next five years will be taken in light of the final regulatory determinations.



Simon Batey

Finance Director

Thank you, Chairman. Good morning, ladies and gentlemen

Highlights

- **Profit* before tax increased by 13% to £193m**
 - growth driven by improved performances from all businesses
- **Licensed multi-utility operations**
 - operating profit increased by 12% to £285m
- **Infrastructure management**
 - operating profit* increased by 13% to £36m
- **Business process outsourcing**
 - operating profit* increased by 8% to £13m
- **Substantial contract wins for support services businesses**
 - with an expected total value of £3bn
- **Telecommunications**
 - operating loss* reduced by 47% to £5m
- **Interim ordinary dividend increased by 2.5% to 14.79p**
 - interim dividend per A share of 7.395p

* excluding exceptional items and goodwill

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The group has delivered a strong set of results for the six months to 30 September.

Profit growth in licensed multi-utility operations has been maintained.

Our support services businesses continue to make good progress. As well as growing operating profits they've secured substantial new contract wins, with an expected total value of around £3 billion.

And in Your Communications, operating losses have fallen by nearly half as the business has successfully integrated Eurocall into its operations.



Turnover

£m	2004	2003	
Licensed multi-utility operations	682.6	642.5	+6%
Support services and telecoms	566.8	473.0	+20%
Inter-business eliminations	(86.5)	(90.9)	
Total	1,162.9	1,024.6	

Group turnover has increased by over 13%

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Turning to the numbers, turnover in support services and telecoms improved by 20 per cent, and group turnover increased by over 13 per cent.

Profit* before tax

£m	2004	2003	
Total operating profit*	330.5	290.9	+14%
Interest charge	(137.3)	(119.9)	
Profit* before tax	193.2	171.0	+13%

- Increase in interest charge
 - reflects the higher level of borrowings to fund capital programme
 - higher cost of unhedged borrowings

* excluding exceptional items and goodwill

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Group operating profit was up by around 14 per cent. The increase in the interest charge reflects the higher level of borrowings to fund our capital investment programmes, and higher cost of unhedged borrowings.

Exceptional items and goodwill

- Exceptional credit to the profit and loss account of £2.8 million
 - due to the release of provisions relating to the group's exit from infrastructure management in the Americas in 2002/03
- Goodwill amortisation of £7.9m (2003 - £4.3m)
 - increase principally reflects Eurocall acquisition by Your Communications announced in March 2004

During the period there was an exceptional credit to the profit and loss account of nearly £3 million. This was due to the release of provisions relating to the group's exit from infrastructure management in the Americas two years ago.

Amortisation of goodwill was just under £8 million, compared to £4.3 million in the same period last year. The increase principally reflects the goodwill arising from the acquisition of Eurocall by Your Communications, which we announced in March.

Taxation

£m	2004	2003
Current tax	0.6	(2.4)
Deferred tax	17.5	(7.1)
Exceptional tax	0.8	-
	<u>18.9</u>	<u>(9.5)</u>

Current tax

- Not expecting to incur a significant tax charge at the full-year

Deferred tax

- Increase is mainly due to the lower discount applied to the gross provision
 - reflecting the movement in long-term UK interest rates

Exceptional tax

- Relates to the exceptional credit recorded during the period

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Turning to our tax position, tax on UK operating profits continues to be offset by the benefit of tax allowances, from the continuing high level of capital expenditure.

As a result, we're not expecting to incur a significant current tax charge this year.

The deferred tax charge resulted from the lower discount applied to the gross provision, reflecting the movement in long-term UK interest rates.

The exceptional tax charge relates to the exceptional credit that was recorded during the period.

Earnings*

Pence per share	2004	2003
Earnings* per share		
Before deferred tax	26.9	26.6
After deferred tax	24.4	27.7

- Increase in EPS (before deferred tax) reflects earnings growth partially offset by dilutive effect of the issuance of new shares
- Adjusted basic weighted average number of shares used for 2004 EPS calculations = 711.9m (2003: 648.7m)

* adjusted for exceptional items, goodwill and the full bonus element of the rights issue (for 2003 figures)

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Earnings per share before deferred tax increased by 1.1 per cent, reflecting earnings growth partially offset by the dilutive effect of the issuance of new shares. This measure is consistent with the way Ofwat treats tax in its price-setting methodology.

You can see from this slide the weighted average number of shares used for EPS calculations.

Dividends

Pence per share	2004	2003
Dividend per ordinary share	14.79	14.43
Dividend per A share	7.395	7.215
Dividend cover*		
Before deferred tax	1.82x	1.68x
After deferred tax	1.65x	1.75x

- Interim dividend increased by 2.5 per cent
 - in line with the inflation-related increase in our water and wastewater revenues

* excluding exceptional items and goodwill

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The interim dividend has been increased by 2.5 per cent, in line with the inflation-related increase in our water and wastewater revenues.

Dividend cover before deferred tax increased year-on-year.



Balance sheet

£m	30 September 2004	31 March 2004
Net debt	3,795.7	3,438.4
Equity shareholders' funds	3,150.3	3,083.3
Total capital employed	<u>6,946.0</u>	<u>6,521.7</u>
Gearing (net debt/total capital employed)	55%	53%

- Increase in net debt reflects continued expenditure on capital programmes – principally for regulated businesses

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Net debt, as at 30 September, increased by £357 million compared to 31 March this year. This reflects continued expenditure on our capital programmes.

Gearing increased marginally, to 55 per cent.

Segmental analysis of profits*

£m	2004	2003	
Licensed multi-utility operations	285.0	254.9	+12%
Infrastructure management	36.0	32.0	+13%
Business process outsourcing	13.1	12.1	+8%
Telecommunications	(5.0)	(9.4)	+47%
Other activities	4.0	3.7	
Corporate costs	(2.6)	(2.4)	
Total operating profit*	330.5	290.9	+14%

* excluding exceptional items and goodwill

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This slide shows our segmental analysis, and I'd like to comment on each of the businesses, which all reported improved performances during the period.



Licensed multi-utility operations

£m	2004	2003	
Turnover	682.6	642.5	+6%
Operating profit	285.0	254.9	+12%

- Increase in turnover reflects allowed real 8.9% price rise for United Utilities Water and a real 3% price reduction for United Utilities Electricity
- Increase in operating profit due to United Utilities Water's real price rise
 - offset by higher depreciation due to the expanding asset base

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In licensed multi-utility operations, turnover increased by over 6 per cent. This reflects a real price rise for our water and wastewater charges, offset by a real price reduction for United Utilities Electricity. Operating profit improved, because of the price rise in our water business, though this was mitigated by higher depreciation as new AMP3 assets were commissioned.

Infrastructure management

£m	2004	2003	
Turnover	242.9	207.2	+17%
Operating profit*	36.0	32.0	+13%
Net operating assets (at 30 September)	155.5	103.2	

- Growth in turnover and operating profit*
 - reflects increase in shareholdings in our European Concessions from December 2003 (also reflected in higher net operating assets)
 - additional contribution from Scottish Water Contract
 - fully mobilised in the second-half of last year

* excluding exceptional items and goodwill

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Infrastructure management saw an increase in both profit and turnover. This principally reflects the increase in shareholdings in our European concessions, from December 2003, and an additional contribution from the Scottish Water contract. This contract was fully mobilised in the second half of last year.

Net operating assets were up, to just over £155 million, principally due to investment in the European Concessions, and working capital requirements in the second half of last year.

Business process outsourcing

£m	2004	2003	
Turnover	201.2	178.9	+12%
Operating profit*	13.1	12.1	+8%
Net operating assets (at 30 September)	96.0	114.6	

- Vertex recently announced a substantial contract with Thurrock Council
 - the operating margin* at 6.5% (2003: 6.8%) reflects bid costs from this deal and other contract opportunities Vertex is pursuing
 - expect underlying trend in operating margin* to continue to improve

* excluding goodwill

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In Vertex, sales grew by around 12 per cent, and operating profit was up by 8 per cent.

Vertex recently announced a substantial contract with Thurrock Council. The operating margin, which was 6.5 per cent at the half-year, reflects bid costs from this deal, and other contract opportunities that Vertex is pursuing.

We expect the underlying trend in operating margins to continue to improve.

Telecommunications

£m	2004	2003	
Turnover	122.7	86.9	+41%
Operating loss*	(5.0)	(9.4)	+47%
Net operating assets (at 30 September)	230.0	199.5	

- Continued success in reducing operating losses* reflects:
 - Eurocall acquisition announced in March 2004
 - organic growth of 11.5% during the period
 - compares favourably with the rest of the sector
- The increase in net operating assets reflects the Eurocall acquisition

* excluding goodwill

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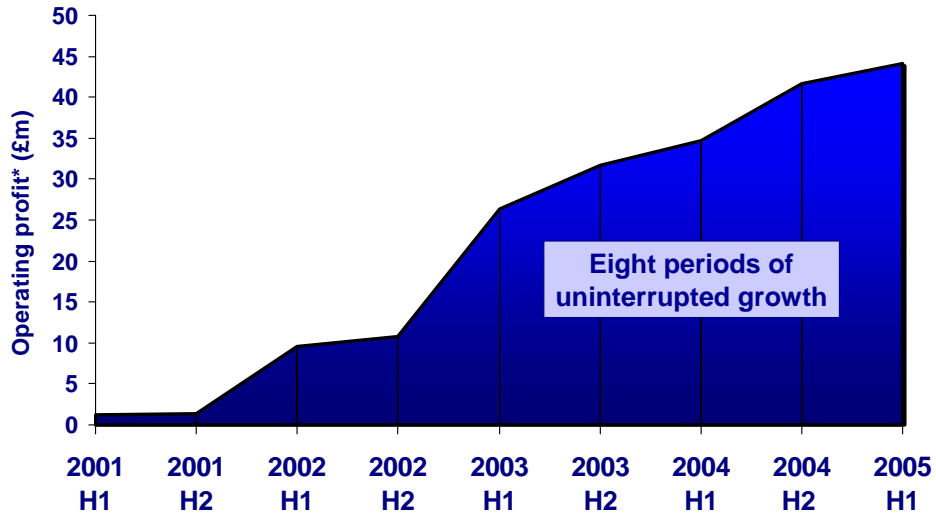
In Your Communications, turnover increased by over 40 per cent.

Our continued success in reducing operating losses, which have fallen to £5 million, reflects the success of the Eurocall acquisition, which John will say more about later, and the business's ability to grow organically.

Excluding Eurocall, revenues grew by 11.5 per cent. We believe this growth compares favourably with the rest of the sector.

The increase in net operating assets reflects the Eurocall acquisition.

Profit* growth in non-regulated businesses



* Includes Vertex, Infrastructure management and Your Communications. Excludes exceptional items and goodwill

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You can see from this slide how operating profits in our non-regulated businesses have grown strongly. We've now had eight periods of uninterrupted growth, and in the last twelve months they've contributed over £85 million of operating profit to the group.

We're targeting this growth rate to continue, based on contracts we've already secured and opportunities we're pursuing.

Highlights

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* excluding exceptional items and goodwill

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So, in conclusion, we've had a good half-year, with operating profits improving significantly in our regulated businesses, and support services announcing a number of substantial contract wins.

Thank you, I'll now hand over to John.



John Roberts

Chief Executive

Thank you Simon, good morning.

Agenda

- **Licensed multi-utility operations**
 - preparing for our challenges in 2005-10
- **Support services businesses**
 - new structure for United Utilities Contract Solutions
 - awarded outsourcing contract with Thurrock Council
 - acquisition of Capgemini's 14.6% stake in Vertex
- **Your Communications**
 - targeting to generate an operating profit* from the second half of 2004/05
- **Summary and outlook**

* excluding goodwill

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I'll now go on to talk about recent key developments in more detail, finishing off with why we believe that the outlook for our non-regulated businesses is excellent.

In licensed multi-utility operations, we're well underway with our preparations to meet our expected regulatory challenges during the 2005-10 period.

Our support services businesses continue to grow rapidly.

To accommodate this growth, United Utilities Contract Solutions has been reorganised to better reflect the changing nature of the business.

Vertex has won a substantial contract with Thurrock Council, and we've recently bought back Capgemini's equity stake in the business.

And, having made good progress during the last six months, Your Communications remains on track to generate an operating profit from the second half of the year.

Preparing for the next regulatory period

- Our plans to address expected challenges during the next regulatory period are already well advanced
 - Connect
 - new multi-utility work scheduling and dispatch system
 - Partnering to deliver our 2005-10 capital investment programmes
 - building on current arrangements by placing greater incentives on our suppliers to deliver efficiencies
 - Migrating our water customer base onto a new billing system
 - will improve customer service and reduce costs

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Firstly, I'll talk about our regulated businesses.

Although we're yet to receive our final regulatory determinations, our plans to address our expected challenges are already well advanced.

To improve the way we handle service calls we're developing a multi-utility work scheduling and dispatch system called Connect.

Connect will also realise efficiencies by taking the consolidation of the business's existing processes and systems a stage further.

From our draft determinations we know that we're going to be responsible for delivering large investment programmes during the next regulatory period.

Who we choose to help us deliver these programmes, and the incentives that are placed on them, is therefore of crucial importance to us.

I'm pleased to say that the process for appointing partners is well underway.

We're building on current arrangements by placing greater incentives on our suppliers to deliver efficiencies.

To improve customer service and reduce costs, we're migrating our water and wastewater customer base onto a new single billing system.

This project is progressing well. Around half of our customers have already been migrated onto the new system. Completion is expected in early 2005.

Regulatory timetable

- Ofgem's final proposals are expected on 29 November and Ofwat's final determination is due on 2 December
- We will then consider both sets of proposals carefully before announcing our decisions to the market

Ofgem and Ofwat's final proposals are expected next week, within a few days of each other. We'll then consider both sets of proposals carefully before announcing our decisions to the market.

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- **Support services businesses**
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* excluding goodwill

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Now turning to our support services businesses, United Utilities Contract Solutions and Vertex.

Restructuring for growth

- Infrastructure management has grown rapidly since it was created
 - operating profit* has more than tripled in the last four years
- United Utilities Contract Solutions' organisational structure was no longer appropriate for its size and ambitions for the future
- The new structure better reflects the markets in which it operates, rather than the products it offers
 - making the business more responsive to market demands and better able to integrate new contract wins

* excluding exceptional items and goodwill

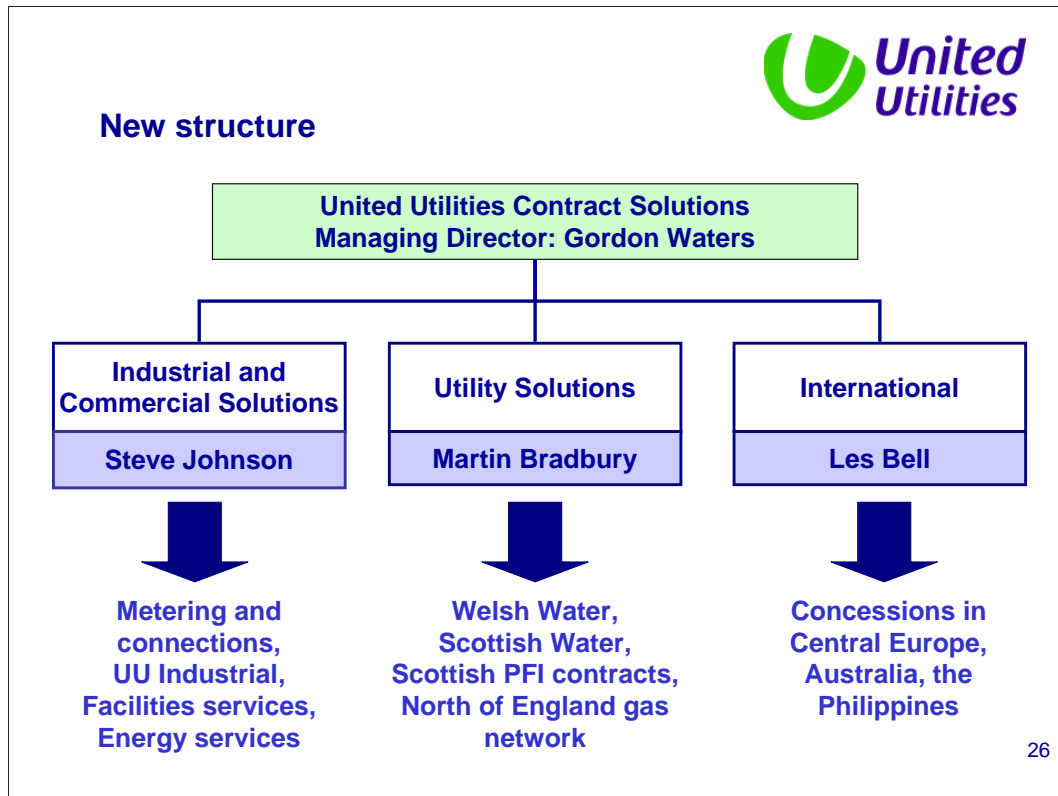
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Infrastructure management has grown rapidly since it was created, with operating profit more than tripling in the last four years.

This growth has meant that the business's structure was no longer appropriate for its size, and ambitions for the future.

United Utilities Contract Solutions has therefore recently been reorganised to better reflect the markets in which it operates, rather than the products it offers.

This will make the business more responsive to market demands and better able to integrate new contract wins.



This slide shows Contract Solutions' new structure.

Industrial and Commercial Solutions is responsible for connections and metering services, and the provision of specialist water and liquid waste services to industrial customers. It also includes our facilities services and energy management services businesses.

Steve Johnson, who was previously Operations Director for the Welsh Water contract, has been appointed as Managing Director.

Utility Solutions is responsible for our utility outsourcing contracts in our domestic market. This covers our contracts with Scottish Water, Welsh Water and the operations of our three Scottish PFI projects. The new operations contract for the North of England gas distribution network is expected to be included in this business.

Martin Bradbury, who was previously Chief Operating Officer of Scottish Water Solutions, has become Managing Director of Utility Solutions.

International applies our expertise in managing and operating utility assets around the world.

Les Bell continues to be Managing Director.

Green Energy

- Green Energy continues to trade in line with our expectations
 - planning permission for offshore wind farm at Scarweather Sands was granted in October
- Whilst exploring the possibility of refinancing our green energy assets it became clear that several parties were interested in acquiring the business outright
- We will announce further news as soon as discussions are concluded

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Green Energy continues to trade in line with our expectations. Planning permission for the offshore wind farm at Scarweather Sands was also granted in October.

As we've been exploring the possibility of refinancing our green energy assets, it has become clear that several parties are interested in acquiring the business outright.

We'll announce further news as soon as discussions are concluded.



United Utilities Contract Solutions progress

Utility Solutions

- Announced as preferred partner to provide operations and maintenance and shared services to Welsh Water from 1 April 2005
 - covers three out of four of Welsh Water's operational areas
 - expected to be worth c.£1.5 billion over 15 years
 - subject to five-yearly performance reviews
- Conditionally agreed to take a 15% stake in a consortium to buy the North of England gas distribution network
 - recently been selected as preferred bidder to operate the network
 - likely to be for an initial eight year period with a contract value of c.£1 billion

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As you're probably aware, we've recently announced two important developments for our Utility Solutions business.

We've been selected as preferred partner to provide services to Welsh Water from next year. This covers three out of four of Welsh Water's operational areas, together with its shared services activities. It is expected to be worth up to £1.5 billion over 15 years, subject to five yearly performance reviews.

We've also conditionally agreed to take a 15 per cent stake in a consortium to buy the North of England gas network from National Grid Transco. I'm pleased to announce that the business has recently been selected as preferred bidder to operate the network on behalf of the consortium.

This is likely to be for an initial eight-year period with a total contract value of around £1 billion.

United Utilities Contract Solutions progress

Industrial and Commercial Solutions

- Working alongside Vertex to provide services to Thurrock Council
 - worth up to £70 million
- Recently awarded a contract, lasting up to 20 years, with the Atomic Weapons Establishment (AWE)
 - covers the operation of AWE's on-site water supplies and wastewater networks at Aldermaston and Burghfield

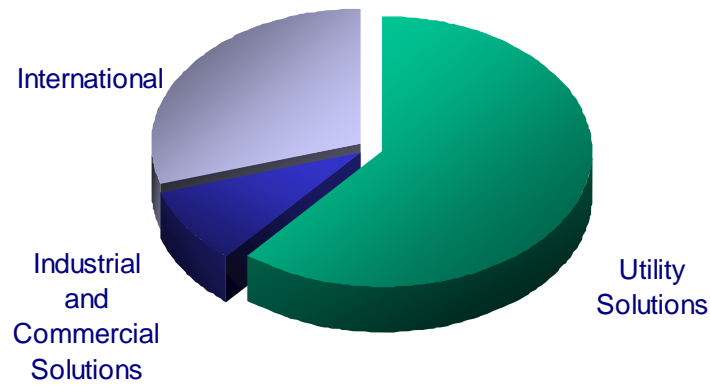
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Working alongside Vertex, Industrial and Commercial Solutions has won a contract worth up to £70 million to provide services to Thurrock Council.

I'll say a bit more about this in a minute.

It's also been awarded a contract, lasting up to 20 years, with the Atomic Weapons Establishment. This covers the management and operation of the on-site water supplies and wastewater networks at AWE's sites at Aldermaston and Burghfield.

**United Utilities Contract Solutions
Order book* - £5 billion**



"...this gives the business a secure long-term income stream, and underpins future growth ..."

* assumes United Utilities wins contract to operate the North of England gas network

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Including our expected contract win to operate the North of England gas network, Contract Solutions' order book has doubled in size during the past year.

It now stands at just over £5 billion.

This gives the business a secure, long-term, income stream, and underpins its future growth.



United Utilities Contract Solutions summary

- United Utilities Contract Solutions is now operating, or has secured, substantial high profile contracts with:
 - **Welsh Water** - first time a utility had outsourced its operations to another utility
 - **Scottish Water** - first time a water utility had outsourced the management of its investment programme to another utility
 - **British Gas Trading** - first major meter installation contract to be outsourced
 - **North of England gas network** - anticipating to secure an operations contract for at least eight years
 - **Thurrock Council** - first contract secured in partnership with Vertex

“...through these and other contracts United Utilities has consistently led the utility infrastructure outsourcing market in the UK..”

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So, I hope you can see that our non-regulated strategy is continuing to serve us well. Contract Solutions is now operating, or has secured, a number of substantial, high profile contracts, which are set out on the slide.

Through these and other contracts, United Utilities has consistently led the utility infrastructure outsourcing market in the UK.

Vertex progress Thurrock Council contract win

- Recently awarded 15-year contract, worth up to £427 million, to manage and re-engineer Thurrock Council's business processes
 - to meet the Council's modernising and efficiency agendas
- Similar to our contract with Westminster City Council, which is being used by Vertex as a blueprint for other local authorities
- Contract scheduled to commence from April 2005 when c.600 Council employees will transfer to United Utilities

"...this contract will draw on Vertex's extensive experience of transforming business processes for UK utilities and other public sector clients..."

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Now turning to Vertex, as I've just mentioned, the business was recently awarded a 15-year contract, worth up to £427 million, with Thurrock Council.

In partnership, Vertex will manage and re-engineer a number of Thurrock's business processes. This will help the Council meet its modernising and efficiency agendas.

This is similar to our contract with Westminster City Council, which we're using as a blueprint for other local authorities.

The contract is scheduled to commence from April 2005, when around 600 Thurrock Council employees will transfer to United Utilities.

It will draw on Vertex's extensive experience of transforming business processes for UK utilities and other public sector clients.

United Utilities' businesses working in partnership



- United Utilities Contract Solutions will partner Vertex in providing services to Thurrock
 - covering facilities and property management, highways engineering and transportation services
- This is the **first time** that Vertex and United Utilities Contract Solutions have bid for a contract in partnership
 - this will act as a model for other contract bids
- By working together we gain the potential to offer clients a broader spectrum of services as a single supplier
- Vertex and United Utilities Contract Solutions are currently pursuing a number of other opportunities with the UK public sector

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United Utilities Contract Solutions will partner Vertex in providing services to Thurrock. They will provide the Council with facilities and property management, highways engineering and transportation services.

This is the first time that the two businesses have bid for a contract in partnership, and will act as a model for other bids.

By working together, we gain the potential to offer a broader spectrum of services to clients as a single supplier.

In partnership, Vertex and Contract Solutions are currently pursuing a number of other opportunities in the public sector.

Acquisition of Capgemini's minority stake in Vertex

- Capgemini wished to crystallise its investment in Vertex
 - a welcome opportunity to buy back the minority stake
 - £47.5 million cash consideration for Capgemini's 14.6% equity stake
- Acquisition does not impact on the alliance between the two companies
 - partnership has served us well and helped Vertex during its developmental stage
- Vertex has its own well established transformational outsourcing capability
 - further demonstrated by the recently announced contract with Thurrock Council

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During November we announced the acquisition of Capgemini's stake in Vertex for £47.5 million in cash.

Capgemini wished to crystallise its investment in Vertex, and it was a welcome opportunity for us to buy back the minority stake in the business.

The purchase does not impact on the strategic alliance that exists between the two companies. This partnership, whilst not exclusive, has served us well and helped Vertex during its developmental stage.

Vertex also has its own well-established transformational outsourcing capability, independently winning significant contracts. This maturity has been further demonstrated by the recently announced deal with Thurrock Council.

Agenda

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 - preparing for our challenges in 2005-10
- **Support services businesses**
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- **Your Communications**
 - targeting to generate an operating profit* from the second half of 2004/05
- **Summary and outlook**

* excluding goodwill

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That covers our support services businesses, so now I'd like to turn to Your Communications.

Your Communications progress

- The business continues to select its markets carefully, clearly focusing on business customers and the public sector
- A focus on service has delivered a strong customer base with excellent customer retention record
 - maintained gross margins in a sector where margins are falling
- The integration of Eurocall has been successful and is now largely complete
 - target for annual synergy savings has been increased to £9 million
- These savings are being achieved by:
 - migrating Eurocall's customers on to Your Communications' network
 - reducing headcount and closing offices
 - nearly 10 per cent of the workforce has now left the combined businesses

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Your Communications continues to select its markets carefully, clearly focusing on business customers and the public sector, particularly in the North West of England. Its focus on service has delivered a strong customer base with an excellent retention record.

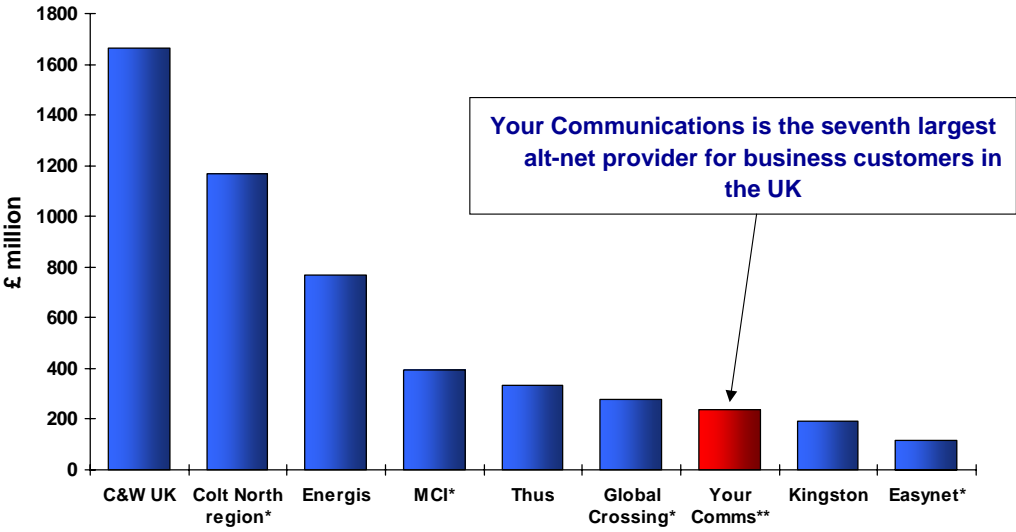
Whilst margins have fallen across much of the sector, and despite pricing pressures, Your Communications has maintained its gross margins.

The integration of Eurocall has been successful and is now largely complete. We've increased our target for annual synergy savings to £9 million, which is in excess of our original expectations.

These savings are being achieved by migrating Eurocall's customers on to Your Communications' network, and by reducing headcount.

Since the merger, nearly 10 per cent of the workforce has left the combined businesses, and we've closed offices in duplicated locations.

Your Communications UK market share (2003/04)



Source: Ernst & Young Research
 * Year ended 31 December 2003
 ** Includes Eurocall on a pro forma basis

This slide, which we showed at September’s educational presentation on Your Communications, shows the size of the main competitors to BT in the UK business segment of the telecoms market.

For those who weren’t at the presentation, you may be surprised to learn that Your Communications is now the seventh largest alt-net business telecoms provider in the UK.

Your Communications Financial progress

- Our good revenue growth and tight control on costs means that our financial position is ahead of a number of our competitors
 - turned EBITDA positive in 2002/03
 - free cash flow positive in 2003/04
- The business is experiencing good organic growth
 - 11.5% increase in revenues compares favourably with the rest of the sector
- On target to generate an operating profit* from the second half of this year
 - over a year earlier than previously expected before the Eurocall acquisition

* excluding goodwill

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Our tight focus on costs, and success in growing revenues, has meant that Your Communications' financial position is ahead of many others in the sector.

The business turned EBITDA positive on a run rate basis in 2002/03. It was free cash flow positive for the first time for a full year in 2003/04.

It continues to experience good organic growth. As Simon mentioned earlier, excluding Eurocall, Your Communications grew by 11.5 per cent year-on-year.

And with synergies from the Eurocall acquisition we're now targeting to generate an operating profit from the second half of this year. That's over a year earlier than expected before we made the purchase.

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- **Summary and outlook**

* excluding goodwill

To finish I'll summarise and say a few words about the future.

Summary Regulated businesses

- Although we have not yet received our final determinations, we have already started to prepare for the future
 - by planning how to meet our expected regulatory challenges
- Both sets of proposals are expected in the next few days
 - we will consider them carefully before announcing our decisions to the market
- Looking ahead to the next regulatory period, we will seek to maximise dividends consistent with our assessment of risk and licence obligations
 - specific decision on dividend policy will be taken in light of the final regulatory determinations

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Although we've not yet received our final regulatory determinations, we've already started to prepare for the future, by planning how to address our expected challenges.

Both sets of final proposals are expected in the next few days. We will consider them carefully before announcing our decisions to the market.

As the Chairman said, looking ahead to the next regulatory period, we will seek to maximise dividends consistent with our assessment of risk and licence obligations. Our specific decision on dividend policy for the next five years will be taken in light of the final regulatory determinations.

Summary

Non-regulated businesses

- Substantial contract wins for our support services businesses with an expected total value of £3 billion
 - boosting their total order book to around £7 billion
- Recent deals with Welsh Water and National Grid Transco will underpin our position as the leading utility infrastructure outsourcing business in the UK
- Contract win with Thurrock further demonstrates Vertex's maturity in the business process outsourcing market
- Your Communications continues to be on track to generate an operating profit* from the second half of the year

“...the outlook for our non-regulated businesses is excellent...”

* excluding goodwill

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Our support services businesses have announced a number of substantial contract wins with an expected value of around £3 billion.

These boost their total order book to around £7 billion.

Recent deals with Welsh Water and National Grid Transco will underpin our position as the leading utility infrastructure outsourcing business in the UK.

The contract win with Thurrock further demonstrates Vertex's maturity in the business outsourcing market, and adds another visible, long-term income stream to the business.

And Your Communications continues to be on track to generate an operating profit from the second half of the year.

So, on the basis of these contract wins, and other opportunities we're currently pursuing, we believe that the outlook for our non-regulated businesses is excellent.

That concludes our presentation. Thank you, we'll now take questions.



Supporting information

Licensed multi-utility operations turnover

£m	2004	Price	Volume	2003
Water and wastewater	563	55	(6)	514
Electricity distribution	120	(10)	1	129
	<u>683</u>	<u>45</u>	<u>(5)</u>	<u>643</u>

Water and wastewater expenses

£m	2004	2003
Depreciation	95	79
Infrastructure renewals	41	45
Other costs	191	200
Total costs	<u>327</u>	<u>324</u>

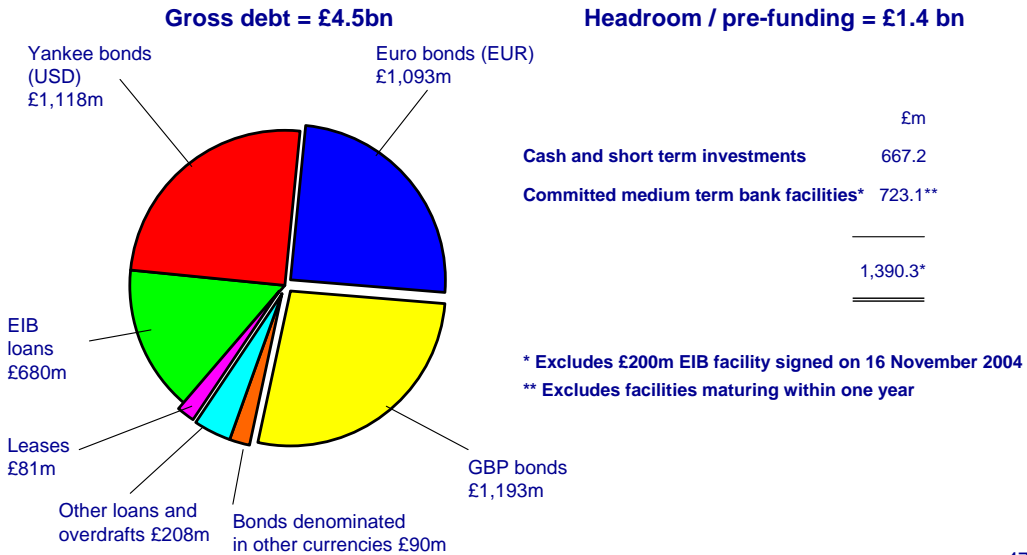
Electricity expenses

£m	2004	2003
Depreciation	28	25
Other costs	43	39
Total costs	<u>71</u>	<u>64</u>

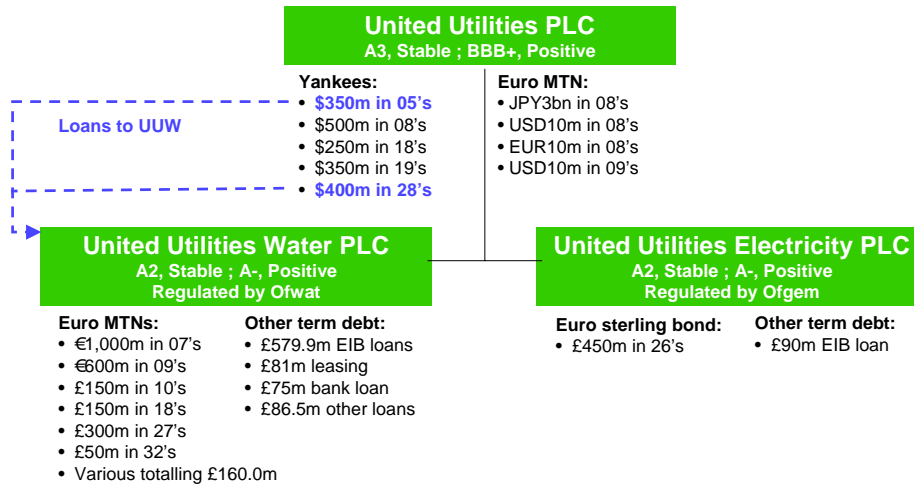
Depreciation

£m	2004	2003
Licensed multi-utility operations	164	149
Infrastructure management	4	4
Business process outsourcing	12	14
Telecommunications	10	10
Other	2	2
Total	<u>192</u>	<u>179</u>

Financing & liquidity as at 30 September 2004



Debt structure at 30 September 2004



Note:
Simplified legal entity structure shown for illustrative purposes



This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the company.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "potential", "reasonably possible" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, assumptions, estimates and projections which may be significantly varied, and therefore investors should not rely on them. Forward-looking statements involve known and unknown risks and speak only as of the date they are made, and except as required by the rules of the UK Listing Authority and the London Stock Exchange, the company undertakes no obligation to update publicly any of them in the light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. United Utilities PLC cautions investors that a number of important factors could cause actual results to differ materially from those anticipated or implied in any forward-looking statements. These factors include: (i) the effect of, and changes in, regulation and government policy; (ii) the effects of competition and price pressures; (iii) the ability of the company to achieve cost savings and operational synergies; (iv) the ability of the company to service its future operations and capital requirements; (v) the timely development and acceptance of new products and services by the company; (vi) the effect of technological changes; and (vii) the company's success at managing the risks of the foregoing. The company cautions that the foregoing list of important factors does not address all the factors that could cause the results to differ materially.