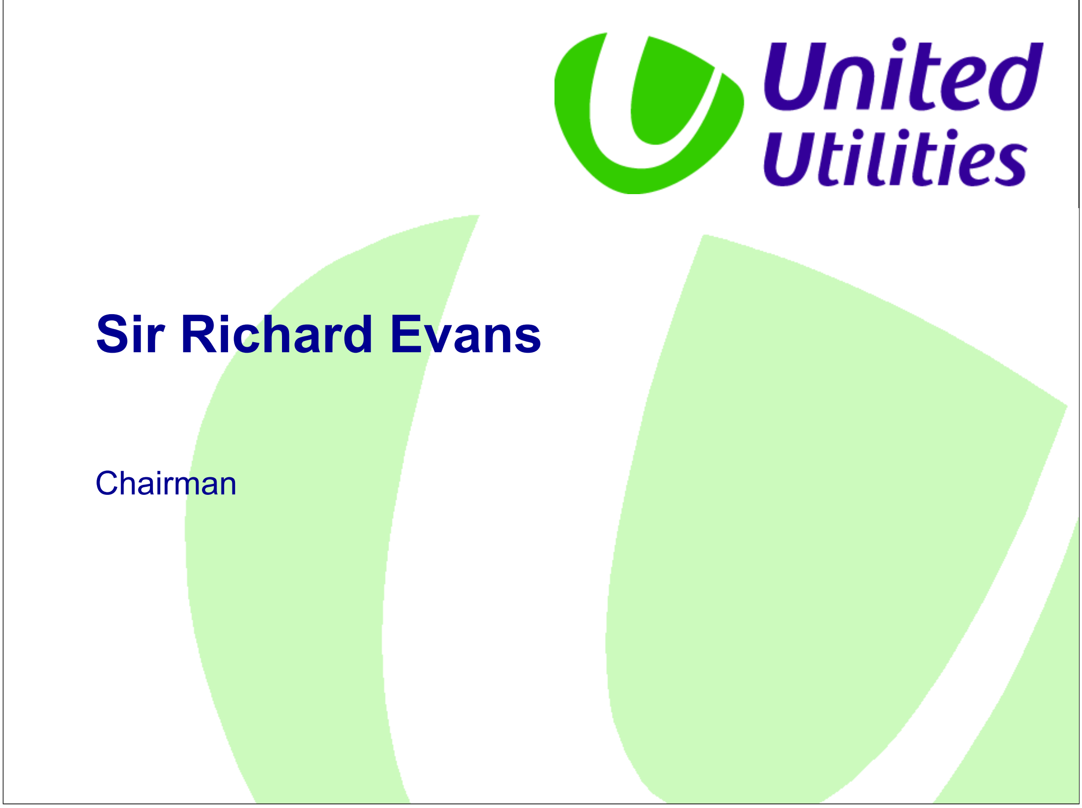
United Utilities PLC

Preliminary announcement of results presentation

Year ended 31 March 2004

www.unitedutilities.com



Good morning ladies and gentlemen, and welcome to our preliminary 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, and John will update you on the business. At the end we'll be pleased to answer your questions.

Before I hand over to Simon I'd like to say that the board is pleased with how the group has progressed during the past year. In particular I'd like to highlight the successful IDoK, which will boost revenues, and the rights issue, which will help fund investment in our regulated businesses.

Vertex and Contract Solutions have also had a good year with continued strong growth in both revenues and profit.

Dividend

- Proposing to increase the final dividend by 2.6 per cent*
  - in line with our promise to maintain the dividend in real terms up to 2005, which we confirmed at the rights issue
- Beyond 2005
  - we will make a decision once we've seen the regulatory contracts
  - still intend to maximise dividends, consistent with assessment of risk and licence obligations

* after adjusting for the first stage of the rights issue

We're proposing to increase the final dividend, after adjusting for the rights issue, by 2.6 per cent.

This is in line with our promise to maintain dividends in real terms, up to 2005, which we confirmed at the time of the rights issue.

Beyond 2005, once we've seen the regulatory contracts we'll make a decision on the dividend for the next review period. What we'll do is seek to maximise dividends consistent with our assessment of risk, and our licence obligations.

Now, over to Simon, then we'll hear from John and come back to Q&A.

United Utilities

Simon Batey

Finance Director

Thank you, Chairman. Good morning, ladies and gentlemen

Highlights

- **Profit* before tax increased by 6% to £349m**
  - all businesses have contributed to the group's improved performance
- **Licensed multi-utility operations**
  - successfully delivered £1 billion of capital investment
- **Business process outsourcing**
  - operating profit* increased by 34% to £25m
  - operating margin* improved from 6.1% to 6.8%
- **Infrastructure management**
  - operating profit* increased by 15% to £68m
- **Telecommunications**
  - on track to deliver annual synergy savings of £8m from Eurocall acquisition
- **Total ordinary dividend increased by 2.6% to 44.31p****
  - total dividend per A share of 22.155p

* excluding exceptional items and goodwill

** post first stage of rights issue

Our results show that all of our businesses have made significant progress during the year in contributing to the group's improved performance.

In licensed multi-utility operations, we've grown profit and successfully delivered over £1 billion of our capital investment programme, the highest ever by United Utilities in a single year.

Our support services businesses continue to make good progress, with operating profit up by around a third in Vertex, and by 15 per cent in infrastructure management.

Vertex also recorded an increase in operating margins, to 6.8 per cent.

And in telecoms, we're on track to deliver annual synergy savings of £8 million from the recent Eurocall acquisition.

Turnover

£m	2004	2003	
Support services and telecoms	**1,001.0**	866.4	*+16%*
Licensed multi-utility operations	1,300.7	1,230.1	*+6%*
Inter-business eliminations	(186.2)	(176.0)	
Total	**2,115.5**	**1,920.5**	***+10%***

The first time contributions from these businesses have exceeded £1 billion

Turning to the numbers, non-regulated turnover was up by 16 per cent and the contribution from these businesses exceeded £1 billion for the first time. Overall, revenues improved by 10 per cent.

Profit* before tax

£m	2004	2003	
Total operating profit*	597.1	561.7	*+6%*
Interest charge	(248.1)	(231.4)	
Profit* before tax	**349.0**	**330.3**	***+6%***

- Increase in interest charge
  - principally reflects impact of higher average net debt
    - 2004: £3,386 million
    - 2003: £3,190 million

* excluding exceptional items and goodwill

Group operating profit increased by around 6 per cent. Interest charges also increased, principally reflecting the impact of higher average net debt during the period.

Exceptional items and goodwill

- Exceptional net charge to the profit and loss account of £2.7 million principally reflects:
  - restructuring costs relating to the integration of the newly acquired Eurocall business;

    offset by
  - small credit in respect of disposals
- Goodwill amortisation of £8.8m (2003 - £7.5m)
  - increase principally reflects 7C acquisition by Vertex in December 2002 and Eurocall acquisition in March 2004

There was an exceptional net charge to the profit and loss account of £2.7 million. This principally reflects the restructuring costs relating to the integration of the newly acquired Eurocall business, offset by a small net credit in respect of disposals.

Amortisation of goodwill was nearly £9 million, compared to £7.5 million last year. This increase mainly reflects the goodwill arising from the acquisition of 7C by Vertex, and Eurocall by Your Communications.

Taxation

£m	2004	2003
Current tax	(20.9)	(29.1)
Deferred tax	(3.4)	85.9
Tax on exceptional items	(0.8)	(9.4)
	(25.1)	**47.4**

Deferred tax

- Credit principally due to an increased discount on the gross provision reflecting the movement in gilt yields in the period

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, no current tax charge was incurred this year. The reduction in deferred tax is principally due to an increase in long-term gilt rates, which are used to calculate the discounted deferred tax position.

Earnings*

Pence per share	2004	2003
Earnings per share*		
After deferred tax	54.7	42.2
Before deferred tax	54.2	55.5

- Restated to reflect bonus element of rights issue
  - adjustment factor is 0.8646
- Reflects dilutive effect of new shares
- Adjusted basic weighted average number of shares used for 2003/04 EPS calculations = 680.1m

* adjusted for exceptional items, goodwill and the full bonus element of the rights issue

Prior period earnings per share have been restated to reflect the full bonus element of the Rights Issue.

Adjusted basic earnings per share improved by nearly 30 per cent, largely as a result of the reduction in the deferred tax charge.

Before deferred tax, EPS fell slightly, reflecting the dilutive effect of the new shares.

You can see in the appendix in the back of the pack how we’ve calculated weighted average number of shares for this year and going forward.

Dividends

Pence per share	2004	2003
Dividend per ordinary share	44.31	43.18*
Dividend per A share	22.155	N/A
Dividend cover**	1.18x	1.02x

- Dividend per ordinary share requires interim adjustment due to two-stage nature of rights issue (adjustment factor is 0.9072)
  - dividends 2005/06 and thereafter adjusted by a further 0.9342 equivalent to a cumulative 0.8475
- Dividend cover calculated by dividing profit** for the period by the dividend charge
- Proposed total ordinary dividend increase of 2.6 per cent

* re-presented for comparative purposes to take account of the bonus element of the first stage of the rights issue
** excluding exceptional items and goodwill

We're proposing a total dividend for the year of 44.31 pence per ordinary share. This is an increase of 2.6 per cent compared to last year's dividend, which has been re-presented to take account of the bonus element of the first stage of the Rights Issue.

This rise is consistent with our promise to maintain the dividend in real terms during the current regulatory period.

Balance sheet

£m	31 March 2004	31 March 2003
Net debt	3,438.4	3,373.9
Equity shareholders' funds	3,083.3	2,533.6
Total capital employed	6,521.7	5,907.5
Gearing (net debt/total capital employed)	**53%**	**57%**

- Small increase in net debt reflects:
  - c.£500m net proceeds from first stage of rights issue; offset by
  - increased expenditure on capital programmes

Net debt at the year-end increased slightly and gearing fell compared to 31 March last year. This reflects the £500 million proceeds from our rights issue, offset by additional expenditure on our capital programmes.

Segmental analysis of profits*

£m	2004	2003	
Licensed multi-utility operations	519.6	502.8	*+3%*
Infrastructure management	67.8	58.8	*+15%*
Business process outsourcing	25.1	18.8	*+34%*
Telecommunications	(16.6)	(19.5)	*+15%*
Other activities	5.9	5.1	
Corporate costs	(4.7)	(4.3)	
Total operating profit*	**597.1**	**561.7**	*+6%*

"…all our businesses have contributed to the group's improved performance…"

* excluding exceptional items and goodwill

This slide shows our segmental analysis, and I'd like to comment on each of the businesses, which all contributed to the group's improved performance.

Licensed multi-utility operations

£m	2004	2003	
Turnover	1,300.7	1,230.1	***+6%***
Operating profit	519.6	502.8	***+3%***

- Increase in turnover
  - principally reflects an allowed nominal price rise of 6.6% for United Utilities Water
- Operating profit
  - reflects real price rise offset by a number of factors, principally increased operating costs and depreciation as new AMP3 assets were commissioned

In licensed multi-utility operations, turnover rose by over 6 per cent, mainly due to an allowed price rise for our water and wastewater charges. Operating profit improved, because of the price rise, though this was mitigated by a number of factors, including higher operating costs and depreciation as new AMP3 assets were commissioned.

United Utilities

Infrastructure management

£m	2004	2003	
Turnover	446.9	397.1	*+13%*
Operating profit*	67.8	58.8	*+15%*
Net operating assets (at 31 March)	132.6	82.8	

- Good growth in turnover and operating profit*
  - reflects increasing contract maturity
  - impact of Scottish Water and increased shareholdings in European concessions
- Increase in net operating assets principally due to:
  - acquisition of two liquid waste management centres for a combined total of £8 million during 2003/04
  - increased shareholdings in European concessions
  - other investment and working capital requirements

* excluding exceptional items and goodwill

Infrastructure management saw good growth in profit and turnover, reflecting increasing contract maturity, the impact of the Scottish Water contract, and our increased shareholdings in our European concessions.

We're also taking steps to develop our industrial business, and have recently acquired two liquid waste management centres, for a combined total of £8 million.

Net operating assets have risen due to these acquisitions, our increased holdings in Central Europe, and other investment and working capital requirements.

Business process outsourcing

£m	2004	2003	
Turnover	368.5	307.6	*+20%*
Operating profit*	25.1	18.8	*+34%*
Net operating assets (at 31 March)	111.7	121.6	

- Turnover growth principally due to full year contributions from Westminster City Council and Department for Work and Pensions contracts, and increased volumes from the Vodafone contract
- Operating margin* increased from 6.1% to 6.8%

* excluding goodwill

In Vertex, turnover grew substantially, mainly due to full year contributions from our contracts with the Department for Work and Pensions and Westminster City Council, and additional volumes from the Vodafone contract.

Operating profit increased by over a third, and the operating margin also grew strongly, improving to 6.8 per cent.

Telecommunications

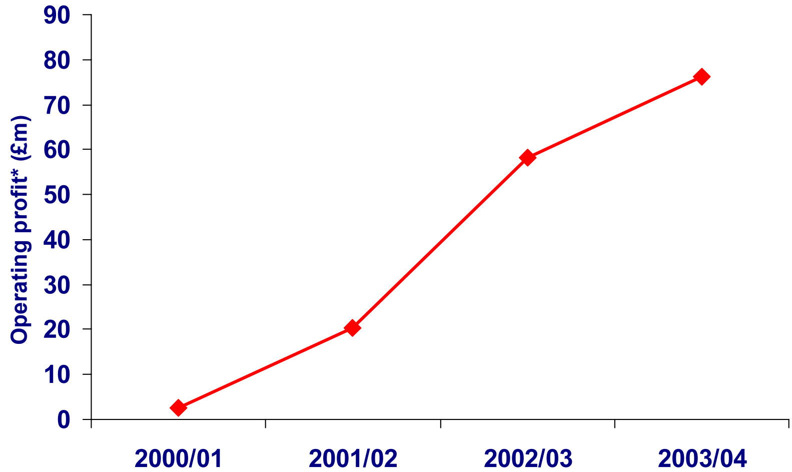
£m	2004	2003	
Turnover	185.6	161.7	***+15%***
Operating loss*	(16.6)	(19.5)	***+15%***
Net operating assets (at 31 March)	227.2	197.1	

- Achieved target of being a net cash contributor to the group on a post-tax basis in 2003/04**
  - also free cash flow positive in second half of the year**

* excluding exceptional items and goodwill
**excluding Eurocall acquisition

In Your Communications, turnover grew by 15 per cent. As well as achieving its target of being a net cash contributor to the group on a post-tax basis, it was also free cash flow positive in the second half of the year. This business is now focused on extracting synergies from the Eurocall acquisition, which John will say more about later.

Profit* growth in non-regulated businesses



"… now contributing over £75 million of operating profit compared to around break even three years ago…"

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

You can see from this slide how operating profits in our non-regulated businesses have grown strongly. They now contribute over £75 million of operating profit to the group, compared to around break even three years ago.

We believe that the initiatives we've already put in place will enable us to continue this good progress.

International Financial Reporting Standards

- From 1 April 2005 the group will be required to comply with International Financial Reporting Standards (IFRS)
- We have initiated a project to select appropriate accounting policies to comply with IFRS and implement any necessary system changes
- The main differences between UK accounting standards and IFRS are expected to relate to:
  - derivative financial instruments
  - deferred tax
  - goodwill
  - fixed asset accounting
  - pensions
- Further information on IFRS at our interims this year

Finally a word on International Financial Reporting Standards, with which, as I'm sure you're aware, the group will be required to comply from April next year.

We've started a project to select appropriate accounting policies to comply with IFRS, and to identify and implement any system changes necessary.

The main differences between UK accounting standards and IFRS that we expect to affect the group relate to derivative financial instruments, deferred tax, goodwill, fixed asset accounting and pensions. We'll give further information on our IFRS position at our interims presentation later in the year.

Highlights

- **Profit* before tax – increased by 6% to £349m**
  - all businesses have contributed to the group's improved performance
- **Licensed multi-utility operations**
  - successfully delivered £1 billion of capital investment
- **Business process outsourcing**
  - operating profit* increased by 34% to £25m
  - operating margin* improved from 6.1% to 6.8%
- **Infrastructure management**
  - operating profit* increased by 15% to £68m
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  - on track to deliver annual synergy savings of £8m from Eurocall acquisition
- **Total ordinary dividend increased by 2.6% to 44.31p****
  - total dividend per A share of 22.155p

* excluding exceptional items and goodwill
** post first stage of the rights issue

So, in conclusion, we've had a pleasing year, with improved performances across all of our businesses driving profit growth.

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

United Utilities

John Roberts

Chief Executive

Thank you Simon, good morning.

Improved performances across all businesses

- **Licensed multi-utility operations**
  - successfully delivered £1 billion of capital investment
  - ahead of our regulatory output schedule
  - United Utilities Water final business plan submitted
- **Support services and telecoms**
  - changing Vertex's business mix to higher margin contracts
  - strengthening our position as the UK's leading utility infrastructure outsourcing company
  - accelerating Your Communications' path to profitability
- **Good prospects for the future**

As you can see the group has moved forward significantly over the last year.

In licensed multi-utility operations, we've successfully delivered over £1 billion of our capital investment programme. We're also ahead of our regulatory output schedule.

With our regulatory reviews approaching their final stages, we've recently submitted our final business plan to Ofwat, and responded to Ofgem's recent policy document.

Our non-regulated businesses continue to make good progress. Vertex is successfully changing its business mix to higher margin transformational contracts, and Contract Solutions has strengthened its position as the leading utility infrastructure outsourcing company in the country.

Recently we announced the acquisition of Eurocall, a telecoms reseller based in Manchester. Through the delivery of synergy savings, this acquisition will accelerate Your Communications' path towards profitability.

So, what I'd like to do now is talk about each of these key developments in more detail. I'll then summarise why I believe the group has good prospects for the future.

Licensed multi-utility operations
Capital investment 2000-05

- Successfully delivered £1 billion of capital investment in 2003/04 - the **highest ever** by United Utilities in a single year
- United Utilities Water expects to outperform its AMP3 quality capital investment programme by around 10 per cent
- We are investing some of these savings in increased capital maintenance expenditure in the latter part of the review period to improve service levels
- As a result we expect our Overall Performance Assessment (OPA) score to increase by around 15 per cent
  - from 336 in 2002/03 to between 385 - 395 points in 2003/04
    - a score of 395 in 2002/03 would have ranked in the top half of Ofwat's OPA league table

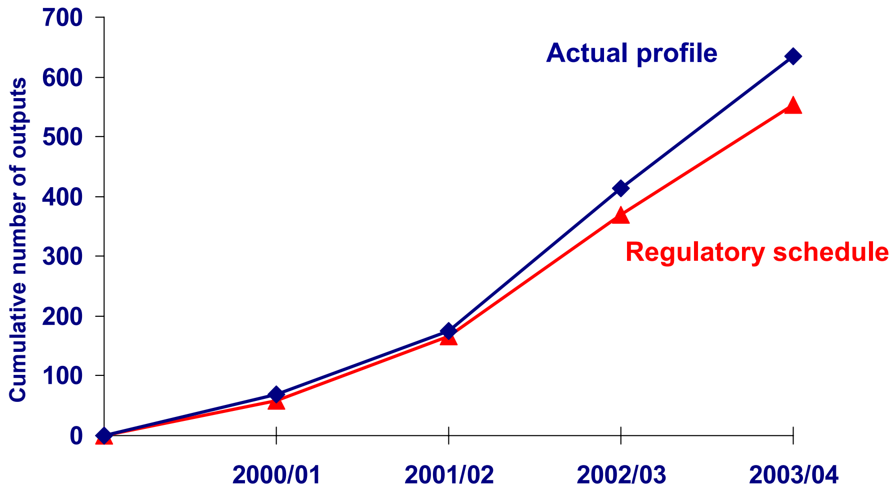
"…we believe that this higher level of maintenance expenditure is appropriate to sustain our service level improvements in AMP4…"

As I've just mentioned, during the last year we delivered the highest capital investment ever by United Utilities in a single year.

For our water business, we're expecting to outperform our AMP3 quality capital investment programme by around 10 per cent. In order to improve our service record, we're investing some of these savings by increasing our overall capital maintenance expenditure, during the latter part of the current review period. As a result, we expect that our Overall Performance Assessment score will increase by around 15 per cent this year, to between 385 to 395 points. To put this into context, a score of 395 in 2002/3 would have ranked in the top half of Ofwat's OPA league table.

We believe that this higher level of maintenance expenditure, which we've also proposed in our final business plan, is appropriate to sustain our service level improvements in AMP4.

United Utilities Water
AMP3 capital outputs*



"…we continue to be ahead of our regulatory output schedule …"

* excludes UID outputs cited in IDoK determination

You can see from this slide that we continue to be ahead of our regulatory output schedule. We have delivered around 70 per cent of our required cumulative outputs by the end of year four.

United Utilities Water
2005-10 capital investment requirements*

- Draft business plan estimated a capital investment programme for United Utilities Water of £3.8 billion during 2005-10
- This was reduced to £3.5 billion due to a late change in Environment Agency guidelines
  - lowered consent standards for a number of our wastewater treatment works
- In March we received new guidance from the government which further reduced the programme to £3.2 billion
  - principally due to changes in the scope of our lead replacement, sewer overflow and sludge programmes

* all figures in 2002/03 prices

Turning to the Price Review, last August we submitted a draft business plan to Ofwat, outlining our proposals for the next regulatory period.

In our draft plan we originally estimated that we'd need to invest around £3.8 billion in 2002/03 prices in AMP4. However, shortly after it was submitted we received a late change in guidelines from the Environment Agency. This lowered the consent standards for a number of our wastewater treatment works, reducing our proposed investment programme to £3.5 billion.

Subsequently, in March, we received new ministerial guidance from the government. This changed the scope of our lead, sewer overflow, and sludge programmes and reduced our investment requirements further, to £3.2 billion.

This latest estimate was then submitted in our final business plan to Ofwat in April.

United Utilities Water
Final business plan - impact on prices

- The extension of our capital base through the rights issue has been an important factor in mitigating the impact of the capital programme on customer bills
- The proposed average annual real increase has been reduced by over a third compared to our draft business plan
  - from 12.0 per cent to 7.8 per cent
- Proposed price profile is weighted towards higher price increases at the beginning of AMP4
  - designed to meet Ofwat's expectation that efficient companies maintain stable credit quality* whilst minimising the overall cost to customers

* as set out by Ofwat in its March 2003 methodology paper

The extension of our capital base through the rights issue, has been important factor in mitigating the impact of our capital programme on customer bills.

Compared to the draft, our proposed average real increase in our final plan was reduced, by over a third, to 7.8 per cent per annum.

Our price profile is weighted towards higher price increases at the beginning of AMP4. This is designed to meet Ofwat's expectation that efficient companies should maintain stable credit quality, whilst minimising the overall cost to customers.

United Utilities Electricity

- United Utilities Electricity has continued to improve network performance in 2003/04
  - average number of interruptions per 100 customers has fallen to 51.0 per annum (Ofgem target of 56.4)
  - average number of customer minutes lost fell to 59.3 per annum (Ofgem target of 68.2)
- Final business plan has been submitted to Ofgem
  - outlines an investment programme of £642m to maintain existing levels of service
  - £106m to reinforce network to allow for connecting renewable generation
  - results in a proposed average annual real price increase of 5 per cent
- Final policy document on 2004 Price Review was published in March
  - our response has focused on Ofgem's proposals for the cost of capital and incentives for outperformance

Our electricity distribution business recently submitted its latest quality of supply report to Ofgem. This shows that we've continued to make good progress improving network performance. We've reduced both the number, and duration, of customer interruptions to levels that are significantly better than Ofgem's targets.

This result is expected to maintain our position in the upper quartile for network performance, across the industry, in 2003/04.

Turning to the price review, we've submitted our final business plan to Ofgem. This outlined an investment programme of £642 million, to maintain existing levels of service, and £106 million to reinforce the network, to allow for the connection of renewable generation.

This resulted in a proposed average annual real price increase of 5 per cent.

Ofgem also published its final policy document in March. In our response we've focused on its proposals for the cost of capital and incentives for outperformance.

Ofgem's initial price proposals are expected on 28 June.

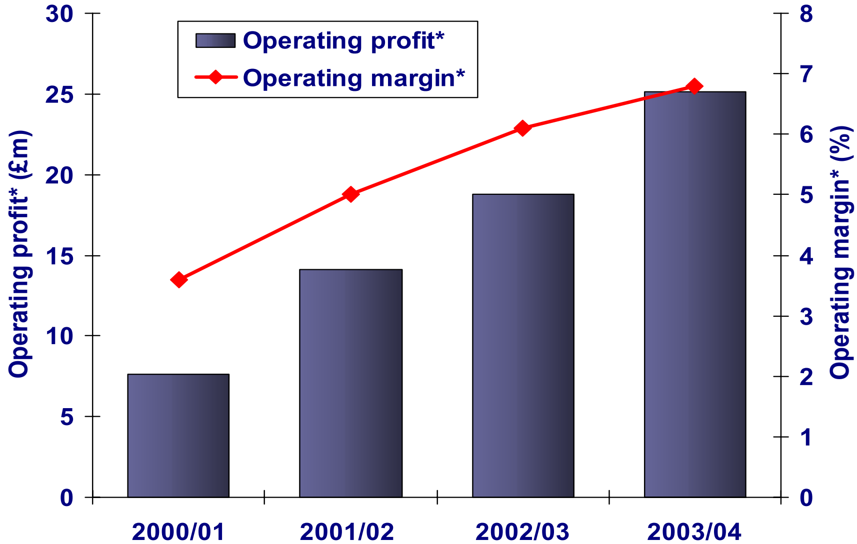
Improved performances across all businesses

- **Licensed multi-utility operations**
  - successfully delivered £1 billion of capital investment
  - ahead of our regulatory output schedule
  - United Utilities Water final business plan submitted
- **Support services and telecoms**
  - changing Vertex's business mix to higher margin contracts
  - strengthening our position as the UK's leading utility infrastructure outsourcing company
  - accelerating Your Communications' path to profitability
- **Good prospects for the future**

"…continue to make good progress…"

Now turning to our non-regulated businesses, which continue to make good progress.

Vertex growth



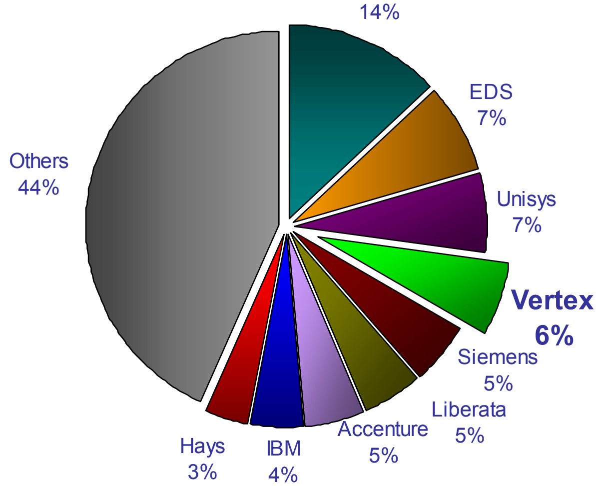
"… we're continuing to target sales growth of around 15 per cent per annum…"

* excludes goodwill

This slide shows how the profitability of Vertex has grown. We've more than tripled operating profits, and nearly doubled operating margins compared to four years ago.

Looking forward, we're continuing to target sales growth of around 15 per cent per annum.

UK business process outsourcing market
Market share by turnover*



"… Vertex is the fourth largest business process outsourcing company in the United Kingdom…"*

* Source:2003 Ovum Holway

In a recent survey by Ovum Holway, one of the leading market researchers in the support services sector, Vertex was identified as being the fourth largest business process outsourcing company in the UK. Only Capita, EDS and Unisys are ahead of us.

Vertex contract progress

- Continuing to achieve contract renewals, winning new business with existing clients:
  - Marks & Spencer - £35 million transformational outsourcing deal
  - Department for Work and Pensions - £21 million extension to existing contract
- Westminster City Council contract is progressing well
  - Vertex is helping Westminster to improve customer service levels by rationalising points of contact with the council
- Vertex is using Westminster as a blueprint for other transformational contract opportunities
  - currently pursuing nine similar outsourcing contracts with the public sector

"…last year at least one in five people in the UK interacted with Vertex in some way…"

In December we reported that Vertex had achieved some notable contract renewals during the first half-year. I'm pleased to say that Vertex is continuing to achieve contract renewals, winning new business with existing clients, such as Marks & Spencer and the Department for Work and Pensions.

Another one of Vertex's key contracts, with Westminster City Council, continues to progress well. What we're doing is helping Westminster to improve its customer service levels. And we're doing this by rationalising the numerous points of contact that currently exist with the council.

Using this contract as a blueprint, we're currently pursuing nine similar deals with the public sector.

Vertex has grown rapidly – last year at least one in five people in the UK interacted with Vertex in some way.

Vertex business mix

- Vertex is successfully changing its business mix to transformational contracts which involve the re-engineering of business processes
  - but due to their more complex nature can take longer to secure
- These contracts allow us to manage more risk and give us higher margins compared to more transactional based deals
- As the business mix continues to change we're targeting operating margins to increase to above our previous 7-8 per cent target range

Vertex is also successfully changing its business mix to more transformational contracts. Although these can take longer to secure due to their more complex nature, they allow us to manage more risk, and so give us higher margins, compared to transactional based deals.

As the business mix continues to change, we're targeting Vertex's operating margins to increase to above our previous 7 to 8 per cent range.

United Utilities

Vertex acquisition
First Revenue Assurance (FRA)

- In March Vertex acquired FRA, a debt collection agency based in Denver, Colorado
  - employs c.200 people with revenues of c.£7 million per annum
- Client base principally spread across US utility and telecoms sectors
  - includes Xcel, AT&T and T-Mobile
- Rationale for the acquisition is that it strengthens Vertex's offering in one of its key target markets
  - in preparation for further contract opportunities

"…this acquisition builds on our existing presence with Hydro One in North America…"

Debt collection is one of the areas that has seen the most outsourcing activity in the US utilities market.

Therefore, in March Vertex acquired First Revenue Assurance - FRA, a debt collection agency based in Denver, Colorado. FRA employs around 200 people, and has annual revenues of around £7 million. Its client base is principally spread across the utility and telecoms sectors in the United States, and includes Xcel, AT&T and T-Mobile.

The rationale for the acquisition is that it strengthens Vertex's offering in one of its key target markets, in preparation for further contract opportunities.

This acquisition builds on our existing presence with Hydro-One in the North American marketplace.

United Utilities Contract Solutions progress

- Contract Solutions has continued to grow its operations in its target UK and Central European markets
- Scottish Water contract mobilised
  - **first time** a UK water utility has outsourced the management of its capital investment programme to another utility
- Increased shareholdings in European concessions in partnership with the European Bank for Reconstruction and Development (EBRD)
  - **first time** EBRD has taken an equity position alongside a water utility

Turning to Contract Solutions, the business continued to grow its operations in its target UK and Central European markets. We did this by mobilising the Scottish Water contract, which was the first time a UK water utility has outsourced the management of its capital investment programme to another utility.

We also increased our shareholdings in our European concessions. This was achieved in partnership with the European Bank for Reconstruction and Development, which, for the first time, took a substantial equity position alongside a water utility. This gives us a strong strategic partner in Europe and a platform for further growth.

Contract Solutions
Scottish Water contract

- During the year Scottish Water Solutions (SWS) was created
  - joint venture company that includes United Utilities
  - around 450 people have been seconded to SWS
    - 300 from Scottish Water and 150 from its partners
- SWS has already delivered £160 million of the programme
  - expected to total £1.1 billion over the contract life
- Partners receive a fee for managing the programme and share any capital outperformance through a pain-gain mechanism

"…as performance is defined at programme, rather than project level, all partners have an incentive to deliver the overall programme to time and budget..."

As I've just mentioned, last year Scottish Water decided to outsource the management of the majority of its capital investment programme. This led to the creation of Scottish Water Solutions, a joint venture company that includes United Utilities.

Around 450 people have now been seconded to this company, with 300 from Scottish Water and 150 from its partners. Scottish Water Solutions has already delivered £160 million of the programme, which is expected to total around £1.1 billion over the contract life.

As well as being paid a fee for managing the programme, partners receive a share of any capital outperformance through a pain-gain mechanism.

As performance is defined at programme level, rather than project level, all partners have an incentive to deliver the overall programme to time and budget.

Contract Solutions
Welsh Water contract

- Contract continues to perform well both in terms of service levels and cost
  - Welsh Water has risen to second in Ofwat's OPA league
- We have pre-qualified for the re-letting of the contract post AMP3
  - subsequently submitted a full bid to Glas Cymru in January 2004
- Glas is expected to announce preferred bidders in August 2004

"…we continue to believe that we're well positioned to serve Glas through future contracts…"

The Welsh Water contract continues to perform well, both in terms of service levels and costs. In particular I'd like to point out that Welsh Water has risen from near the bottom of the Ofwat Operational Performance League to second during the contract period.

We've pre-qualified for the re-letting of the contract and subsequently submitted a full bid to Glas Cymru in January. Glas is expected to announce the contracts preferred bidders in August.

Based on our performance so far, we continue to believe that we're well positioned to serve Glas through future contracts.

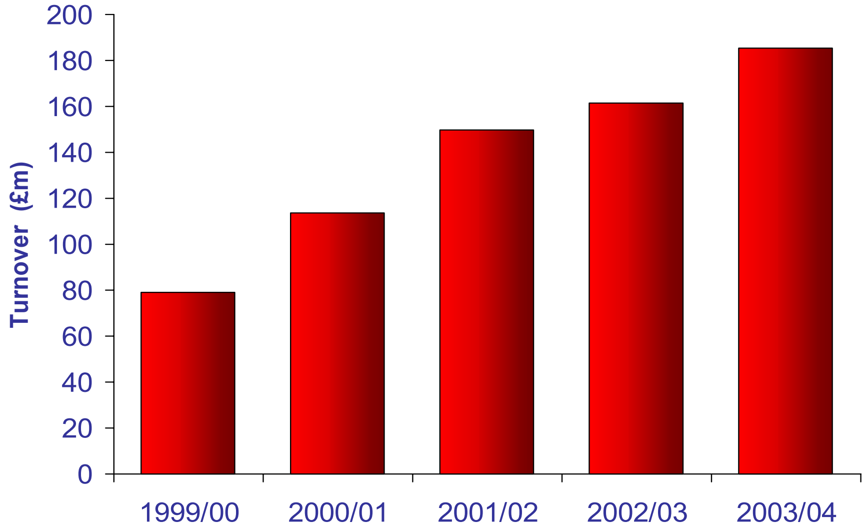
Contract Solutions
Sale of Regional Gas Networks

- National Grid Transco is seeking to sell up to four of its regional gas networks
- Working as part of a consortium, Contract Solutions is participating in this continuing sales process and is focused on opportunities to secure one or more contracts to operate and manage these assets
- We don't expect the sales process to be completed in the near future
  - still requires final regulatory approvals

As you know, National Grid Transco is seeking to sell up to four of its regional gas networks. Working as part of a consortium, Contract Solutions is participating in this continuing sale process, and is focused on opportunities to secure one or more contracts to operate and manage these assets.

We don't expect the sales process, which still requires final regulatory approvals, to be completed in the near future. There is little more that we can say on this subject at this stage.

Your Communications turnover



"… turnover growth of 15 per cent compares favourably with the rest of the sector…"

Turning to Your Communications, you can see from this slide how the business has grown significantly in the last few years.

Turnover growth of 15 per cent this year compares favourably with the rest of the sector.

Your Communications
Eurocall acquisition

- Recently announced the purchase of Eurocall - a private telecoms reseller based in north west England
  - we gained 15,000 customers and c.£55 million in turnover
- Acquired for £30 million in cash immediately and £12 million payable over the next 18 months
  - purchase will be funded from the cash flows of the enlarged Your Communications business over the next three years
- Strategy for Your Communications remains unchanged
  - continue to develop the business with a view to its disposal when shareholder value can be maximised

In March we announced the acquisition of Eurocall, a telecoms reseller based in north west England. Through this deal we gained 15,000 customers and around £55 million in turnover.

We acquired the business for a cash consideration of £42 million. Of this, £30 million was paid immediately, and £12 million is payable in two stages over the next 18 months.

We expect to fund the purchase of Eurocall from the post-tax cash flows of the enlarged business over the next three years.

Although we've made this acquisition, our strategy for Your Communications remains unchanged. What we're doing is developing the business with a view to its disposal when shareholder value can be maximised.

Your Communications
Synergies from Eurocall acquisition

- Targeting to deliver £12 million of additional operating profit* from Eurocall acquisition
  - existing operating profit* of £4 million and annual synergy savings of £8 million, by 2005/06
    - we have already put in place initiatives that will deliver annualised savings of £2.5 million

- We are making efficiencies by integrating the operations of the two businesses and running Eurocall's customers through our network
  - 137 employees transferred to Your Communications from Eurocall
  - headcount of combined business is targeted to fall by around 50
    - majority of this reduction is expected by the end of June 2004

- Next target is for Your Communications to generate an operating profit* in the second half of 2004/05

"…this acquisition strengthens Your Communications position for the future…"

* excluding exceptional items and goodwill

We're targeting to deliver around £12 million of additional operating profit from the acquisition. This is from Eurocall's existing operating profit, of £4 million, and expected annual synergy savings of £8 million, which we expect to deliver fully by 2005/06.

We're on track to achieve this, and have already put in place initiatives that will deliver annualised savings of around £2.5 million.

We're able to realise efficiencies by integrating the operations of the two businesses, which are both based in Manchester, and by running Eurocall's customers though our network, which better utilises our assets.

After it was acquired, 137 employees transferred to Your Communications from Eurocall. We're targeting to reduce the headcount of the combined business by around 50, with the majority of this reduction expected by the end of June.

Our next target is for the business to generate an operating profit in the second half of the current financial year.

By participating in the ongoing consolidation within the telecoms industry now, Your Communications is strengthening its position for the future.

Improved performances across all businesses

United Utilities

- **Licensed multi-utility operations**
  - delivered nearly £1 billion of capital investment in 2003/04
  - final business plan submitted in April
  - expected outperformance on AMP3 capital programme

- **Support services and telecoms**
  - changing Vertex's business mix to higher margin contracts
  - strengthening our position as the UK's leading utility outsourcing company
  - accelerating Your Communications' path to profitability

- **Good prospects for the future**

"…for our regulated and growth businesses…"

That covers all the businesses. To wrap up I'd like to say a few words about the future.

Good prospects for the future…
Licensed multi-utility operations

- United Utilities Water is set to benefit from an allowed price increase of 11.4 per cent in 2004/05
  - reflecting an allowed real price increase of 8.9 per cent and retail price inflation of 2.5 per cent
- Final regulatory determinations expected towards the end of the year
- We continue to believe that equity investors will receive acceptable returns on their investments

"…we remain firmly focused on achieving the right outcome from the reviews for all of our stakeholders…"

United Utilities Water is set to benefit from an allowed price increase of 11.4 per cent. This reflects an allowed real price rise of 8.9 per cent, including 4.4 per cent from our IDoK, and retail price inflation of 2.5 per cent.

With the final water and electricity distribution regulatory determinations expected towards the end of the year, the business is now entering a crucial period.

We remain firmly focused on achieving the right outcome from the reviews for all of our stakeholders

Good prospects for the future...
Support services and telecoms

- Our non-regulated businesses continue to make good progress
  - and contribute over £75 million of operating profit* to the business compared to around break even* three years ago
- Targeting to deliver £12 million of profit* improvement from the acquisition of Eurocall
  - will significantly accelerate Your Communications' path to profitability

* excluding exceptional items and goodwill

Our non-regulated businesses continue to make good progress. They now contribute over £75 million of operating profit to the business, compared to around break even in my first full year as Chief Executive.

For Your Communications, we're targeting to deliver around £12 million of profit improvement from the Eurocall acquisition. This will significantly accelerate its path to profitability.

Good prospects for the group

- Licensed multi-utility operations
  - set to benefit from a substantial price rise this year
- Support services businesses
  - good growth prospects based on contracts already secured and opportunities we are currently pursuing
- Telecoms
  - targeting to generate operating profit* in the second half of 2004/05

"…we've made real progress during the last twelve months and are well positioned for the future…"

* excluding exceptional items and goodwill

Looking at the outlook for the group overall.

As I've already said, licensed multi-utility operations are set to benefit from a substantial real price rise.

Our support services businesses are performing strongly. Based on contracts already secured, and opportunities we're currently pursuing, we're confident that these businesses offer good growth prospects for the future.

Your Communications is now cash positive and its next target is to generate an operating profit in the second half of this financial year.

So, that concludes our presentation. I hope you agree that we've made real progress during the last 12 months, and that the business is well positioned for the future.

Thank you for listening, we'll now take questions.

Supporting information

Licensed multi-utility operations turnover

£m	2004	Price	Volume	2003
Water and wastewater	1,022	65	(8)	965
Electricity distribution	279	10	4	265
	1,301	75	(4)	1,230

Water and wastewater expenses

£m	2004	2003
Depreciation	171	154
Infrastructure renewals	88	97
Other costs	392	357
Total costs	651	608

Electricity expenses

£m	2004	2003
Depreciation	52	53
Other costs	78	66
Total costs	130	119

Depreciation

£m	2004	2003
Licensed multi-utility operations	311	304
Infrastructure management	9	7
Business process outsourcing	25	17
Telecommunications	20	20
Other	3	2
Total	368	350

Weighted average number of shares used for adjusted EPS calculations (2003/04 and 2004/05)

- For the year ended 31 March 2004 (366 days) adjusted basic weighted average number of shares = 680.1m, calculated as:
  - (556.7m x (170/366) x (1/0.8646)) + (711.6 x 196/366) = 680.1m

Shares in issue for 170 days

rights issue adjustment factor

Shares in issue for 196 days

- For the year ending 31 March 2005, weighted average number of shares are expected to be around 711.6m*

* assuming no further issuance in share capital in 2004/05

Weighted average number of shares used for adjusted EPS calculations (2005/06 onwards)

- For the year ending 31 March 2006, weighted average number of shares are expected to be around 825m*
  - (711.6m x 97/365) + (866.2 x 268/365) = 825.1m

Shares in issue for 97 days**

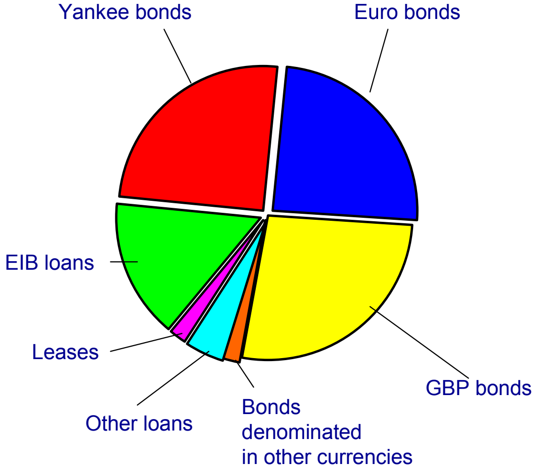
Shares in issue for 268 days after 2nd stage of rights issue

- From 2006/07 onwards weighted average number of shares are expected to be around 866m*

* assuming no further issuance in share capital except 2nd stage of rights issue
** assuming new ordinary shares are issued on 6 July 2005

Financing & liquidity as at 31 March 2004

Gross debt = £4,469.7m



Headroom / prefunding

	£m
Cash and short term investments	1,031.3
Committed medium term bank facilities*	723.1
	1,754.4

* Excludes committed facilities maturing within one year (£50m)

Debt structure at 31 March 2004

United Utilities PLC
A3, Stable ; BBB+, Positive

Loans to UUW

Yankees:
- **$350m in 05's**
- $500m in 08's
- $250m in 18's
- $350m in 19's
- **$400m in 28's**

Euro MTN:
- JPY3bn in 08's
- USD10m in 08's
- EUR10m in 08's

United Utilities Water PLC
A2, Stable ; A-, Positive
Regulated by Ofwat

Euro MTNs:
- €1,000m in 07's
- €600m in 09's
- £150m in 10's
- £150m in 18's
- £300m in 27's
- £50m in 32's
- Various totaling £158.3m

Other term debt:
- £595.3m EIB loans
- £81m in leasing
- £75m bank loan
- £86.9m Other loans

United Utilities Electricity PLC
A2, Stable ; A-, Positive
Regulated by Ofgem

Euro sterling bond:
- £450m in 26's

Other term debt:
- £90m EIB loan

Notes:
1. 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 plc, 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.