

United Utilities Group PLC
26 January 2011

UNITED UTILITIES INTERIM MANAGEMENT STATEMENT

United Utilities today issues an interim management statement for the period 1 October 2010 to 25 January 2011.

Trading update

Current trading is in line with the group's expectations of delivering a solid underlying financial performance for 2010/11.

United Utilities has made good progress in the early part of the new regulatory period and capital investment in the company's assets has continued at high levels, helping the business to meet strict regulatory and environmental standards and deliver an improved service for customers.

Regulated revenue was slightly higher than anticipated in the first half of 2010/11. This positive trend is continuing, although it is expected that regulated revenue will be a little lower in the second half of the year, compared with the first half, reflecting seasonality. In line with the planned phasing of the capital investment programme, it is expected that infrastructure renewals expenditure and depreciation will be higher in the second half of 2010/11 compared with the first six months of the financial year.

In December 2010, the RPI inflation index for November 2010 was published and this annual inflation rate will be included in the allowed regulated price limits for the financial year starting 1 April 2011.

Improving operational performance is a key priority for United Utilities. The recent adverse winter weather has increased leakage levels, although the outstanding effort and commitment demonstrated by the group's employees has helped maintain services and minimise the impact on customers. The business is continuing to work hard as it strives to meet its regulatory leakage target in a challenging operating environment.

Dividend

On 24 November 2010, the Board declared an interim dividend of 10 pence per ordinary share, in respect of the six months ended 30 September 2010, which is scheduled to be paid on 2 February 2011 and amounts to approximately £68 million. This is consistent with the group's intention to pay a total dividend for the 2010/11 financial year of 30 pence per ordinary share. Thereafter, United Utilities intends to continue with its dividend policy of targeting a real growth rate of RPI+2% per annum through to 2015.

Non-regulated disposal programme complete

In November 2010, the group completed its non-regulated disposal programme. The cash proceeds from the sale transactions that completed after 30 September 2010,

which included the group's holding in Meter Fit, its Australian business and its principal UK and European non-regulated water interests, will therefore be included in the net debt position as at 31 March 2011. As indicated previously, United Utilities intends to retain the proceeds within the group.

Financial position

United Utilities' financial position remains robust and its asset base continues to grow in line with management's expectations, reflecting continued high levels of capital investment. The group has headroom to cover its projected financing needs through to the summer of 2012, in line with its policy of maintaining a healthy level of headroom on a rolling basis.

Group net debt is currently slightly lower compared with the position at 30 September 2010, ahead of payment of the 2010/11 interim dividend.

Board changes

Russ Houlden joined the group on 1 October 2010 as Chief Financial Officer from Telecom New Zealand.

Steve Mogford joined the group on 5 January 2011 as Chief Executive designate and will replace Philip Green when he leaves the group on 31 March 2011.

Outlook

Looking ahead, management is confident of delivering a solid underlying financial performance for the year ending 31 March 2011. United Utilities has made good progress in the first year of the 2010-15 regulatory period and will continue with its strong focus on improving operational performance and cost efficiency. The company remains confident of delivering outperformance over the five-year period.

In line with its usual practice, United Utilities intends to issue a pre-close trading update on 24 March 2011.

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