

United Utilities Group PLC  
22 July 2011

## **UNITED UTILITIES GROUP PLC 2011 ANNUAL GENERAL MEETING AND INTERIM MANAGEMENT STATEMENT**

United Utilities issues a trading update, for the period 1 April 2011 to 21 July 2011, ahead of its Annual General Meeting to be held today at The Midland Hotel, Peter Street, Manchester. Commenting on the group's performance for the year ended 31 March 2011, Chairman, Dr John McAdam, will say:

“We made good progress in the first year of the new five-year regulatory period and have delivered a sound set of financial results. The results reflect the impact of the regulatory price settlement with lower average prices for our customers last year, coupled with substantial investment in our region. This sustained high level of investment provides further benefits for our customers, our shareholders and the environment.

“In line with our policy, the board has proposed a final dividend of 20 pence per share. Taken together with the interim dividend of 10 pence, paid in February, the total dividend for the 2010/11 year is 30 pence per share. Looking ahead, we plan to continue with our policy of targeting real dividend growth of RPI plus two per cent per annum through to at least 2015.”

### Trading update

Current trading is in line with the group's expectations and the company's efficiency initiatives continue to progress well. Revenue is higher, reflecting the impact of the regulated price increase for 2011/12 of 4.5% nominal (0.2% real price decrease plus 4.7% RPI inflation). However, as expected, this increase in revenue is offset by higher depreciation and infrastructure renewals expenditure, alongside other inflationary cost pressures. Notwithstanding this, the business remains on track to deliver its outperformance targets. Capital expenditure has continued at high levels and is expected to be higher in 2011/12, compared with last year.

Improving operational performance is a key area of focus for the group. The business met its regulatory leakage target for the fifth consecutive year in 2010/11, despite exceptional adverse winter weather. Water resources in the region are at healthy levels, with water stocks currently at 81% of capacity which is marginally ahead of typical levels for this time of year.

The UK government has now passed legislation in respect of the transfer of private sewers and drains to the water and sewerage companies and this transfer is scheduled to take place from 1 October 2011. United Utilities has been preparing for this for some time to help ensure a smooth transfer.

### Financial position

The group's financial position remains robust and its regulatory capital asset base continues to grow. United Utilities Water agreed a new £200 million index-linked

loan facility with the European Investment Bank in March 2011, with an average annual real interest rate of 1.2% and an average term of approximately 11 years. The first £50 million tranche was drawn in March, £50 million in April and two further £50 million tranches in May. During 2011/12, the group has also renewed £100 million of bank facilities. United Utilities has headroom to cover its projected financing needs into 2013, consistent with its policy of maintaining a healthy level of headroom on a rolling basis.

As expected, group net debt is slightly higher compared with the position at 31 March 2011 reflecting continued high levels of capital investment. This is before payment of the proposed 2010/11 final dividend, which is scheduled for 1 August 2011 and totals approximately £136 million.

The UK government on 5 July 2011 substantively enacted the change to reduce the mainstream rate of corporation taxation from 26% to 25% from 1 April 2012. This is expected to result in a deferred taxation credit of approximately £50 million, which will be recognised in the financial statements for the first half of 2011/12.

### Outlook

The group expects to deliver a sound underlying financial performance for 2011/12, despite ongoing cost pressures. United Utilities has a clear focus on improving operational performance and outperforming its regulatory contract, and the company's efficiency initiatives are progressing well. The board intends to continue with its dividend policy of targeting an annual growth rate of 2% above RPI inflation through to at least 2015.

In line with its usual practice, United Utilities intends to issue a pre-close trading update on 22 September 2011.

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