

United Utilities Group PLC
22 September 2011

UNITED UTILITIES TRADING UPDATE

United Utilities Group PLC today issues an update for the six months ending 30 September 2011. Current trading is in line with the group's expectations and the company's operational and efficiency initiatives continue to progress well. The business remains on track to deliver its outperformance targets.

As outlined in the group's 2010/11 full year results, published on 26 May 2011, United Utilities has now adopted a single segment for financial reporting purposes.

Revenue in the first half of this year is higher than the corresponding period last year, largely as a result of 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 outlined previously, operating expenses are also expected to rise, principally as a result of higher infrastructure renewals expenditure and depreciation, alongside other inflationary cost pressures. It is anticipated that regulatory capital investment and depreciation will be higher in the second half of 2011/12, compared with the first half of the year.

United Utilities' financial position remains robust with the group having headroom to cover its projected financing needs into the second half of 2013, consistent with its prudent liquidity policy. Reflecting this robust financing position, the group intends to accelerate approximately £100 million of previously agreed pension deficit payments, providing a higher investment return for the group than could have been achieved through short term deposits.

The underlying net finance expense for the first half of 2011/12 is expected to be slightly higher than the first half of last year. This reflects additional finance expense relating to the £200 million index-linked loan facility with the European Investment Bank, drawn down between March and May 2011, and marginally higher RPI inflation in respect of the group's index-linked debt with an eight month lag.

A deferred taxation credit of approximately £50 million will be recognised in the financial statements for the first half of 2011/12. This follows the UK government substantively enacting the change to reduce the mainstream rate of corporation taxation from 26% to 25% from 1 April 2012. A similar credit was also recognised in the first half of last year.

Group borrowings, net of cash and short term deposits and derivatives, at the half year are expected to be moderately higher than the position at 31 March 2011. This principally reflects expenditure on the regulatory capital investment programme, payment of the 2010/11 final dividend and payments in relation to pensions, interest and tax, partly offset by operational cash flows.

United Utilities will announce its half year results on 23 November 2011.

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