

26 July 2013

United Utilities Group PLC 2013 Annual General Meeting and Interim Management Statement

United Utilities issues an interim management statement, for the period 1 April 2013 to 25 July 2013, ahead of its annual general meeting to be held today at The Midland Hotel, Peter Street, Manchester.

Trading update

Current trading is in line with the group's expectations. Revenue is higher, reflecting the regulated price increase for 2013/14. However, as expected, this increase is slightly below the allowed regulated price rise, principally reflecting the continuing impact of a tough economic climate on commercial volumes. The increase in revenue is partly offset by higher depreciation and other operating costs, as expected.

As planned, capital investment has continued at high levels as United Utilities invests to maintain and improve services for customers and deliver further environmental benefits, as well as providing a positive contribution to the regional economy. Regulatory capital investment for 2013/14, including infrastructure renewals expenditure, is expected to be around £800 million.

We continue to deliver improvements in customer service, underpinned by good operational performance. The ten water and sewerage companies have now published their 2012/13 Ofwat key performance indicator reports and we are pleased to report an above average performance across this range of operational metrics. In addition, the ten companies have recently published their overall service incentive mechanism (SIM) scores for 2012/13 and we were delighted to note that United Utilities is again the most improved company over the year. We have also made an encouraging start to the 2013/14 financial year, with our first quarter performance on Ofwat's qualitative SIM score showing a further improvement in customer satisfaction.

Financial position

United Utilities' financial position remains robust. Group net debt is marginally lower, compared with the position at 31 March 2013, despite continued high levels of capital investment. This is before payment of the proposed 2012/13 final dividend, which is scheduled for 2 August 2013, and totals approximately £156 million. Gearing remains stable and in the middle of Ofwat's assumed range, supporting a solid A3 credit rating for United Utilities Water PLC.

The UK Government, on 2 July 2013, substantively enacted the changes to facilitate the staged reductions in the mainstream rate of corporation taxation from 23% to 21%, with effect from 1 April 2014, and from 21% to 20%, with effect from 1 April 2015. This is expected to result in a deferred taxation credit of around £150 million, which will be recognised in the financial statements for the first half of 2013/14.

Board changes

Paul Heiden will stand down at today's annual general meeting, after over seven years as a non-executive director. Brian May, who joined the Board in September 2012, will take over Paul's position as chair of both the Audit and Risk Committee and the Treasury Committee. Nick Salmon, who is senior independent non-executive director, will be appointed as a member of the Audit and Risk Committee. These appointments will become effective at the conclusion of today's annual general meeting.

Outlook

The group expects to deliver a good underlying financial performance for 2013/14. The business will continue with its strong focus on customer service through sound operational performance and sees plenty of opportunities for further improvements. The company remains well on track in

delivering its 2010-15 regulatory outperformance targets. The board's dividend policy of targeting 2% per annum growth above the rate of RPI inflation through to at least 2015 continues to be underpinned by a robust capital structure.

In line with its usual practice, United Utilities intends to issue a pre-close trading update on 19 September 2013.

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