

United Utilities Group PLC
30 January 2014

UNITED UTILITIES INTERIM MANAGEMENT STATEMENT

United Utilities today issues an interim management statement covering the period from 1 October 2013.

Trading update

Current trading is in line with the group's expectations. Customer service is continuing to improve, as measured by Ofwat's service incentive mechanism, underpinned by good operational and environmental performance. We continue to narrow the gap to sector leading performance. Revenue has increased, reflecting the regulated price change for 2013/14. This revenue increase is only partly offset by higher depreciation and other operating costs, as the company continues to tightly manage its cost base.

United Utilities continues to make good progress on its regulatory capital investment programme and remains on track to invest at least £800 million in its asset base in 2013/14, delivering benefits for customers, the environment and the regional economy. We intend to undertake transitional investment in 2014/15 to de-risk key projects due to be delivered in the next regulatory period. In light of this, expenditure on our 2014/15 capital investment programme, including spend relating to private sewers, is expected to be similar to 2013/14.

Financial position

United Utilities' financial position remains robust and its regulatory capital asset base continues to grow, reflecting high levels of capital investment and the impact of RPI inflation. Group net debt is slightly higher compared with the position at 30 September 2013. This principally reflects expenditure on the regulatory capital investment programme and payments in relation to interest and taxation, largely offset by operational cash flows and fair value gains on the group's debt and derivative instruments. Gearing remains stable and comfortably within Ofwat's assumed range (55% to 65% net debt to regulatory capital value), supporting a solid A3 credit rating for United Utilities Water.

The group now has headroom to cover its projected financing needs into 2016, following the recent agreement of a £500 million term loan with the European Investment Bank to support the delivery of our capital investment programme. The loan, which can be taken in either fixed or floating interest rate form, will have an average maturity of 10 years and is expected to be drawn down via a number of tranches within the next 12 months.

Regulatory developments

On 2 December 2013, we submitted a business plan to Ofwat covering the 2015-20 period. The plan would allow our customers to benefit from below inflation changes to average household bills for the decade to 2020, coupled with substantial capital investment to maintain and improve services, as well as providing significant benefits to the environment and the local economy. Development of the plan included extensive research, involving around 27,000 customers and other stakeholders.

On 19 December 2013, Ofwat published a revised price review process and timetable. As part of this process, on 27 January 2014, Ofwat published risk and reward guidance for the industry. This included guidance on certain financial parameters for the 2015-20 period, which we are currently reviewing.

Board changes

Mark Clare was appointed as a non-executive director of both United Utilities Group PLC and United Utilities Water PLC with effect from 1 November 2013 and is a member of the Audit Committee and the Nomination Committee. Mark is Group Chief Executive at Barratt Developments PLC, a position that he has held since 2006.

Outlook

United Utilities is confident of delivering a good underlying financial performance for the year ending 31 March 2014 and is ahead of schedule in meeting its 2010-15 regulatory outperformance targets. We are encouraged by our operational and customer service performance improvements and believe we can improve further. We will continue to actively engage with our regulators, ahead of the draft and final determinations from Ofwat later this year.

In line with its usual practice, United Utilities intends to issue a pre-close trading update on 20 March 2014.

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