

20 March 2014

United Utilities Trading Update

Current trading is in line with the group's expectations for the year ending 31 March 2014. Customer service continues to improve, as measured by Ofwat's service incentive mechanism, underpinned by good operational and environmental performance, and the company remains ahead of schedule in delivering its 2010-15 regulatory outperformance targets.

Revenue is expected to be higher than last year, reflecting the regulated price change for 2013/14. Underlying operating profit for 2013/14 is anticipated to be moderately higher than 2012/13, as the company continues to manage its cost base tightly. The underlying net finance expense for 2013/14 is expected to be similar to last year.

United Utilities has made good progress on its regulatory capital investment programme and expects to invest over £800 million in its asset base in 2013/14. This substantial investment helps to maintain and improve services for customers, delivers further environmental benefits and provides a significant contribution to the regional economy.

Group net debt at 31 March 2014 is expected to be similar to the position at 30 September 2013. This reflects capital investment, payment of the 2013/14 interim dividend and payments in relation to interest and tax, offset by operational cash flows, fair value gains on the group's debt and derivative instruments and the receipt of a previously announced one-off tax rebate. Gearing at the year end is expected to be lower than the position at 30 September 2013, reflecting growth in the regulatory capital value. This gearing level remains well within Ofwat's assumed range (55% to 65% net debt to regulatory capital value), supporting a solid A3 credit rating for United Utilities Water.

United Utilities will announce its full year results on 22 May 2014.

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