

United Utilities Group PLC  
25 July 2014

## **UNITED UTILITIES GROUP PLC 2014 ANNUAL GENERAL MEETING AND INTERIM MANAGEMENT STATEMENT**

United Utilities issues an interim management statement, for the period 1 April 2014 to 24 July 2014, ahead of its annual general meeting to be held today.

### Trading update

Current trading is in line with the group's expectations. Revenue has increased, reflecting the regulated price rise for 2014/15, partly offset by the previously announced special customer discount of c£20 million which has been applied to this year's bills. This increase in revenue is largely offset by higher depreciation and other operating costs, as expected.

Our capital investment programme is progressing well and, as planned, this has continued at high levels as we invest to maintain and improve services for customers and deliver further environmental benefits. This also provides a significant contribution to the regional economy. Regulatory capital investment for 2014/15, including infrastructure renewals expenditure, is expected to be similar to the high level of investment in 2013/14.

We continue to deliver improvements in customer service, underpinned by good operational performance. The water and sewerage companies have now published their 2013/14 Ofwat key performance indicator reports and we are pleased to report a top quartile performance across this range of operational metrics. In addition, companies have recently published their overall service incentive mechanism (SIM) scores for 2013/14 and we have achieved an above average score across the industry on this measure, representing continued year-on-year improvement.

### Financial position

United Utilities' financial position remains robust. Group net debt is similar to the position at 31 March 2014, despite continued high levels of capital investment. This is before payment of the proposed 2013/14 final dividend, which is scheduled for 1 August 2014, and totals approximately £164 million. Gearing remains well within Ofwat's 2010-15 assumed range of 55% to 65% net debt to regulatory capital value. This supports a solid A3 credit rating for United Utilities Water PLC (UUV). The group has financing headroom into 2016.

### Price review 2014

As scheduled, in June 2014, UUV submitted to Ofwat revisions to its business plan covering the 2015-20 period. The revisions followed discussions with stakeholders on a range of issues including the significant wastewater total expenditure gap between Ofwat's initial cost threshold and our original business plan, as submitted last December. Our business plan means that customers would benefit from below inflation growth in average household bills for the decade to 2020. Ofwat is expected to publish draft determinations on 29 August 2014 and final determinations on 12 December 2014.

## Board changes

Nick Salmon will stand down at today's annual general meeting, having completed nine years as a non-executive director. Mark Clare, who was appointed as a non-executive director on 1 November 2013 and is a member of the Audit Committee and the Nomination Committee, will replace Nick as senior independent director. This will become effective at the conclusion of today's annual general meeting. The Board would like to thank Nick for his valued contribution and wish him well for the future.

## Outlook

The group expects to deliver a good underlying financial performance for 2014/15. Our improved operational and capital delivery performance will provide further customer and environmental benefits. In respect of regulatory outperformance, we are ahead of schedule and remain confident of delivering our 2010-15 targets. We intend to continue with our dividend policy of targeting 2% per annum growth above the rate of RPI inflation through to at least 2015, underpinned by a robust capital structure. We will continue to engage closely with our regulators, before 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 24 September 2014.

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