United Utilities Group PLC
25 March 2015

UNITED UTILITIES TRADING UPDATE

Current trading is in line with the group's expectations for the year ending 31 March 2015. Over the last four years, United Utilities has delivered significant operational performance and customer service improvements and has exceeded its 2010-15 regulatory outperformance targets.

Operational performance and customer service

Customer service remains a primary area of focus and we continue to make progress, reflected in a further reduction in customer complaints. Under Ofwat's key indicators, our asset serviceability performance has been good, with all four major asset classes rated either 'stable' or 'improving'. This strong performance was recognised in Ofwat's final determination in December 2014, with no penalties relating to asset serviceability or the service incentive mechanism (SIM).

Capital delivery

Our capital delivery performance in this regulatory period has been very good, as we invest to maintain and improve services for customers and deliver further environmental benefits. Regulatory capital investment for 2014/15, including infrastructure renewals expenditure and transitional investment, is expected to be over £850 million. This substantial capital programme also makes a significant contribution to the regional economy, providing new investment and supporting employment.

Financials

Revenue this year is expected to be slightly higher than last year, reflecting the regulated price allowance for 2014/15 partly offset by the impact of the previously announced one-off special customer discount of around £20 million.

We expect a modest increase in underlying operating profit for 2014/15, compared with last year, as we continue to tightly manage our cost base despite the expected increase in depreciation and other cost pressures, including bad debts. As planned, there has also been a moderate reduction in infrastructure renewals expenditure this year as we transition from this regulatory period to the next.

The underlying net finance expense for 2014/15 is anticipated to be markedly lower than 2013/14, mainly as a result of the impact of lower RPI inflation on our index-linked debt.

As the company continues to invest in its asset base, we expect a modest increase in group net debt at 31 March 2015 compared with the position at 30 September 2014. This principally reflects regulatory capital expenditure, payment of the 2014/15 interim dividend and payments in relation to interest and tax, alongside fair value losses on the group's debt and derivative instruments, largely offset by operational cash flows. Gearing remains well within our target range of 55% to 65% net debt to regulatory capital value, supporting a solid A3 credit rating for United Utilities Water.

Accounting change

As outlined previously, from 1 April 2014, a change under IFRS11 impacts the accounting treatment of the group's investment in Tallinn Water (moving from proportional consolidation to equity accounting). To reflect the new accounting treatment, the prior year financials will be restated (consistent with the restatements made at the half year results). This reduces underlying operating profit for 2013/14 by £7 million, but with minimal impact on underlying profit before tax.

United Utilities will announce its full year results on 21 May 2015.

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