

UNITED UTILITIES TRADING UPDATE

Current trading is in line with the group's expectations for the six months ending 30 September 2017.

Industry leading operational performance, innovation and customer service

Our industry leading operational performance is delivering value for customers, shareholders and the environment. In July we were one of only two companies to retain the 'Industry Leading Company' status as measured through the Environment Agency's annual assessment and, earlier this month, we retained our Dow Jones Sustainability Index 'World Class' rating for the tenth consecutive year.

The acceleration of investment in our assets across this regulatory period has helped secure the benefit of operational efficiencies early and deliver the cost savings underpinning our business plan. Total regulatory capital investment for 2017/18, including infrastructure renewals expenditure (IRE), is expected to be around £800 million. This continued high level of investment will help deliver further improvements in operational performance and customer satisfaction and includes the first £20 million of the additional investment in resilience for the benefit of customers as announced in our full year results.

We continue to roll out further capability through our innovative Systems Thinking approach. This enables us to manage our entire network as a system using our integrated control centre, delivering operational improvements and cost savings across the regulatory period. Last year we successfully implemented a number of industry leading innovations in our customer service offering. We are on track to implement further initiatives this year, harnessing the opportunity for co-design with customers where appropriate.

PR19

As expected, Ofwat published its consultation on the PR19 methodology on 11 July to which we responded on 30 August. Alongside our engagement with Ofwat, we continue to conduct extensive engagement with customers as we develop and shape our business plan submission.

Financials

Group revenue is expected to be just under 3% higher than the first half of last year, reflecting our allowed regulatory revenue changes, partly offset by the accounting impact of our Water Plus business retail joint venture, which completed on 1 June 2016.

Underlying operating profit for the first half of 2017/18 is expected to be higher than the first half of 2016/17. It is anticipated that IRE in the first half of 2017/18 will be slightly lower than the first half of last year. In line with our planned capital investment phasing, we expect an increase in IRE in the second half of 2017/18, compared with the first half of the year.

RPI inflation has increased further in the first half of the year which has the effect of increasing the company's regulatory capital value (RCV). Since United Utilities is well hedged for inflation, there is also an impact of higher RPI inflation on our index-linked debt and we expect the underlying net

finance expense for the first half of 2017/18 to be around £30 million higher than the first half of last year.

As the company continues to invest in its asset base, we expect a small increase in group net debt at 30 September 2017 compared with the position at 31 March 2017.

In July, United Utilities' credit ratings were upgraded by Standard & Poor's, with United Utilities Water being raised one notch to A- from BBB+. Our operational performance is supported by a robust capital structure and effective pensions hedging. Gearing remains comfortably within our target range of 55% to 65% net debt to RCV, supporting a solid A3 credit rating for United Utilities Water with Moody's, and the group has financing headroom into 2019.

Half year results

United Utilities will announce its 2017/18 half year results on 22 November 2017.

United Utilities contacts:

Gaynor Kenyon, Corporate Affairs Director	+44 (0) 7753 622282
Robert Lee, Head of Investor Relations	+44 (0) 1925 237033
Sam Chiene / Peter Hewer, Tulchan Communications	+44 (0) 20 7353 4200

LEI 2138002IEYQAOC88ZJ59
Classification – Trading update