United Utilities Group PLC
Full year results
Year ended 31 March 2012

Good morning and welcome ladies and gentlemen to our full year results presentation.

When Russ and I first presented to you a year ago, I said that our objective is for UU to be considered as a leading North West service provider and to become one of the best UK water and wastewater companies.

This last year has seen us make significant progress toward that objective with delivery of greater customer satisfaction plus good performance on our capital programme, whilst continuing to improve our operational efficiency.

We see plenty of opportunity to deliver further improvements and this morning we will show you what we have achieved so far and provide you with some of the background detail.

Agenda

- Overview
- Operational performance
- Financial performance
- Political and regulatory developments
- Summary
- Q&A

3

This is the agenda for this morning's presentation.

I'll start by providing an overview of our recent achievements.

Overview
Delivering for our customers

- Marked shift in customer satisfaction delivered
- Joint highest improvement on qualitative SIM measure in 2011/12
- SIM quantitative measure improved by 49% in 2011/12
- Regulatory leakage target delivered for sixth consecutive year
- £680m invested in capex programme with outputs on track

4

Our focus on customer service is continuing to deliver good results.

Our revised customer handling arrangements have led to a marked shift in customer satisfaction. We achieved the joint highest sector improvement on Ofwat's qualitative service incentive mechanism (SIM) score for 2011/12. We also improved our quantitative SIM score by a further 49 per cent last year, representing a second year in which we halved our score.

Ofwat has a revenue reward/penalty mechanism linked to relative performance on SIM and 2011/12 is the first of three measured years that will be used to assess performance. This can range from a reward of up to half a per cent of revenue to a penalty of up to one per cent of revenue across the five years, which represents a range of around £110 million for us. Our results this year set us on a positive trajectory.

We are pleased to report that we beat our leakage target last year - the sixth consecutive year we have met or outperformed our target. This, combined with reservoir stocks in excess of 90 per cent, provides us with a robust water supply and demand position as we approach the summer.

We invested £680 million in the full year on our capital programme taking our cumulative spend to £1.3 billion over the first two years of this regulatory period. Importantly, we are on track to deliver our outputs.

So, a good year, although we recognise that we have more to do.

Overview
Delivering our promises

- On track to meet regulatory outperformance targets
- Confident of delivery of at least £50m opex outperformance over 2010-15
- Cumulative opex outperformance of >£20m delivered across 2010-12
- Capital delivery TCQi* performance up from c50% to >80%
- Bad debt at 2.2% of revenue, despite tough economic climate
- Robust financing: substantially repaid all term debt due in 2010-15
- Sustainable dividend policy with growth target of RPI+2% p.a.

*Time: Cost: Quality index

Now, turning to our financial performance.

Our business improvement initiatives are progressing well and we are on track to deliver our regulatory outperformance targets.

Progress to date supports our confidence in delivering our target of at least £50 million of opex outperformance in this regulatory period and we have now delivered cumulative opex outperformance of over £20 million in the first two years.

Our new time, cost and quality index, TCQi, has shown a satisfying improvement in capital delivery performance from around 50 per cent in 2010/11 to over 80 per cent for 2011/12.

Despite the difficult economic environment, particularly in the North West, we have delivered another good performance with bad debts standing at 2.2 per cent of revenue for 2011/12.

We continue to benefit from a robust financing position and have now substantially repaid all of our term debt due in the 2010-15 regulatory period.

We recognise the importance to our investors of a sustainable dividend policy and believe that our current policy, with a growth target of two per cent per annum above RPI inflation, to at least 2015, remains sustainable, all underpinned by a robust capital structure.

Overall, we have delivered a good underlying financial performance, despite a tough economic climate, whilst continuing to improve customer satisfaction and invest heavily in our assets.

Operational performance

- **Best service to customers**
- Lowest sustainable cost
- Responsible manner

6

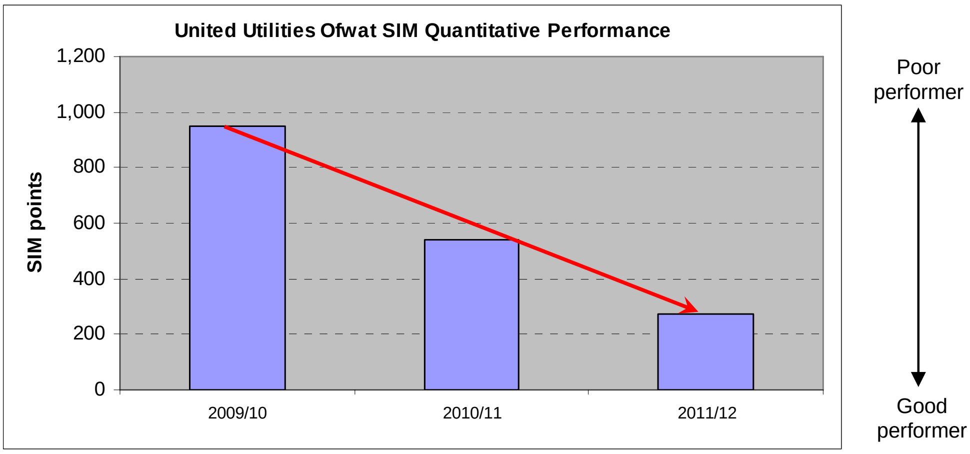
We aim to deliver long-term shareholder value by providing the best service to customers, at the lowest sustainable cost and in a responsible manner.

So, starting with customer performance.

Service Incentive Mechanism
Score halved again for second year

<u>Quantitative</u>

- 49% improvement in 2011/12 vs 2010/11 score
- Continued improvement across second half



7

We have a customer experience programme that underpins our drive for improved customer service. At the half year, we reported a substantial improvement in our customers' satisfaction with the service we provide and we are pleased to report that this trend has continued through the second half.

Ofwat's service incentive mechanism comprises a quantitative assessment, based upon complaints and other customer contact measures, and a qualitative assessment, which I'll discuss on the next slide, that seeks to measure our customers' perceptions of how we handle their enquiries.

This chart shows our continued improvement in quantitative SIM score.

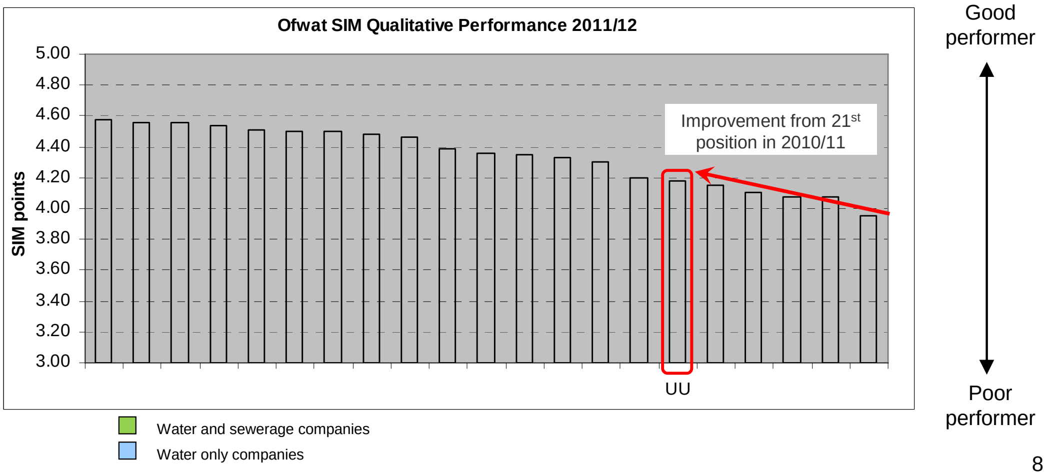
Last year, we improved our quantitative score by almost half over the indicative position for 2009/10. This closed the gap between UU and the rest of the sector by moving us from outlier to fourth quartile. Our ongoing drive in this area has delivered a further 49 per cent improvement in 2011/12. We are also encouraged by the run rate achieved in the second half of this year, which gives us a good platform for further improvement next year.

We won't know our revised position, relative to the rest of the sector, until Ofwat publishes its assessment later in the year, but directionally this is very encouraging progress.

Service Incentive Mechanism
Encouraging progress to date

Qualitative

- 0.39 point current year improvement – joint best of all 21 water companies
- Improving trend – up from 21st to 16th position for the current year



8

Now, turning to our qualitative assessment.

This chart demonstrates our progress in 2011/12.

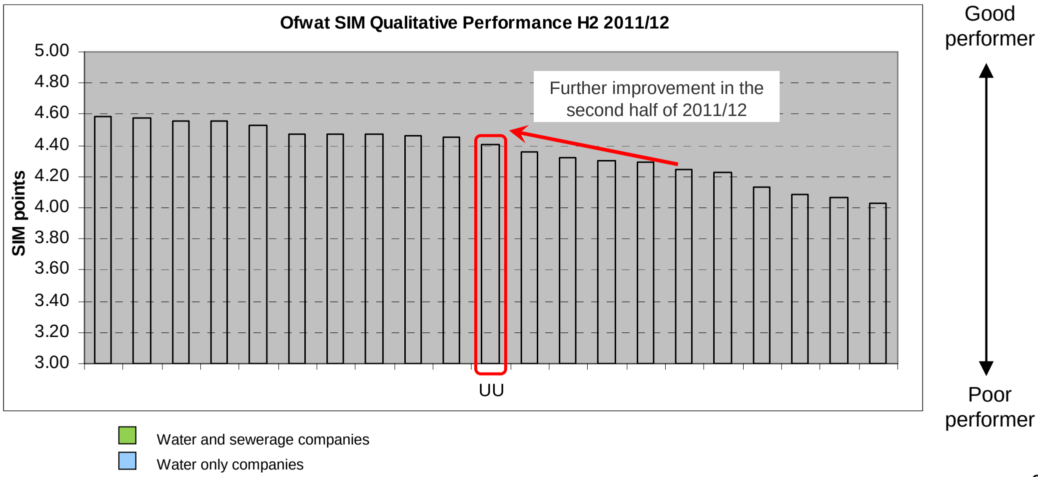
Across the year we have improved our score by 0.39 points to 4.18 points. This is the joint best improvement in the year and has moved us up five places to 16th across the sector and gives us 6th position amongst the ten water and sewerage companies.

This next chart shows how we have accelerated our performance in the second half of the year.

Service Incentive Mechanism
Second half run rate = mid-ranking position

Qualitative

- UU moves up to a mid-ranking position for H2 2011/12



9

You can see that our performance in quarters three and four, puts us 11th in the sector and fifth amongst the water and sewerage companies.

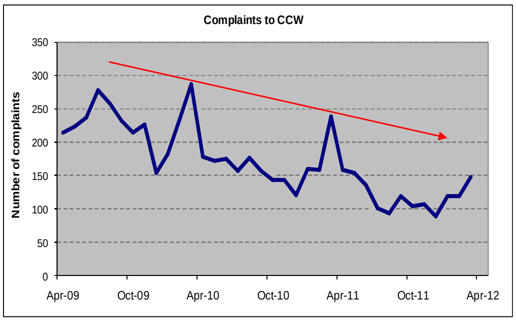
We are pleased with our progress in 2011/12, which is the first of three years that counts towards Ofwat's SIM assessment.

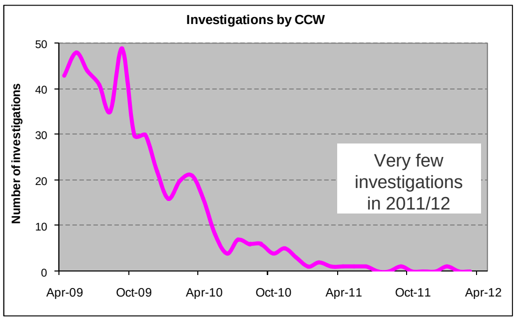
We do, however, recognise that there is still much to be done and other companies will also be striving to improve further on this relative measure.

We will continue our efforts across the board and our target is to attain an above average position, as measured across the three years, to place us in reward territory. Given our first year performance, this would be a great result.

Reduction in customer complaints
Improving trend continuing

- Substantial reduction in escalated complaints
- Further reduction of 27% in total number of complaints to CCW[1] in 2011/12
- Further reduction in contacts considered by CCW[1] to warrant investigation





[1] Consumer Council for Water

10

And finally, complaints escalated to the Consumer Council for Water (CCW) can score heavily against us under the SIM framework. These two charts show how our revised customer handling arrangements are delivering a significant reduction in complaints escalated to CCW.

The left hand chart shows the number of customer contacts the CCW received about UU. The chart shows an annual main billing 'spike' but, building on a significant improvement in 2010/11, the number of CCW complaint contacts reduced by a further 27 per cent this year, another good performance.

The right hand chart shows the number of customer complaints considered by CCW to warrant investigation. Here you can see that we have delivered a sustained improvement over the course of the 2011/12 financial year, with several months where we achieved zero investigations, which has to be our goal.

These scores reflect the considerable effort we are making to provide first time resolution to customer issues.

Customer satisfaction will remain a high priority for us. We clearly still have significant scope for improvement, but I am pleased that our focus in this area is delivering results.

Operational performance

- Best service to customers
- **Lowest sustainable cost**
- Responsible manner

Moving on to efficiency.

Cost control initiatives
On track

- **Customer service** – improving customer experience and efficiency
- **Debt collection** – detailed action plan being implemented
- **Proactive asset management** – identify and address issues before they impact
- **Asset optimisation programme** – optimising chemical and power usage
- **Systems and processes** – streamlining, IT services brought back in house
- **Pensions** – more sustainable and lower risk approach
- **Power hedging** – substantially locked in rates to 2015 securing outperformance

12

Our efficiency savings are coming from a broad range of areas and this slide outlines a number of the key initiatives we are implementing. I have mentioned before that we need to find £150 million of efficiency savings under Ofwat's final determination. We have also set ourselves the challenge of delivering a further £50 million and these initiatives are, together, making a significant contribution.

We are making good progress.

I have already discussed our customer service improvements and our focus on getting things right first time is helping to improve our efficiency.

We have a detailed action plan in the area of debt collection and this has helped us deliver another good performance this year, which Russ will talk about later.

We are continuing to introduce a more proactive approach to asset and network management, with the aim of improving our sensing and modelling to enable us to address more asset and network problems before they affect customers, thereby reducing the level of reactive work and improving efficiency.

Our asset optimisation programme is progressing well, providing more effective use of resources including power and chemicals. Overall, we are targeting approximately £9 million of annual savings from this programme by 2013/14.

We are streamlining our systems and processes and we have brought our IT services back in house to provide greater control of our IT assets and applications.

We have placed our pension schemes on a more sustainable footing, with a lower risk approach.

In the area of power, we have fixed unit rates for the majority of our requirements through to 2014/15, delivering outperformance versus the regulatory contract.

We are also continuing the use of combined heat and power assets to expand our energy self sufficiency and I will provide an update on our renewable energy position later.

Capital delivery
Spend and outputs on track

- Focus on delivering commitments efficiently and on time
- TCQi performance up from c50% in 2010/11 to over 80% for 2011/12
- £1.3bn of capex delivered in first two years of regulatory period
- Spend broadly in line with regulatory allowance after adjusting for COPI
- Expect capex of c£700m in 2012/13

13

Now, on to capital delivery.

We have a strong focus on delivering our commitments efficiently and on time.

We talked about our enhanced capital investment governance process last November, supported by our new performance measure, the Time: Cost: Quality index or TCQi.

Looking back to the 2010/11 financial year, our TCQi score was around 50 per cent. This has now improved to in excess of 80 per cent for the full year. Our long-term aim is to achieve over 90 per cent, which is an ambitious but realistic goal.

Across the business, we delivered £680 million of capital investment in 2011/12, taking our cumulative spend to approximately £1.3 billion over the first two years of this regulatory period.

This spend is broadly in line with our regulatory allowance, after adjusting for the construction output price index (COPI) which is consistent with Ofwat's treatment at the next price review.

We are also on track to deliver our outputs.

We are aiming for a smoother and more efficient investment profile in this regulatory period and expect capital expenditure of around £700 million in the 2012/13 financial year, consistent with our five year programme.

I will talk later about a large capital project we have at our Liverpool wastewater treatment works, which will form part of this capital investment programme in the forthcoming year.

Outperformance

On track to deliver targets

- On track to deliver at least £50m of opex outperformance across 2010-15
  - over £20m achieved in 2010-12 period
- On track to deliver capex for regulatory allowance (adjusted for COPI)
- Financing outperformance of >£300m at RPI of c2.5% p.a.
  - c£400m outperformance at RPI of c3.5% p.a. 2010-15
  - net of effect of pensions inflation funding mechanism

14

Our performance this year has reinforced our confidence in delivering the outperformance targets that we set out last May.

In respect of opex outperformance, as I mentioned earlier, we are targeting to deliver a total of at least £50 million, or approximately two per cent of the regulatory allowance, over the 2010-15 period. As a reminder, this is over and above the regulatory challenge already set for us. We are making good progress and have now achieved cumulative opex outperformance of over £20 million in the first two years.

In the area of capital expenditure, we are delivering significant efficiencies and expect to meet Ofwat's revised allowance, as adjusted for COPI.

We have already secured significant financing outperformance in this regulatory period, ranging from £300 million to £400 million based on the inflation assumptions outlined on this slide.

Overall, we are on track to deliver our outperformance targets.

Adoption of private sewers
Expenditure slightly lower than expectations

- New operating model launched 1 October and evolved since then
- Customer contacts, activity levels and expenditure a little below expectations
- Mix of work different: less opex and more enhancement capex
- Half year expenditure: opex £6m and capex £15m (of which £9m IRE)
- Updated total cost estimates for 2011-15 period slightly lower:

£m (Oct 11 to Mar 15 total)	**Opex**	**Infrastructure renewals expenditure**	**Enhancement capex**	**TOTAL**
Initial estimates (at May 11)	55	90	35	**180**
Revised estimates (at May 12)	40	60	60	**160**

15

I'd now like to provide an update on private sewers.

Since the ownership of and responsibility for private sewers was transferred to us last October, the number of customer contacts, the volume of work and the level of expenditure has been a little below expectations. In addition, the mix of work has been slightly different to that initially anticipated, with a greater proportion of expenditure relating to enhancement capex, as we undertake investigations and remedial work on these newly acquired assets.

We have evolved our operating model to reflect the fact that the proportion of work relating to enhancement expenditure has increased. We are obtaining better asset information and, in addition to jetting and cleaning activity, we are undertaking remedial work to improve and, where appropriate, enhance the quality of the infrastructure. This will bring the infrastructure more in line with UU's asset standards and will reduce the risk of future problems for our customers.

We have spent less on opex and infrastructure renewals expenditure (IRE) than anticipated. In the second half of 2011/12, operating expenditure was £6 million and capital expenditure was £15 million, of which £9 million was IRE. This has also resulted in a positive impact on operating profit in the second half of 2011/12.

In light of this, we have outlined a revision to the level and mix of our cost estimates for the period October 2011 to March 2015. This reduces our total estimate for opex by £15 million to around £40 million. Our capex mix is now expected to be more evenly split between IRE and enhancement capex, reflecting experience over the last few months, with a revised estimate of £60 million for each of these expenditure categories.

This lower rate of spend is positive for our customers as it should have a beneficial impact on bills at the next price review and, alongside this, we are also raising asset standards.

It is also good news for our investors, as costs are lower, a greater proportion of spend should be recoverable and we have the opportunity for further growth in the regulatory capital value.

We are still early into the transfer and we'll continue to review these cost estimates based on the levels and type of work seen and will provide updated forecasts as appropriate.

Operational performance

- Best service to customers
- Lowest sustainable cost
- **Responsible manner**

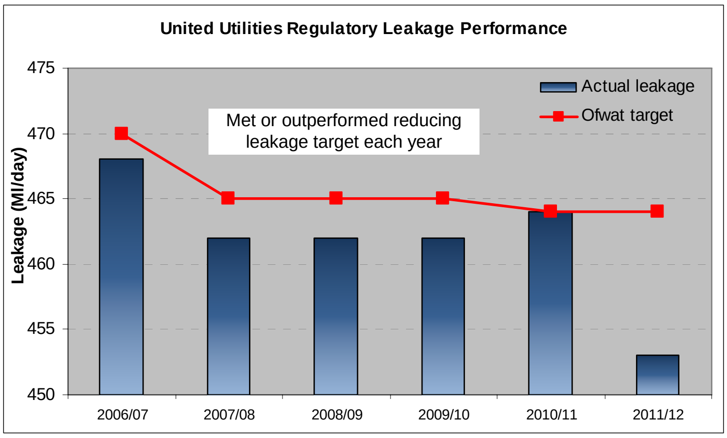
16

Operating in a responsible manner is fundamental to the way we do business.

We play a key part in the North West and as the only FTSE 100 company headquartered in the region are acutely aware of our responsibilities. Our contribution to public health and to the environment are only two aspects of our role. In addition, we are vital to the regional economy with our current five-year investment plan injecting around £7.5 billion into the North West and supporting 9,000 jobs. This includes an active graduate and apprentice programme.

Water supply and demand
Robust leakage performance

- Met or beat regulatory leakage target for sixth consecutive year
- Year round operational focus on leakage



- Reservoirs in line with typical levels for this time of year

17

Turning to leakage.

This is an important issue, particularly in times of drought. To provide some context, leakage levels in the water industry have halved since privatisation.

We were one of only four water and sewerage companies to meet our regulatory leakage target in 2010/11 and I am pleased that we have also beat our leakage target for 2011/12. We have now met or outperformed our targets for the last six consecutive years, as shown on this chart, reflecting our strategy to sustain year round operational focus on leakage.

Overall, our water supply and demand position is robust and our reservoirs are in line with typical levels for this time of year.

Liverpool WwTW enhancement
Delivering environmental benefits and growth

- £200m expansion works to existing wastewater treatment plant
- Serving over half a million customers

- Capacity to cope with 11,000 litres per second of wastewater
- Creating up to 350 jobs during the construction period
- Improved environmental impact

18

There has been a continued drive to improve the standard of wastewater treatment in the Merseyside region for a number of years.

Our Liverpool wastewater treatment works is our largest capital programme in this regulatory cycle and supports the regeneration programme in Merseyside. We received planning approval for this project at the beginning of this year.

This facility, which serves over half a million customers in and around Liverpool, is to receive a £200 million expansion to enhance its capacity to treat up to 11,000 litres of wastewater per second.

It will deliver environmental benefits through higher standards of treatment than possible with the existing plant. It will create up to 350 jobs during the construction period.

The project has been de-risked by discrete project phasing and is well underway with the dock already having been dredged to provide for the foundations and the subsequent in-fill is now almost complete.

This investment programme will deliver both environmental benefits and growth in the company's regulatory capital value.

Renewable energy programme
Clear targets

- On track to meet target[1] of a 21% reduction in carbon emissions by 2015
- Over 100 GWh of renewable energy generated each year
- Renewable generation equates to c14% of our energy use
- Reduced energy purchases by over 20 GWh in 2011/12
- Plans to increase renewable energy generation to 125 GWh by 2015

[1] Reduction measured from a 2005/06 baseline

19

We have a strong focus on reducing our carbon footprint.

UU is fortunate in that the geography of the North West allows us to use gravity to move much of our water around the region. A large proportion of our water comes from upland sources and, as a result, our power bill represents a smaller proportion of our cost base than many of our peers. Even our recently commissioned East-West Link uses gravity to move water from Manchester to Liverpool. Only in exceptional circumstances would we need to pump water the other way.

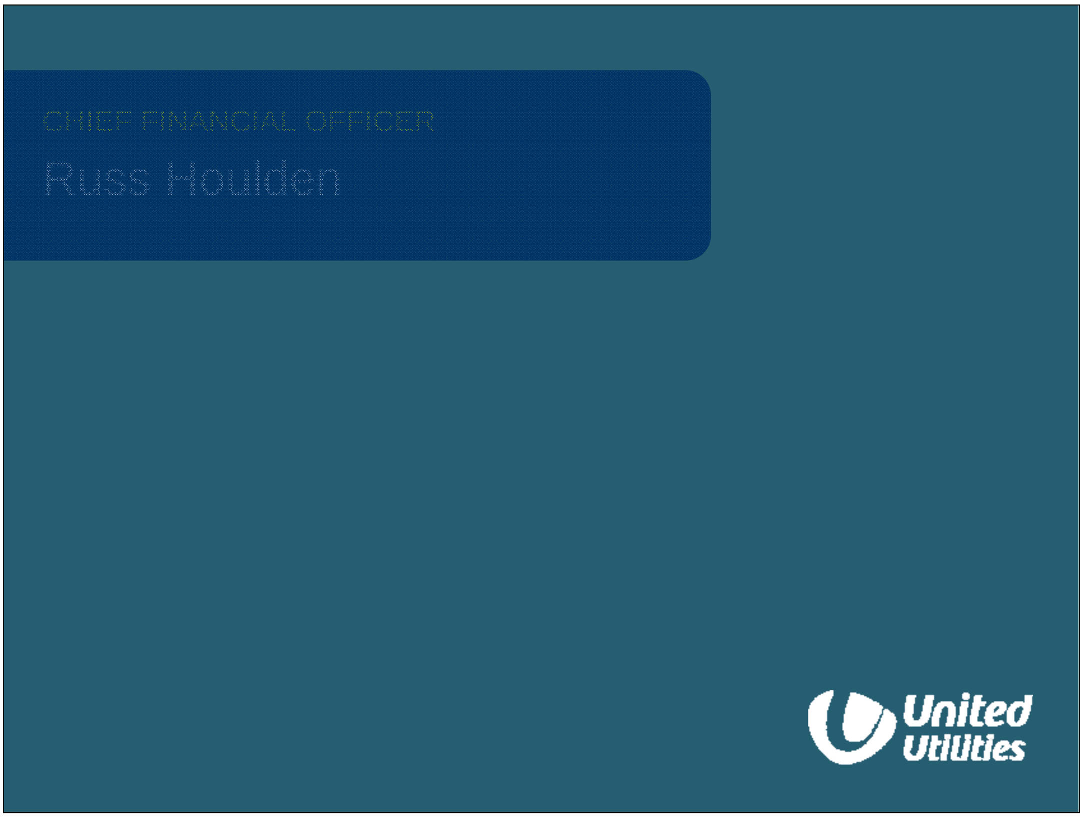
Notwithstanding this, our power demand represents a significant and growing cost and is one of the largest contributors to our carbon footprint. We therefore have a detailed carbon and renewable energy plan, in which we target to reduce our carbon emissions by 21 per cent by 2015. We are on track with this plan.

We currently generate over 100 GWh of renewable electricity each year, principally from sludge processing, with renewable energy equating to approximately 14 per cent of the group's total electricity consumption.

In 2011/12 we reduced our energy purchases by over 20 GWh and have plans in place to increase our renewable energy generation to 125 GWh per annum by 2015.

So, overall, you can see that we are making good progress and have delivered significant improvements in the early part of this regulatory period, with more to come.

Now, over to Russ to take you through the financials.



Thank you, Steve. Good morning.

I'll cover the three key financial statements and provide some specific updates in the areas of bad debt and financing.

I'll then hand back to Steve who will discuss regulatory and political developments and finish with a summary of the key messages.

As a reminder, 2011/12 is the first set of full year results in which we have presented the financials as a single segment. We said last May that we would provide a reconciliation between group and regulatory underlying operating profit and this is included in the appendix.

So, onto the numbers.

Financial highlights
Good results in a tough economic climate

- Underlying operating profit down £2m at £594m
- Underlying profit before taxation of £327m, down 1%
- Infrastructure renewals expenditure up £24m
- Deferred tax credit of £105m resulting from change in taxation rate
- Underlying EPS of 35.3 pence, up 0.2 pence
- Full year dividend of 32.01 pence per ordinary share, up 6.7%

21

This slide shows the financial highlights for the year – a good set of results in a tough economic climate.

Underlying operating profit was down £2 million at £594 million and underlying profit before tax was £327 million, down by just one per cent compared with last year. This is despite an increase of £24 million in IRE investment, which helps to maintain and improve the resilience of our network.

It is worth highlighting the £105 million deferred tax credit, which reflects the enactment of changes to reduce the corporation tax rate from 26 per cent to 24 per cent from 1 April 2012. As usual, we have stripped this credit out of the underlying numbers.

Underlying EPS was 35.3p, a 0.2p increase on last year.

And we have proposed a final dividend of 21.34p per share. This provides a full year dividend of 32.01p per share for 2011/12, up 6.7 per cent. This increase comprises RPI inflation of 4.7 per cent from November 2009 to November 2010, which is the rate included within our price limit for 2011/12, plus two per cent in line with our stated dividend policy.

Income statement – underlying
Good financial performance

£m Year ended 31 March *Continuing operations*	2012	2011
REVENUE	1,564.9	1,513.3
Underlying operating expenses	(673.0)	(626.4)
UNDERLYING EBITDA	**891.9**	**886.9**
Depreciation and amortisation	(297.8)	(290.5)
UNDERLYING OPERATING PROFIT	**594.1**	**596.4**
Underlying net finance expense	(267.1)	(267.2)
UNDERLYING PROFIT BEFORE TAX	**327.0**	**329.2**
Underlying taxation	(86.1)	(90.0)
UNDERLYING PROFIT AFTER TAX	**240.9**	**239.2**
BASIC UNDERLYING EARNINGS PER SHARE (pence)	**35.3**	**35.1**
TOTAL DIVIDEND PER ORDINARY SHARE (pence)	**32.01**	**30.00**

22

This is a summary of the underlying income statement, which strips out one-off items, fair value gains and losses, and the deferred tax credits.

Revenue for the year of £1.56 billion was up £52 million on last year, principally as a result of the impact of the regulated price increase for 2011/12 of 4.5 per cent nominal (4.7% RPI inflation minus a 0.2% real price decrease), partially offset by volume effects.

This revenue increase was around one per cent lower than our allowed regulatory price rise. The movements in household revenue were as expected, although commercial volumes were lower than expected, particularly in the second half of the year, a period in which unemployment in the North West increased significantly. The impact from household meter switching and volume reduction was around £6 million and lower commercial volumes accounted for around £11 million.

We may continue to face similar revenue pressures going forward, although our cost reduction initiatives are progressing well, which should help offset the full impact during this regulatory period. We would expect to recover the majority of the revenue shortfall through the regulatory methodology at the next price review.

Underlying operating profit and underlying profit before tax were both down £2 million on last year, as operating costs increased by slightly more than revenue, as I will explain on the next slide.

The underlying tax charge of £86 million, which has been adjusted for the deferred tax credit, was lower than the same period last year mainly because of the two per cent reduction in the mainstream rate of corporation tax and marginally lower profit before tax.

Operating costs
IRE up as planned, controllable costs on track

£m Year ended 31 March *Continuing operations*	2012	2011
Revenue	**1,564.9**	**1,513.3**
Employee costs	(135.4)	(142.8)
Power	(50.3)	(49.1)
Property rates	(79.4)	(65.1)
Bad debts[1]	(34.5)	(30.6)
Other expenses	(219.0)	(208.4)
	(518.6)	(496.0)
Infrastructure renewals expenditure (IRE)	(154.4)	(130.4)
Depreciation and amortisation	(297.8)	(290.5)
Total underlying operating expenses	**(970.8)**	**(916.9)**
Underlying operating profit	**594.1**	**596.4**
Adjustments:		
One-off costs[2]	(2.6)	(16.2)
Reported operating profit	**591.5**	**580.2**

- Increase in IRE reflects good progress on capex programme

[1] Includes bad debts relating to non-regulated businesses
[2] Principally relates to restructuring and other reorganisation costs within the business

23

Looking at our costs in a bit more detail.

Reflecting good progress on the capital investment programme, infrastructure renewals expenditure was up £24 million, in line with the planned phasing of the programme. Depreciation was £7 million higher, as expected, as a result of an increase in the commissioned asset base. Looking ahead, we would also expect additional depreciation due to our largest capital project in Liverpool, which Steve mentioned earlier.

We have maintained tight control of our employee costs and broadly maintained our power costs through forward contracts, securing outperformance.

We have delivered a good performance on bad debts, with just a slight increase on last year, despite the tough economic conditions, and I will talk about this in more detail shortly.

Property rates have increased by £14 million, reflecting the full impact of the 2010 rate review.

Other expenses have increased by £11 million, principally reflecting the impact of the transfer of private sewers and the new carbon reduction commitment charge.

Bad debts and cash collection
Good performance despite tough NW economy

- Ten point plan progressing well
- Small increase in bad debts in 2011/12 despite tough economic climate
- Overall, a good performance – continued strong focus

£m	2009/10	2010/11	2011/12
Regulated revenue[1]	1,521	1,477	1,527
Regulated bad debt expense[1]	38	31	34
Bad debt / regulated revenue	2.5%	2.1%	2.2%

[1] Revised application of revenue recognition approach under IAS18 to better align with other water companies (2009/10 restated)

Now, on to our bad debt performance.

The North West faces a tough economic environment, with unemployment having increased at a faster rate than any other UK region in 2011/12, particularly in the second half of the year. In addition, we have over 50 per cent of the UK's most deprived areas.

We have continued our proactive approach to debt collection and our ten point plan is progressing well, delivering a further underlying improvement of £1 million. However, this was outweighed by the impact of the economy and price increases, taking our bad debt to 2.2 per cent revenue.

We feel that this is a good performance in a tough economic climate.

Financial position
Robust capital structure

£m At 31 March	2012	2011
Non-current assets	8,743.4	8,376.1
Cash	321.2	255.2
Other current assets	348.8	344.4
Total derivative assets	617.4	365.3
Total assets	**10,030.8**	**9,341.0**
Gross borrowings	(5,855.2)	(5,313.3)
Other non-current liabilities	(1,627.2)	(1,552.2)
Retirement benefit obligations	(92.0)	(195.0)
Other current liabilities	(532.0)	(518.0)
Total derivative liabilities	(159.8)	(85.0)
Total liabilities	**(8,266.2)**	**(7,663.5)**
TOTAL NET ASSETS	**1,764.6**	**1,677.5**
Share capital	499.8	499.8
Share premium	2.4	1.3
Retained earnings	778.9	691.0
Other reserves	483.5	485.4
SHAREHOLDERS' EQUITY	**1,764.6**	**1,677.5**
NET DEBT[1]	**(5,076.4)**	**(4,777.8)**

[1] Net debt includes cash, borrowings and derivatives (slide 40)

25

Turning to the statement of financial position.

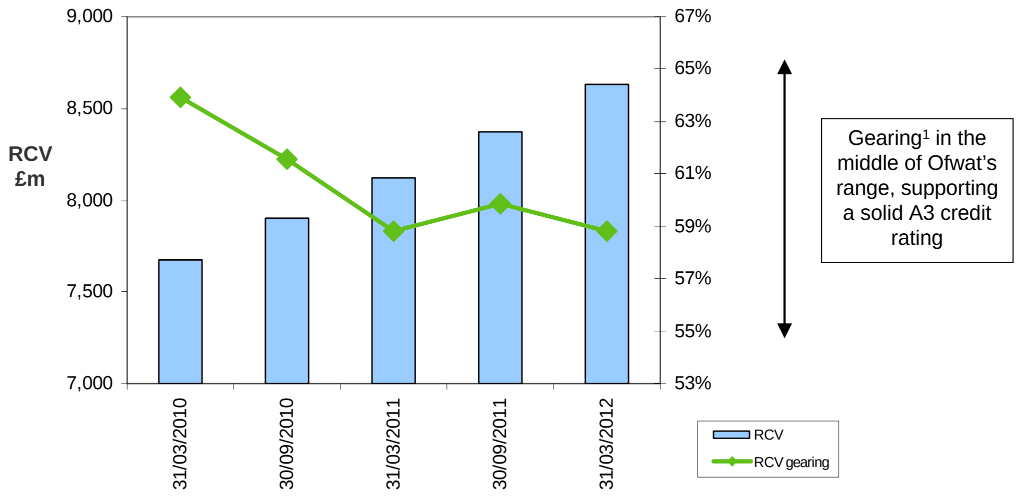
The cash position is up by £66 million at £321 million. This increase is mainly as a result of the proceeds from the recent EIB loan, partly offset by the early repayment of a £150 million loan.

Net debt is higher than last year end, as expected, reflecting additional borrowing to fund the capital investment programme and our decision to accelerate the payment of around £100 million in respect of previously agreed pension deficit repair.

The group’s pension deficit under IAS 19 has improved by over £100 million and stood at just £92 million at 31 March 2012, compared with scheme liabilities of some £2.2 billion. This positive movement principally reflects the £100 million accelerated deficit repair payment. Overall, due to the measures we have taken, our pension risks are well managed, with a lower risk investment strategy, less volatility in funding levels and more prudent longevity assumptions.

Retained earnings have increased by £88 million, largely as a result of the impact of the deferred tax credit.

RCV and gearing
RCV gearing supports robust capital structure



- Including pensions deficit, gearing would be c60%

[1] RCV gearing calculated as group net debt/United Utilities Water's regulatory capital value adjusted for actual capex in outturn prices

26

This chart shows our RCV and gearing level.

Our RCV is adjusted to reflect actual capital expenditure to date, consistent with the regulatory treatment expected at the next price review.

The green line shows the movement in gearing over the last two years.

The reduction between March 2010 and March 2011 mainly reflects a reduction in group net debt as a result of the non-regulated disposals.

RCV gearing has been fairly stable over the last year and is currently 59 per cent. This is the net effect of three main factors: indexation of the principal of our index-linked debt, the accelerated pension deficit repair payment and growth in the RCV.

Including our IAS 19 pension deficit of £92 million, and treating it as debt, in line with credit rating agencies' methodologies, RCV gearing would increase by one per cent to 60 per cent.

Our gearing remains in the middle of Ofwat's assumed range, of 55 per cent to 65 per cent, supporting a solid A3 credit rating, providing efficient access to the debt capital markets.

Cash flow statement
Cash flow covers investing activities

£m Year ended 31 March *Continuing operations*	2012	Re-presented 2011
Net cash generated from operating activities	559.8	562.7
Net cash used in investing activities	(498.4)	(307.6)
Net cash generated from/(used in) financing activities[1]	6.3	(219.3)
Net movement in cash	**67.7**	**35.8**

- UU benefited from prior years' tax rebate of £35m

[1] Includes £0.5m of FX movements in 2011/12

27

Moving on to cash flow.

Net cash generated from operating activities was £560 million, down by £3 million on last year. This was impacted by the £100 million accelerated pensions deficit repair payment, partly offset by the minimal amount of cash tax we paid in 2011/12 as we benefited from a tax rebate relating to prior years.

Cash used in investing activities remained at a high level, as we continued to make good progress on our capital investment programme.

The £6 million cash inflow from financing activities was the result of net proceeds from borrowings of £215 million, offset by dividends of £209 million.

Liquidity
Robust financing position

- £400m of index-linked borrowings agreed so far in AMP5 with EIB at best ever rates
  - £200m agreed in March 2011 with average real interest rate of 1.2%
  - £200m agreed in November 2011 with average real interest rate of 0.9%
- Average cost of our £2.7bn index-linked debt portfolio reduced to 1.7% real
- Substantially repaid all term debt due in 2010-15
- Financing headroom into 2014

28

This picture shows the vice president of the EIB, Simon Brooks, at our Davyhulme wastewater treatment works near Manchester, in November, when we signed our latest loan facility.

We have now raised a total of £400 million of new borrowings so far in this regulatory period, all of it from the EIB which is our cheapest source of finance. We drew down the first £200 million facility, between March and May 2011, at an average real interest rate of 1.2 per cent. We then drew down the second £200 million facility, between November 2011 and March 2012, at an average real interest rate of just 0.9 per cent, our best rate since privatisation. This has reduced the average real interest rate on our £2.7 billion index-linked debt portfolio to 1.7 per cent, compared with our regulatory allowance of 3.6 per cent real.

These EIB loans contribute to the achievement of our financing outperformance target for AMP 5 of over £300 million.

We have substantially repaid all term debt due in the 2010-15 regulatory period, providing us with further flexibility as to how and when we raise future debt.

And we continue to benefit from a robust financing position with headroom to cover our projected financing needs into 2014.

So, overall, I'm pleased that we have delivered a good performance in what is generally a tough economic climate.

Now, back to Steve.

Thank you, Russ.

Political and regulatory developments
Key areas of focus

- Evolutionary change
- Water abstraction
- Water resource planning
- Water efficiency
- Competition

30

I'd now like to touch on what continues to be a very busy political and regulatory agenda for the water sector.

We welcomed the UK Government's Water White Paper, published in December last year. A Draft Water Bill was announced in the Queen's Speech earlier this month, and we expect that Bill to be published just before Parliament's Summer Recess in July. To bring us right up to date on developments, Ofwat published its statement of principles for the 2014 price review just nine days ago.

In the White Paper, we were pleased to see recognition of the need for evolutionary, rather than revolutionary, changes to the successful existing water model. We are in agreement with many of the paper's stated aims, particularly the need to retain investor confidence in the sector. Other aspirations such as responding to climate change and a growing population and tackling water pollution, over abstraction, affordability and water efficiency, as well as protecting water and the natural environment, are in line with much of what we already do.

For instance, we benefit from having robust water resources in our region and continue to enhance our regional network to provide resilience to drought. We have been undertaking water trading for many years, albeit on a fairly small scale, but certainly have the potential to do more within the right industry framework.

In addition to our existing water trading arrangements, we are looking at further options to help other parts of the country deal with drought conditions and we have a number of connections which can be used for short periods when required. Looking ahead, there is potential to develop more cross-border export options and we are in a strong position to be a player in such a future market scenario, although we envisage the financial quantum of this to be fairly small relative to the size of the industry. It is clear that we've not been able to solve the current drought situation in the South and East of England by water trading alone. The longer-term answer must be comprehensive and include more large capacity pipelines, enhanced storage capacity, flexible abstraction and water efficiency measures. This last item is something we continue to focus on and UU has one of the lowest per capita consumption levels in the industry.

The Water White Paper confirmed the intent to increase competition for non-domestic customers. In our view, the step-by-step approach outlined by the government is sound.

Now, moving onto some of the key ongoing consultation issues.

Political and regulatory developments
Key areas of ongoing consultation

- Retain investor confidence
- Licence modifications
- Retail average cost to serve
- Replacement of ‘costs principle’

31

As I said earlier, the government has recognised the need to retain investor confidence in the sector. This is of paramount importance and we are pleased that the strengths of the current industry structure will be retained and that the historical regulatory capital value will be protected. The pace of consultation remains high as we prepare for the next regulatory pricing round, PR14.

Key areas of focus for us are possible licence modifications, Ofwat’s proposed average cost to serve methodology for the retail price control, along with the replacement of the ‘costs principle’ governing access pricing.

On the matter of licence amendment, we are supportive of the simple changes necessary to implement the government’s decision for expanded non-domestic competition and those necessary to facilitate PR14.

On the matter of retail price controls, we believe it is essential that the regulator continues to take account of regional socio-economic conditions, addresses reporting inconsistencies between companies, retains the RPI inflation link and makes adjustments to reflect the number of customers who receive only water or wastewater service.

With regard to the ‘costs principle’, it is important that, in order to ensure fair network access, that any parliamentary bill or act encourages only efficient entry and protects customers not eligible for competition against cross-subsidy.

We have been heavily engaged in the dialogue with Ofwat and the government on these matters and will continue to play an active role in creating solutions.

Summary
Operational focus delivering results

- Improving trend on customer service, with significant SIM improvement
- Strong operational performance
- Good financial performance
- On track to deliver outperformance targets
- Robust capital structure and sustainable dividend policy

32

So, in summary, our focus is delivering results.

We are continuing to deliver higher customer satisfaction, reflected in a significant improvement in Ofwat's SIM assessment, although we are determined to deliver more.

This has been supported by strong operational performance. We have beat our leakage target again. Our water supply and demand balance remains good and our reservoirs are at healthy levels as we approach the summer. Our capital delivery performance has markedly improved and we are on track to deliver our outputs.

We have delivered a good financial performance, in what is a tough economic climate.

We are on track to deliver our regulatory outperformance targets, with substantial financing outperformance already secured.

This is all underpinned by a robust capital structure and a sustainable dividend policy.

We are very pleased with the recent progress we have made and believe there is plenty of opportunity to deliver further improvements.

That concludes our results presentation.
Thank you for listening.
We'll now be pleased to take questions.

Supporting information

Reported income statement

Statutory to regulatory underlying operating profit reconciliation

Underlying profit before tax

Finance expense

Derivative analysis

Movement in net debt

Financing and liquidity

Term debt maturity profile

Debt structure

United Utilities

Income statement – reported
Deferred tax credit enhances earnings

£m Year ended 31 March *Continuing operations*	2012	2011
REVENUE	1,564.9	1,513.3
Operating expenses	(675.6)	(642.6)
EBITDA	**889.3**	**870.7**
Depreciation and amortisation	(297.8)	(290.5)
OPERATING PROFIT	**591.5**	**580.2**
Investment income and finance expense	(311.1)	(253.1)
PROFIT BEFORE TAX	**280.4**	**327.1**
Taxation	31.0	27.4
PROFIT AFTER TAX	**311.4**	**354.5**
BASIC EARNINGS PER SHARE (pence)	**45.7**	**52.0**
TOTAL DIVIDEND PER ORDINARY SHARE (pence)	**32.01**	**30.00**

35

Underlying operating profit
Statistical to regulatory reconciliation

£m **Year ended 31 March** *Continuing operations*	**2012**
Group underlying operating profit	**594.1**
Underlying operating profit not relating to United Utilities Water	(10.9)
Infrastructure renewals accounting	40.2
Other differences	(3.9)
United Utilities Water statutory underlying operating profit	**619.5**
Revenue recognition	2.6
Infrastructure renewals accounting	(2.5)
Non-appointed business	(7.0)
United Utilities Water HCA[1] regulatory underlying operating profit	**612.6**

[1] Historical cost accounting

Underlying profit before tax
Broadly in line with prior year

£m **Year ended 31 March** *Continuing operations*	**2012**	**2011**
Operating profit	591.5	580.2
Investment income and finance expense	(311.1)	(253.1)
Profit before tax	**280.4**	**327.1**
Adjustments:		
One-off items[1]	2.6	16.2
Net fair value losses/(gains) on debt and derivative instruments	43.2	(19.2)
Interest on swaps and debt under fair value option	7.2	5.7
Net pension interest expense	3.3	3.8
Adjustment for capitalised borrowing costs	(9.7)	(4.4)
Underlying profit before tax	**327.0**	**329.2**

[1] Principally relates to restructuring and reorganisation within the business. Added to operating profit to obtain underlying operating profit

Finance expense
Underlying interest rate down reflecting RPI

£m **Year ended 31 March** *Continuing operations*	2012	2011
Investment income	4.4	2.8
Finance expense	(315.5)	(255.9)
	(311.1)	**(253.1)**
Less net fair value losses/(gains) on debt and derivative instruments	43.2	(19.2)
Adjustment for interest on swaps and debt under fair value option	7.2	5.7
Adjustment for net pension interest expense	3.3	3.8
Adjustment for capitalised borrowing costs	(9.7)	(4.4)
Underlying net finance expense	**(267.1)**	**(267.2)**
Average net debt	**4,854**	**4,675**
Average annualised underlying interest rate	**5.5%**	**5.7%**
Effective interest rate on index-linked debt	5.9%	6.7%
Effective interest rate on other debt	5.1%	4.9%

38

Finance expense: index-linked debt
Cash benefit for the group

£m **Year ended 31 March** *Continuing operations*	**2012**	**2011**
Cash interest on index-linked debt	(43.9)	(39.4)
RPI adjustment to index-linked debt principal - 3 month lag[1]	(56.8)	(62.5)
RPI adjustment to index-linked debt principal - 8 month lag[2]	(43.6)	(40.1)
Finance expense on index-linked debt	**(144.3)**	**(142.0)**
Interest on other debt (including fair value option debt and swaps)	(122.8)	(125.2)
Underlying net finance expense	**(267.1)**	**(267.2)**

- Cash interest payment of £44m on c£2.7bn of index-linked debt
- Decrease in indexation charge due to lower RPI, offset by additional EIB loan
- RPI benefit on RCV exceeds RPI impact on debt principal

[1] Affected by movement in RPI between January 2011 and January 2012
[2] Affected by movement in RPI between July 2010 and July 2011

Derivative analysis
Derivatives intrinsically linked to debt

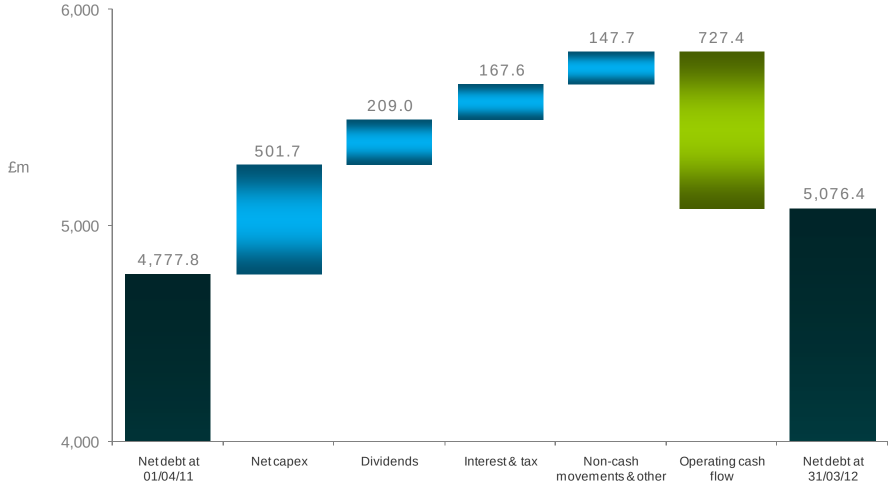
£m At 31 March	2012	2011
Derivatives hedging debt	617.4	365.3
Derivatives hedging interest rates to 2015	(137.0)	(85.0)
Derivatives hedging interest rates beyond 2015	(18.2)	-
Derivatives hedging commodity prices	(4.6)	-
Total derivatives assets and liabilities (slide 25)	**457.6**	**280.3**

- **Derivatives hedging debt; hedge our non index-linked debt into sterling, floating interest rate debt. Typically these are designated in fair value hedge accounting relationships**
- **Derivatives hedging interest rates to 2015; fix our sterling interest rate exposure out to 2015**
- **Derivatives hedging interest rates beyond 2015; fix our sterling interest rate exposure beyond 2015. This represents the transition to our hedging strategy of fixing interest on a 10 year rolling average basis as announced in November 2011. This will be fully implemented by 2015**
- **Derivatives hedging commodity prices; fix a substantial proportion of our electricity prices out to 2015**
- **Derivatives are included within net debt to eliminate, to a certain extent, the fair value recognised in borrowings and thereby present a more representative net debt figure**
- **Further details of our group hedging strategy can be found in the Group financial statements**

40

Movement in net debt[1]

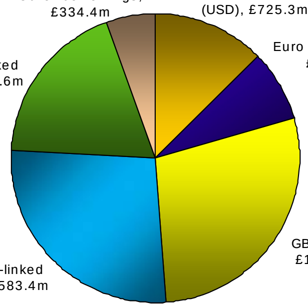
Increase in line with expectations



[1] Net debt includes derivatives which incorporate regulatory swaps

Financing & liquidity as at 31 March 2012

Gross debt = £5,855.2m



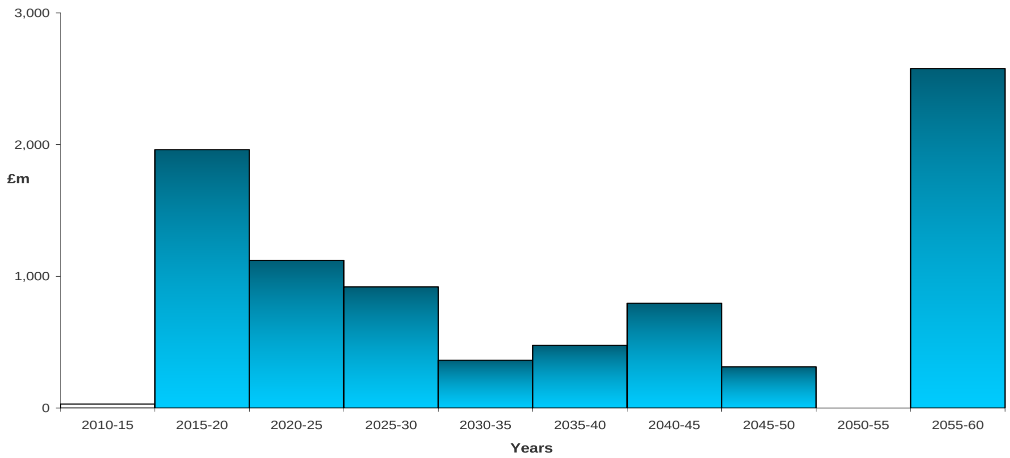
Headroom / prefunding = £614.1m

	£m
Cash and short-term deposits	321.2
Medium-term committed bank facilities[2]	420.0
Short-term debt	(119.9)
Term debt maturing within one year	(7.2)
Total headroom / prefunding	**614.1**

[1] Includes amounts relating to joint ventures of £27.9m

[2] Excludes £250.0m facilities maturing within one year

Term debt maturity profile[1]
Average term to maturity of c25 years



[1] Future repayments of index-linked debt include inflation based on an average annual RPI rate of 2.75%

Debt structure at 31 March 2012

United Utilities Group PLC

United Utilities PLC
Baa1 stable; BBB- stable

Yankees:
- $250m in 18's
- $350m in 19's
- $400m in 28's

Euro MTN:
- £6.5m in 13's

Other debt:
- Short-term loans £70m

United Utilities Water PLC
A3 stable; BBB+ stable
Ring-fenced and regulated by Ofwat

Euro MTNs:
- ¥3bn in 13's
- £425m in 15's
- ¥5bn in 17's
- £150m in 18's
- €500m in 20's
- £375m in 22's
- £300m in 27's
- £50m in 32's[1]
- £200m in 35's
- £100m in 35's[1]
- £35m in 37's[1]
- £70m in 39's[1]
- £100m in 40's[1]
- £50m in 41's[1]
- £100m in 42's[1]
- £50m in 43's[1]
- £50m in 46's[1]
- £50m in 49's[1]
- £510m in 56's[1]
- £150m in 57's[1]

Other debt:
- EIB index-linked loans £1,000m[1]
- Short-term loans £41m
- Other loans £126m

[1] Index-linked finance

44

Cautionary statement

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and the company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Certain regulatory performance data contained in this presentation is subject to regulatory audit.