United Utilities Group PLC

Full year results

Year ended 31 March 2013

Good morning and welcome ladies and gentlemen.

This is the second anniversary of Russ and me presenting our annual results and two years since we set our strategy of becoming a leading North West service provider and one of the UK's best water and wastewater companies.

This morning we will be talking about the following key aspects of our results:

- customer satisfaction is continuing to improve;
- we have accelerated our capital programme, reducing risk in the last two years of the AMP, and delivering improved performance in meeting our regulatory commitments;
- we are seeing early success in development of our business retail operation;
- we are achieving above average environmental performance;
- we are on or ahead of schedule in delivery of our outperformance targets and maintaining a good balance between our customers and shareholders in sharing benefits; and
- we have again delivered a good financial performance, despite a tough economic climate.

This all continues to be underpinned by a robust capital structure and a sustainable and growing dividend.

But before I get into the detail, let me just spend a few moments reminding you of some of the key changes we have made over the last two years.

When we arrived, we set out our targets against the backdrop of a company that had successfully disposed of its non-regulated businesses but whose core water business was a consistent underperformer relative to its peers. Two years on this is no longer the case.

Over the last two years we have re-organised the business with our customers central to our strategy. We have refreshed our senior management team with new hires or internal promotions, many with experience of other sectors. We have improved the processes and approach we use to managing the business - more like those you might see in other process industries. When we stood before you a year ago, we could see the first green shoots of success. This year, we can see many of the changes we have made reflected in the way we now do business.

But we can't stand still. AMP6 will be very different from the current regulatory period; with separate pricing arrangements for wholesale and retail activities. In April this year, we organised ourselves into three business areas: Wholesale; Domestic Retail and Business Retail. This will enable us to complete the last two years of this regulatory period, while at the same time allowing us to 'rehearse' an AMP6 world.

So, on to the presentation.

Agenda

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

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This is the agenda for this morning's presentation.

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

Operational performance

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

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So, starting with what we are doing to improve the service we provide to our customers.

Customer focus
Range of initiatives to improve our service

- Continuing to invest in our people, assets, systems and processes
- Active pressure management in water network to reduce bursts and leakage
- Strategic mains refurbishment and connectivity
- Enhancing integration of our regional water network
- Implementing schemes to mitigate the risk of flooding of customers' homes
- Improving river and bathing water quality
- Investment to help adapt to changing weather patterns
- Developing systems and processes to improve the customer experience

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We've continued to invest in our people, assets, systems and processes to improve the service our customers can expect of us.

Calm networks deliver fewer bursts and so we have improved pressure management of our water network to reduce bursts and leakage. Last year was the seventh consecutive year in which we have met or outperformed our leakage target.

We have made additional investment during the year in our strategic water mains to enhance the resilience of water supply to key densely-populated areas.

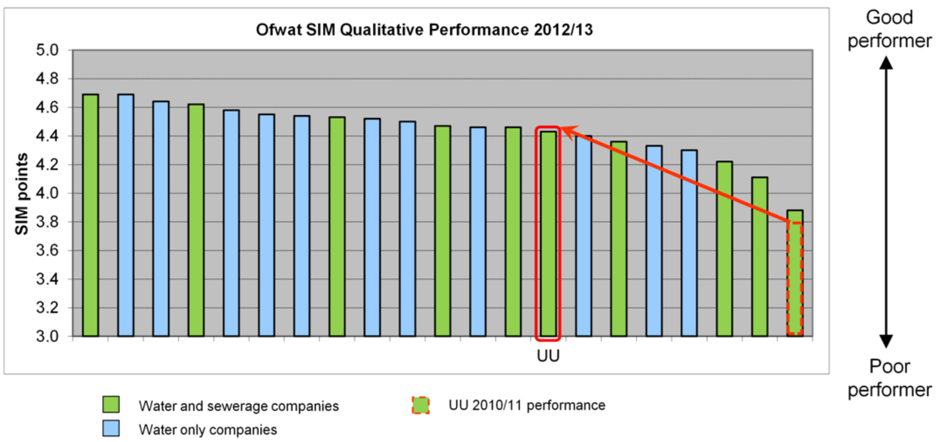
Whilst the North West didn't have the hosepipe bans seen elsewhere in the country last spring, rainfall across our region was much lower than expected. We benefited from our investment in an integrated regional water network to keep customers supplied throughout the dry period. Our £100 million+ investment in a pipeline between Manchester and Liverpool is now contributing to our integrated water network. And looking ahead, we are considering extending this integrated network to north west Cumbria to improve security of supply there for the benefit of the local environment.

The latter half of 2012 was characterised by a large number of periods of exceptionally high rainfall and this proved to be a testing time for our wastewater assets. We continued to invest heavily in schemes designed to mitigate the risk of flooding of our customers' homes and to improve river and bathing water quality, such as our £100 million+ project in Preston. Our operational and environmental focus has yielded our best performance for many years on the Environment Agency's operational performance metrics. We expect to invest more in our wastewater network as we adapt to weather patterns likely to result from climate change.

We have asked our customers to tell us what would make it easier for them to do business with us - from how they would prefer to contact us, to what service they expect. We are progressively improving our systems and processes to provide the experience they want, including multi-channel contact centre technology. The changes we have made are reflected in improved customer satisfaction - building on our achievements of the last two years.

Service Incentive Mechanism - qualitative
Further improvement, building on last year

- Improving trend continues – up to 14th in 12/13 from 16th in 11/12 and 21st in 10/11
- Qualitative score increased from 4.18 points in 11/12 to 4.43 points in 12/13



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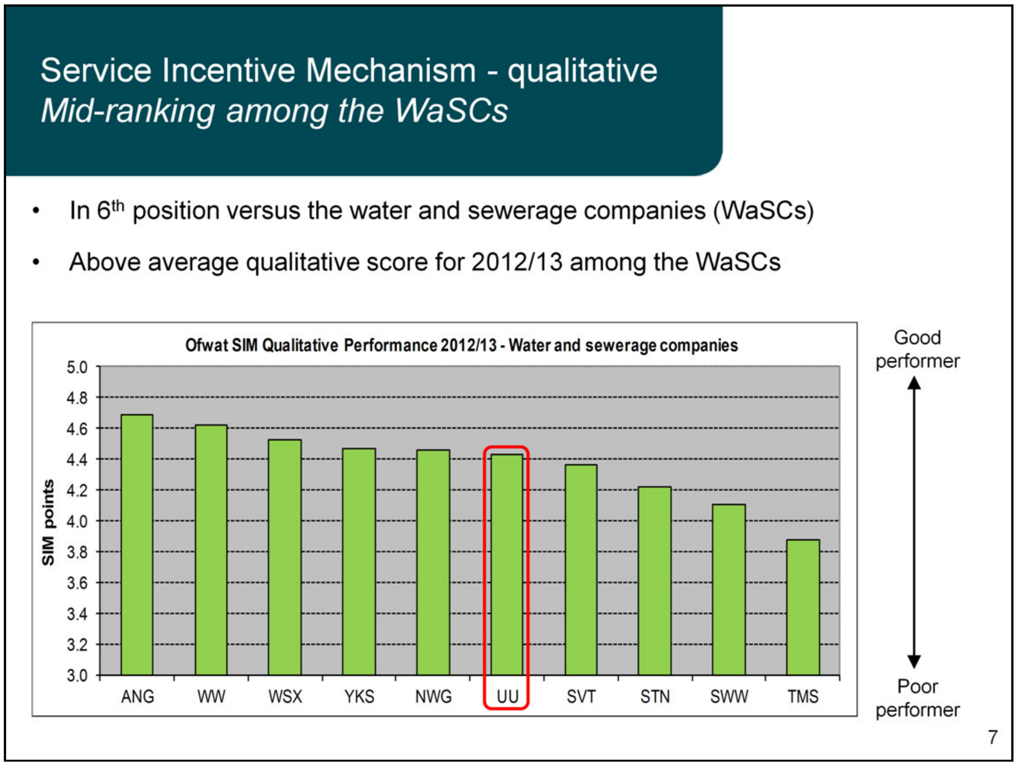
As you know, we use a number of metrics to help us drive customer satisfaction.

The first is Ofwat's qualitative Service Incentive Mechanism, or SIM, where we have made good progress over the last two years.

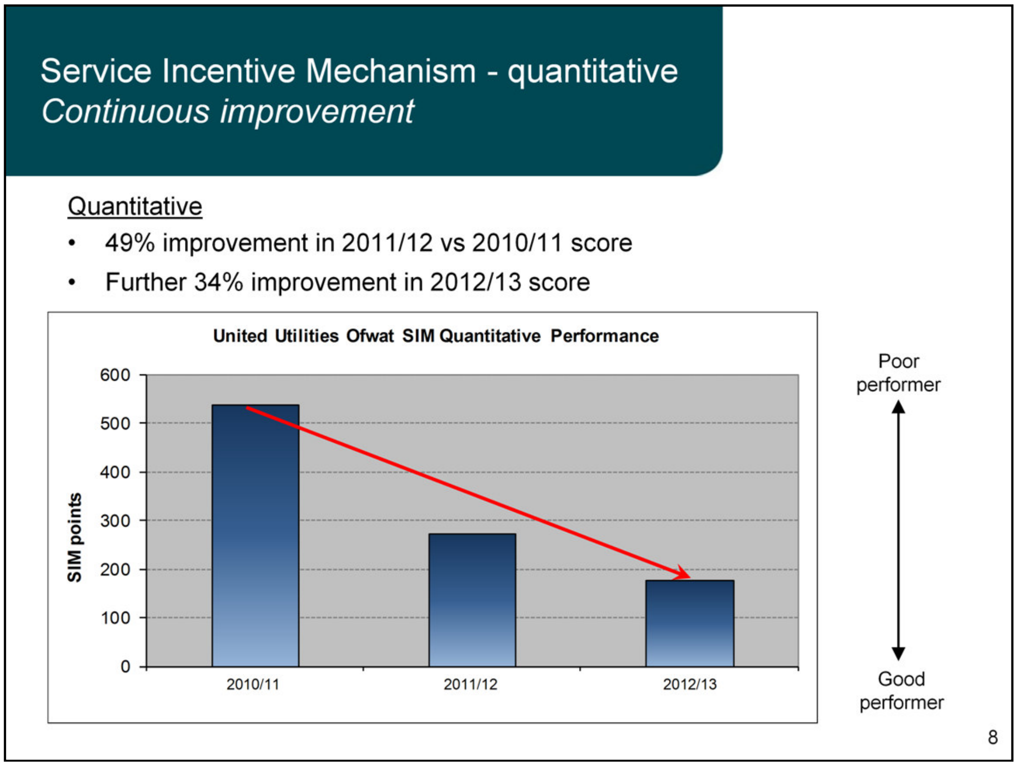
Our score for the last quarter of 2012/13 saw us slip back against the trend achieved in the first three quarters, ending the year in 14th place in the sector, up two places year-on-year. We have just received our first quarter score for 2013/14 and we are pleased to be back on track, scoring 10th place in the sector.

The next slide shows our position amongst the ten water and wastewater companies.



As you can see, across the year we achieved 6th position amongst the WaSCs for 2012/13. Our first quarter score for 2013/14 puts us at 5th.

Next, quantitative SIM performance.



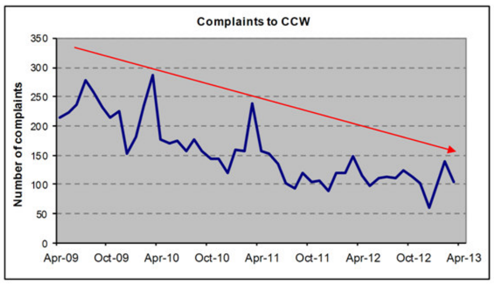
Quantitative SIM scores are not available for the sector until later this summer, but this chart shows our continued improvement.

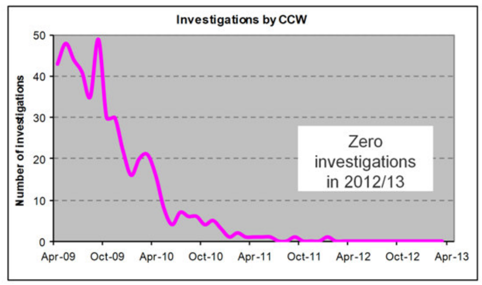
For this score, the lower the points the better the performance. We have delivered another year-on-year reduction; this year by 34% compared with last year's result.

We know that we can do better and this will continue to be a key area of our focus.

Reduction in customer complaints
Zero investigations

- Further reduction of 11% in complaints to CCW[1] in 2012/13 vs 2011/12
- Zero contacts in 2012/13 considered by CCW to warrant investigation
  - first time we have achieved this





[1] Consumer Council for Water

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Customers dissatisfied with our handling of their complaints can refer to the Consumer Council for Water (or CCW).

A measure of our performance is therefore the number of customer complaints escalated to the CCW; and more particularly those where the CCW feels that there is cause for them to investigate our actions.

We have continued to build on our significant improvement over the last few years, as you can see on the charts. In particular, we are pleased to have had no CCW investigations across the whole of 2012/13; a first for us. This good performance also feeds through into our qualitative SIM score.

So, more to do but we're on the right track.

North West service provider
Consistently rated 3rd out of 10 organisations

- Measure our performance through an independent brand tracker survey
- Survey undertaken quarterly and covers ten leading organisations
- Survey includes leading retailers, media companies and utilities
- UU ranked 3rd behind Marks & Spencer and John Lewis
- UU has consistently been rated 3rd out of the 10 organisations over the last year

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The majority of our customers don’t have a choice of their water and sewerage provider and so, whilst comparison of our performance to other companies in the sector is important, one of our targets is to be considered by our customers as a leading service provider in the North West.

We therefore measure customer perception of our performance within a basket of ten, well regarded, organisations who operate in our region. The list includes leading retailers, media companies, local councils and banks, as well as utilities. The last quarterly survey ranked UU third behind Marks & Spencer and John Lewis on four out of the five measures of customer satisfaction. And we have been consistently rated third out of the ten organisations over the last year.

Customer sentiment toward us will become increasingly important as the sector's competitive landscape widens.

The WOW award scheme is independently run and gives customers an avenue to provide feedback on their experience of our customer facing teams in our call centres and out in the field. A small number of the water companies participate. If I am ever having a bad day, a quick browse of our customers' WOW award commendations is enough to restore confidence that we are heading in the right direction!

Asset stewardship
Met water and wastewater serviceability standards

- Wastewater infrastructure returned to a 'stable' rating for 2012/13
- All four key asset classes[1] now rated at a minimum of 'stable'
- Range of actions to maintain long-term asset standards
  - improving robustness of water treatment processes
  - refurbishing service reservoir assets and sewers
  - comprehensive mains cleaning programme and strategic mains refurbishment
  - better assessment and targeting of high risk sewer flooding areas

[1] Water infrastructure, water non-infrastructure, wastewater infrastructure, wastewater non-infrastructure

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We measure how our assets support delivery of our services using four baskets of key measures - our 'serviceability' metrics. Our target is to be at least 'stable' on each of the four measures.

Last year I told you that on one measure, relating to our wastewater infrastructure, we had slipped from a 'stable' rating to 'marginal' and that we had a programme for recovery in place. This programme includes targeted sewer cleaning, CCTV surveys, defect discovery and remediation.

I am pleased to say that for 2012/13 we returned to a minimum of stable on all four key serviceability measures.

Serviceability is critical to delivering a good, reliable service to our customers and is therefore used within our business as an important performance metric. It is also an important measure at the 2014 price review in respect of any shortfalling and penalties assessment for AMP5. For many reasons, therefore, serviceability remains a key priority for us.

Retail competition for business customers
A winning capability

- Building our capability to be in a strong position as market evolves
- UU secured a water supply licence to compete in Scotland in 2012
- Delivering value-added services for business customers
- Have now won several business customers in Scotland
- Significant pipeline of opportunities

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One of the early deliverables from the UK Government's regulatory reform programme was the reduction in the threshold at which business customers can compete for their water retailer. In addition, the English and Scottish governments declared their intent to establish a joint retail market for business customers in both countries. As a consequence, customers in both England and Scotland are being approached by retailers keen to exploit the opportunities that widening of the market presents.

Our business restructure, which I referred to earlier, is aligned with this market reform. We have been developing our capability to compete and win in this new market and have built a team with a deep retail background in the utility and commercial sectors. As you know, last year, we secured a water supply licence in Scotland and since then we've won several customers there. We are pursuing a significant pipeline of opportunities, a number of which are multi-site businesses.

Although the financial benefits from retail activities are relatively small at this stage, we expect the market to evolve and expand significantly from 2017. Importantly, business customers are also looking for services over and above meter reading and billing. We can satisfy these requirements with a range of value-added services, such as on-site engineering solutions and water efficiency advice.

Operational performance

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

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Moving on to the area of lowest sustainable cost.

Capital delivery
TCQi performance improved further to 90%

- Sustained focus on delivering commitments on time and within budget
- TCQi* performance up from c50% in 2010/11 to c90% for 2012/13
- Met our TCQi target of 90% two years ahead of schedule
- Accelerated capital spend to help de-risk the five-year programme
- Capex of £787m in 2012/13 up 16% compared with prior year
- £2bn of capex delivered across 2010-13 period
- Smoother investment profile supporting efficient delivery of outputs

* Time: Cost: Quality index

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I'll cover capital delivery, and Russ will talk about our opex performance later in the presentation.

We're very focused on effective delivery of our capital programme. It is critical to improving the service we provide to our customers and to the impact we have on the environment. Our capital project performance measure, the Time: Cost: Quality index or TCQi, is our way of measuring our capital performance - do we deliver our projects on time, on budget and to the quality required? Last year our score was around 90 per cent, a great improvement on our score of around 50 per cent for the first year of this AMP.

This result reflects the improvements we have made in project and risk management across our portfolio of some 9000 projects in this AMP and the effective working relationships we have with our construction partners. This performance has been key in enabling us to accelerate our capital programme during the year, investing £787 million in 2012/13, approximately £100 million higher than the previous year. This acceleration allowed us to complete a number of projects early, thereby reducing risk in the last two years of this regulatory period.

Our cumulative investment across the first three years of AMP5 is now just over £2 billion, reflecting a smoother and more effective investment profile than the previous five-year cycle.

We remain on track to deliver the five-year programme within the regulatory allowance of around £3.5 billion and, as I will touch on later, we are reinvesting capex outperformance to deliver more customer service and environmental benefits than were originally planned for AMP5.

In AMP4, our poor performance in delivering our regulatory commitments led to us receiving a shortfalling revenue penalty of over £80 million at the last price review. Whilst we still have two years to go in this AMP, our performance to date is significantly better than in the last five-year period.

Adoption of private sewers
Good progress and expenditure within estimates

- Progressing well and embedded within 'business as usual' activities
- Activity levels and expenditure remain at the lower end of expectations
- Mix of work continues to relate more to enhancement capex than opex
- 2012/13 expenditure: opex £8m, IRE £11m, enhancement capex £14m
- No change to total 2011-15 cost estimates at this stage
  - opex £40m, IRE £60m, enhancement capex £60m

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Turning to private sewers.

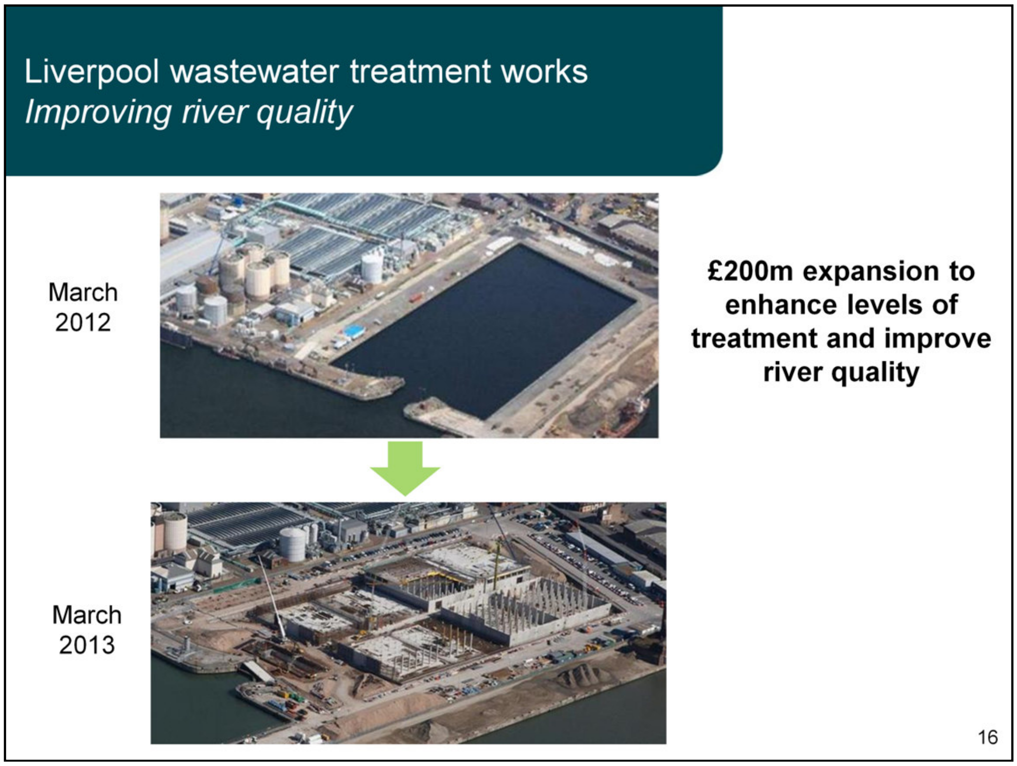
Our approach to private sewers has not been to simply jet sewers to clear the blockage only to have to return another day. Instead, we have equipped our teams to understand the cause of the problem and fix it - where possible in the same visit. We recognised that we would be working inside the curtilage of the customer's property and so minimising disruption would be important to satisfaction. Our operating model is also improving the quality and reliability of the assets.

The results speak for themselves with our latest wastewater SIM score being our best ever.

Work volumes continue to be lower than originally anticipated and so expenditure is a little lower than expected. Our approach also means that the mix of work relates more to enhancement capex than opex.

In 2012/13, we spent £8 million on opex, £11 million on infrastructure renewals expenditure and £14 million in relation to enhancement capex.

We are still only 18 months into the transfer and so we are not lowering our 2011-15 total cost estimates at this stage. The lower rate of spend and the mix of work continues to be a positive for both our customers and shareholders.



Now, looking at some of our major projects.

I talked to you last year about our Liverpool wastewater treatment works expansion, which at around £200 million is our largest capital programme in AMP5.

The project is progressing well and is within budget and ahead of schedule.

You can see from the slide what a difference a year makes. In 12 months we have filled in the neighbouring dock by removing over 31,000 cubic metres of silt from the river bed and then replacing it with the equivalent of 12,000 lorry loads of sand. This entailed closing the dock gates for the first time in over 60 years. The new works is taking shape and now stands on 850 structural rods, each around 18 metres in length. Around 10,000 tonnes of reinforcing steel will be used.

The extended treatment works is expected to come online in early 2016 and will treat up to 11,000 litres of wastewater per second.

The higher standards of treatment will help to continue the rejuvenation of the River Mersey.

Preston storage tunnel project
Improving bathing water quality

£100m+ project to build a 3.5km storm water storage tunnel to reduce sewer spills into rivers

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In Preston, our £100 million+ project to improve river and bathing water quality is nearing completion.

You can see from the photograph the size and scale of the project.

It involves building a 3.5 kilometre long storm water storage tunnel, 2.85 metres in diameter, to divert storm water flows to our existing treatment works.

It will reduce the number of spills to the River Ribble from combined sewers and contribute to significant improvement in bathing water quality in the Ribble Estuary and along the Blackpool coastline.

Looking ahead, new and more stringent environmental legislation, such as the European bathing water standards coming into effect from 2015, will drive the need for further investment in our wastewater assets to deliver our contribution to meeting these new standards.

Operational performance

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

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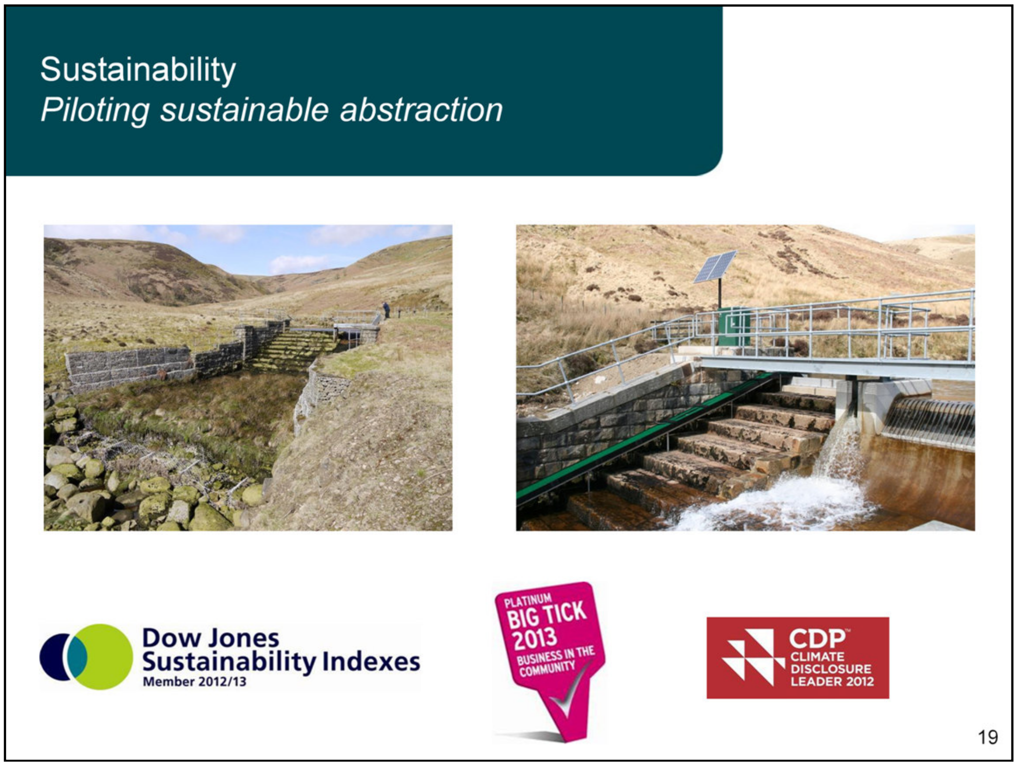
Operating in a responsible manner is fundamental to the way we do business and we are pleased that our sustainability credentials receive external recognition.



The Government has stated that it will be reforming water abstraction arrangements in the UK and we are one of the first to participate in delivering such reforms.

Last month we launched a pioneering scheme, in conjunction with the Environment Agency, which is restoring two rivers in the Trough of Bowland in Lancashire. One of the first of its kind in the country, this project is helping to rejuvenate the rivers by taking less water for the local population in dry periods. To compensate for any resulting shortfall of water for homes in the area, we are building a new £12 million pipeline to connect the local water treatment works to a nearby service reservoir.

Partnerships like this will increasingly become a way to deliver the changes needed as we adapt to climate change.

It is pleasing that our contribution in the area of sustainability is externally recognised. We continue to be rated 'World Class' in the Dow Jones Sustainability Index. We retained the highest ranking in Business in the Community's CR Index and we have membership of the FTSE 350 Carbon Disclosure Leadership Index.

There are only four FTSE 100 companies to hold all three awards.

Sharing outperformance
Benefits for customers and shareholders

- Reinvesting c£200m of capex outperformance for customer & environmental benefits
- Earlier quality and service benefits for customers
- Secured financing outperformance, benefiting from good treasury management
- Reinvesting c£40m of financing outperformance in unfunded private sewers costs

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When we set out our outperformance targets for AMP5, two years ago, we said that we would reinvest any capital outperformance in projects that would improve the service we provide to customers and/or benefit the environment.

This is what we are doing - not to meet the obligations for which we are already funded in AMP5 - but to improve the resilience of our water and wastewater service to customers; the investment I mentioned earlier in strategic mains is an example. We are also investing in quality projects that have a positive impact on the environment, along with projects which improve our operational efficiency and customer experience.

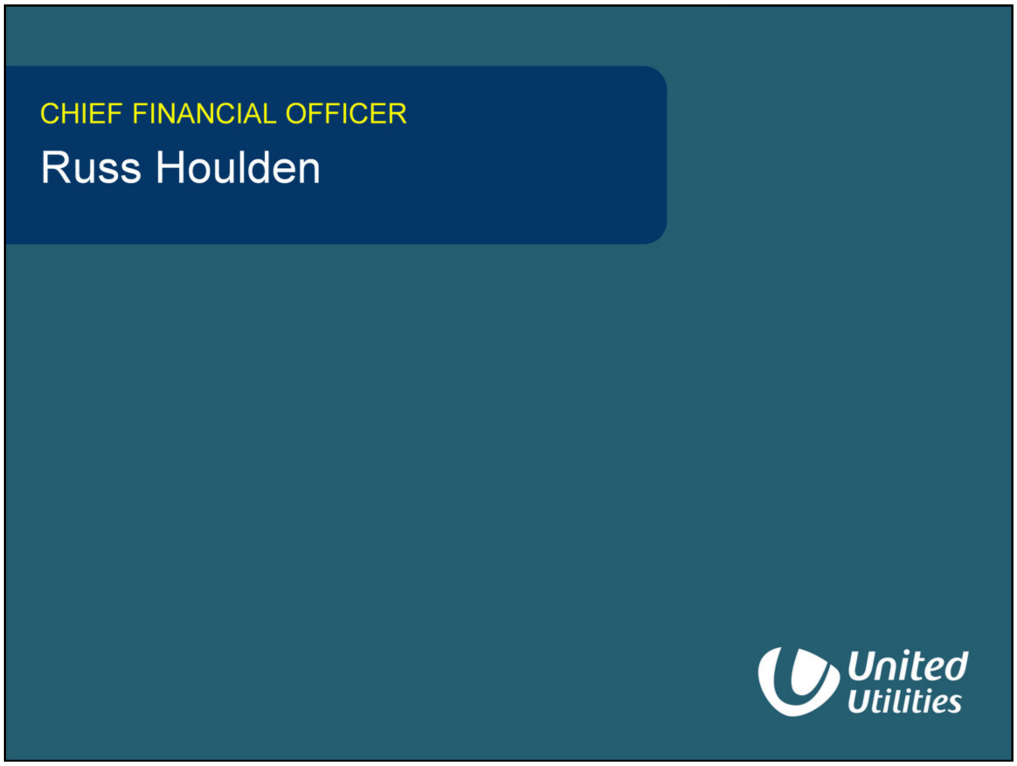
We are targeting to reinvest around £200 million of capex outperformance across the AMP.

A number of these projects were planned to be undertaken in later AMPs and so our action will benefit the environment and provide our customers with better service, earlier.

As previously advised, we are also reinvesting £40 million of our financing outperformance in unfunded private sewers operating expenditure, again for customer benefits.

We believe that this strikes a good balance in terms of sharing with our customers and shareholders the additional benefits we expect to deliver during this AMP.

Now, over to Russ to present the financials.



Thank you, Steve.

Good morning.

Financial highlights
Good results in a tough economic climate

- Underlying operating profit of £607m, up £13m or 2%
- Underlying profit before taxation of £354m, up £27m or 8%
- Underlying EPS of 39.1 pence, up 11%
- Responsible financing and dividend policies
- Final dividend of 22.88 pence per ordinary share, up 7.2%

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This is another good set of results in a tough economic climate.

Underlying operating profit at £607 million was up 2 per cent, as we kept cost increases below price inflation.

Underlying profit before tax of £354 million was up 8 per cent, largely because of the effect of lower RPI inflation.

Underlying EPS of 39.1p was up 11 per cent on last year.

We have responsible financing policies with RCV gearing in the middle of Ofwat's range. And our dividend policy, targeting growth of RPI+2 per cent each year, keeps dividends growing in line with RCV.

For this year, we have proposed a final dividend of 22.88p per share, up 7.2 per cent. This increase comprises RPI inflation of 5.2 per cent for the year to November 2011, which is the rate included within our price limit for 2012/13, plus two per cent in line with our stated dividend policy.

Profit after tax reconciliation
Lower credit in 2013 from change in tax rate

£m Year ended 31 March *Continuing operations*	2013	2012	
Reported profit after tax	**282.3**	**311.4**	
Adjustments:			
One-off items[1]	2.6	2.6	
Net fair value losses on debt and derivative instruments	41.5	43.2	
Interest on swaps and debt under fair value option	8.3	7.2	
Net pension interest expense	11.5	3.3	
Capitalised borrowing costs	(14.3)	(9.7)	
Deferred taxation credit - change in taxation rate	(53.0)	(104.6)	
Agreement of prior years' UK taxation matters	(0.7)	(0.4)	
Taxation in respect of adjustments to underlying profit before tax	(11.9)	(12.1)	
Underlying profit after tax	**266.3**	**240.9**	
Basic earnings per share (pence)	**41.4**	**45.7**	***(9.4)%***
Underlying earnings per share (pence)	**39.1**	**35.3**	***+10.8%***

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

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As usual we have made some adjustments to reported profit to get to underlying profit, which we believe gives a more representative view of underlying performance.

Most of the adjustments – such as fair value losses, interest on swaps and debt under fair value option, capitalised borrowing costs and tax in respect of adjustments to profit before tax – were similar to last year.

The main difference in the adjustments between the two years is the deferred tax credit relating to the UK Government's staged reduction in the mainstream corporation tax rate. Our tax charge in 2012/13 benefited from a £53 million deferred tax credit, reflecting the substantive enactment of changes to reduce the corporation tax rate from 24 to 23 per cent from 1 April 2013. This compares with a £105 million credit in the previous year, which reflected the substantive enactment of a two per cent reduction in the tax rate in that period.

As a result, whilst reported profit after tax was down year-on-year, the more meaningful underlying figures increased this year.

Income statement – underlying
Another good financial performance

£m Year ended 31 March *Continuing operations*	2013	2012	
Revenue	1,636.0	1,564.9	
Underlying operating expenses	(699.7)	(673.0)	
Underlying EBITDA	**936.3**	**891.9**	
Depreciation and amortisation	(329.2)	(297.8)	
Underlying operating profit	**607.1**	**594.1**	
Underlying net finance expense	(252.8)	(267.1)	
Underlying profit before tax	**354.3**	**327.0**	
Underlying tax	(88.0)	(86.1)	
Underlying profit after tax	**266.3**	**240.9**	
Underlying earnings per share (pence)	**39.1**	**35.3**	***+10.8%***
Total dividend per ordinary share (pence)	**34.32**	**32.01**	***+7.2%***

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This is a summary of the underlying income statement after making the adjustments shown on the previous slide.

Revenue for the year of £1.64 billion was up £71 million or 4.5 per cent on last year. The allowed regulated price increase for 2012/13 was 5.8 per cent nominal (5.2 per cent RPI inflation plus a 0.6 per cent real price increase).

The revenue increase was around £20 million or 1.3 per cent lower than our allowed regulatory price rise. Of this, lower volumes accounted for around £14 million and customers switching to meters accounted for around £6 million.

We would expect to recover a substantial element of any revenue shortfall through the regulatory methodology.

Underlying operating profit was up £13 million on last year, despite an expected increase in depreciation.

Underlying profit before tax was up £27 million as we benefited from a reduction of £14 million in net financing expense, as a result of the effect of the reduction in RPI inflation.

The underlying tax charge of £88 million was similar to last year, as the tax impact from higher profit was largely offset by the two per cent reduction in the mainstream rate of corporation tax from 26 to 24 per cent.

Operating costs
Profit up despite expected power cost increase

£m Year ended 31 March *Continuing operations*	2013	2012
Revenue	**1,636.0**	**1,564.9**
Employee costs	(127.5)	(135.4)
Power	(62.1)	(50.3)
Property rates	(81.3)	(79.4)
Bad debts[1]	(35.5)	(34.5)
Other expenses	(232.1)	(219.0)
	(538.5)	(518.6)
Infrastructure renewals expenditure (IRE)	(161.2)	(154.4)
Depreciation and amortisation	(329.2)	(297.8)
Total underlying operating expenses	**(1,028.9)**	**(970.8)**
Underlying operating profit	**607.1**	**594.1**
Adjustments:		
One-off costs[2]	(2.6)	(2.6)
Reported operating profit	**604.5**	**591.5**

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

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Now, let's look at our costs in a bit more detail.

Employee costs have decreased by £8 million, mainly reflecting an increased proportion of IRE and capex activity, supported by a tightly controlled pay award.

Power costs have increased by £12 million, as expected, partly due to higher prices and partly due to volumes. As outlined previously, we have substantially locked in the price of electricity through to 2015 via forward contracts, securing outperformance.

Rates and bad debts were similar to last year, but other expenses increased by £13 million. This was mainly due to an increase in the cost of sales in our property business and the movement from a credit last year, to a small charge this year, in respect of a number of legal provisions.

Infrastructure renewals expenditure was up £7 million, with a £5 million increase in line with the planned phasing of the base programme and a further £2 million increase in relation to private sewers costs.

Depreciation was £31 million higher, as expected, mainly as a result of an increase in the commissioned asset base. The increase also includes additional depreciation resulting from our investment in a new wastewater treatment plant in Liverpool, which we highlighted earlier.

Bad debts and cash collection
Good performance despite tough economy

£m	2009/10[1]	2010/11	2011/12	2012/13
Regulated revenue	1,521	1,477	1,527	1,597
Regulated bad debt expense	38	31	34	35
Bad debt / regulated revenue	2.5%	2.1%	2.2%	2.2%

- Ten point plan progressing well
- Bad debts level contained despite on-going tough economic climate
- Overall, another good performance – continued strong focus

[1] Re-presented in line with subsequent revised application of revenue recognition approach under IAS18

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Now, on to our bad debt performance.

The North West contains over half of the 1 per cent most deprived areas in England. Unemployment increased at a faster rate than any other UK region in 2011/12, particularly in the second half, resulting in an adverse impact on ability to pay this year. Although North West unemployment improved in 2012/13, it remains higher than the position at March 2011 and is still above the national average.

We estimate the impact of the economy alone would have increased our bad debt percentage by over 0.1 per cent, compared with 2011/12.

However, our ten point plan has delivered a further underlying improvement of more than 0.1 per cent, offsetting the adverse impact of the economy.

We recognise the financial difficulties facing many of our customers and provide a range of options to help those who are struggling to pay their bills, including our charitable trust, and we have helped many customers back onto manageable payment plans.

We have improved our approach to dispute management, which focuses on identifying root causes of problems and resolving them quickly.

And we have continued to increase the number of customers who pay their bills via DWP Water Direct deductions and our data cleansing initiative has improved our data quality, which has also helped improve further our collections performance.

So overall, we have sustained bad debts at 2.2 per cent of regulated revenue for 2012/13, which we feel is a good performance given the tough economic conditions.

Financial position
Robust capital structure

£m At 31 March	2013	2012
Property, plant and equipment	8,990.7	8,644.5
Retirement benefit surplus	15.1	-
Other non-current assets	112.8	98.9
Cash	201.7	321.2
Other current assets	366.5	348.8
Total derivative assets	721.2	617.4
Total assets	**10,408.0**	**10,030.8**
Gross borrowings	(6,173.5)	(5,855.2)
Other non-current liabilities	(1,642.2)	(1,627.2)
Retirement benefit obligations	-	(92.0)
Other current liabilities	(520.4)	(532.0)
Total derivative liabilities	(200.0)	(159.8)
Total liabilities	**(8,536.1)**	**(8,266.2)**
TOTAL NET ASSETS	**1,871.9**	**1,764.6**
Share capital	499.8	499.8
Share premium	2.9	2.4
Retained earnings	885.1	778.9
Other reserves	484.1	483.5
SHAREHOLDERS' EQUITY	**1,871.9**	**1,764.6**
NET DEBT[1]	**(5,450.6)**	**(5,076.4)**

[1] Net debt includes cash, borrowings and derivatives (slide 42)

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Turning now to the statement of financial position.

Property, plant and equipment is up £346 million over the year to just under £9 billion, as we continue to make good progress on our capital investment programme.

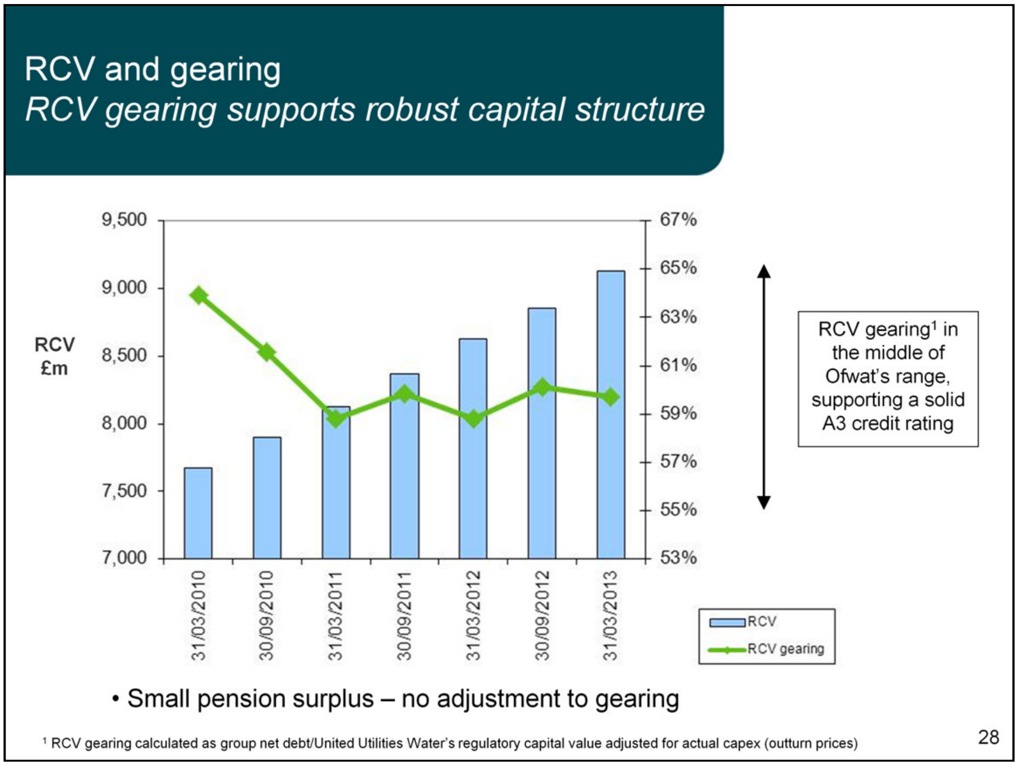
Cash and short term deposits of £202 million were £120 million lower than last year. We borrowed £100 million in index-linked form in March 2013, but this inflow was more than offset by spending on our capital investment programme and accelerated pension deficit repair contributions.

Total derivative assets have increased by £104 million, to £721 million, primarily due to a significant reduction in market interest rates during the period. This has been partly offset by a £40 million increase in derivative liabilities, to £200 million, for the same reason.

The group's pension position under IAS 19 has improved by £107 million year on year, from a liability of £92 million last year to a surplus of £15 million as at 31 March 2013. This is as a result of making deficit repair contributions of £65 million and investment returns exceeding expectations, which more than offset the losses on our scheme liabilities due to the fall in interest rates.

Retained earnings have increased by £106 million, partly as a result of the impact of the deferred tax credit and actuarial gains on our defined benefit pension schemes.

Net debt was £374 million higher than last year end, reflecting the cash used to help fund the capital investment programme and the accelerated pension payments, alongside an increase in the principal of our index-linked debt.



This chart shows our RCV and gearing level.

The blue bars, representing RCV, have been adjusted to reflect actual capital expenditure to date, consistent with the regulatory treatment expected at the next price review. These bars show our steady growth in RCV.

The green line shows the movement in RCV gearing since the start of this regulatory period. Since we completed the non-regulated disposal programme in November 2010, RCV gearing has been fairly stable at 59 to 60 per cent. Our gearing of 60 per cent is in line with the position at the half year. The small increase of one per cent in our gearing level since March 2012 mainly reflects the accelerated pension payments.

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

Cash flow statement
Increase in cash from operations

£m **Year ended 31 March** *Continuing operations*	**2013**	**2012**
Net cash generated from operating activities	631.1	559.8
Net cash used in investing activities	(643.8)	(498.4)
Net cash (used in)/generated from financing activities[1]	(115.5)	6.3
Net movement in cash	**(128.2)**	**67.7**

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

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Moving on to cash flow.

Net cash generated from operating activities was £631 million, up £71 million compared with last year. This increase was mainly as a result of total pension contributions in this year of £93 million, being lower than last year when we paid £150 million.

Cash used in investing activities increased mainly because of the planned increase in our capital investment programme.

The £116 million net cash outflow from financing activities reflects the fact that dividend payments exceeded new borrowings, whereas last year new borrowings were greater than dividend payments.

Financing and pensions
Well positioned

- Average cost of our £2.9bn index-linked debt portfolio is 1.7% real
- Raised new 10-year £100m index-linked loan at 0.5% real, our lowest ever rate
- Financing headroom extended into 2015
- Paid early all previously agreed pension deficit repair contributions for 2010-15
- Low risk pension investments: c25% of assets in equities/high risk assets

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We continue to benefit from a robust financing position.

As a result of our strength in treasury management over many years, the average cost of our £2.9 billion, long-term, index-linked debt portfolio is only 1.7 per cent real.

In March, we took the opportunity to add to our index-linked financing portfolio by raising a new £100 million, ten-year loan at just 0.5 per cent real, our best ever rate.

As a result of this, combined with the inflation linked nature of our pensions liabilities, the non-equity portion of our RCV is now largely hedged for inflation. The loan has also helped extend our financing headroom into 2015.

We have paid early all previously agreed pension deficit repair contributions due in the period to March 2015, providing a better return for the group than would have been achieved through short-term deposits and contributing to a pension surplus of £15 million.

The measures we have taken over the last few years in respect of pensions mean that our risks are well managed, with a lower risk investment strategy, less volatility in funding levels and more prudent longevity assumptions.

And finally, an update on our performance against our key regulatory financial targets.

Outperformance
Well on track to deliver targets

- On track to deliver at least £50m of opex outperformance across 2010-15
  - target unchanged
  - customers will benefit from this in 2015-20
- On track to deliver capex for regulatory allowance (adjusted for COPI)
  - reinvesting c£200m of capex outperformance
  - providing further customer and environmental benefits
- On track to deliver financing outperformance of >£300m across 2010-15
  - net of effect of pensions inflation funding mechanism
  - reinvesting £40m of this in unfunded private sewers costs for customer benefits

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Our recent performance has reinforced our confidence in delivering our five-year outperformance targets and we are ahead of schedule.

In respect of opex outperformance, 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 £150 million challenge implicit within the regulatory contract.

We have now delivered cumulative opex outperformance of around £50 million in the first three years of this regulatory period, which will deliver benefits to customers in 2015-20. The main areas of savings have been power, overheads and property rates. It will be more difficult to outperform this year and next year, due to the locked in power price curve and the cumulative impact of the opex efficiency challenges implicit in our regulatory contract. Despite this, we will continue to challenge ourselves to deliver more outperformance if we can, but are not changing our targets.

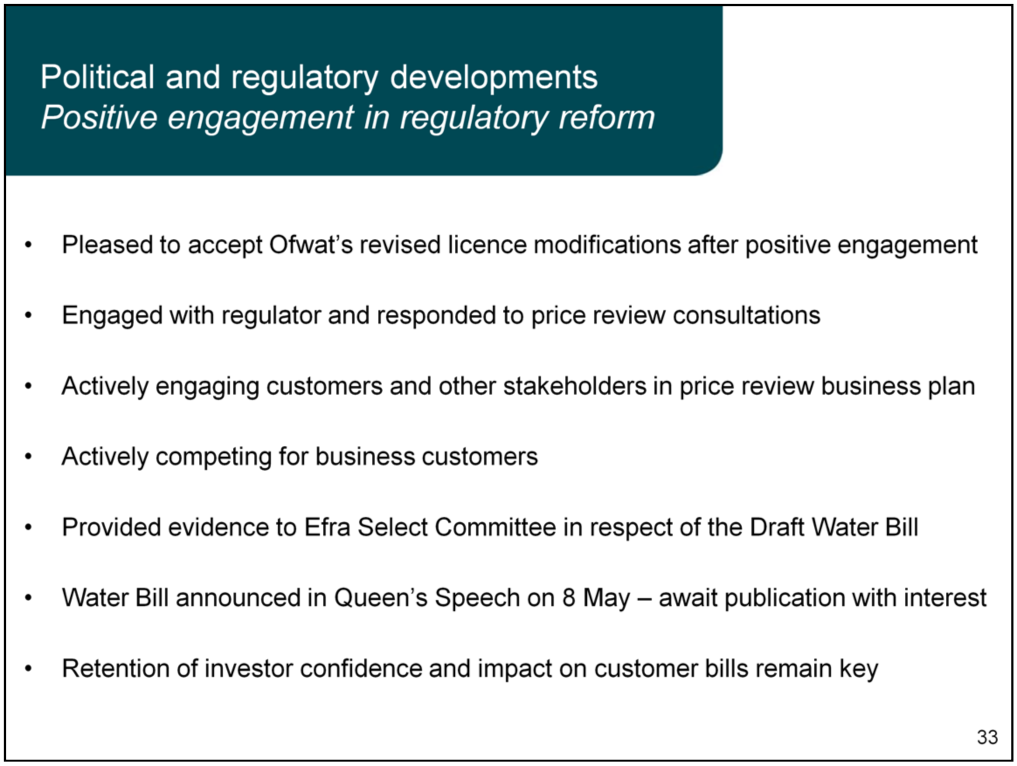
In respect of capital expenditure, we are delivering significant efficiencies and expect to meet Ofwat's revised allowance, as adjusted for COPI, and are expecting to reinvest around £200 million of efficiency savings for the benefit of customers and the environment.

As previously reported, we have already secured significant financing outperformance in this regulatory period, £40 million of which we are reinvesting in unfunded private sewers costs.

So, overall, we are pleased to have delivered another good financial performance and to be ahead of schedule in delivering our outperformance targets.

Now, back to Steve.

Thank you, Russ.



As I mentioned earlier, the regulatory reform agenda being pursued by the UK Government and Ofwat presents both opportunity and challenge to the sector. We will continue to engage in discussions about these reforms to ensure that we can deliver their benefits to our customers, shareholders and other stakeholders.

We were pleased to be one of a group of companies that engaged in constructive dialogue with Ofwat at the end of last year, resulting in the revised licence modification proposals published by the regulator in December and accepted by us shortly thereafter. These revised proposals focus on the changes required to facilitate the 2014 price review and we have engaged with the regulator and responded in detail to the various price review consultations.

We are also actively involving our customers and other stakeholders to better understand their priorities; aimed at informing and shaping our business plan submission to Ofwat later this year.

Looking forward to other changes for the sector, the UK Government published a draft Water Bill in July 2012 which identified a number of potential areas of upstream reform. The Efra Select Committee then reported on its deliberations on the draft bill in February. A Water Bill was announced in the Queen's Speech on 8 May and we now await its publication with interest.

We are also one of a group of companies working with Ofwat on the implementation issues associated with upstream reform. The reform agenda will provide new opportunities for us. In addition to the recent adoption of private sewers and the expanding retail water market for business customers, we are exploring with our regulators opportunities in the areas of water and sludge trading.

We will continue to engage constructively with Government and our regulators in the reform agenda, mindful that the retention of investor confidence and customer affordability remain key to the sector's future success.

Summary
Operational focus drives further improvements

- Customer service improvements: quantitative SIM improved by 67% since 2010/11
- Effective capex management: TCQi up to 90% from 50% in 2010/11
- Met all key serviceability targets and improved delivery of regulatory commitments
- Extending presence in the competitive retail market for business customers
- On track to deliver outperformance targets and ahead of schedule
- Reinvesting c£200m of capex outperformance for customer benefits
- Reinvesting £40m of financing outperformance in unfunded private sewers costs
- Robust capital structure with 60% RCV gearing and a sustainable, growing dividend

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So, in summary, our sustained focus on customer satisfaction through sound underlying operational performance is delivering results:

- customer satisfaction is continuing to improve;
- we have accelerated our capital programme, reducing risk in the last two years of the AMP, and are delivering a much improved performance in meeting our regulatory commitments;
- we have met all four key serviceability targets;
- we are seeing early success in development of our business retail operation;
- we are on or ahead of schedule in delivery of our outperformance targets and maintaining a good balance between our customers and shareholders in sharing benefits; and
- we have again delivered a good financial performance, despite a tough economic climate.

This all continues to be underpinned by a robust capital structure and a sustainable and growing dividend.

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 lower this year

£m Year ended 31 March *Continuing operations*	2013	2012
Revenue	1,636.0	1,564.9
Operating expenses	(702.3)	(675.6)
EBITDA	**933.7**	**889.3**
Depreciation and amortisation	(329.2)	(297.8)
Operating profit	**604.5**	**591.5**
Investment income and finance expense	(299.8)	(311.1)
Profit before tax	**304.7**	**280.4**
Taxation	(22.4)	31.0
Profit after tax	**282.3**	**311.4**
Basic earnings per share (pence)	**41.4**	**45.7**
Total dividend per ordinary share (pence)	**34.32**	**32.01**

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Underlying operating profit
Statutory to regulatory reconciliation

£m **Year ended 31 March** *Continuing operations*	2013	2012
Group underlying operating profit	**607.1**	**594.1**
Underlying operating profit not relating to United Utilities Water	(1.8)	(10.9)
Infrastructure renewals accounting	32.6	40.2
Other differences	-	(3.9)
United Utilities Water statutory underlying operating profit	**637.9**	**619.5**
Revenue recognition	1.7	2.6
Infrastructure renewals accounting	5.1	(2.5)
Non-appointed business	(6.2)	(7.0)
United Utilities Water HCA[1] regulatory underlying operating profit	**638.5**	**612.6**

[1] Historical cost accounting

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Underlying profit before tax
Increase on last year

£m Year ended 31 March *Continuing operations*	2013	2012
Operating profit	604.5	591.5
Investment income and finance expense	(299.8)	(311.1)
Profit before tax	**304.7**	**280.4**
Adjustments:		
One-off items[1]	2.6	2.6
Net fair value losses on debt and derivative instruments	41.5	43.2
Interest on swaps and debt under fair value option	8.3	7.2
Net pension interest expense	11.5	3.3
Capitalised borrowing costs	(14.3)	(9.7)
Underlying profit before tax	**354.3**	**327.0**

[1] Principally relates to restructuring 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*	**2013**	**2012**
Investment income	2.3	4.4
Finance expense	(302.1)	(315.5)
	(299.8)	**(311.1)**
Less net fair value losses on debt and derivative instruments	41.5	43.2
Adjustment for interest on swaps and debt under fair value option	8.3	7.2
Adjustment for net pension interest expense	11.5	3.3
Adjustment for capitalised borrowing costs	(14.3)	(9.7)
Underlying net finance expense	**(252.8)**	**(267.1)**
Average notional net debt	**5,142**	**4,854**
Average underlying interest rate	**4.9%**	**5.5%**
Effective interest rate on index-linked debt	4.9%	5.9%
Effective interest rate on other debt	5.0%	5.1%

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

£m **Year ended 31 March** *Continuing operations*	2013	2012
Cash interest on index-linked debt	(46.9)	(43.9)
RPI adjustment to index-linked debt principal - 3 month lag[1]	(57.1)	(56.8)
RPI adjustment to index-linked debt principal - 8 month lag[2]	(29.1)	(43.6)
Finance expense on index-linked debt	**(133.1)**	**(144.3)**
Interest on other debt (including fair value option debt and swaps)	(119.7)	(122.8)
Underlying net finance expense	**(252.8)**	**(267.1)**

- Cash interest payment of £47m on c£2.9bn of index-linked debt
- Decrease in indexation charge due to lower RPI
- RPI benefit on RCV exceeds RPI impact on debt principal

[1] Affected by movement in RPI between January 2012 and January 2013
[2] Affected by movement in RPI between July 2011 and July 2012

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Derivative analysis
Derivatives intrinsically linked to debt

£m At 31 March	2013	2012
Derivatives hedging debt	719.0	617.4
Derivatives hedging interest rates to 2015	(120.9)	(137.0)
Derivatives hedging interest rates beyond 2015	(70.8)	(18.2)
Derivatives hedging commodity prices	(6.1)	(4.6)
Total derivatives assets and liabilities (slide 27)	**521.2**	**457.6**

- **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**

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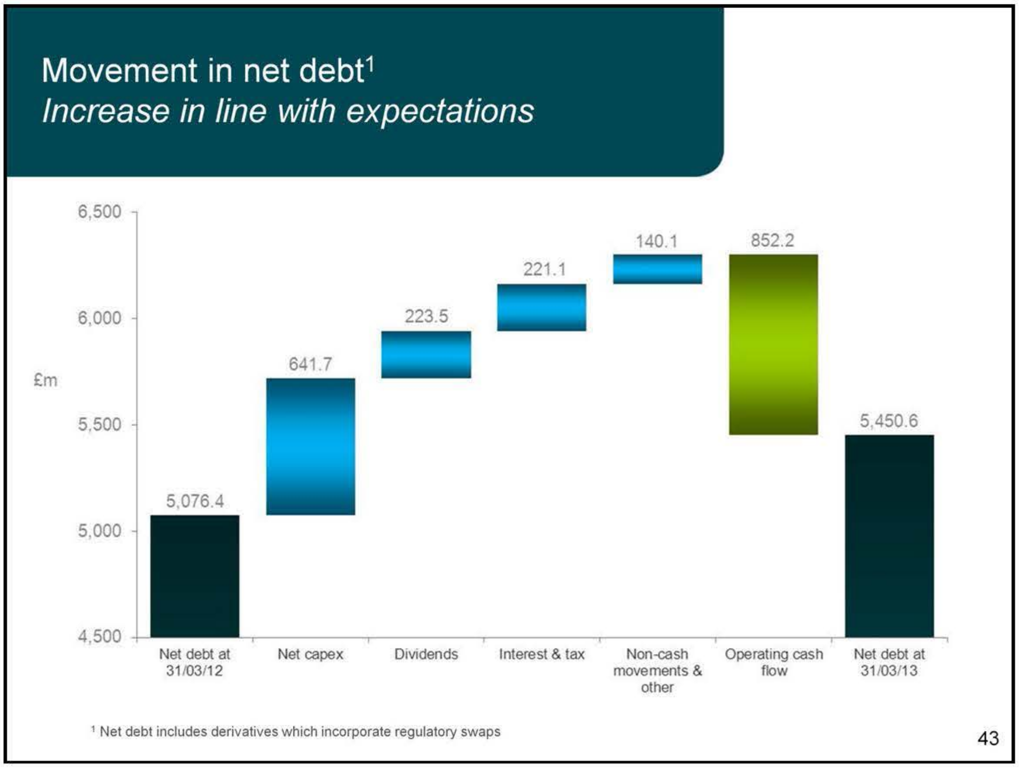

Movement in net debt[1]
Increase in line with expectations
6,500
6,000
5,500
5,000
4,500
£m
5,076.4
641.7
223.5
221.1
140.1
852.2
5,450.6
Net debt at 31/03/12
Net capex
Dividends
Interest & tax
Non-cash movements & other
Operating cash flow
Net debt at 31/03/13
[1] Net debt includes derivatives which incorporate regulatory swaps
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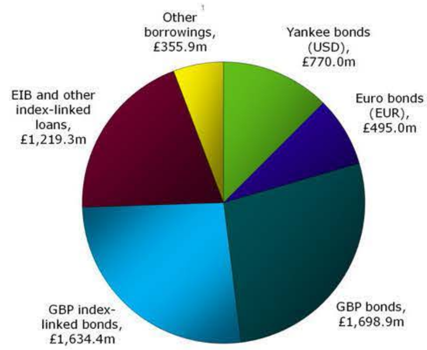
Financing & liquidity at 31 March 2013

Gross debt = £6,173.5m

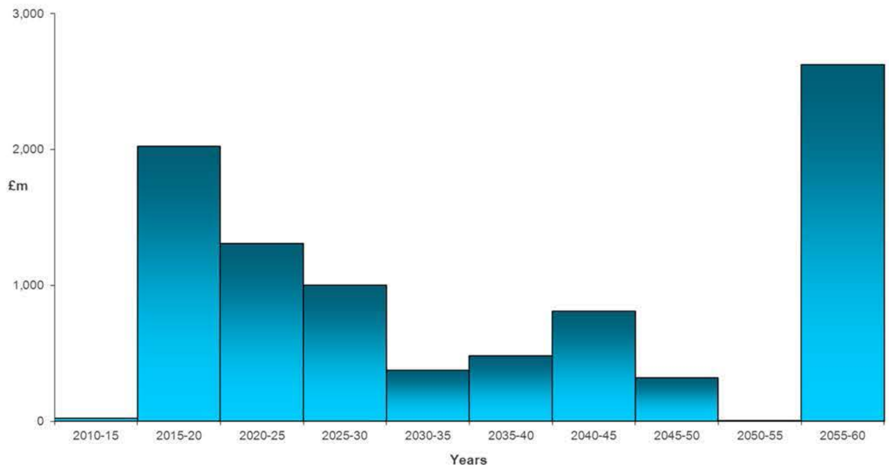


Headroom / prefunding = £335.6m

	£m
Cash and short-term deposits	201.7
Medium-term committed bank facilities[2]	300.0
Short-term debt	(144.8)
Term debt maturing within one year	(21.3)
Total headroom / prefunding	**335.6**

[1] Includes amounts relating to joint ventures of £28.2m
[2] Excludes £220m facilities maturing within one year, £50m with a forward start in September 2013 and £50m with a forward start in January 2014

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%

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Debt structure at 31 March 2013

United Utilities Group PLC

United Utilities PLC
Baa1 stable; BBB- positive outlook

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

Other debt:
- Short-term loans £82m

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

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

Other debt:
- EIB index-linked loans £1,000m[1]
- Other index-linked loans £100m[1]
- Short-term loans £44m
- Other loans £126m

[1] Index-linked finance

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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.