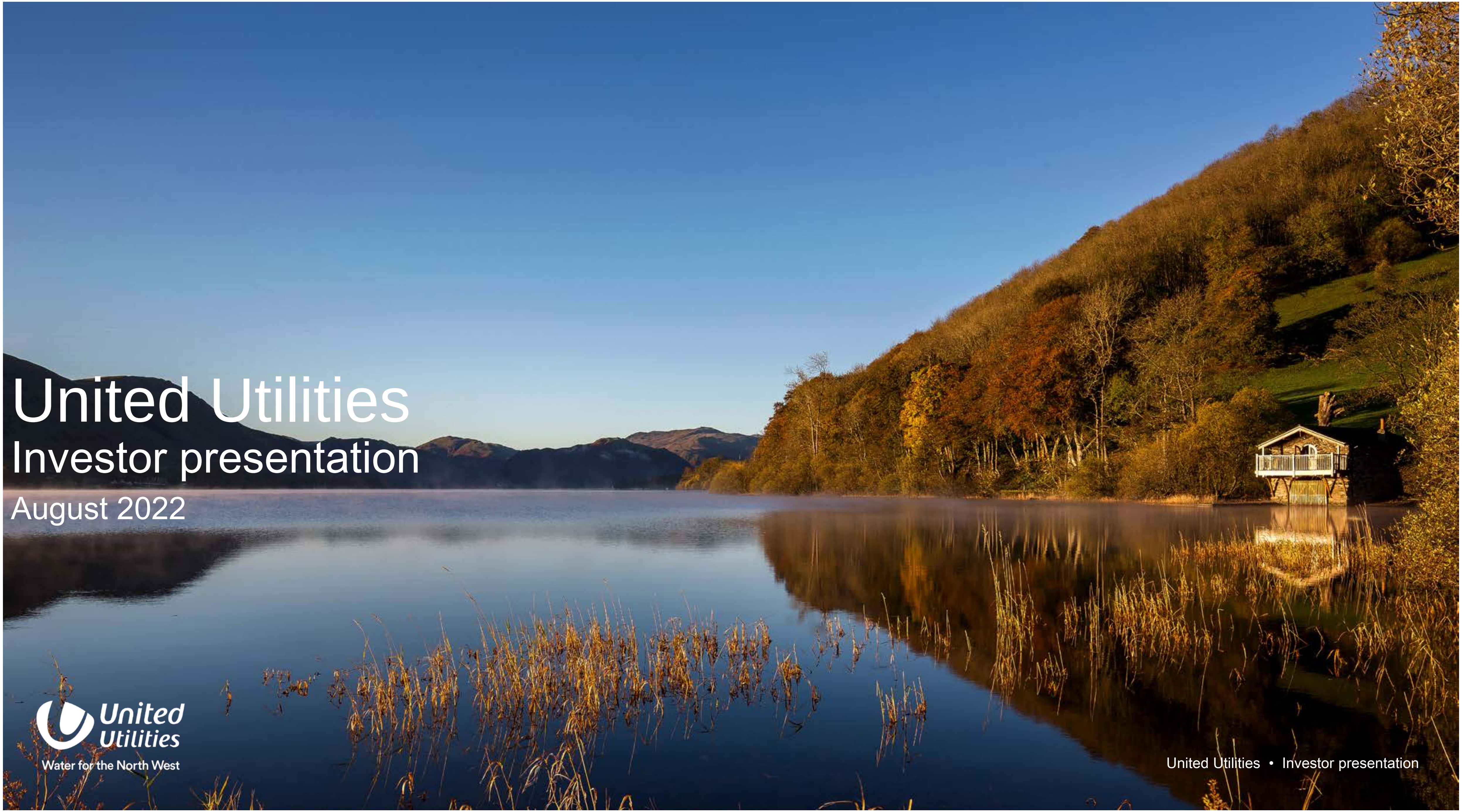


United Utilities

Investor presentation

August 2022

Water for the North West

Contents

Background

Where we operate

Regulated UK water and wastewater business

Around 3 million household and 200,000 non-household customer premises

Regional population of around 7.3 million people in the North West of England

Serving the North West since privatisation in 1989

Our Board

Breadth and depth of experience

Sir David Higgins, Chair

Nomination Committee

Sir David has spent his career overseeing high profile infrastructure projects. Chair of Gatwick Airport Limited and a member of the Council at the London School of Economics. Former chief executive of Network Rail, The Olympic Delivery Authority, and English Partnerships

Steve Mogford, Chief Executive Officer

Corporate responsibility committee

Former chief executive of SELEX Galileo, chief operating officer at BAE Systems PLC and a member of its PLC board, Steve spent his earlier career with British Aerospace PLC. With effect from 1 August 2022, he will join the board of QinetiQ Group plc as a non-executive director.

Phil Aspin, Chief Financial Officer

Treasury committee

Over 25 years' experience at United Utilities. Prior to his appointment as CFO, Phil was group controller having previously been group treasurer. He was appointed as a member of the UK Accounting Standards Endorsement Board in March 2021. He is chair of the pensions committee of the 100 Group a member of both the 100 Group main committee and the stakeholder communications and reporting committee.

Louise Beardmore, Chief Executive Officer designate

Joined United Utilities on its graduate programme and has comprehensive experience of the company, its customers and its regulators. She was appointed as customer service and people director in 2016, prior to which she held a number of senior positions across the group. She is a non-executive director of Engage for Success

Liam Butterworth, NED

Nomination and audit committees

CEO of GKN Automotive Limited, owned by Melrose plc, since 2018. Over 30 years' experience in the automotive industry and was the former CEO of Delphi Technologies plc.

Kath Cates, NED

Nomination and remuneration committees

Non-executive director at Columbia Threadneedle Investments, TP ICAP Group Plc and Brown Shipley. Former chief operating officer at Standard Chartered plc and a number of roles at UBS, prior to which she qualified as a solicitor. Former non-executive director at Brewin Dolphin Holdings plc and RSA Insurance Group plc

Alison Goligher, NED

Nomination, remuneration and corporate responsibility committees

Non-executive director Meggitt PLC, Technip Energies NV and part-time executive chair Silixa Ltd. Former roles at Royal Dutch Shell, most recently Executive Vice President Upstream International Unconventionals

Paulette Rowe, NED

Nomination, audit and corporate responsibility committees

CEO of Integrated and Ecommerce Solutions and member of the Paysafe Group executive. Formerly held directorships at Facebook, Barclays and the Royal Bank of Scotland/NatWest. Former trustee and chair of children's charity The Mayor's Fund for London.

Doug Webb, NED

Nomination, audit, remuneration and treasury committees

NED and audit committee chair at Johnson Matthey plc, BMT Group Ltd, and the Manufacturing Technology Centre Ltd. Former CFO roles at Meggitt plc, London Stock Exchange, and QinetiQ Group plc, and NED and audit committee chair at SEGRO plc

Our regulation

Strong performance in early part of AMP7

We operate in **5-year** regulatory cycles called Asset Management Periods (AMPs)

We recently entered the seventh five-year period since privatisation (**AMP7** – running from April 2020 to March 2025)

Our economic regulator, Ofwat, sets the price, service and incentive package we must deliver in each of these five-year periods

There are four main areas in which companies can outperform by delivering a superior level of performance and/or doing so at a lower cost:

Total expenditure (**totex**)

Financing performance

Outcome Delivery Incentives (**ODIs**)

Customer satisfaction (measured using Ofwat's **C-MeX** assessment in AMP7)

We have **transformed** our performance in recent years and we exited AMP6 operating at the **upper quartile** across a range of metrics

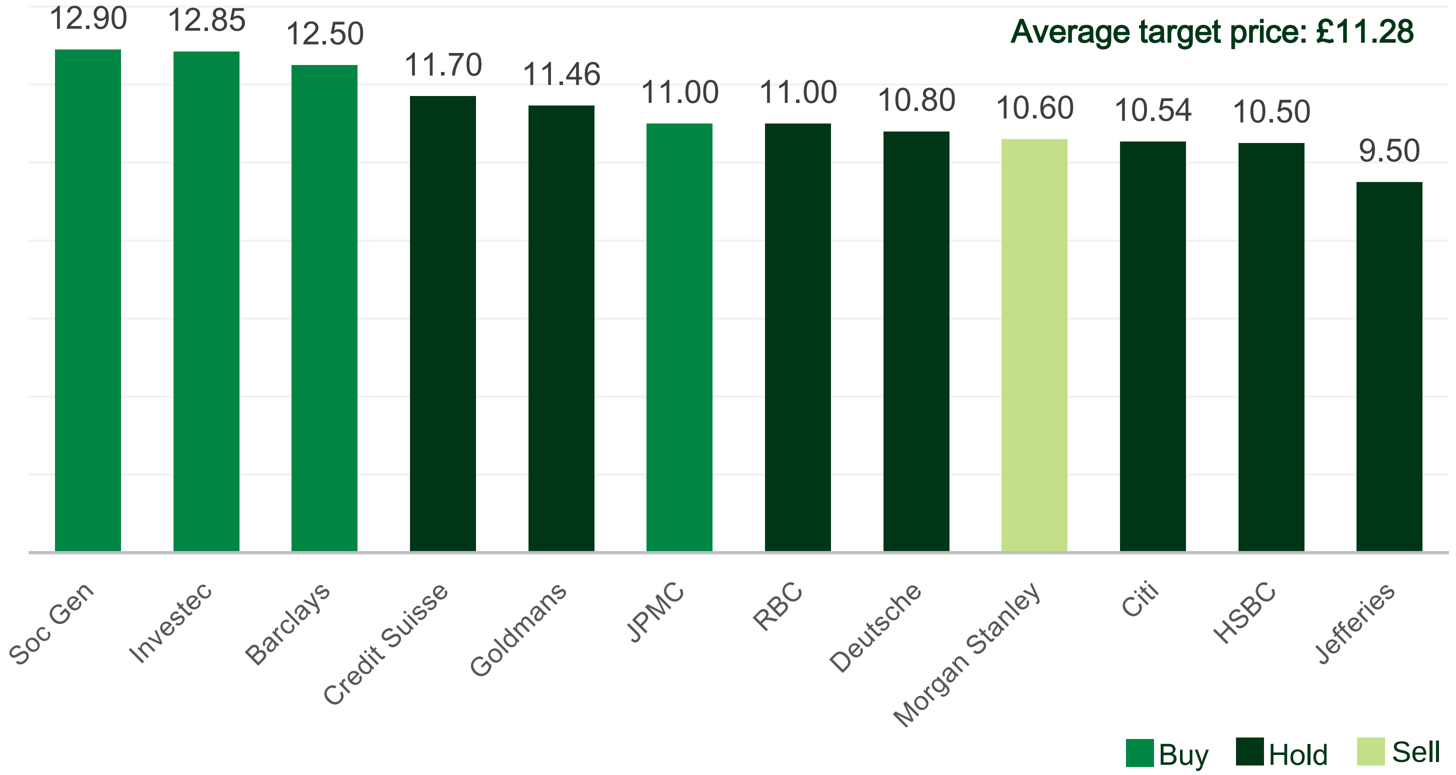
We were **fast-tracked** through the most recent price review (PR19) and given one of the lowest cost challenges in the sector by Ofwat

We reinvested **£130 million** of AMP6 outperformance, targeting key performance areas giving us a **flying start** to AMP7

Market information

Sell-side estimates and stock market information as at 3 August 2022

- FTSE 100 company, listed on the London Stock Exchange
- 681.9 million shares
- Market capitalisation of £7.7 billion, based on 1124.5p share price as at 31 March 2022



Our vision and strategy

Clear vision to be the best UK water and wastewater company

Three consistent strategic themes:

The best service to customers

At the lowest sustainable cost

In a responsible manner

Why invest in United Utilities

Regulatory outperformance

Sustainable performance improvements and track record of outperformance in AMP5 and AMP6

Systems Thinking approach

Use of technology, data and machine intelligence, which provides us with a competitive advantage

Strong management team

Extensive commercial, operational and regulatory experience across the business

Best in class treasury management

Low cost of debt locked in, stable A3 credit rating, robust capital structure with target 55%-65% RCV gearing range

Low dependency pension schemes

Stable IAS19 pension surplus, and low dependency funding position in line with TPR recommendations

Clarity on allowed returns to 2025

Wholesale revenue and asset base linked to CPIH inflation through to at least 2025

ESG credentials

Strong record of high ESG standards with external recognition of our approach to ESG

Systems Thinking and innovation

Systems Thinking

Pioneering approach and one of our competitive advantages

Looks at how each individual element interacts with the other parts of the system in which it operates – expanding the view to consider larger numbers of interactions rather than isolating small elements – using **technology, data and machine intelligence**

Rather than operating each asset or treatment works in isolation, we use **real-time data from telemetry** installed across our network to analyse the entire system and all its linkages, enabling us to find the **best all-round solutions**

Improves efficiency, optimises costs, and delivers superior service performance and operational resilience

Helped us deliver operational improvements and cost savings during AMP6, with further developments for AMP7 and beyond as part of our **long-term strategy**

Systems Thinking is a competitive advantage

Approach to Systems Thinking, innovation and digital delivers best performance

Systems Thinking

Benchmarking suggests **sector shifting improvements** can be delivered through Systems Thinking

12-30% cost savings

3-20% service improvements

8-50% productivity increases

Innovation

An established innovation model delivering **£445m savings** from AMP5 to AMP7

Accessing the innovation ecosystem

Academia & leveraged funding

Breakthrough innovation

Innovation culture

Digital

Leveraging value through **AMP6 investment** to deliver **benefits in AMP7**

Sensors

Data & analytics

Machine intelligence

Sector’s most embedded innovation culture

Use of technology delivering efficiencies and improved service

Advanced technology

Machine learning & AI

Improved service

Systems thinking

Innovation lab

“Out of all the water company business plans we have assessed, United Utilities’ plan has the best evidence of an embedded culture of innovation.”

Ofwat: DD, April 2019

Our innovation model

We have an established innovation model that is estimated to deliver £445m of total savings through innovation from AMP5 to AMP7

The 4 core components of our innovation model

Accessing the innovation ecosystem

Lab 1 – 3 suppliers awarded contracts including Typhon who recently won a UK Water Industry Award for Drinking Water Initiative of the Year

Lab 2 – 4 promising ODI related innovations including FIDO, the runner up in KPMG Global Tech innovation competition

Academia and leveraged funding

Academic research to scale-up (e.g. blockage prediction)

Innovation culture

Innovation as a corporate value

The 'Innovation 100'

Annual CEO Challenge

Apprentice sprints

Embedded crowd sourcing capability

Breakthrough innovation

Catchment, real-time sensing

Carbon blocks

Leading or supporting on a number of projects that have secured a total of £45 million of funding from Ofwat's Innovation Fund

Exploiting Digital Technology

Our technology strategy is focused on leveraging value through the investment made in AMP6.
This is now enabling us to exploit this technology across AMP7 to deliver performance & cost benefits.

Sensors

An existing fixed sensor network of over 100,000 devices monitoring pressure, flow, level, quality, temperature, power and sound

Further enhancement of the fixed sensors network in AMP7 – broader coverage and new traits and characteristics to measure

Plus our new, advanced mobile sensor network

Data and analytics

Best in class data and analytics platforms

½ billion rows of data automatically loaded daily

Analytic requests automatically processed daily

Advanced analytics developments underway for leakage and C-MeX performance

Machine intelligence

Simple Machine Intelligence
Robotic Process Automation – embedded approach with over 2/3 million human tasks now completed by robots saving over 100,000 hours per year

Advanced Machine Intelligence
Shifting our business from costly response and mitigation to predictive system management with our operational AIs: HARVI and ERWAN, soon to be joined by our third AI – EDDS

Breakthrough innovation to tackle leakage

Mobile sensors supplementing other innovations

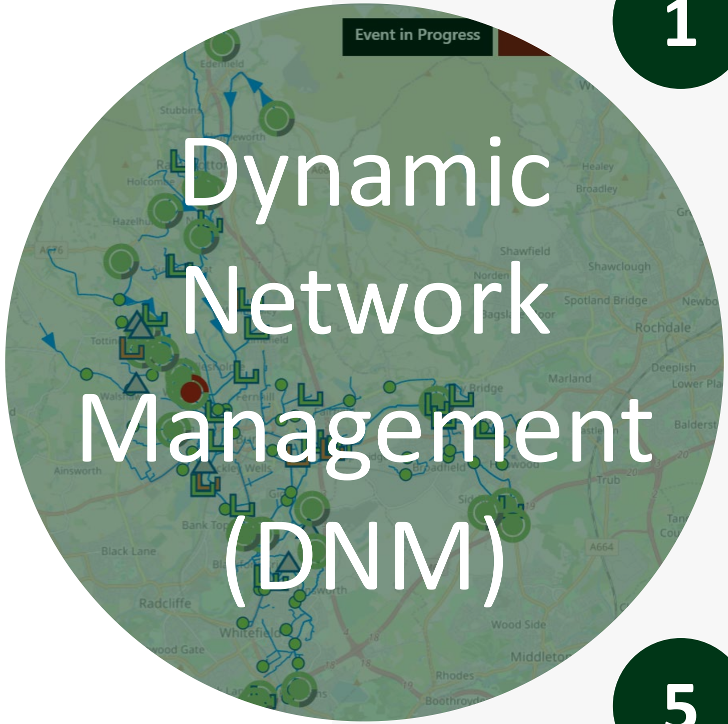
- Three mobile sensors
- Reading taken every millisecond
- Artificial intelligence pinpoints leaks
- Confirms leak likelihood and severity
- Low cost, real time results

Supplements existing activities

- Sniffer dogs
- Satellites
- Customer leak finder app
- Acoustic leak sensors

Leakage AMP7 incentive range -£14m to +£15m

Ground breaking application of Systems Thinking



Dynamic Network Management (DNM)

1. State of the art sensors
2. Near real-time performance information
3. Predictive machine intelligence
4. Proactive optimisation of system performance
5. Improved customer ODI performance and efficiency

Investing for sustainable performance

£100m incremental totex

Recovered through regulatory mechanisms

£350m West Cumbria project delivering resilience and environmental benefits

1. Most extensive application of Systems Thinking on a new, discrete system
2. Already achieved £20m ODI reward to date for specific West Cumbria ODI along with around £30m of innovation tax benefits
3. Integrated as part of our overall ESG strategy
4. Applied lessons learned to successful replacement of a section of the Haweswater aqueduct ahead of HARP
5. Learnings from use of Systems Thinking expected to deliver cost and ODI benefits of £15m - £40m across AMP7 and AMP8


Environmental, Social
and Governance (ESG)
United
Utilities
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A strong track record of leading on ESG

Significant achievements against environment, social and governance

2000
Business in the Community
'Company of the year'

FTSE4Good

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

2009
Business in the Community
'Company of the year'

pwc
BPTA winners 2015

Fair Tax

glassdoor
2020 BEST PLACES TO WORK

AMP3 | AMP4 | AMP5 | AMP6

2001
Established director level committee focused on responsible business

2005
Led sector's approach to catchment management through SCaMP

2006
Set our first carbon reduction target

CDP
DISCLOSURE INSIGHT ACTION

2011
Three strategic themes introduced

2014
Early adopter of integrated reporting

2016
Priority Services launched

2019
Achieved self-sufficiency of pensions scheme

2019
23% female apprentices (sector average 5-7%)

Planted over 2 million trees

Over £600m outperformance reinvested

£43m community investment

Behaving responsibly

Delivering for customers and the community

1

Upper quartile for AMP6 achieving **SIM outperformance**

2

30 awards across customer service, collections and debt management

3

3 accreditations

4

Strong C-MeX performance to date, achieving **£2.3m reward** in year 2

Year 1 reward £2.1m

5

AMP7 incentive range of **+/- £66m**

Behaving responsibly

Supporting customers

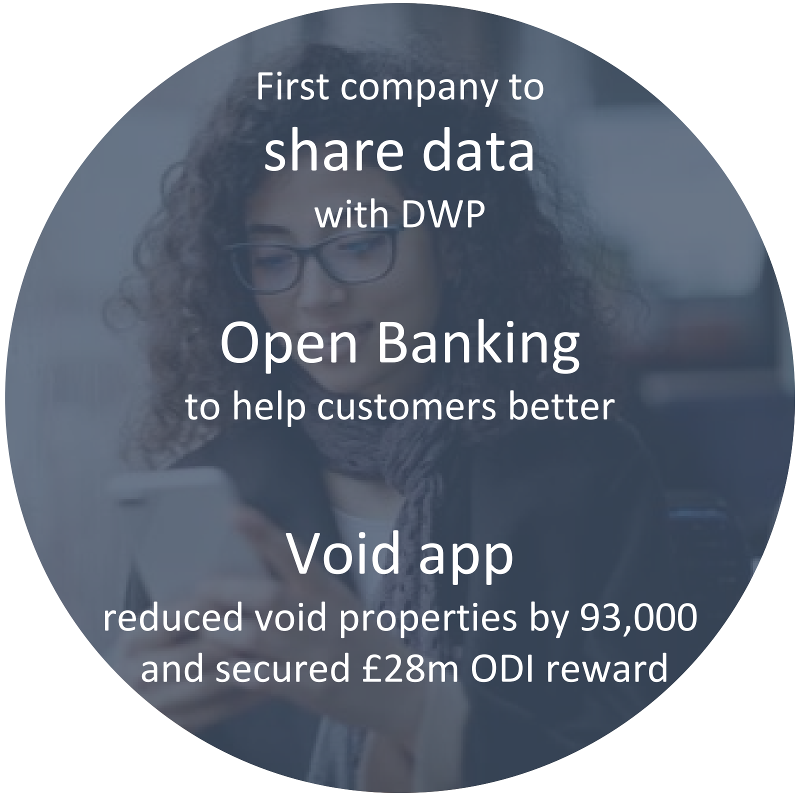
Debt affordability and vulnerability schemes building social capital

£280m
customer support over AMP7

200,000
helped with affordability

180,000
on Priority Services register

Driving innovation to enhance experience and reduce cost



First company to
share data
with DWP

Open Banking
to help customers better

Void app
reduced void properties by 93,000 and secured £28m ODI reward

Behaving responsibly

Investing in colleagues

Building
social capital
sending our people home safe and well

Created over £300,000[1] of social/local economic value

87% engagement;
5% above UK Utilities Norm

Evolving skills for a
digital utility

Technical Training Academy
- only water company governed by Ofsted with a **good** rating

Promoting
diversity & inclusion

5 employee diversity networks with 730 members

37% of 2021/22 apprentice intake were female

2021 RoSPA Gold Award

The Workplace Wellbeing Charter

Britain's Healthiest Workplace

We are a Living Wage Employer

Pension Quality Mark Plus

glassdoor 2020 Best Places to Work

Inclusive Top50 UK Employers 2021/22 – 7th Most Inclusive Employer

Bloomberg Gender-Equality Index 2022

Ofsted Good rating

FT Leader in Diversity 2020

[1] TOMS Social Value Portal

Behaving responsibly

Working at the heart of communities

Virtual **engagement** with greater success

8,123 hits

>100% more feedback

69% support

£1 invested in a **partnership** leverages a further £7


United Utilities
38,372 followers
3d •

Our partnership with the RSPB continues to fly as we officially formalise our working relationship. Our CEO Steve Mogford was joined by Beccy Speight, CEO of the RSPB, at the Haweswater estate in Cumbria to sign the partnership which will benefit wildlife, water quality and local communities. Since 2011 we've worked together to make the landscape more resilient to the challenges of a changing climate, while creating opportunities for sustainable hill farming. Find out more: https://bit.ly/2SPpUMv #partnership #sustainability #environment #water #wildlife #conservation

Enhancing **social mobility**

- Hosted the region's first **social mobility summit**
- Supporting the Government's **KickStart** programme

Behaving responsibly

Top performer on EPA

Leading performance in minimising pollution with zero serious incidents in AMP6

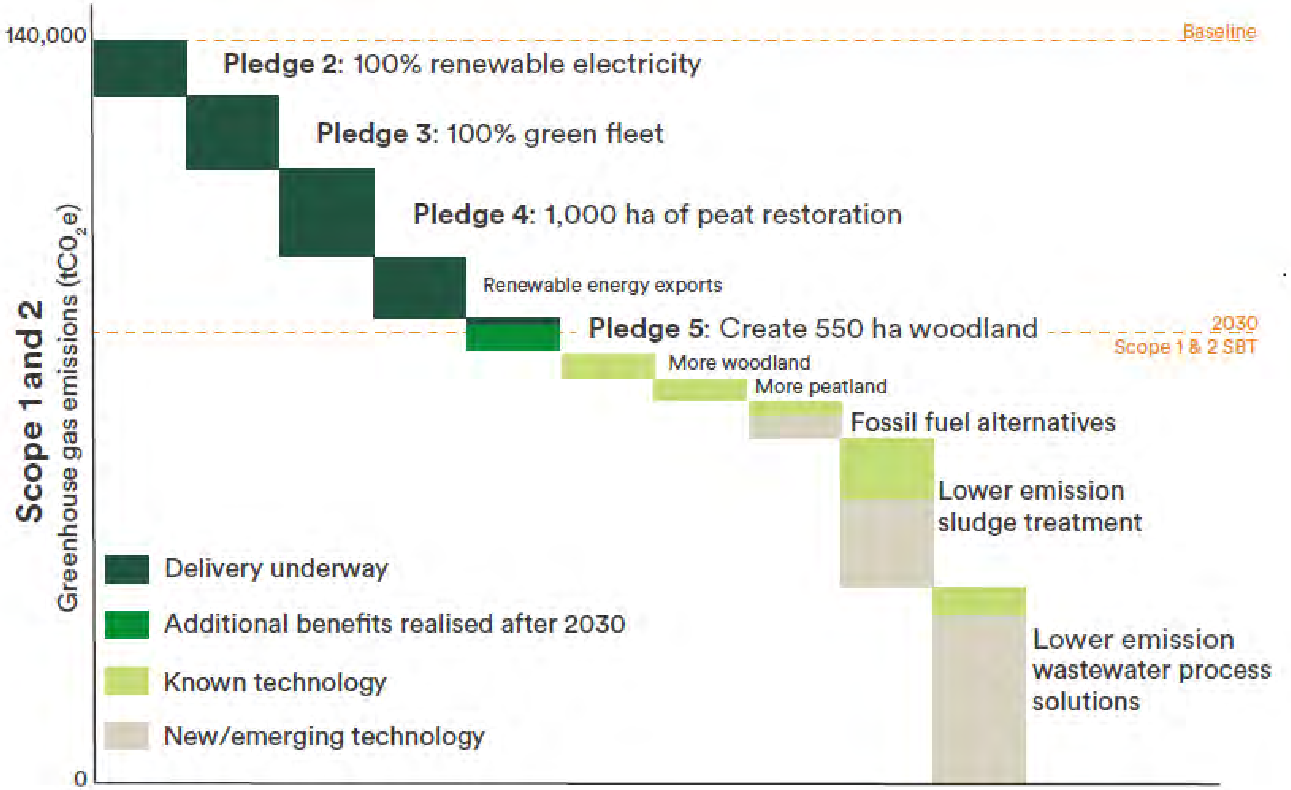
Achieved 4* industry leading status on the Environment Agency's environmental performance assessment for 2020

Sector leading catchment management

Led sector's approach to catchment management through SCaMP

Catchment Systems Thinking (CaST) delivers an optimised integrated approach

Delivering for the environment



Carbon footprint significantly reduced since 2005/06 baseline

100% electricity usage from renewable sources from October 2021

Behaving responsibly

Recognised for best practice corporate governance

Consistently recognised as going above and beyond the minimum and early adopters of best practice

Economic regulation

Ofwat's legal duties

1

Primary

Ensure companies properly carry out their functions

Ensure companies can finance their functions

Protect interests of consumers, wherever appropriate by promoting effective competition

Secure the long-term resilience of water and sewerage systems[1]

2

Secondary

Promoting economy and efficiency

Contributing to the achievement of sustainable development

Ensure Ofwat gives no undue preference[1]

[1] Added as part of the Water Act 2014

Exceeded our targets in AMP6

Executed and delivered our purpose

- Accelerated investment
- Systems Thinking & Innovation
- Relentless focus on customers
- Motivated and engaged workforce

- Delivered outperformance
- Fast track business plan
- Sharing outperformance

To provide great water and more for the North West

Summary of UUW's AMP7 final determination

A balanced settlement overall

+1.5%

-1.8%

Opportunities represented by ODIs

13.8%
real reduction in average bills

£5.8bn
totex allowance

Delivering for the environment

Targeting

20% reduction in pollution

15% reduction in leakage

Increasing resilience through Haweswater Aqueduct Resilience Programme (HARP)

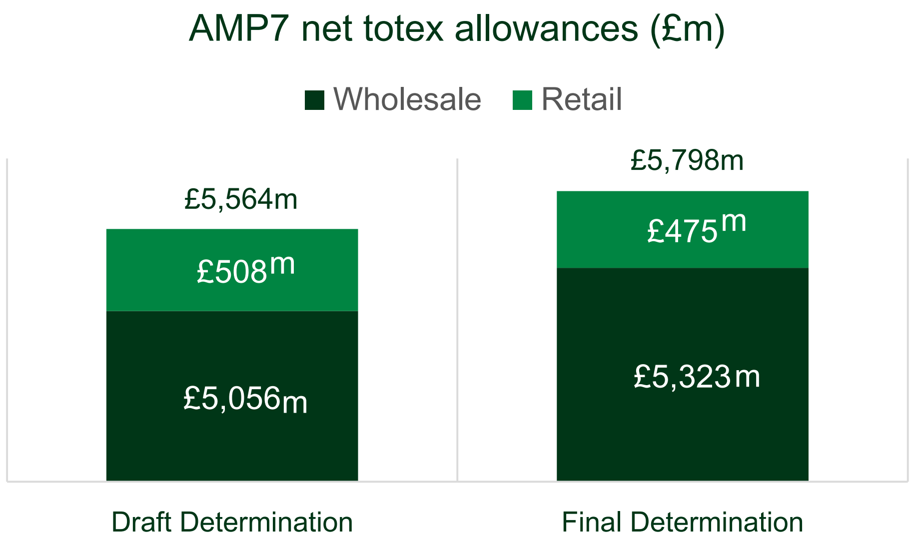
110km long

UUG dividend maintained with CPIH growth

A purpose led company, recognising the needs of all of our stakeholders

AMP7 totex allowance increased from draft determination

£5.8bn AMP7 totex allowance



Final determination allowance was **£234m higher** than draft determination

50:50 customer sharing ratio

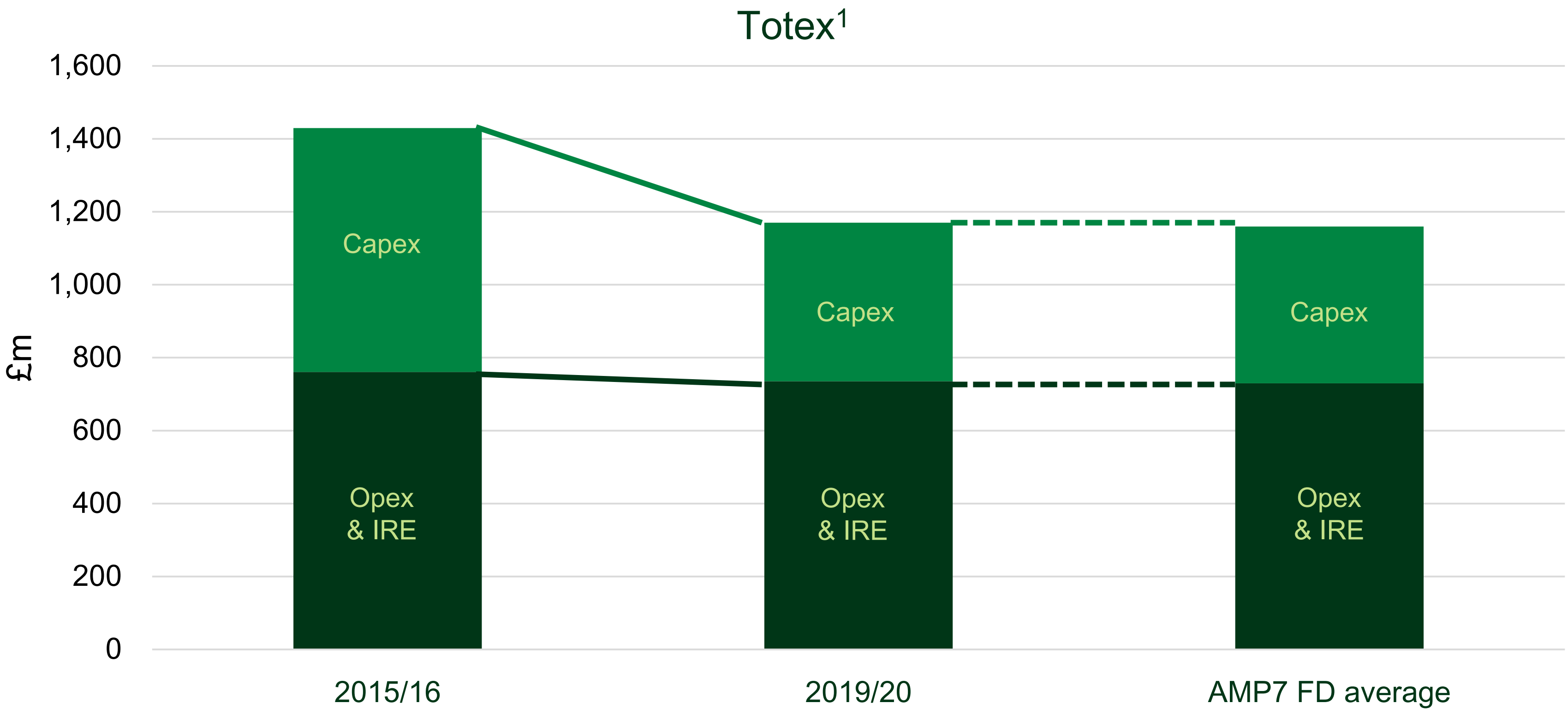
Weighted average **PAYG** of **59.6%** - aligned to the natural rate

£57m HARP allowance and **£44m** for strategic water resource development

Exiting AMP6 at the **required totex run rate**

Totex run rate on target

AMP6 investment delivering efficiencies to be sustained into AMP7



Source: Company PR19 business plan submission, September 2018 and Final Determination

[1] 2017/18 prices, including £250m AMP6 additional investment but not the further £100m announced in May 2019.

Delivering efficiencies

AMP6 focus on innovation, market testing and cost challenge delivered efficiencies required for AMP7

Innovation

Identified as having the **most embedded culture of innovation**

Systems Thinking delivering efficiencies and better service for customers

Innovation Lab a source of global ideas to keep us at the **frontier** of new ideas

Market testing

Market Engagement Methodology to procure as efficiently as possible

Appointed two capital delivery partners as preferred bidders for **over £300m** of AMP7 capital programme achieving **£40m savings** versus the traditional delivery route

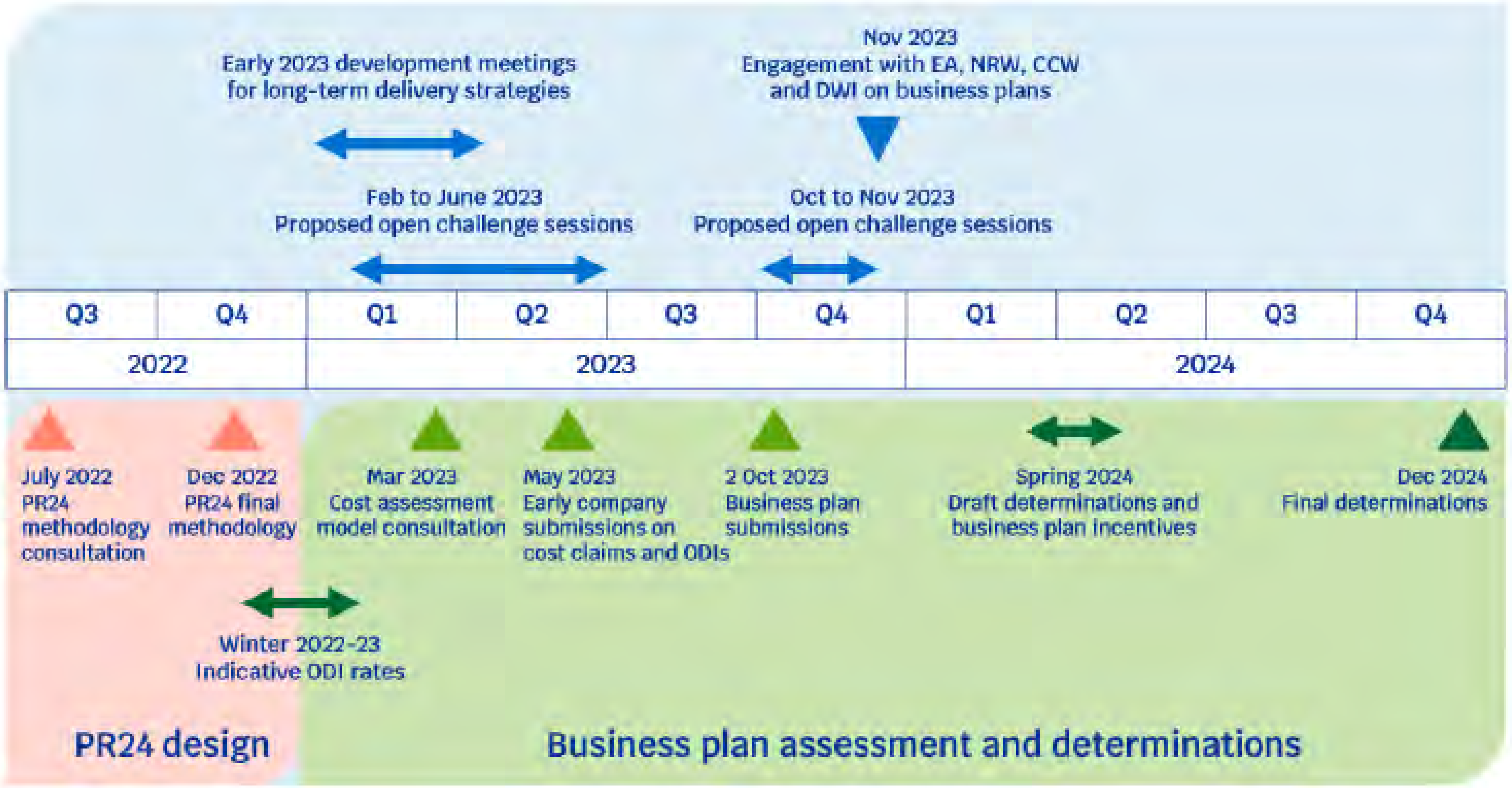
Cost challenge

Risk and value assessment across all major projects expected to deliver **£100m savings** in our plan

£110m reduction in scope of wastewater environment programme through **working proactively** with the Environment Agency

PR24 Timetable

Final methodology expected December 2022; business plan submissions October 2023

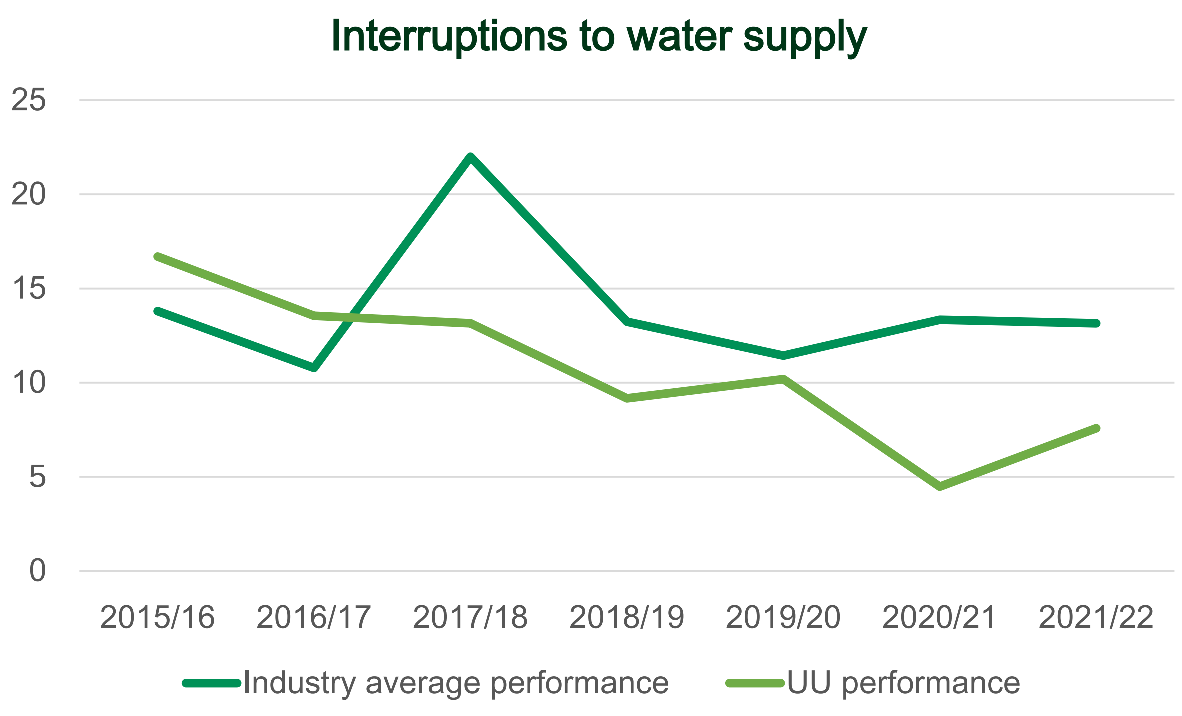


Source: Ofwat's draft methodology published 7 July 2022

Operational transformation

United Utilities
Water for the North West

Operational transformation: Water



- **Lowest ever level** of leakage
- **More than halved** supply interruptions to customers since beginning of AMP7
- Focus on 3Rs:
  Response
  Restoration
  Repair
- **ICC** support
- Growing fleet of **ASVs**

69% reduction in significant water quality events (Cat 3 or greater) over AMP6

£180m resilience investment in AMP6

West Cumbria project delivered early providing environmental benefit

Operational transformation: Wastewater

Leading performance on Wastewater

	Environmental Performance Assessment Performance Rating						
	2015	2016	2017	2018	2019	2020	2021
Anglian	3	3	3	3	2	3	2
Northumbrian Water	3	2	2	4	2	4	4
Severn Trent Water	4	3	4	3	4	4	4
Southern Water	3	3	3	2	1	2	1
South West Water	1	2	2	2	2	2	1
Thames Water	3	2	3	3	3	3	2
United Utilities	**4**	**4**	**4**	**3**	**3**	**4**	**4**
Wessex Water	4	4	4	3	4	4	2
Yorkshire Water	3	3	3	2	3	4	2

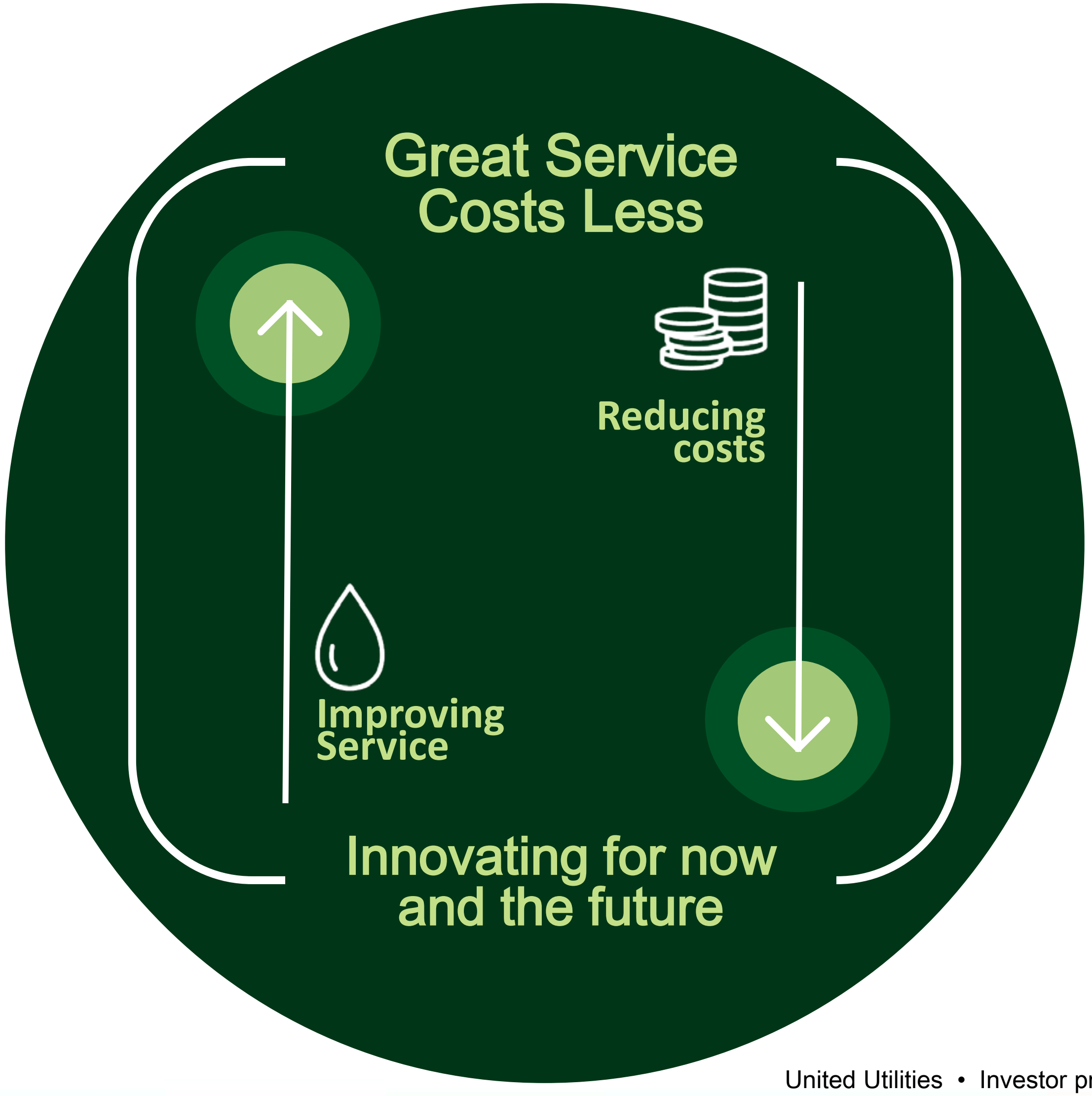
Leading performer
on reducing pollution

Achieved **4* industry leading**
status for 2021 performance

Customer Services Strategy

We have a clear strategy in place delivering new services and capabilities to position us now and in the future…

…and at the same time we are responding to the unique demographics of our region.

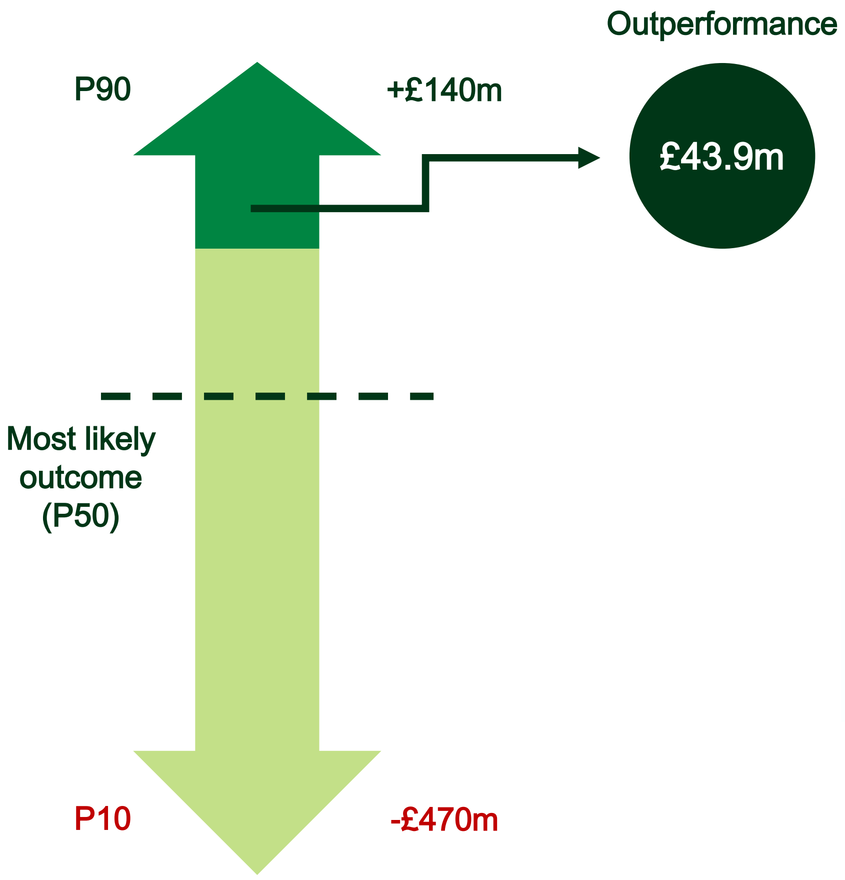


Outcome Delivery Incentives (ODIs)

Outcome Delivery Incentives (ODIs)

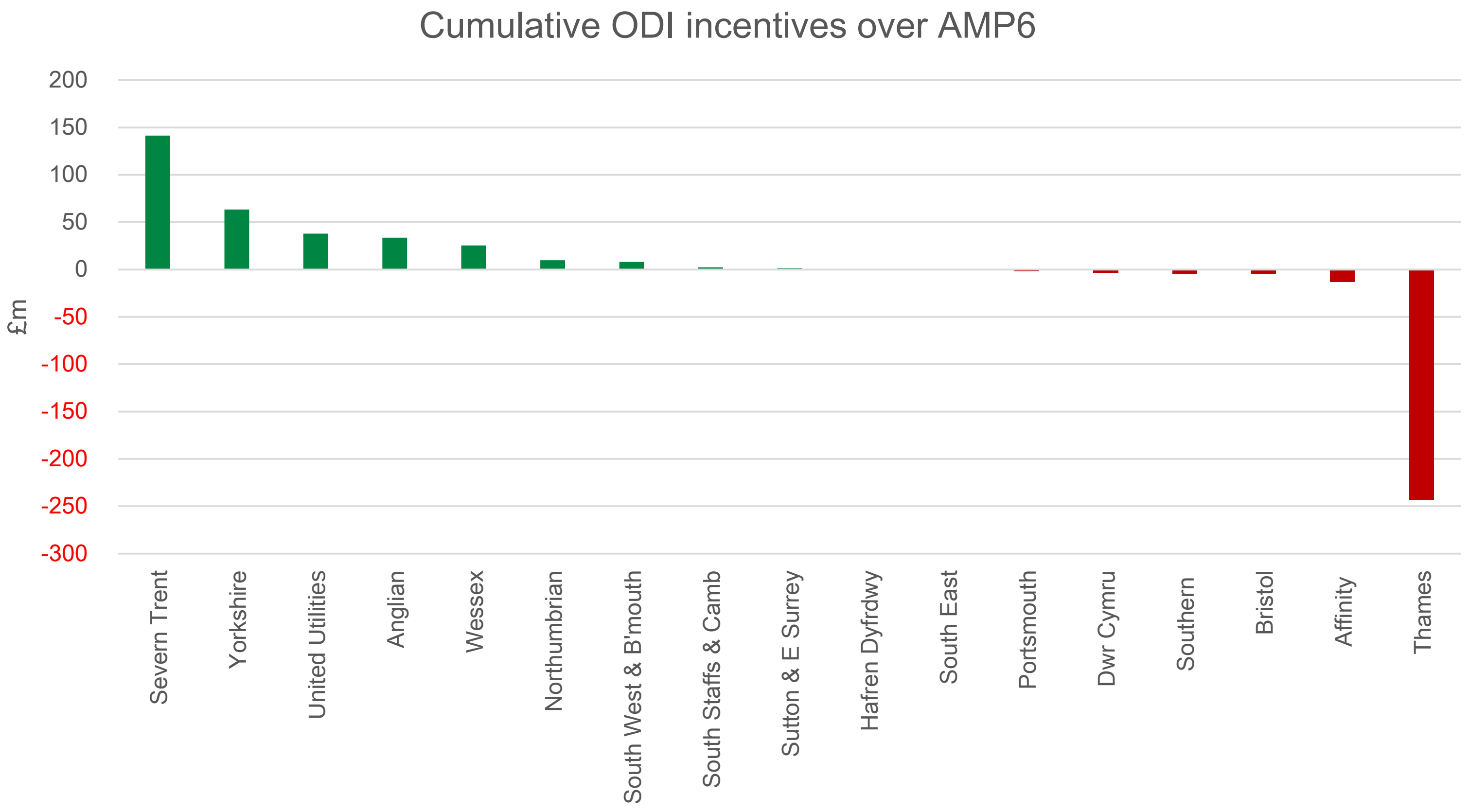
AMP6 performance well in excess of our original most likely outcome

	Reward / (Penalty) in 5 years 2015-20 (£m)
Private sewers service index	36.9
Wastewater category 3 pollution incidents	16.4
Sewer flooding index	(9.3)
Thirlmere transfer to West Cumbria	21.6
Total leakage at or below target	13.1
Reliable water service index	(31.9)
Average minutes supply lost per property	12.5
Water quality service index	(14.2)
Other 11 wholesale ODIs	(1.2)
Total wholesale ODIs	43.9



ODI reset

Lessons learned from AMP6



- ODIs have incentivised company behaviour
- ODIs are not a proxy for operational efficiency
- Incentives to be reset with greater consistency required
- Cross sector comparisons require harmonised performance measurement methodologies

AMP7: Customer commitments: Outcome Delivery Incentives (ODIs)

46 commitments across our full end to end service delivering the **outcomes** that are important to customers with rewards available in all areas

7 comparative
-£252m to +£128m

Measuring against the sector with **comparative targets**

5 Common
-£69m to +£31m

Measuring against the sector with rewards based on **company specific targets**

27 Bespoke ODI
-£214m to +£249m

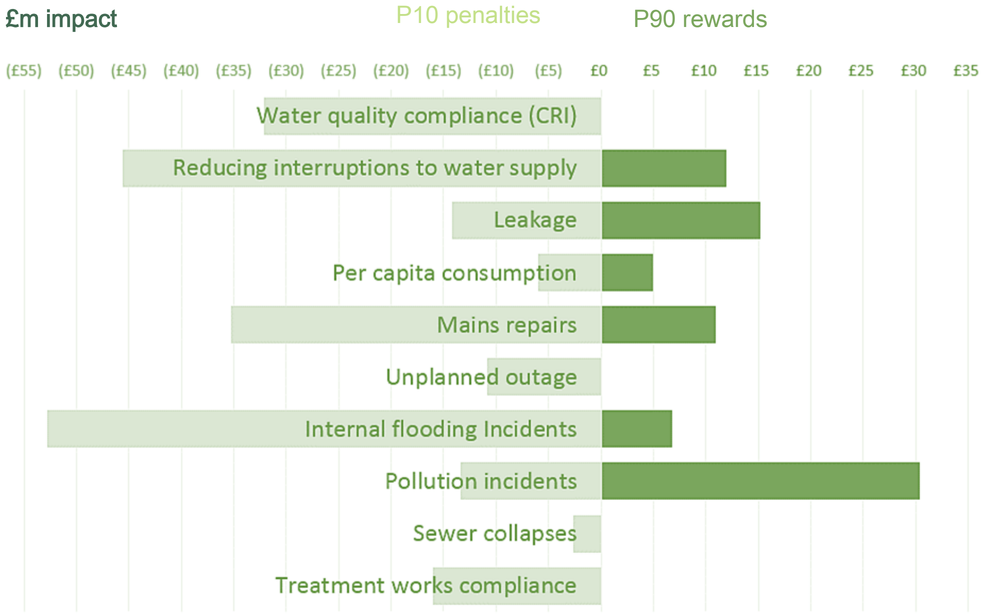
Unique to us offering **outperformance opportunities** where we truly deliver **what matters to our customers**

7 Reputational

No financial incentive

Robust plans across common AMP7 ODIs

£100m flying start investment targeted improved performance in key areas



Projected P10 underperformance payments and P90 outperformance payments for United Utilities' common and comparative performance commitments over 2020-25 excluding C-MeX and D-MeX.
Source: Ofwat Final Determination, December 2019

Accelerated investment with a flying start

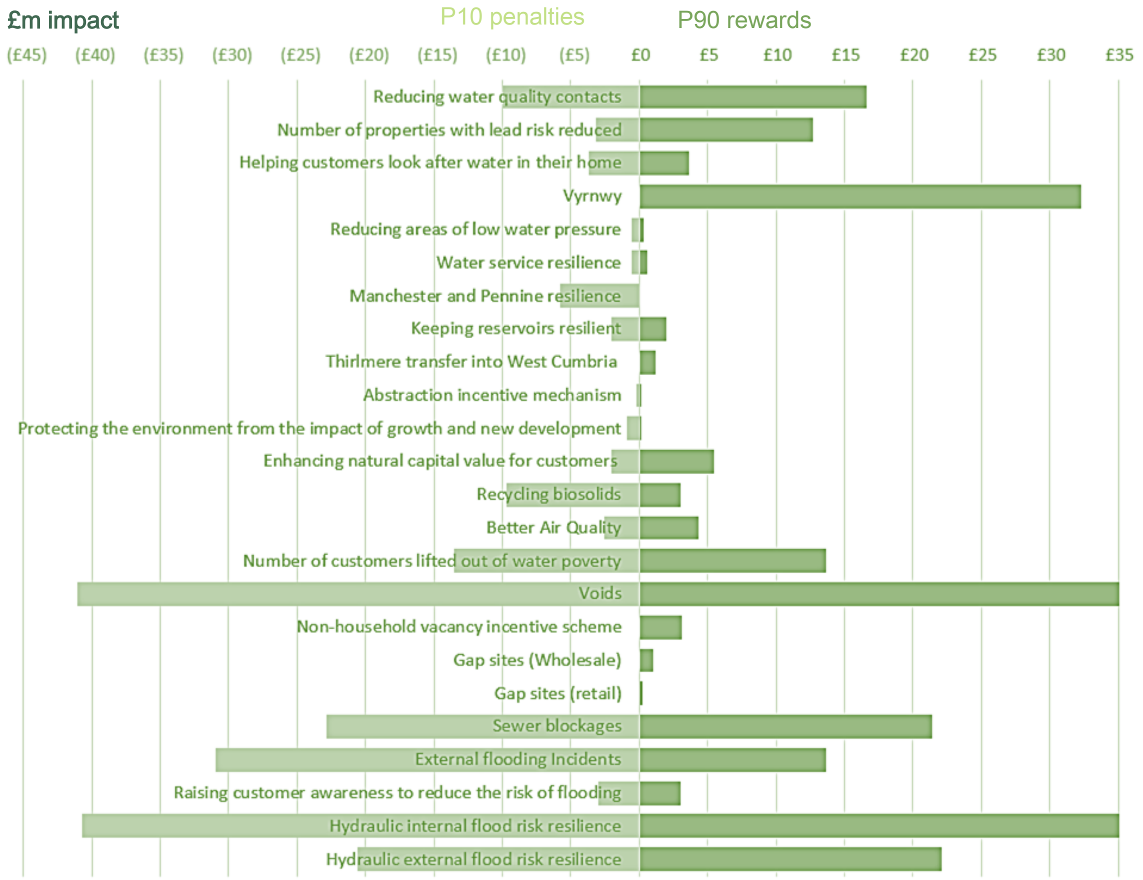
Systems Thinking & Innovation

Leading Capability in our people and ways of working

- Smarter networks, increased visualisation and predictability
- Central planning and decision making capability
- Embedded innovative technologies with AMP7 trials already underway
- Integration, optimisation and collaboration across all our asset plans

Opportunities across bespoke AMP7 ODIs

Opportunities to unlock outperformance across bespoke ODI measures



Projected P10 underperformance payments and P90 outperformance payments for United Utilities' bespoke performance commitments over 2020-25
Source: Ofwat Final Determination, December 2019

Optimised investment plan for multiple benefit

Industry leading technologies backed by industry leading innovation culture

Systems Thinking enabling a data driven proactive approach

Ambition and innovation across our performance commitments (PCs)

We co-developed with our customers some really innovative PCs that are important to them, they are industry leading and with incentives that provide good opportunities for outperformance

First in the industry to commit to tackling the issues of **air quality** by incentivising a reduction of emissions from our energy generation activities through an ODI.

£4.3m reward
£2.6m penalty

Reducing the number of properties with **water quality risk from lead.** The **most stretching target** of any other company, with equally leading outperformance opportunities.

£12.7m reward
£3.1m penalty

Reducing the **hydraulic risk of flooding** using innovative advanced modelling techniques for risk and investment planning. Exploring more scenarios in minutes than you could do manually in months.

£68.0m reward
£61.2m penalty

Delivering additional **natural capital** value. **First in the industry** to unlock opportunities for outperformance by generating value for communities across the North West from ecosystems services.

£5.5m reward
£2.0m penalty

Engaging with customers to change their behaviour. Using an innovative methodology to **raise customer awareness to reduce the risk of flooding.**

£3.0m reward
£3.0m penalty

New contingency plans increase the **resilience in our water service.** The **first forward looking measure in the industry** to incentivise long term resilience.

£9.3m reward
£5.5m penalty

All figures are reflective of Ofwat's view of our P10 and P90 positions in United Utilities Final Determination: December 2019, with the exception of Water Service Resilience which has been adjusted to reflect the variability in this measure

Customer Services Performance Commitments

12 of United Utilities' performance commitments are focused on customer services, delivering the outcomes that are important to customers with rewards available for outperformance on specific performance commitments.

4	**Common**	Measuring against sector, with rewards based on company specific targets
8	**Bespoke**	Unique to us, offering outperformance opportunities where we fully deliver what matters to customers
9	**Financially incentivised**	Of the 12 performance commitments, rewards are available across 9 of the performance commitments
3	**Reputational**	No financial incentive

Reward range
£132m

Penalty range
-£163m

Transition from SIM to C-MeX and D-MeX

Old SIM measure

Satisfaction survey of customers who have contacted us

75%

Quantitative element, scoring based on volumes and severity of complaints

25%

Reward/penalty range = +£36m - £72m

New C-MeX measure

Customer Contactor Satisfaction Survey of customers who have contacted us (similar to SIM)

50%

Customer Experience Survey, survey of any customer across the North West

50%

Reward/penalty range = +/-£66

New D-MeX measure

Qualitative Component, developer services customer satisfaction Survey

50%

Quantitative component, company performance against a key set of WaterUK metrics

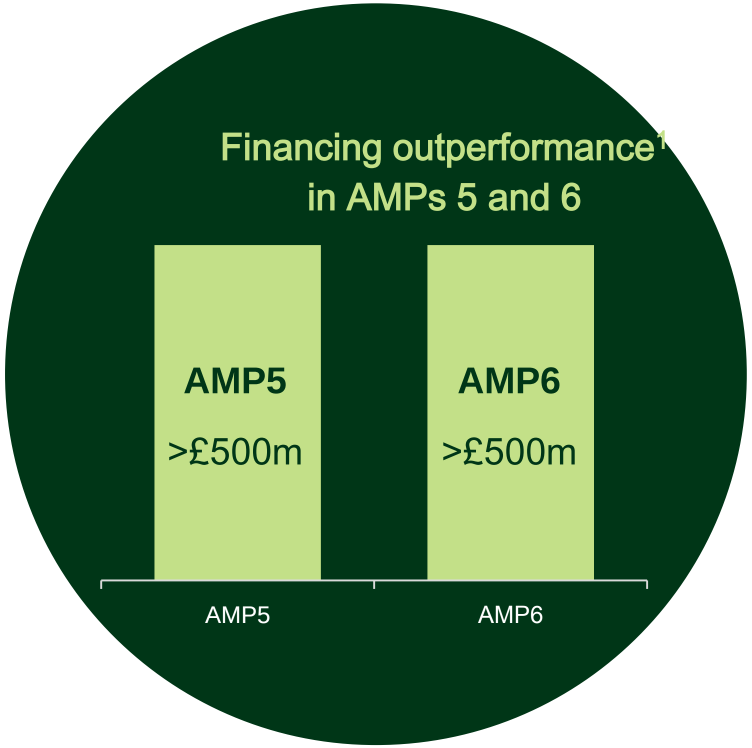
50%

Reward/penalty range = +£13m to -£26m

Financial summary

Best in class treasury management

Track record of delivering significant financing outperformance



[1] Pre-tax on an actual company basis

AMP7

Confident of delivering **further outperformance**

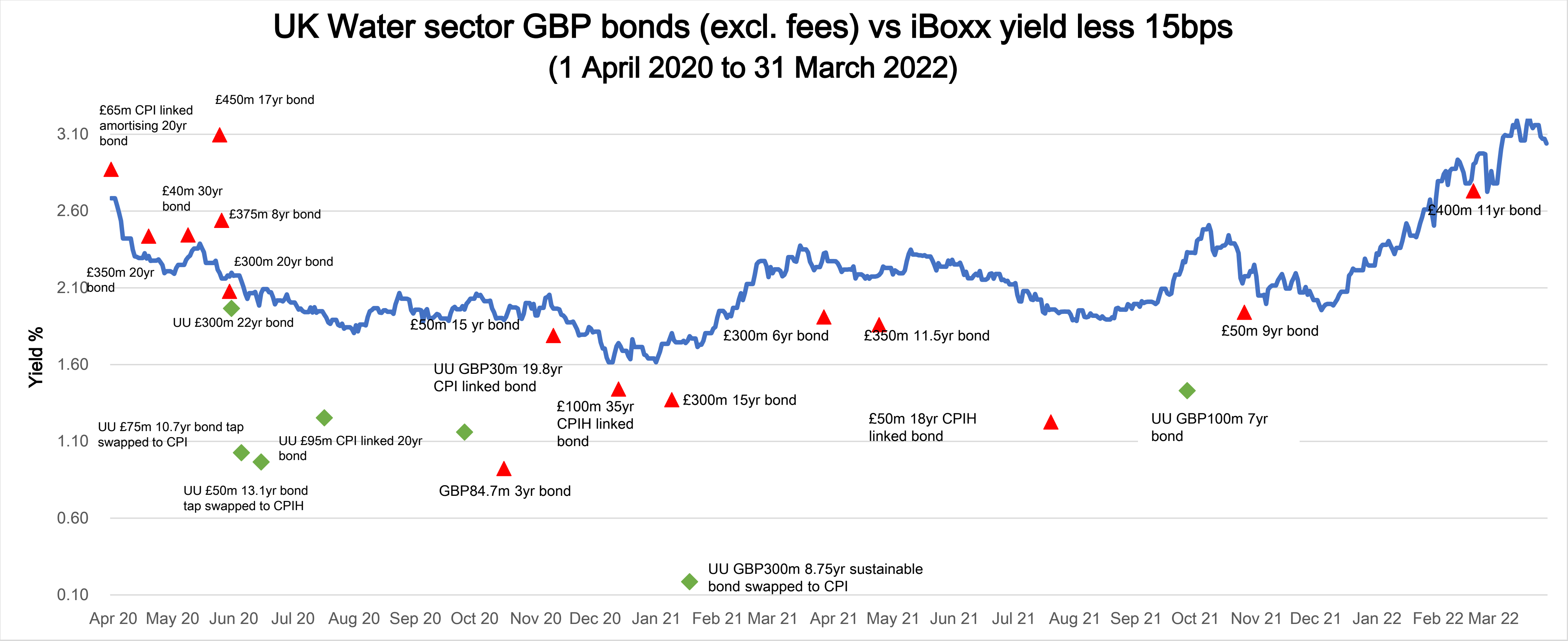
Quantum subject to **outturn inflation**

Flexibility to **reinvest** over **£600m** across AMPs 5 and 6

Financial resilience to withstand credit crises

Benefit of our treasury policies and excellence

We typically outperform the index for new debt by 50-100bps



Credit rating summary

Aim to at least retain UUW credit ratings to support efficient access to debt capital markets

Moody's

UUW[1] rated A3

UU PLC rated Baa1

A3 threshold: net debt to RCV ratio <65%

A3 threshold: adjusted interest cover >1.7x

Fitch

UUW[1] rated[2] A-

UU PLC rated[2] A-

A- threshold: net debt to RCV ratio <67%

A- threshold: PMICR[3] >1.6x

S&P

UUW[1] rated BBB+

UU PLC rated BBB-

BBB+ threshold: adjusted FFO to debt >9%

BBB+ threshold: net debt:EBITDA < 9x

[1] Any notes issued by UUW's financing subsidiary United Utilities Water Finance PLC (UUWF) are expected to be rated in line with UUW's credit rating
[2] Rating for senior unsecured debt, issuer default rating is one notch lower
[3] Post maintenance interest cover ratio

Weighted average cost of capital (WACC)

AMP6

Real (RPI)

Cost of debt
2.59%

Cost of equity
5.65%

Gearing
62.5%

Appointee WACC
3.74%

Retail margin adjustment 0.14%
Wholesale WACC 3.60%

AMP7

Real (RPI 3%)

Cost of debt
1.15%[1]

Cost of equity
3.18%

Gearing
60%

Appointee WACC
1.96%

Retail margin adjustment 0.04%
Wholesale WACC 1.92%

AMP7

Real (CPI 2%)

Cost of debt
2.14%[2]

Cost of equity
4.19%

Gearing
60%

Appointee WACC
2.96%

Retail margin adjustment 0.04%
Wholesale WACC 2.92%

Industry average WACC based on notional company with 60% gearing

Debt indexation to apply for new debt assumed to be 20% of total debt

CPIH to be adopted for the indexation of future price controls

[1] Cost of debt split: 1.43% embedded debt (assumed to be 80% of total); -0.45% new debt (assumed to be 20% of total)
[2] Cost of debt split: 2.42% embedded debt (assumed to be 80% of total); -0.53% new debt (assumed to be 20% of total)

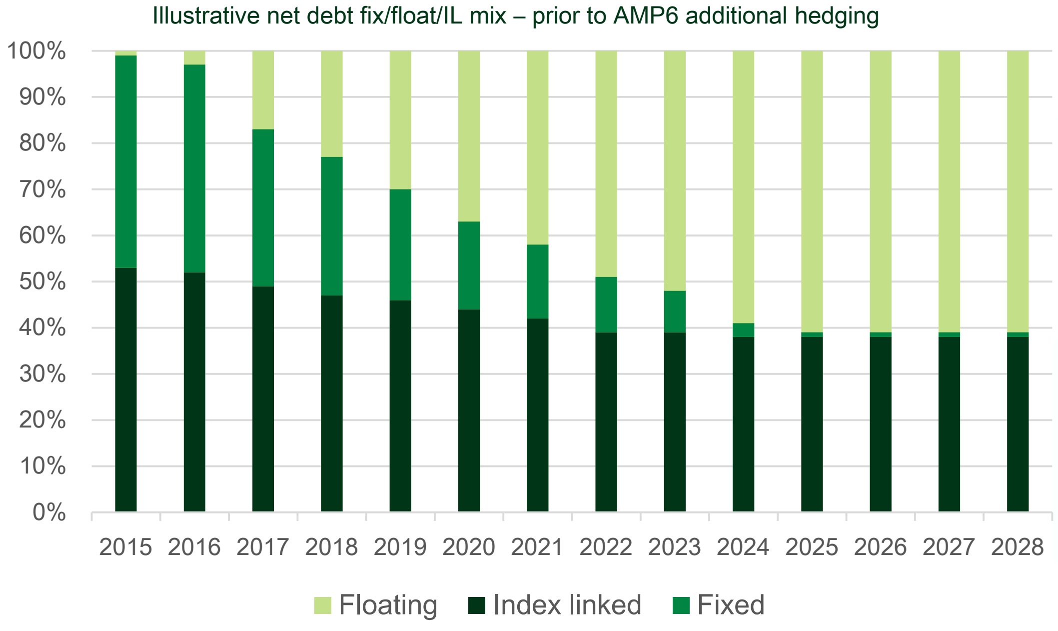
Risk reduction – Interest rate hedging policy

Aims to minimise regulatory risk

- AMP7 cost of debt set through PR19 process
- We target around half of our debt to be in index-linked form, and we keep index-linked debt un-swapped as a good match for the RCV, which is 50% RPI-linked and 50% CPIH-linked as at 1 April 2020 with post-2020 new additions linked to CPIH
- We fix underlying rates on the remaining nominal floating rate debt on a 10-year reducing balance basis
- This helps to manage uncertainty regarding Ofwat’s approach to setting the cost of debt at future price reviews

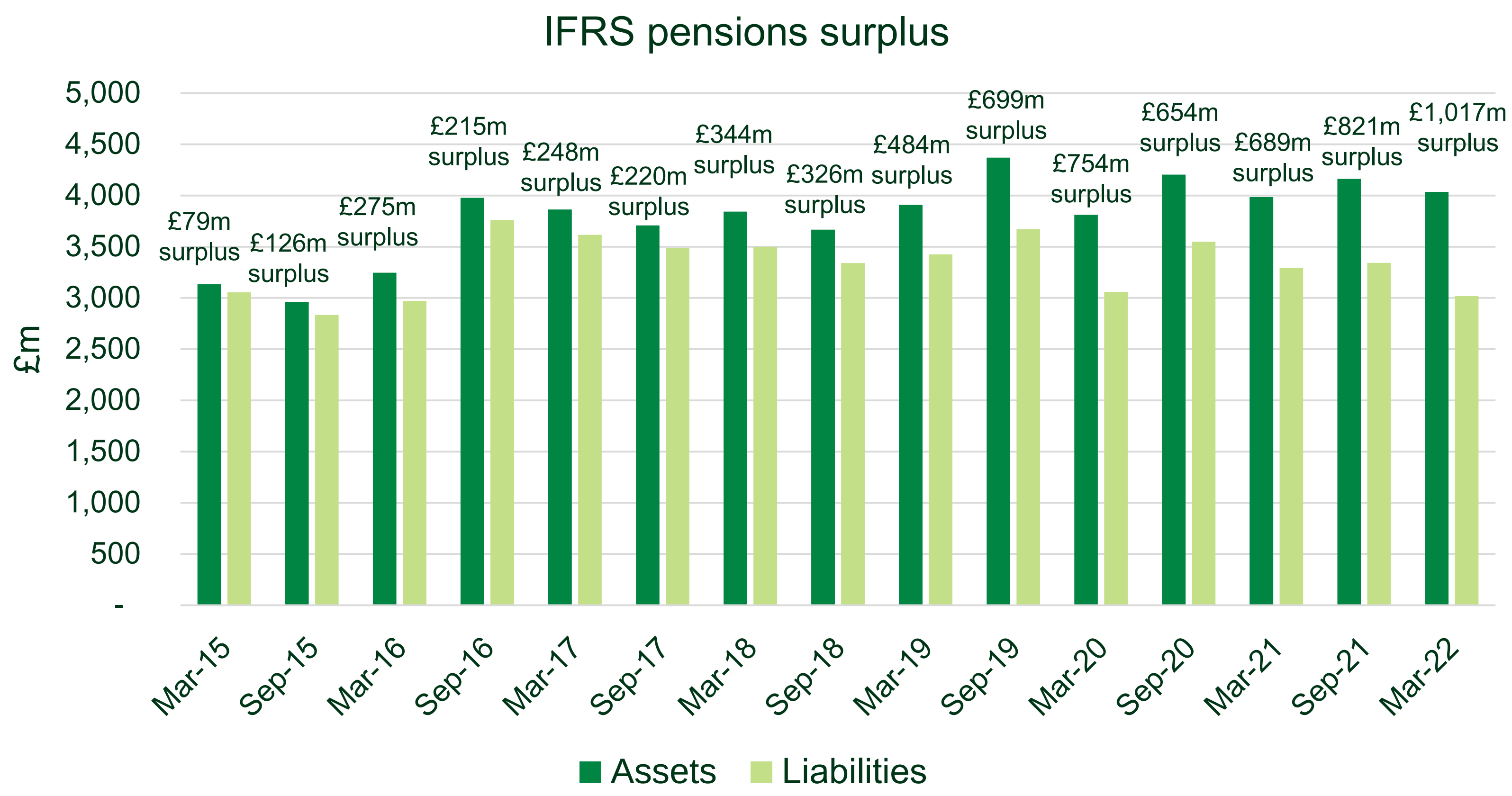
10-year rolling interest rate profile

Lock in rolling 10-year average interest rate on nominal debt



Pensions

United Utilities’ pensions are fully funded on a low dependency basis



IAS19 surplus, no funding deficit

Low risk assets, hedged for inflation and interest rate risk

No deficit on a low dependency basis

Future contributions are ongoing service costs only

Defined Benefit Funding Consultation – 3 March 2020

Fast Track compared with Bespoke valuations

Long term objective (LTO)
Low dependency by time scheme is significantly mature
Fast Track G+25/50, duration 12-14yrs

Covenant
Stronger covenants can take more risk but trustees required reduce reliance over time
Fast track limited to 3 to 5 years

Investment strategy
Consideration of investment risk including liquidity and hedging

Journey plan
Linkage from LTO to TPs
Stepping stones

Recovery plans and dividends
As short as affordability allows
Equitability of deficit recovery contributions opposite dividends & management bonuses

Stressed schemes
Very long recovery periods or unsupported investment risk will not qualify for Fast Track

Technical provision (TP)
Basis of funding
Maturity and covenant linked matrix of acceptability for Fast Track

Contingent assets
Not allowed for Fast Track

Open schemes
Benefits accruing should be secure

The Pensions Regulator

https://www.thepensionsregulator.gov.uk/en/document-library/consultations/defined-benefit-funding-code-of-practice-consultation

Impact of inflation

Short-term timing differences – for 2022/23 year end

Regulated revenue

Price limits are based on the movement in CPIH[3] inflation between November 2020 and November 2021 (i.e. 4.6%)

Dividends

Dividends are linked to the same inflation as regulated revenue in order to mirror the inflationary uplift in price limits

Regulatory capital value (RCV)

Opening RCV is inflated by the movement in inflation between March 2022 and March 2023, 50% linked to RPI[1] inflation and 50% linked to CPIH[3] inflation

Plus RCV additions (from totex) during the year, gives 31 March 2023 RCV (which is used for year-end gearing calculation)

Index-linked debt[4]

RPI 3 month lag:
Adjustment to principal is based on the movement in RPI[1] inflation between January 2022 and January 2023

RPI 8 month lag:
Adjustment to principal is based on the movement in RPI[1] inflation between July 2021 and July 2022

CPI 3 month lag:
Adjustment to principal is based on the movement in CPI[2] inflation between January 2022 and January 2023

[1] Retail Prices Index (RPI)
[2] Consumer Price Index (CPI)
[3] Consumer Price Index adjusted for Housing (CPIH)
[4] Indexation of principal is calculated based on monthly movements in RPI / CPI

Glossary

Term	Description
AMP6 / AMP7	Asset Management Plan periods. The five-year regulatory price control periods since privatisation. AMP6 runs from 01/04/2015 to 31/03/2020. AMP7 runs from 01/04/2020 to 31/03/2025.
APR	Annual Performance Report. Separate from the statutory financial statements, this provides detailed regulatory performance information.
C-MeX / D-MeX	C-MeX: measure of customer satisfaction for AMP7. Similar to qualitative SIM assessment in AMP6. D-MeX: measure of developer satisfaction for AMP7.
CPI / CPI-H	Consumer Price Index / Consumer Price Index including Housing. CPI-H is the UK Government's preferred measure of inflation, and will be used by Ofwat to calculate inflation of revenue and RCV in AMP7. CPI is the closest proxy for which debt and derivatives are available in the financial markets.
DWI	Drinking Water Inspectorate. Independent quality regulator that assesses our comparative performance in the water side of our business.
EA	Environment Agency. Independent environmental regulator that assesses our comparative performance in the wastewater side of our business.
FD	Final Determination. The regulatory settlement Ofwat gives each company to deliver for the 5-year regulatory price control period.
IAP	Initial Assessment of Plans. Ofwat graded water companies' business plan submissions for AMP7 across 9 key test areas and categorised the plans, leading to different timelines and base returns for higher/lower rated plans.
ODIs	Outcome Delivery Incentives. The rewards and penalties associated with operational performance against regulatory targets agreed for the period.
Ofwat	Independent economic regulator for the water sector in England and Wales.

Term	Description
PAYG ratio	Pay-as-you-go ratio. The allocation of expenditure between that recovered through revenues in the current regulatory period and that added to the RCV to be recovered in future periods (see RCV run-off), helping to ensure intergenerational equity by sharing the cost of long-term investments.
PR14 / PR19	Price Review years. PR14: the price review process for AMP6, concluded in 2014. PR19: the price review process for AMP7, will be concluded in 2019.
RCV	Regulatory Capital Value. This represents the value of accumulated investment in the company's asset base, and is used as a building block upon which companies earn a return in each 5-year regulatory price control period.
RCV run-off	The rate at which expenditure previously added to the RCV (see PAYG ratio) is recovered through revenues in a regulatory period.
RPI	Retail Price Index. Until recently (see CPI-H) this was the UK Government's preferred measure of inflation, and RPI is being used by Ofwat to calculate inflation of revenue and RCV in AMP6.
SIM	Service Incentive Mechanism. This is the metric used to measure customer satisfaction during AMP6, with separate assessments of quantitative SIM and qualitative SIM giving an overall combined SIM score for the period that can be used to compare performance versus peers within the water sector.
TCQi	Time Cost and Quality index. This is the internal measure we use to assess our capital projects, giving equal weighting to cost efficiency, quality, and on-time delivery.
Totex	Total expenditure. This comprises operating costs, infrastructure renewals expenditure (IRE) and capital expenditure. Any variation from companies' allowed level of totex for the period represents out- or under-performance.

United Utilities
Water for the North West

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This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.


Dovestone Reservoir
Full year results
Year ended 31 March 2022
United Utilities Group PLC
United Utilities
Water for the North West


Liverpool
Steve Mogford
Chief Executive

Highlights

01

Sector leading customer support; **c£280m of support** to struggling households over AMP7

02

Improving operating performance and higher inflation**;** contributing to **RoRE of 7.9%**

03

Highest annual ODI reward of **£25m** for FY22; increasing AMP7 ODI guidance by a third to a net reward of **£200m**

04

Responsibly sharing outperformance through **£400m additional investment**

05

£765m total additional AMP7 investment driving sustainable performance and contributing to **21.4%**[1] RCV growth

06

Responding to **emerging environmental standards**; reviving rivers and waterways over the next 3 years through our **Better Rivers plan**

[1] RCV growth over AMP7 in nominal prices, see slide 79

c£280m of customer support over AMP7

Significant support for customers 50% company funded

1. Supporting over 200,000 households across the North West through extensive affordability schemes
2. Sector leading implementation of Open Banking to streamline eligibility for support tariffs
3. Promoting support on offer through the North West Hardship Hub, developed in partnership with the advice sector
4. Leading supporter of the CCW's drive to launch a national social tariff

Sustained high level of operational performance

A sector leading company in Ofwat's assessment of outcome delivery

Sustained high levels of customer satisfaction; C-MeX reward of **£2.3m** for 2021/22

Overall pollution **reduced by 1/3rd since** start of AMP7

Continued strong **treatment works compliance**

Improving water quality and **resilience** in our water supply

Industry **top performer** on reducing supply interruptions and pollution incidents

Source: https://www.ofwat.gov.uk/publication/service-and-delivery-2020-21/

Ofwat's Service Delivery Report 2020/21

★ Performance areas targeted through £765m incremental investment plan – see slide 66

Outcomes	Rating
Customer satisfaction	At or better than target
Priority services	At or better than target
Leakage	At or better than target
Household water use[1]	Poorer than target
Supply interruptions	Top performers
Water quality ★	Poorer than target
Mains repairs	At or better than target
Unplanned outage	At or better than target
Sewer flooding ★	Poorer than target
Pollution incidents	Top performers
Sewer collapses	At or better than target
Treatment works compliance	At or better than target

Key: Blue – Top performers; Green – At or better than target; Amber – Poorer than target

[1] Relates to Per Capita Consumption. Ofwat will be revisiting this at the 2024-25 price review once there is a better understanding of the impact of Covid-19 and any enduring effects.

AMP7 investment delivering for stakeholders

Investment focusing on targeted areas of improvement

Dynamic Network Management[1]

Global first application of Systems Thinking; most holistic deployment of sensing and AI across a network

AI system facilitating proactive action

Contributing to a one third reduction in internal flooding

Expected AMP7 ODI benefits of over £30m

Drinking Water Quality[2]

c£100m investment to improve water taste, smell and appearance

DWI driven requirement

26% reduction in taste, smell and appearance contacts

44% improvement in risk score[3]

Expected ODI improvements of over £30m

[1] c£100m investment in Dynamic Network Management is included within £365m additional investment previously announced
[2] c£100m investment in Drinking Water Quality improvements is included within £400m additional investment announced today
[3] The Event Risk Index (ERI) is a DWI measure that assesses the impact of water quality events

Increasing AMP7 ODI guidance to £200m

2021/22 customer ODI reward ahead of target at £25m; 1/3rd increase in AMP7 ODI guidance to £200m

1. **Systems Thinking** and **investment strategy** delivering **improved outcomes for customers**

2. **Highest ever** annual net customer ODI reward at **£25m** for 2021/22; **ahead of guidance**

3. **Strong performance** across all measures; meeting or beating **80%**

4. **Increasing** our total **AMP7 ODI guidance** by 1/3rd to a total of **£200m**

5. Our strategy is **improving outcomes** in this AMP and will result in **improvements in future periods**

Note: 2021/22 performance excludes the impact of per capita consumption (PCC) measure for which Ofwat has proposed to assess company performance at the end of the AMP

Sharing outperformance through £400m of additional totex investment

Responsibly sharing our successes for the benefit of all stakeholders

RoRE of 7.9% for FY22

Strong operational performance; £200m reward AMP7 ODI guidance

AMP7 average inflation 149bps higher than FD assumptions

No increase in average bills for FY23 and c£280m affordability support over AMP7

£250m new investment to improve environmental outcomes

Responding to new and emerging environmental standards and accelerating the requirements of the Environment Act

£150m additional base and business case driven investment

Accelerating improvements in service to customers and driving ODI performance now and in the future

Investing a total of £765m[1] beyond FD allowance over AMP7

Financial strength and balance sheet headroom to fund

Approved incremental base investment (+£50m)[2]

Subject to existing regulatory mechanisms established at PR19 and Green Recovery
e.g. WINEP scheme at Bolton

Business case supported investment (+£100m)[2]

Driving improved customer performance and ODIs
e.g. £100m investment in Dynamic Network Management (DNM) and £100m investment in drinking water quality improvements

Investment of outperformance to improve environmental outcomes (+£250m)[2]

e.g. Accelerating delivery against Environment Act requirements and improving river health alongside additional emerging environmental scope

[1] Comprises £365m investment previously announced and £400m additional investment announced today
[2] Figures in brackets represent the incremental investment being announced today

Better Rivers, Better North West

28% reduction in spills between 2020 and 2021

1. £230m base investment included in FD plus £250m additional investment to accelerate plans
2. Supporting a reduction in the number of recorded spills by at least a third between 2020 and 2025
3. Improving 184km of waterways
4. All storm overflows monitored by 2023
5. Real time data on operation of storm overflows made available to the general public

Phil Aspin

Chief Financial Officer

Financial highlights

Return on regulated equity
7.9% real
(CPIH/RPI blended basis)

Revenue
£1,863m
2020/21: £1,808m

Household bad debt
1.8%
of regulated revenue
2020/21: 2.2%

Underlying operating profit[1]
£610m
2020/21: £602m

Managing inflation impact
c90% power hedging for FY23

Underlying EPS[1]
53.8p
2020/21: 56.2p

Dividend per share
43.5p
2020/21: 43.24p

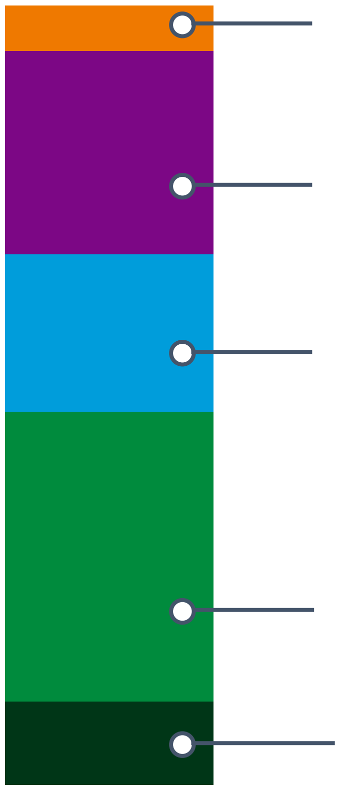
Strong balance sheet
61% RCV gearing and fully funded, inflation hedged pension

[1] Underlying profit measures are reconciled to reported profit measures in the appendix

Return on regulated equity (RoRE) for 2021/22

Reported RoRE of 7.9%; underlying[1] RoRE of 7.7%

7.9% RoRE



0.5% customer ODI performance representing net £25m reward

2.7% tax performance including underlying tax credit for 2021/22 as a result of optimising government tax incentives and tax impact of financing outperformance

1.6% financing performance; 5.1% effective interest rate

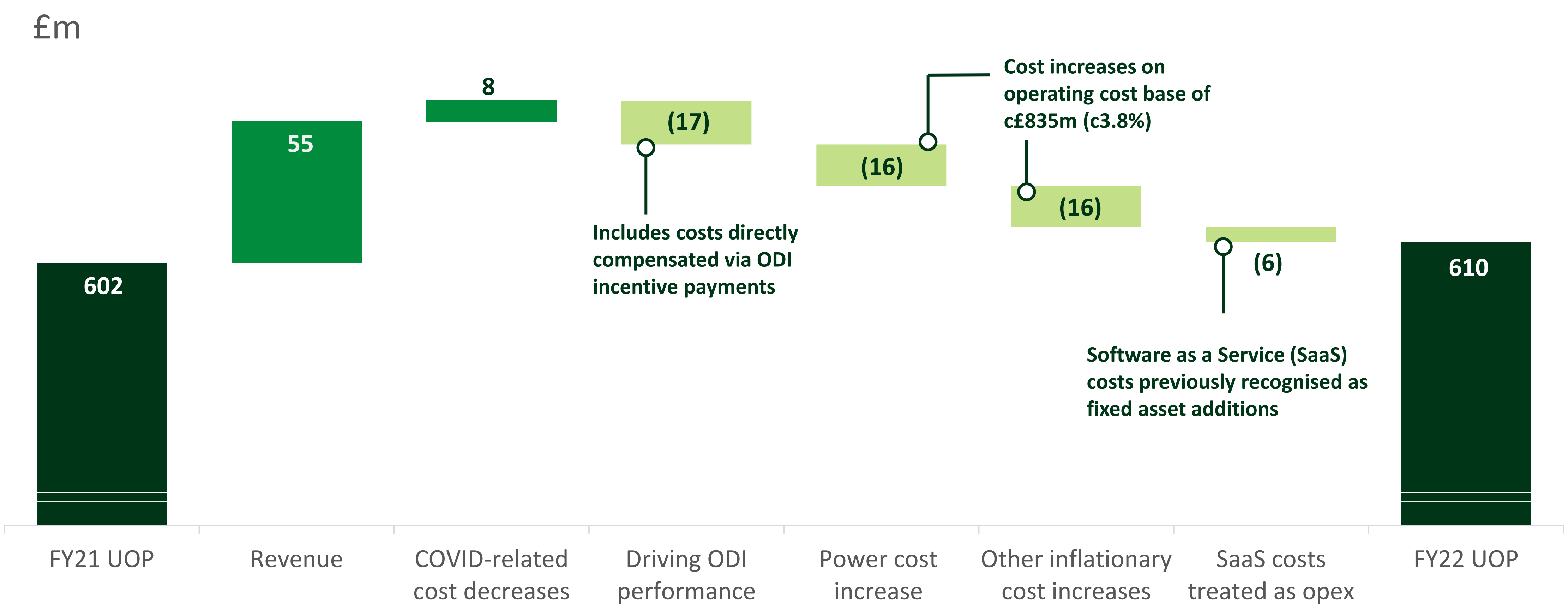
3.9% base return including 0.11% fast track reward

-0.8% totex performance due to additional business case supported investment with ODI benefits received in later periods

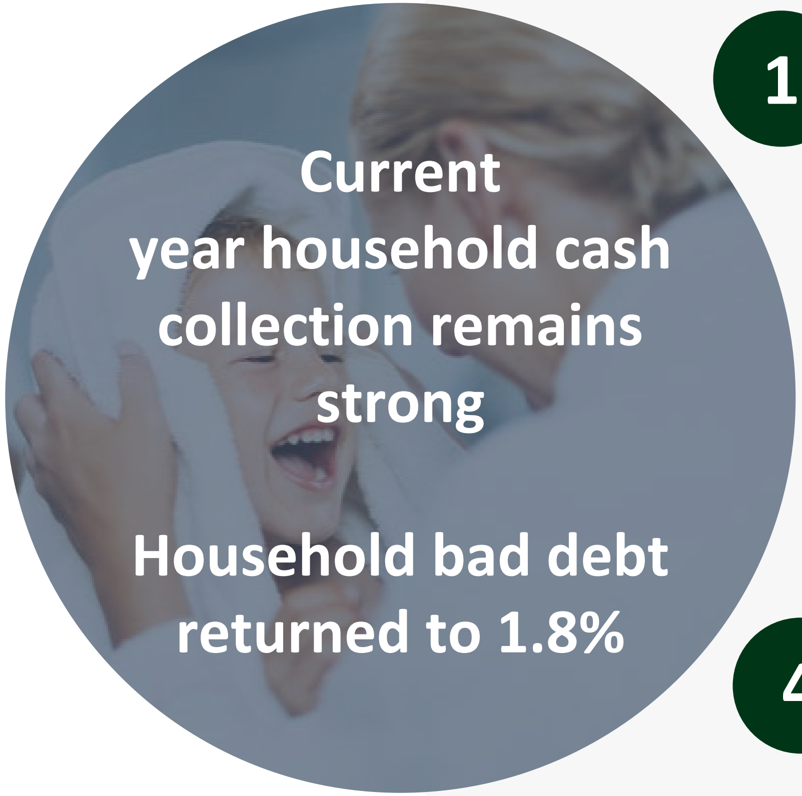
[1] Underlying RoRE adjusts for our assessment of the tax impact that will be adjusted for through the tax sharing mechanism

RoRE is presented on a real, blended CPIH/RPI basis

Underlying operating profit



Strong collections performance



1. Over 80% on direct debit or other payment plan
2. Comprehensive, data led approach to collections
3. Award winning collections capability; evidencing our best in class approach
4. One of the best managed customer receivables positions in the sector

U&T AWARDS

CICM

BRITISH CREDIT AWARDS 2022

UtilityWeek AWARDS

Managing inflation impact

Totex allowance increases by c£150m for each 1% increase in CPIH over AMP7

RCV increases by c£600m for each 1% increase in CPIH over AMP7

Operating costs

Wage deal agreed for FY23 at 4.75%

Power **90% hedged** for FY23

Chemical prices impacted by increasing power costs & current geopolitical environment

Capital programme

Over **90%** of AMP7 base capital programme already **on contract**

Construction contracts awarded **under target price arrangements,** incentivises both parties to **manage cost pressures**

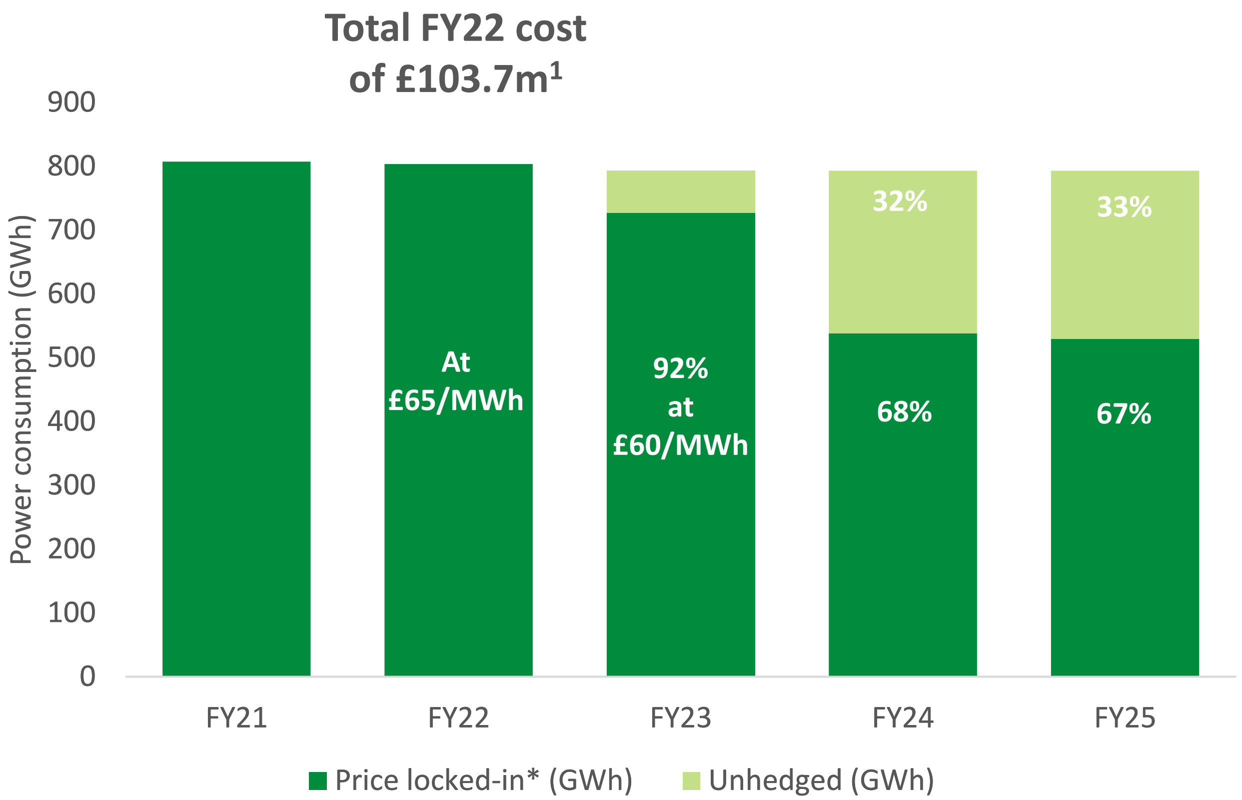
Interest costs

Hedging policy targets **50% net debt** in index-linked form

In year impact of cost of index-linked debt; inflation return to RCV **not reflected in P&L**

Equity **leveraged 1.75x** to inflation

AMP7 power consumption and hedging



*Price locked-in includes bought power, hedged power and includes the benefits of self-generation

[1] Represents UUW gross electricity costs prior to consolidation adjustments and capitalisation and therefore will differ from P&L cost

[2]Winter-22 market price as at 20 May 2022

Power consumption in FY21 and FY22 represents actual consumed power. Subsequent years are based on current assumptions and may change.

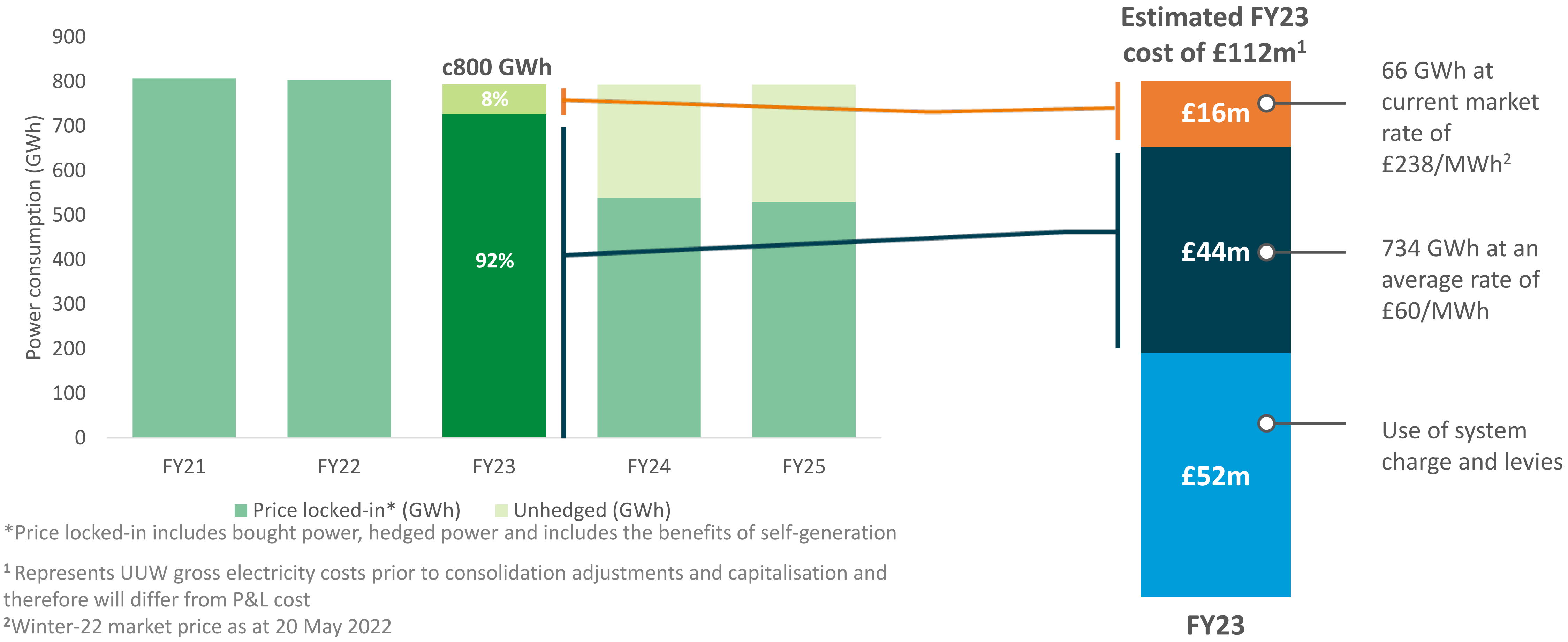
01

Controlling cost in FY22 at an average rate of £65/MWh compared with current market rate of £238/MWh[2] for FY23

02

Price secured in line with hedging policy with estimated consumption for FY23 over 90% hedged and for FY24 and FY25 around 2/3rds hedged

Price fixed on over 90% of FY23 power



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Power consumption in FY21 and FY22 represents actual consumed power. Subsequent years are based on current assumptions and may change.

Interest, tax and earnings

Underlying net finance expense[1]
£306.3m

£173m higher than 2020/21

Higher inflation on index-linked debt

Cash interest of £118m;
FY21: £129m

Underlying tax credit[1]
£65.1m

Equivalent to -**22% underlying tax rate**

Optimising government tax incentives

One-off deferred tax charge of £403m

Underlying profit after tax[1]
£367.0m

2020/21: **£383.0m**

Underlying EPS of 53.8p

[1] Underlying profit measures are reconciled to reported profit measures in the appendix

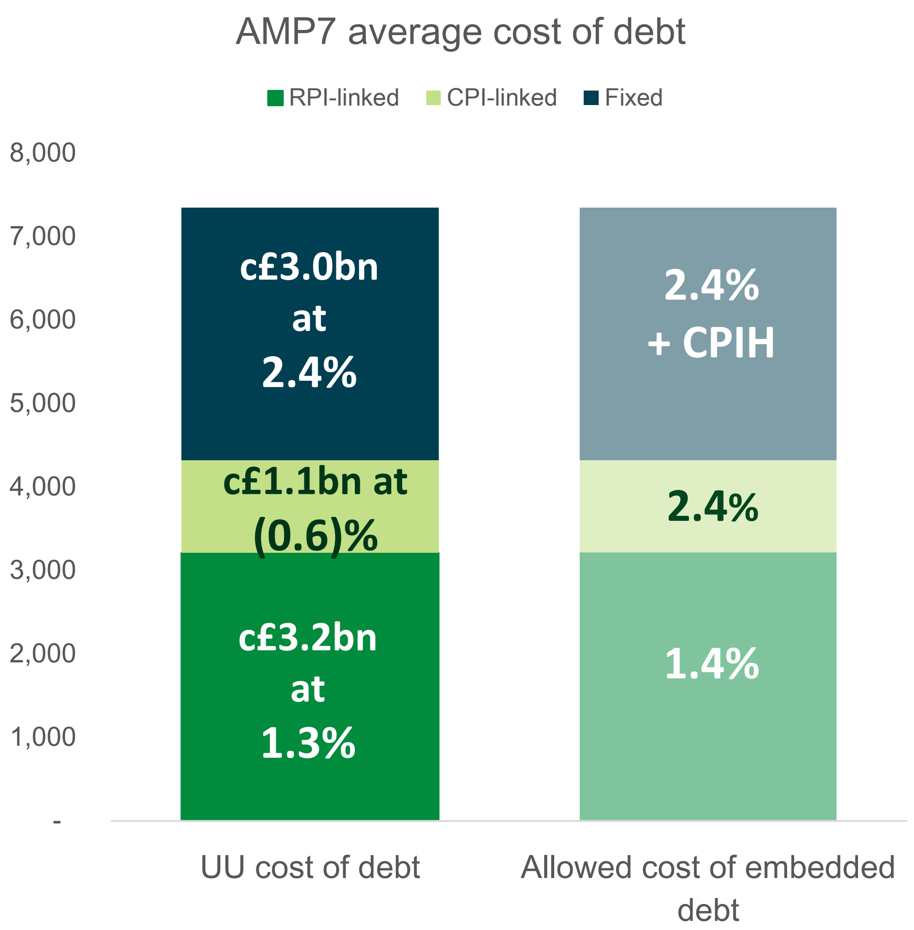
Financing performance

01
£2.7bn total financing to raise in AMP7

02
c£1.4bn raised so far in AMP7

03
Liquidity extends until **February 2025**

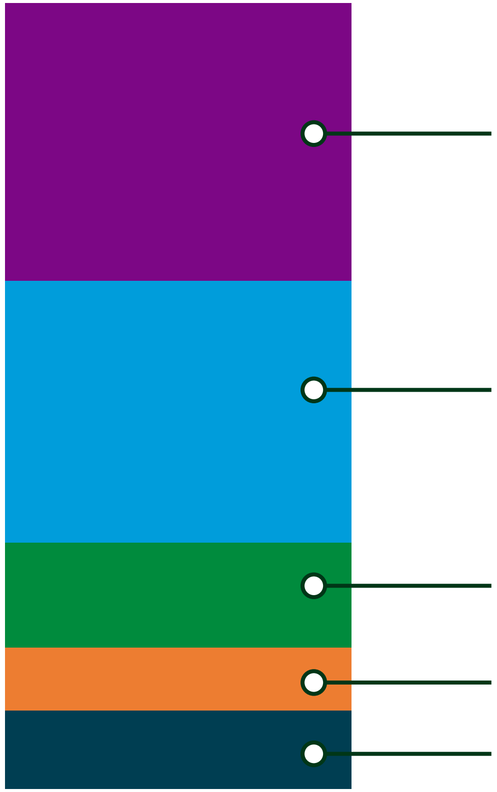
04
5.1% effective interest rate for 2021/22



The rates shown are real rates for the index-linked debt and nominal rates for the fixed rate debt.

c£750m value expected to be received in AMP8

c£750m[1]
value carried forward



£265m of approved incremental base investment[2]
in relation to schemes at Bolton, Vyrnwy[3] and Green Recovery

50% customer sharing of £500m additional investment[4];
£250m business case supported investment and
£250m investment of outperformance

Net ODI rewards carried forward

Blind year adjustments; for actual performance in 2019/20

Other items; such as additional tax allowance as a result of change in rates

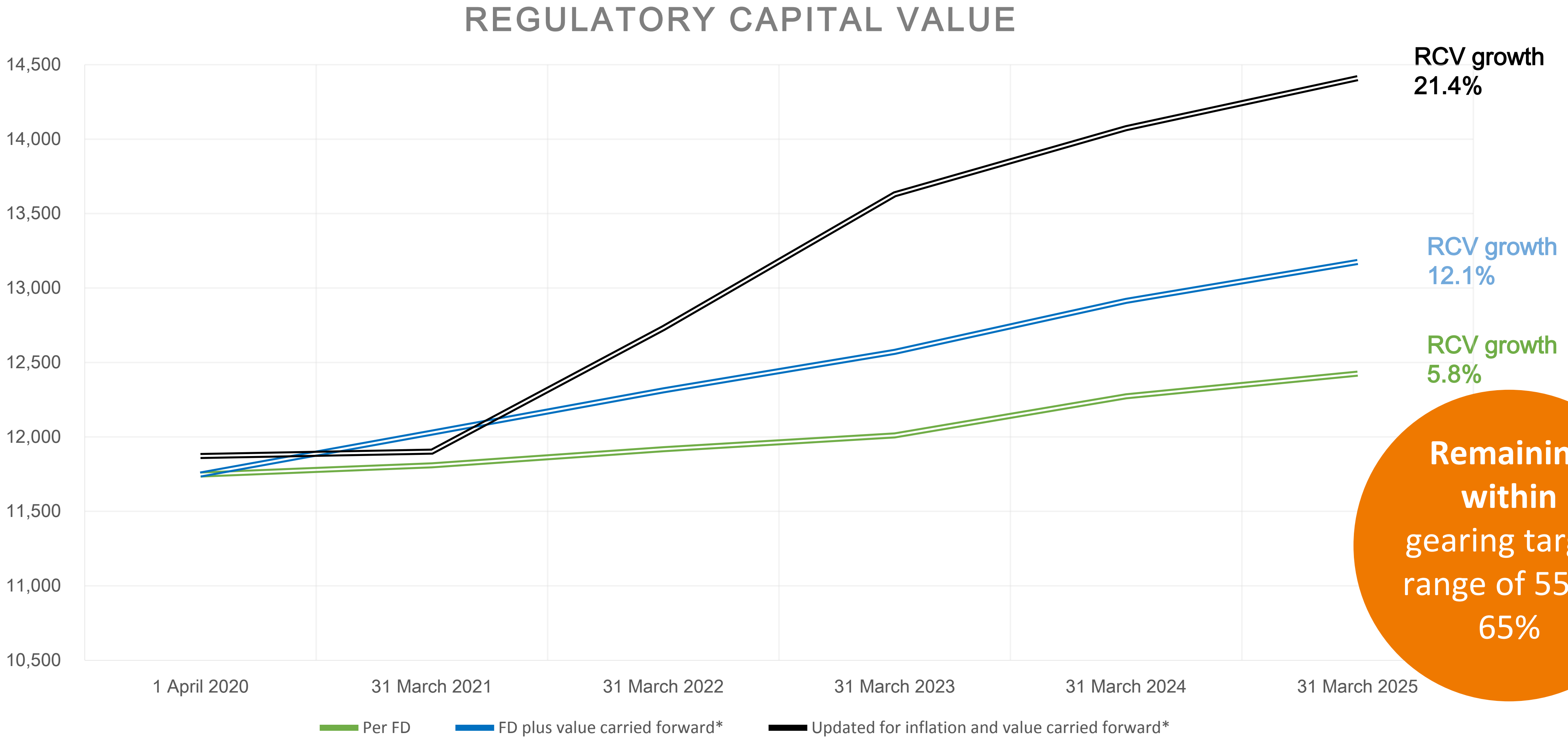
[1] £100m already included in the shadow RCV of £12,436m

[2] £265m fully recoverable base investment as detailed on slide 66

[3] 50% recovered through totex adjustment and 50% through ODIs

[4] 50% of £500m investment as detailed on slide 66

Investment driving growth



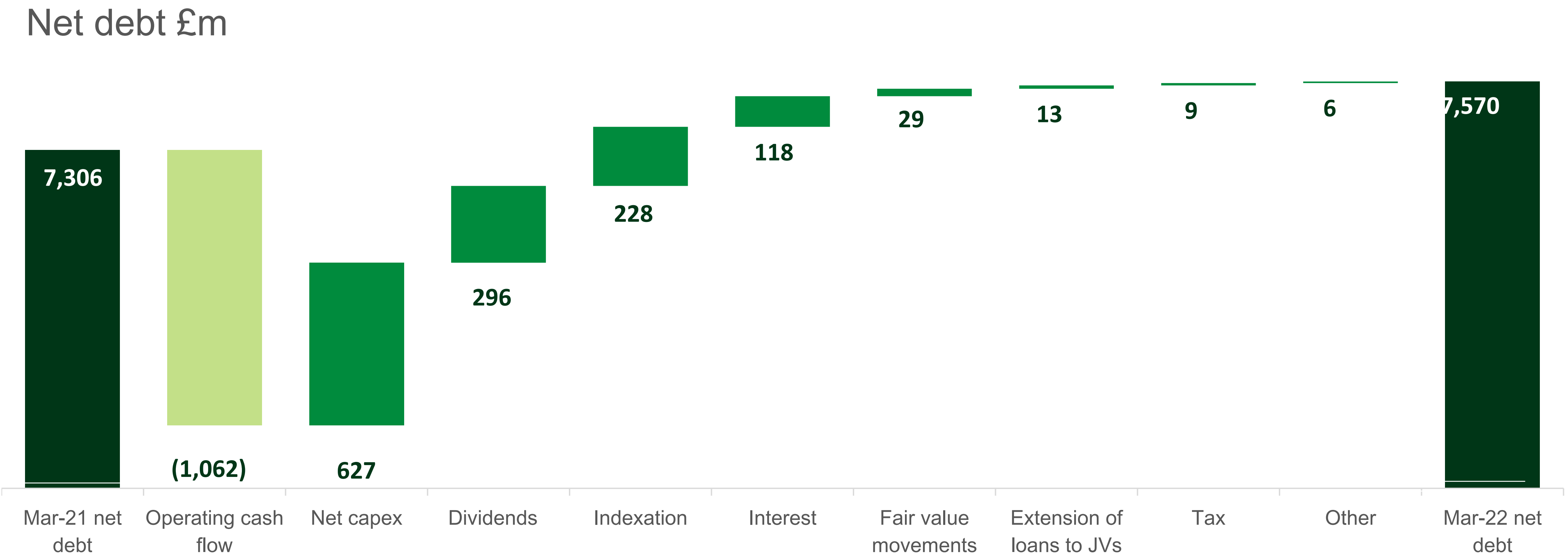
Remaining within gearing target range of 55% - 65%

*Includes returns to be received as revenues in AMP8 and inflation assumptions based on a consensus from a selection of banks and HM Treasury

RCV for FY21 and FY22 represents actual UUW shadow RCV. Subsequent years are based on current assumptions and may change.
Shadow RCV at 31 March 2022 is £12,436m

Strong balance sheet – net debt and RCV gearing

RCV gearing of 61% supports stable A3 credit rating with Moody's



RCV gearing calculated as group net debt / UUW's shadow (adjusted for actual spend and timing differences) RCV of £12,436m

Pensions schemes fully funded and inflation hedged

1. Retirement benefit **IFRS surplus of £1bn** as at 31 March 2022
2. **Fully funded** on a **low dependency basis** with no further pension deficit contributions due
3. **Latest finalised funding valuation** carried out as at 31 March 2021
4. Group and trustees committed to exploring **further de-risking options** for the future
5. **Long-term strategies** agreed for **reducing investment risk**
6. Pension schemes **fully hedged** for **inflation exposure**

2022/23 full year outlook

Revenue	↑ c1% y-o-y	• Over-recovery in 2021/22 • 4.6% CPIH offset by –1.3% k factor
Underlying operating costs	↑ c£100m y-o-y	• c£50m largely reflecting FY23 opex impact of £765m additional investment • c£50m inflationary increases affecting labour, power, chemicals and other costs
Underlying finance expense	Non-cash indexation ↑ c£150m y-o-y Cash interest ⇔	• Higher inflation impacting index-linked debt • RPI 3 month lag (£2.4bn debt; Jan-23 forecast[1] 10.5%, Jan-22 7.8%) CPI 3 month lag (£1.1bn debt; Jan-23 forecast[1] 8.0%, Jan-22 5.4%) RPI 8 month lag (£0.8bn debt; Jul-22 forecast[1] 11.0%, Jul-21 3.8%)
Underlying tax	Small tax charge of £0-10m	• Optimising capital allowance "super deductions"
Capex	£640-690m	• Acceleration of AMP7 capex profile • Includes incremental capex as part of £765m additional investment
ODIs	c£30m reward	• Consistent with targeting net AMP7 reward of c£200m
Dividends	↑	• In line with AMP7 dividend policy

[1] Forecasts based on bank data compiled following the latest inflation release on 18 May 2022

Financial summary

Strong financial performance

7.9% RoRE
double our base returns

Bad debt position returned to **1.8%**

Higher inflation causing short term impact on costs but contributing to **higher totex allowance, financing outperformance** and **RCV growth**

Strong balance sheet with **low household debtor risk** and **leading pension position**

Steve Mogford

Chief Executive

Liverpool

Strategic direction for UK Water

Significant developments ahead of PR24

1. Water system resilience to climate change and population growth
2. Environment Act requirement to reduce the adverse impact of storm overflows
3. Controlling the balance of phosphorus and other nutrients
4. Commitment to ensuring net gains for biodiversity on new developments

Summary

Supporting customers; £280m package of support over AMP7

Improving operational performance; AMP7 ODI forecast increased to £200m

Reported RoRE for 2021/22 of 7.9%

Strong financial performance; managing inflation impact

Sharing outperformance responsibly for the benefit of all stakeholders

Ambition to address evolving environmental legislation in AMP8 and beyond


Any questions?

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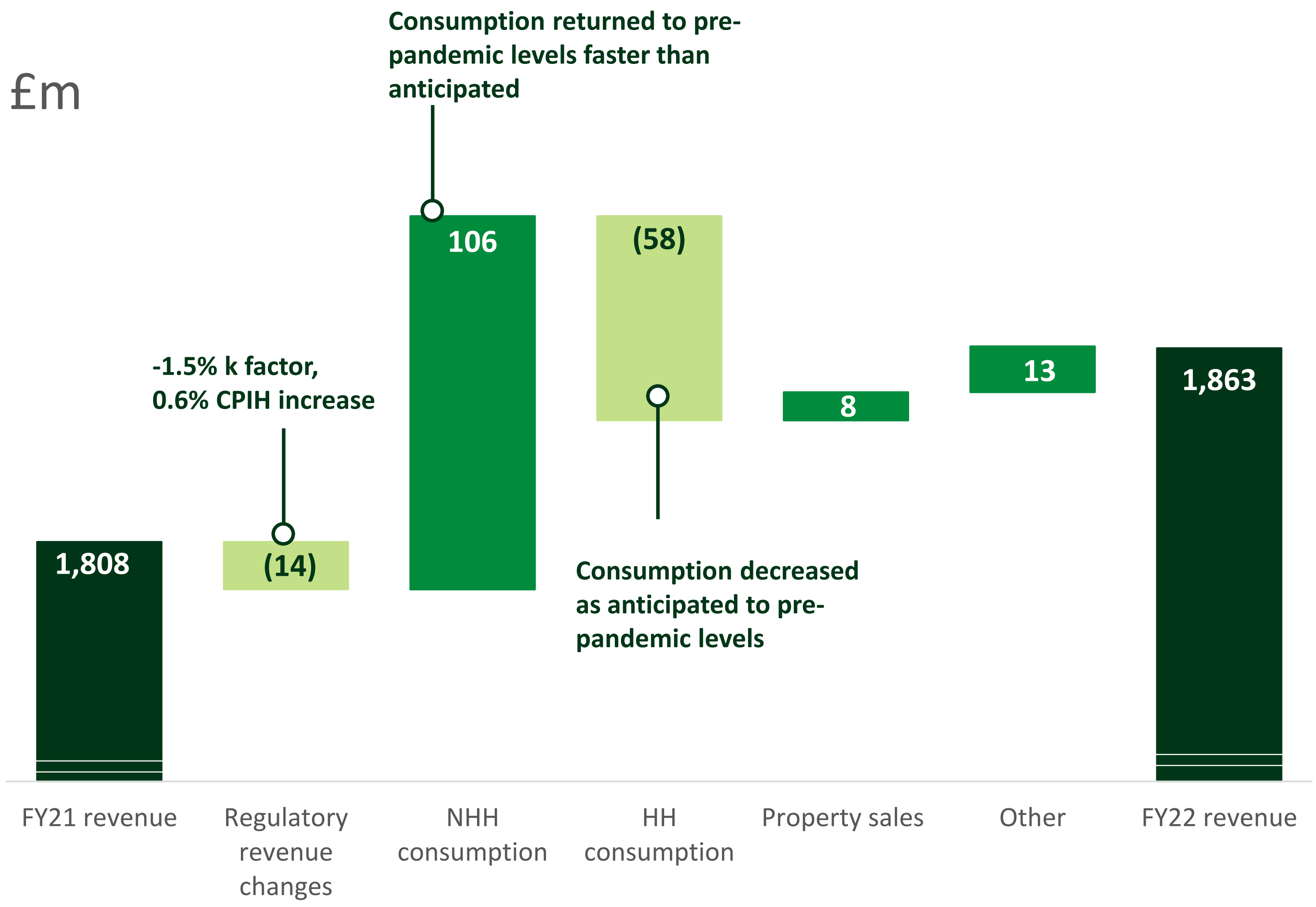
Supporting information

1. Revenue
2. Underlying income statement
3. Underlying operating costs
4. Profit before tax reconciliation
5. Profit after tax reconciliation
6. Finance expense
7. Finance expense: index-linked debt
8. Derivative analysis
9. Statement of financial position
10. Reconciliation of net debt
11. Household debtors reconciliation
12. Financing and liquidity
13. Debt structure
14. Term debt maturity profile
15. AMP7 maturity profile
16. EIB funding maturity profile
17. Financing performance
18. Commitment to net zero by 2030

Revenue



Overall revenue higher as business activity returned to pre-Covid levels faster than anticipated

Full year 2022/23 revenue expected to be c1% higher year-on-year

Underlying income statement

Year ended 31 March £m	2022	2021	Change (%)
Revenue	**1,862.7**	**1,808.0**	**+3%**
Operating expenses	(665.0)	(618.8)	
Infrastructure renewals expenditure	(169.5)	(164.8)	
EBITDA	**1,028.2**	**1,024.4**	**+0%**
Depreciation and amortisation	(418.2)	(422.3)	
Operating profit	**610.0**	**602.1**	**+1%**
Net finance expense	(306.3)	(132.8)	
Share of losses of joint ventures	(1.8)	(9.3)	
Profit before tax	**301.9**	**460.0**	**-34%**
Tax	65.1	(77.0)	
Profit after tax	**367.0**	**383.0**	**-4%**
Earnings per share (pence)	**53.8**	**56.2**	**-4%**
Total dividend per ordinary share (pence)	**43.5**	**43.24**	**+0.6%**

Underlying operating costs

Year ended 31 March £m	2022	2021	Change (%)
Revenue	**1,862.7**	**1,808.0**	**+3%**
Employee costs	(184.3)	(173.5)	+6%
Power	(99.6)	(83.6)	+19%
Hired and contracted services	(95.4)	(84.7)	+13%
Materials	(90.8)	(82.2)	+10%
Property rates	(90.5)	(89.4)	+1%
Regulatory fees	(28.4)	(28.0)	+1%
Bad debts	(23.4)	(28.7)	-18%
Other expenses	(52.6)	(48.7)	+8%
	(665.0)	**(618.8)**	**+8%**
Infrastructure renewals expenditure (IRE)	(169.5)	(164.8)	+3%
Depreciation and amortisation	(418.2)	(422.3)	+6%
Total underlying operating expenses	**(1,252.7)**	**(1,205.9)**	**+4%**
Underlying operating profit	**610.0**	**602.1**	**+1%**

Profit before tax reconciliation

Year ended 31 March £m	2022	2021
Operating profit	610.0	602.1
Investment income and finance expense	(168.3)	(78.5)
Share of losses of joint ventures	(1.8)	(9.3)
Profit on disposal of joint ventures	-	36.7
Reported profit before tax	**439.9**	**551.0**
Adjustments:		
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(138.0)	(54.3)
Profit on disposal of Tallinn joint venture	-	(36.7)
Underlying profit before tax	**301.9**	**460.0**

Profit after tax reconciliation

Year ended 31 March £m	2022	2021
Reported profit after tax	**(56.8)**	**453.4**
Adjustments:		
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(138.0)	(54.3)
Deferred tax adjustment	562.5	18.4
Tax in respect of adjustments to underlying profit before tax	(0.7)	2.2
Profit on disposal of Tallinn joint venture	-	(36.7)
Underlying profit after tax	**367.0**	**383.0**
Basic earnings per share (pence)	**(8.3)**	**66.5**
Underlying earnings per share (pence)	**53.8**	**56.2**

Finance expense

Year ended 31 March £m	2022	2021
Investment income	19.4	25.0
Finance expense	(187.7)	(103.5)
	(168.3)	**(78.5)**
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(138.0)	(54.3)
Underlying net finance expense	**(306.3)**	**(132.8)**
Adjustment for net pension interest income	(14.3)	(17.5)
Adjustment for capitalised borrowing costs	(52.7)	(30.4)
Effective net finance expense	**(373.3)**	**(180.7)**
Average notional net debt	**7,368**	**7,315**
Average effective interest rate	**5.1%**	**2.5%**
Effective interest rate on index-linked debt	7.0%	2.4%
Effective interest rate on other debt	2.5%	2.5%

Finance expense: index-linked debt

Year ended £m	2022	2021
Interest on index-linked debt	(35.7)	(46.2)
RPI adjustment (£2.2bn debt; Jan-22 7.8%, Jan-21 1.4%) – 3 month lag[1]	(166.9)	(37.3)
CPI adjustment (£1.1bn debt; Jan-22 5.4%, Jan-21 0.7%) – 3 month lag[2]	(58.4)	(2.4)
RPI adjustment (£0.9bn debt; Jul-21 3.8%, Jul-20 1.6%) – 8 month lag[3]	(30.9)	(12.9)
Finance expense on index-linked debt[4]	**(291.9)**	**(98.8)**
Interest on other debt (including fair value option debt and derivatives)	(81.4)	(81.9)
Effective net finance expense	**(373.3)**	**(180.7)**

[1] Affected by movement in RPI between January 2021 and January 2022
[2] Affected by movement in CPI between January 2021 and January 2022
[3] Affected by movement in RPI between July 2020 and July 2021
[4] Adjusted to overlay the impact of inflation swaps

Derivative analysis

At 31 March £m	2022	2021
Derivatives hedging debt	198.5	402.7
Derivatives hedging interest rates	10.7	(99.2)
Derivatives hedging commodity prices	111.0	6.5
Total derivative assets and liabilities	**320.2**	**310.0**

- 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; the majority fix our sterling interest rate exposure on a 10 year rolling average basis. A portion of these derivatives instead fix future real interest rates through inflation-linked swaps.
- Derivatives hedging commodity prices; fix a proportion of our future electricity prices in line with our policy. These are in addition to prices fixed in the physical market with power purchase agreement which are not subject to fair value measurement.
- Derivatives hedging specific debt instruments 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.

Statement of financial position

At £m	31 Mar 2022	31 Mar 2021	Change (%)
Property, plant and equipment	12,147.5	11,799.0	+3%
Retirement benefit surplus	1,016.8	689.0	+48%
Other non-current assets	259.5	267.9	-3%
Cash	240.9	744.1	-68%
Other current assets	314.9	254.4	+24%
Total derivative assets	457.4	424.7	+8%
Total assets	**14,437.0**	**14,179.1**	**+2%**
Gross borrowings	(7,979.8)	(8,451.8)	-6%
Other non-current liabilities	(2,983.3)	(2,247.8)	+33%
Other current liabilities	(378.8)	(333.8)	+13%
Total derivative liabilities	(137.2)	(114.7)	+20%
Total liabilities	**(11,479.6)**	**(11,148.1)**	**+3%**
TOTAL NET ASSETS	**2,957.4**	**3,031.0**	**-2%**
Share capital	499.8	499.8	0%
Share premium	2.9	2.9	0%
Retained earnings	2,038.5	2,192.0	-7%
Other reserves	416.2	336.3	+24%
SHAREHOLDERS' EQUITY	**2,957.4**	**3,031.0**	**-2%**
NET DEBT[1]	**(7,570.0)**	**(7,305.8)**	**+4%**

[1] Reconciliation of net debt included on the following slide

Reconciliation of net debt

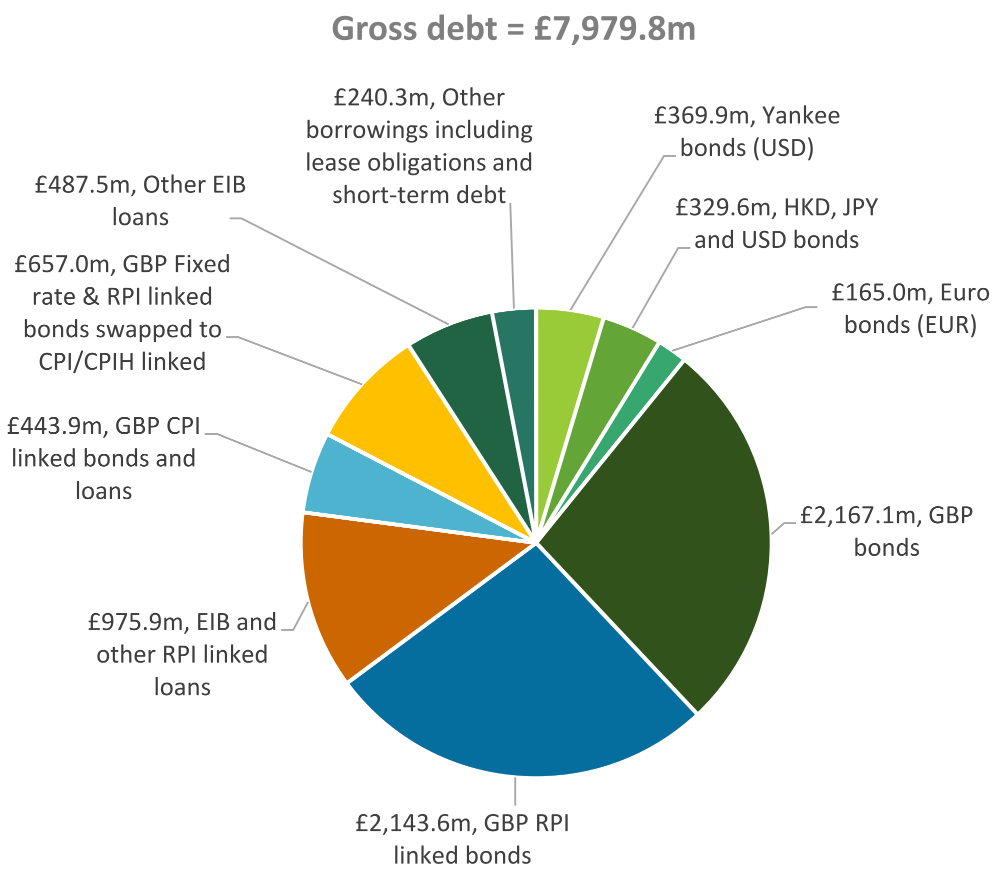
At £m	31 Mar 2022	31 Mar 2021
Cash	240.9	744.1
Total derivative assets	457.4	424.7
Gross borrowings	(7,979.8)	(8,451.8)
Total derivative liabilities	(137.2)	(114.7)
Balance sheet net debt	**(7,418.7)**	**(7,397.7)**
Exclude the fair value impact of:		
Interest rate derivatives fixing future nominal interest rates	(55.1)	84.6
Inflation derivatives fixing future real interest rates	14.8	13.8
Electricity derivatives fixing future electricity costs	(111.0)	(6.5)
Net debt	**(7,570.0)**	**(7,305.8)**

Household debtors reconciliation

As at £m	31 March 2022	31 March 2021[1]
Household net debtors	73.1	77.6
Household accrued income	46.4	69.4
Non household net debtors	1.1	0.6
Non household accrued income	58.2	52.6
Other sundry net debtors	46.1	23.5
Total net debtors (including related parties)	**224.9**	**223.7**
Less related party debtors	(39.9)	(40.4)
Less total accrued income	(74.7)	(87.9)
Net debtors per UUW statutory accounts	**110.3**	**95.4**
Aged debt profile - Household net debtors		
Debt aged <1 year	68.7	65.6
Debt aged 1-2 years	4.4	12.0
Debt aged >2 years	-	-
Total	**73.1**	**77.6**

[1] Presentation of reconciliation has been updated to provide further granularity, prior year numbers have therefore been re-presented

Financing and liquidity at 31 March 2022



Headroom / prefunding = £635.4m

	£m
Cash and short-term deposits[1]	240.9
Medium-term committed bank facilities[2]	700.0
Short-term debt	(70.0)
Term debt maturing within one year	(235.5)
Total headroom / prefunding	**635.4**

[1] Excludes £99.8m net proceeds from a £100m 8-year term loan facility executed on 22 April 2022

[2] Excludes £50m of new facilities executed for a 5-year term on 19 April 2022 plus £100m of facilities maturing within one year.

Debt structure at 31 March 2022

United Utilities Group PLC

United Utilities PLC
Baa1 stable; BBB- stable; A- stable[7]

Yankees:
- $400m in 28s

United Utilities Water Limited
A3 stable; BBB+ stable; A- stable[7]
Ring-fenced and regulated by Ofwat

Euro MTNs:
- £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]
- £20m in 43s[1]
- £50m in 46s[1]
- £50m in 49s[1]
- £510m in 56s[1]
- £150m in 57s[1]

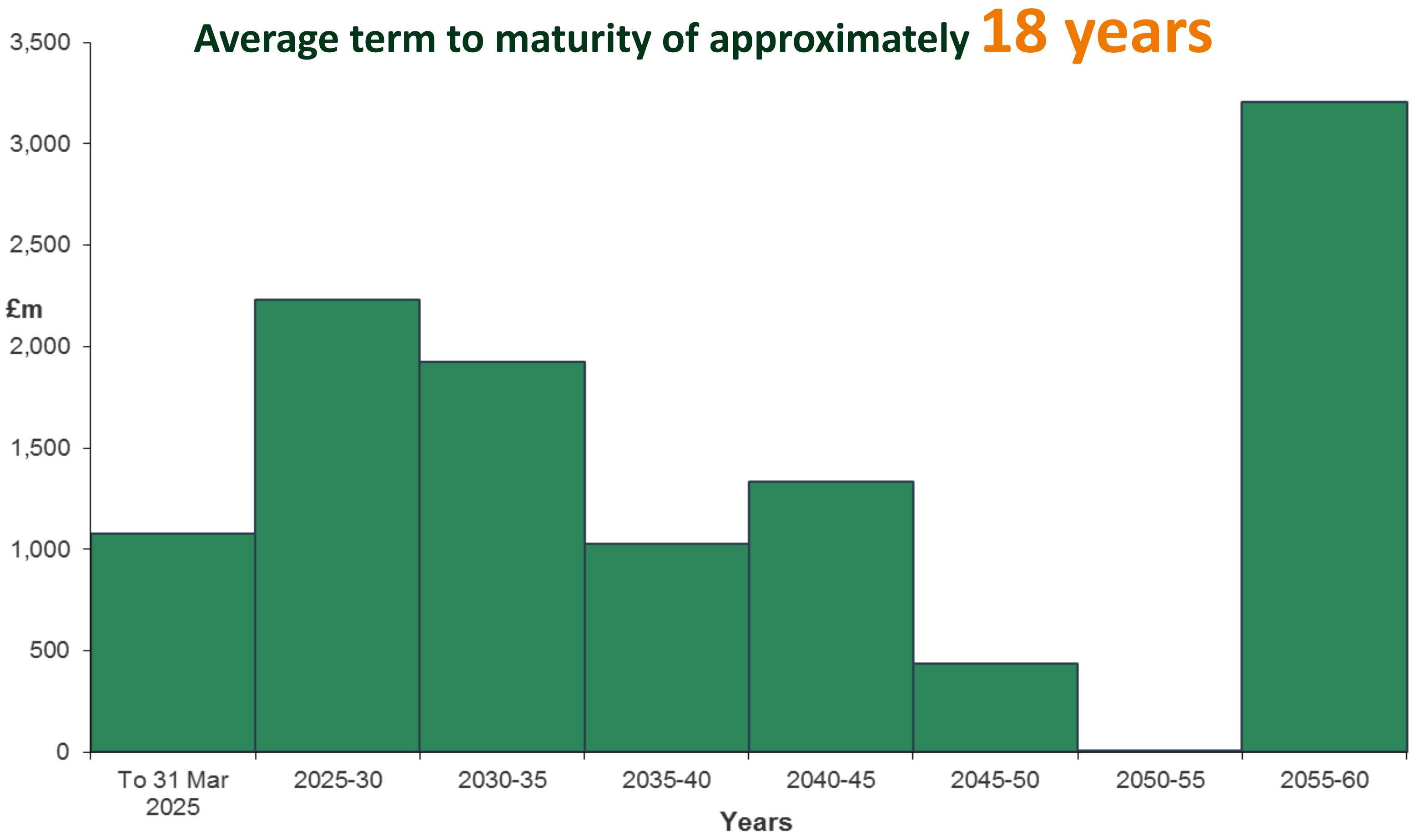
Other debt:
- EIB RPI-linked loans £468m[1]
- Other RPI-linked loans £300m[1]
- CPI-linked loans £100m[2]
- Other EIB loans £488m
- Short-term loans £49m
- ¥10bn dual currency loan
- Other sterling loans £25m

United Utilities Water Finance PLC[6]
Guaranteed by United Utilities Water Ltd

Euro MTNs:
- £450m in 25s
- £25m in 25s[1]
- HK$320m in 26s
- HK$739m in 26s
- €52m in 27s
- HK$830m in 27s
- £20m in 28s[1]
- £100m in 28s
- £300m in 29s[2]
- £35m in 30s[1]
- ¥11bn in 30s
- €30m in 30s
- £425m in 31s[4]
- €30m in 31s
- HK$600m in 31s
- US$35m in 31s
- £38m in 31s[3]
- £20m in 31s[2]
- €28m in 32s
- €26m in 32s
- €30m in 33s
- £350m in 33s[5]
- £27m in 36s[3]
- £29m in 36s[3]
- £20m in 36s[2]
- £60m in 37s[2]
- £250m in 38s
- £125m in 40s[2]
- £300m in 42s
- £32m in 48s[2]
- £33m in 57s[2]

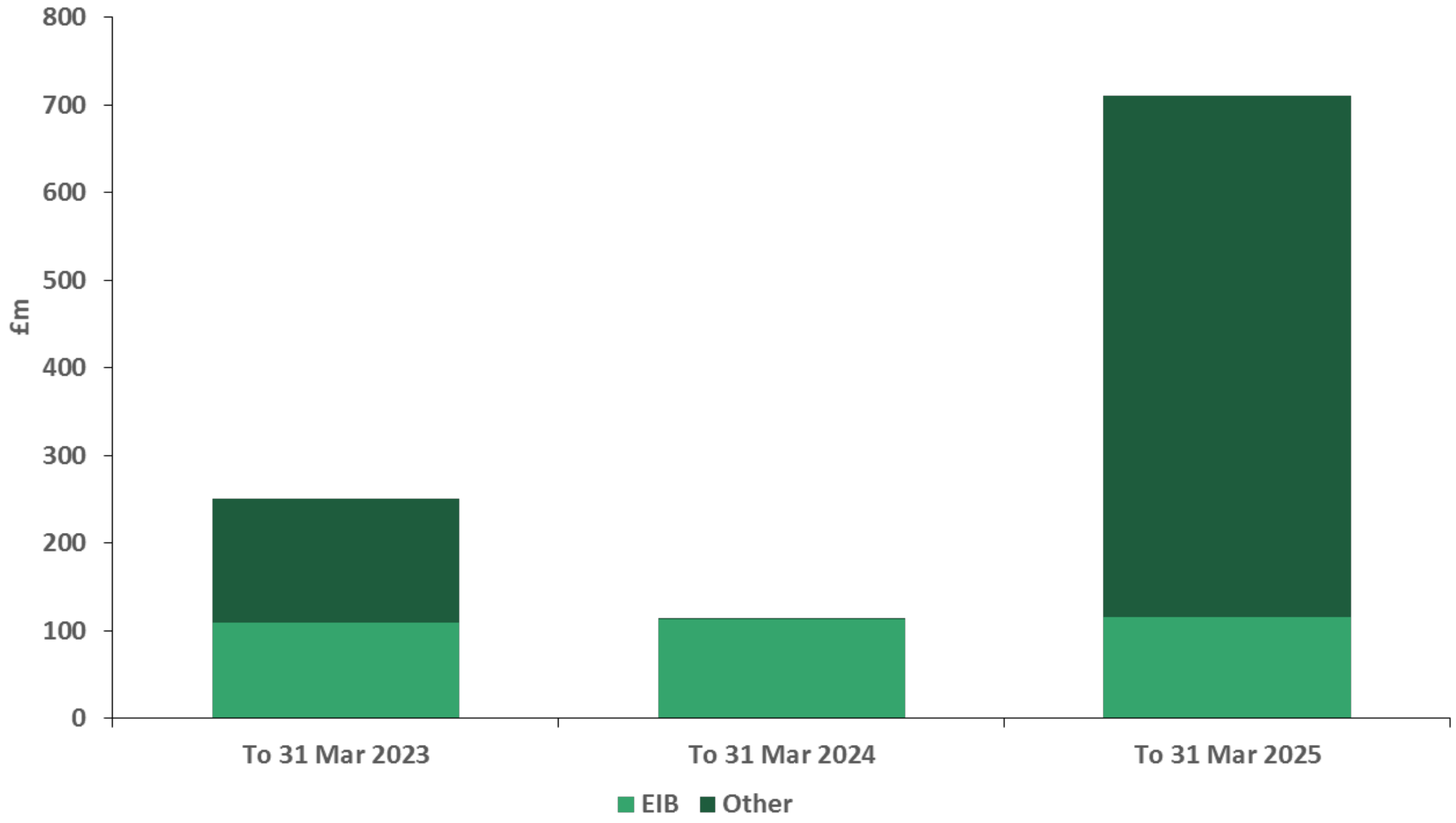
[1] RPI linked finance
[2] CPI linked finance / fixed rate finance subsequently swapped to CPI linked
[3] RPI linked finance subsequently swapped to CPI linked
[4] £100m and £75m fixed rate tranches of this bond have been swapped to CPI linked
[5] Two £50m fixed rate tranches of this bond have been swapped to CPI/CPIH linked
[6] United Utilities Water Finance PLC (UUWF) is a financing subsidiary of United Utilities Water Limited (UUW) established to issue new listed debt on behalf of UUW. Notes issued by UUWF are unconditionally and irrevocably guaranteed by UUW and are rated in line with UUW's credit ratings
[7] Senior unsecured debt ratings published by Moody's; Standard & Poor's; Fitch respectively

Term debt maturity profile as at 31 March 2022[1]



[1] Future repayments of index-linked debt include RPI/CPI/CPIH market derived forecasts out to 2026, subsequently transitioning to an average annual RPI rate of 3% and an average annual CPI/CPIH rate of 2%

AMP7 maturity profile

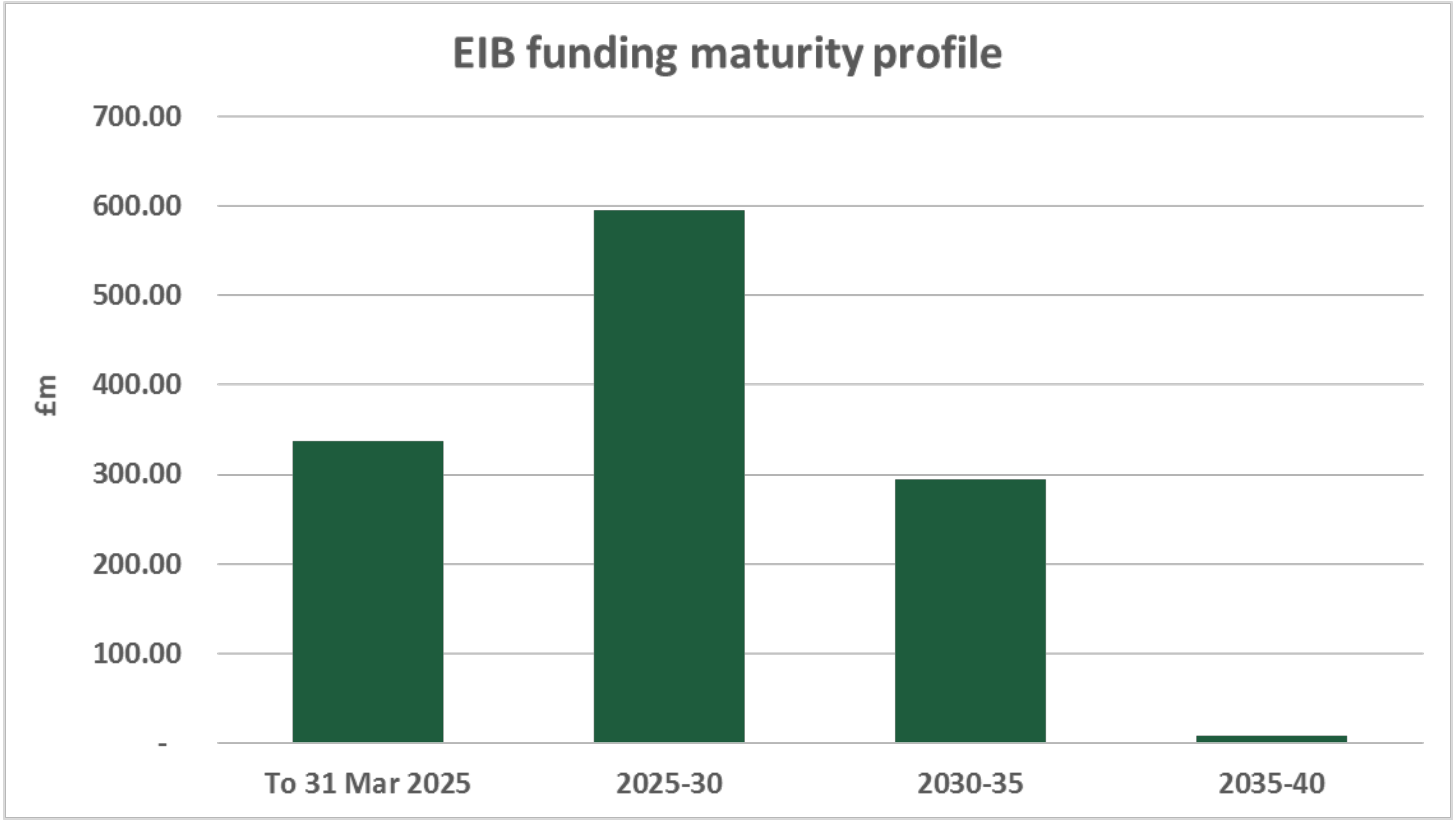


Notes

Future repayments of RPI linked debt include market derived forecasts out to 2026, subsequently transitioning to an average annual RPI rate of 3%

Light green areas represent EIB debt maturing whereas dark green areas represent other debt maturing.

EIB funding maturity profile

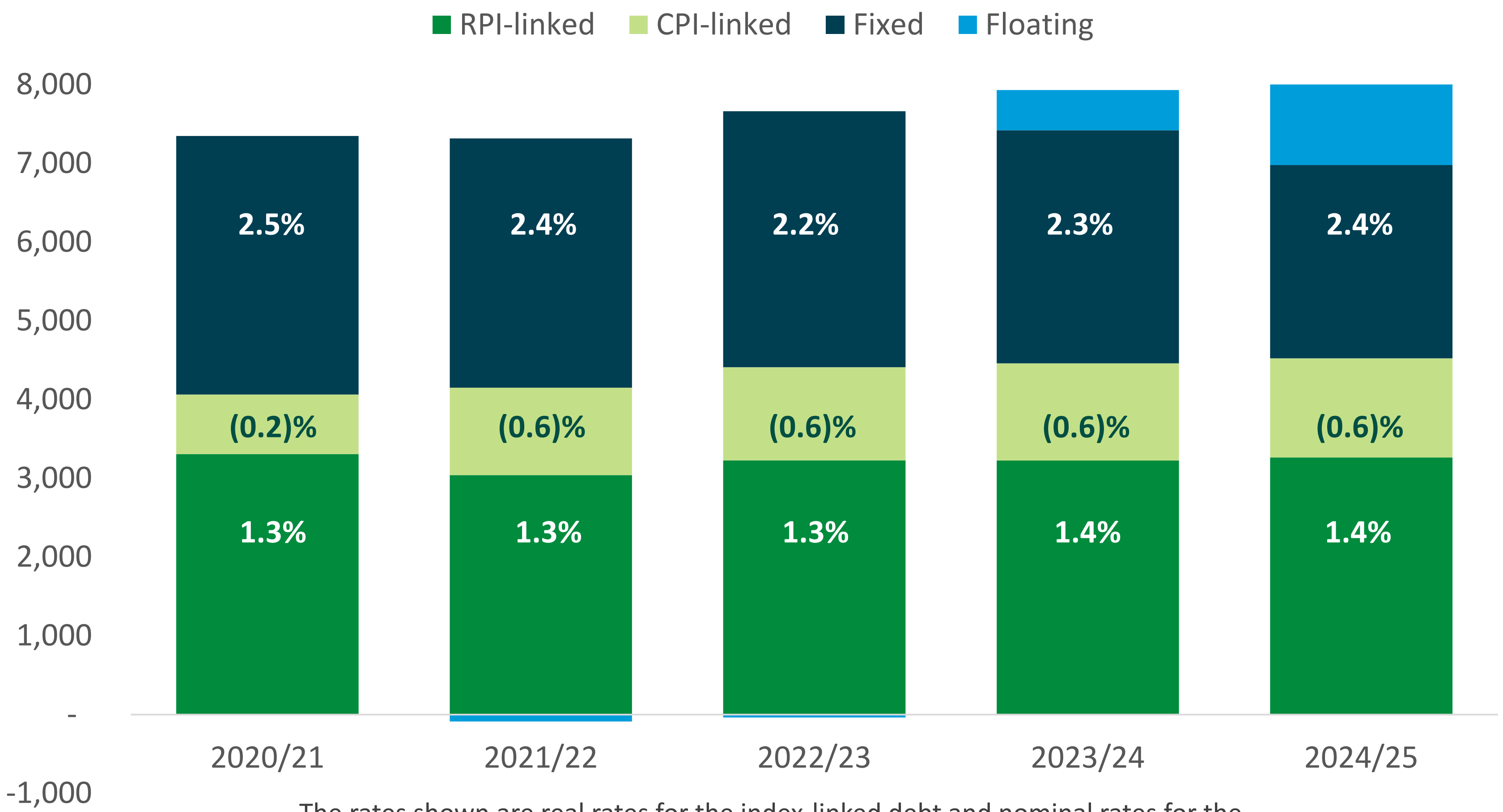


Notes

Future repayments of EIB RPI linked debt include market derived forecasts out to 2026, subsequently transitioning to an average annual RPI rate of 3%

Financing performance

Existing debt locked in at rates favourable to the AMP7 allowed cost of embedded debt



The rates shown are real rates for the index-linked debt and nominal rates for the fixed rate debt.
Floating rate debt will be progressively fixed in line with 10 year reducing balance hedging policy.

Commitment to net zero by 2030

1. Commitment to meet our science-based targets (scope 1&2)
2. 100% renewable electricity by 2021 ✓
3. 100% Green Fleet by 2028
4. 1,000 hectares of peat restoration by 2030
5. Planting 1 million trees to create 550 hectares of woodland by 2030
6. Commitment to set science-based scope 3 emissions target by 2021 ✓

Further detail on our approach to climate change can be found in the Task Force on Climate-related Financial Disclosure (TCFD) report within our 2022 Annual Report