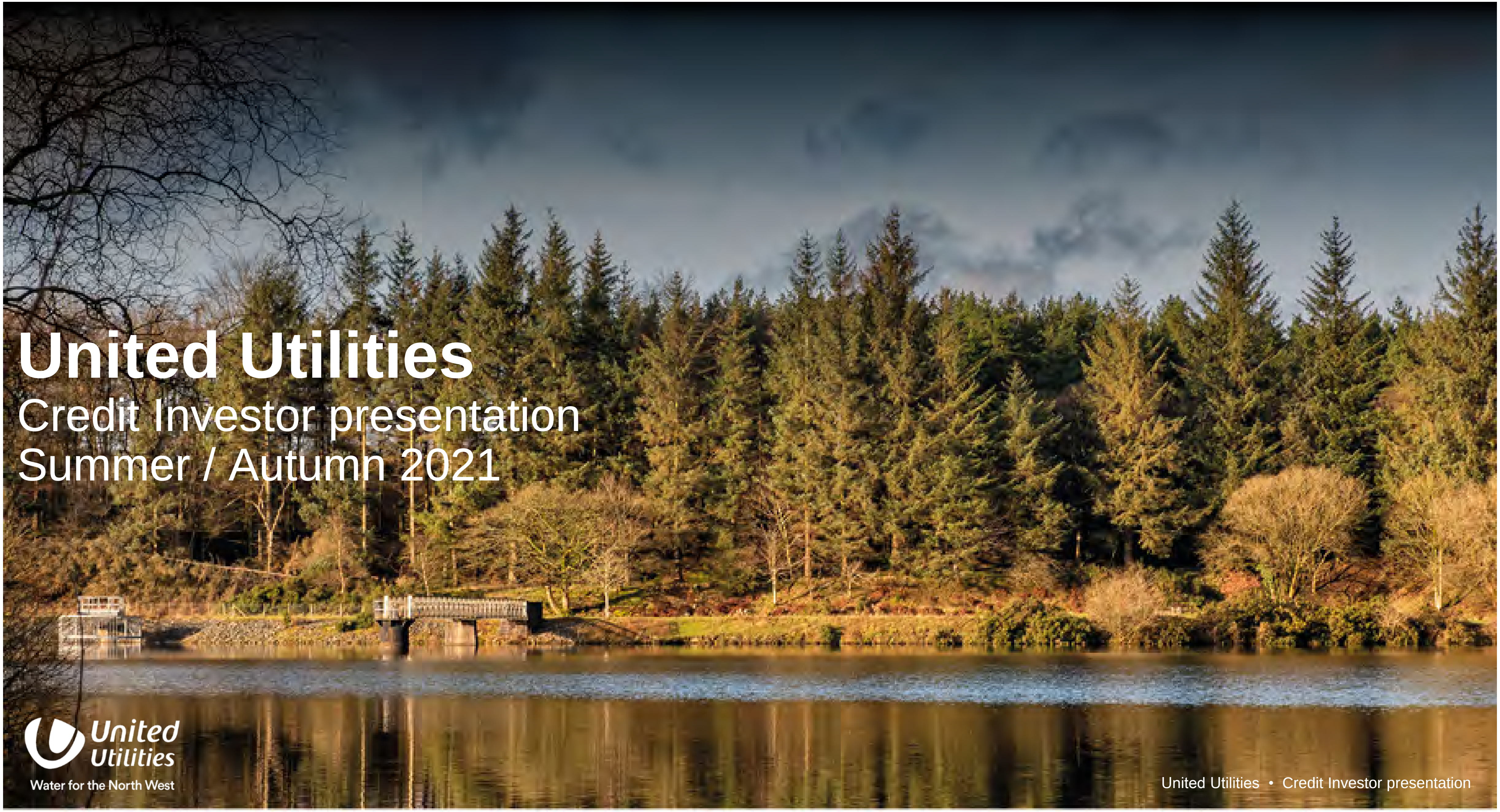


United Utilities

Credit Investor presentation
Summer / Autumn 2021

United Utilities
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

- United Utilities Group PLC - FTSE 100 company, listed on the London Stock Exchange
- 681.9 million shares - Market capitalisation c£6.87 billion as at 1 June 2021 (1008p share price)

Our Board

Breadth and depth of experience

Sir David Higgins, Chairman
Nomination Committee
Sir David has spent his career overseeing high profile infrastructure projects. Chairman 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. Ceased to be a non-executive director of G4S plc, following the acceptance of an offer and its subsequent delisting in April 2021.

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 and is chair of the pensions committee of the 100 Group.

Mark Clare, Senior NED
Nomination and remuneration committees
Chairman of Grainger plc, non-executive director and chairman designate at Aggreko plc, non-executive director of Premier Marinas Holdings Ltd and Wickes Grup plc. Former chief executive of Barratt Developments plc, and held senior executive roles in Centrica plc and British Gas

Stephen Carter CBE, NED
Nomination, audit and corporate responsibility committees
Group chief executive of Informa plc. Formerly held senior executive roles at Alcatel Lucent Inc. and public sector roles including founding chief executive of Ofcom and stepped down as a non-executive director at the Department for Business Energy and Industrial Strategy in December 2020

Kath Cates, NED
Nomination and remuneration committees
Non-executive director at RSA Insurance Group plc, TP ICAP Group Plc and Columbia Threadneedle Investments. Former chief operating officer at Standard Chartered plc and a number of roles at UBS, prior to which she qualified as a solicitor

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

Brian May, NED
Nomination, audit, treasury and remuneration committees
Former Finance director at Bunzl plc and previously qualified as a chartered accountant with KPMG. Brian has been chair of the audit committee for five years and has considerable knowledge of the company and the utilities sector

Paulette Rowe, NED
Nomination and audit committees
CEO of Integrated and Ecommerce Solutions and member of the Paysafe Group executive. Formerly held directorships at Facebook, Barclaycard Payments Solutions, NBNK Investments plc, Tesco Personal Finance, RBS, and chief executive of European Consumer Finance

Doug Webb, NED
Nomination and audit 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

Well placed as we begin AMP7

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

We have recently completed the sixth five-year period since privatisation (AMP6 – running from April 2015 to March 2020) and entered the seventh (**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 exit 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 to give us a **flying start** to AMP7

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 planned 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
- Systems thinking
- Machine learning & AI
- Innovation lab
- Improved service

"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

Lab 2 – 4 promising ODI related innovations

Academia and leveraged funding

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

Breakthrough innovation

Catchment, real-time sensing

Carbon blocks

Innovation culture

Innovation as a corporate value

The 'Innovation 100'

Annual CEO Challenge

Apprentice sprints

Embedded crowd sourcing capability

We are encouraged by the Innovation Fund Ofwat is establishing for AMP7

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 99,018 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

185,000 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 1/3 million human tasks now completed by robots saving 33,000 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

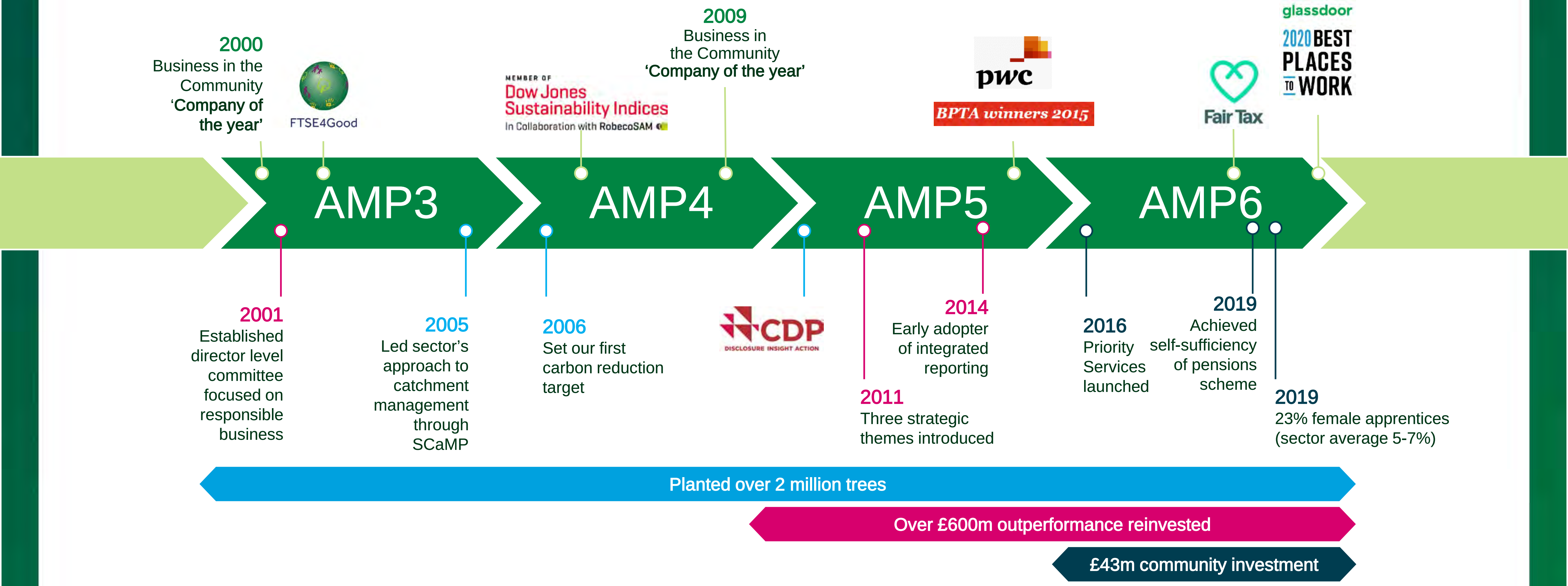
- Sniffer dogs
- Satellites
- Customer leak finder app
- Acoustic leak sensors

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

Environmental, Social and Governance (ESG)

A strong track record of leading on ESG

Significant achievements against environment, social and governance

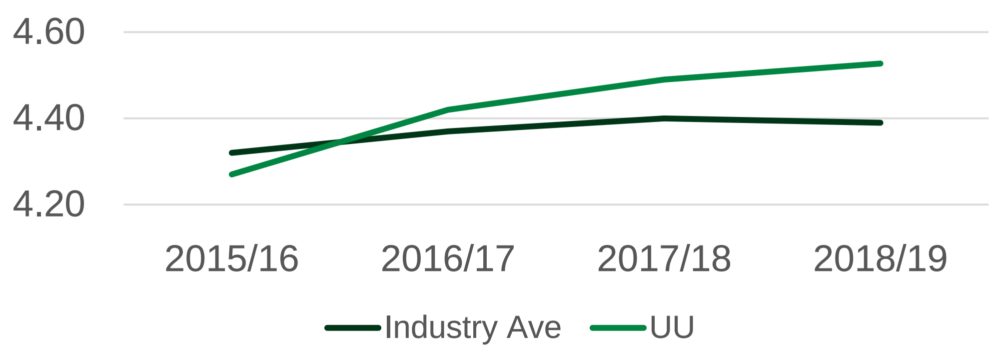


Behaving responsibly

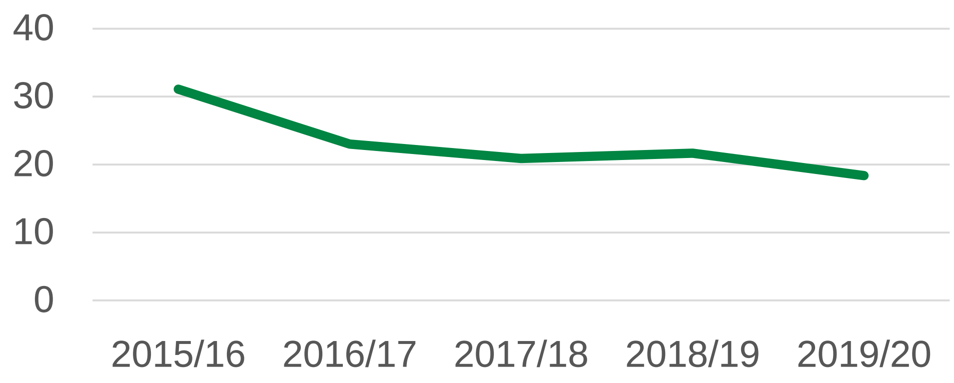
Delivering for customers and the community

- **Upper quartile** for AMP6, achieving **SIM outperformance**
- **25 awards** across customer service, collections and debt management
- **3 accreditations**
- **Strong C-MeX** performance to date
- AMP7 incentive range of **+/-£66m**

4 year qualitative SIM scores 2015-2019



Complaints per 10,000 connected properties



Behaving responsibly

Delivering for customers and the community

£71m

£71 million voluntary funding in AMP7 to provide financial assistance to customers who need it

100,000

Registered for Priority Services

£35m

A contribution of over £35 million to our local communities during AMP6[1]

120,000

Receiving help from the sector's most comprehensive range of affordability schemes

Industry firsts

Payment breaks

Hardship Hubs

Data share with other industries

Motivated and engaged workforce

[1] Including contributions to the UU Trust Fund

Behaving responsibly

Delivering for the environment

Top performer on EPA

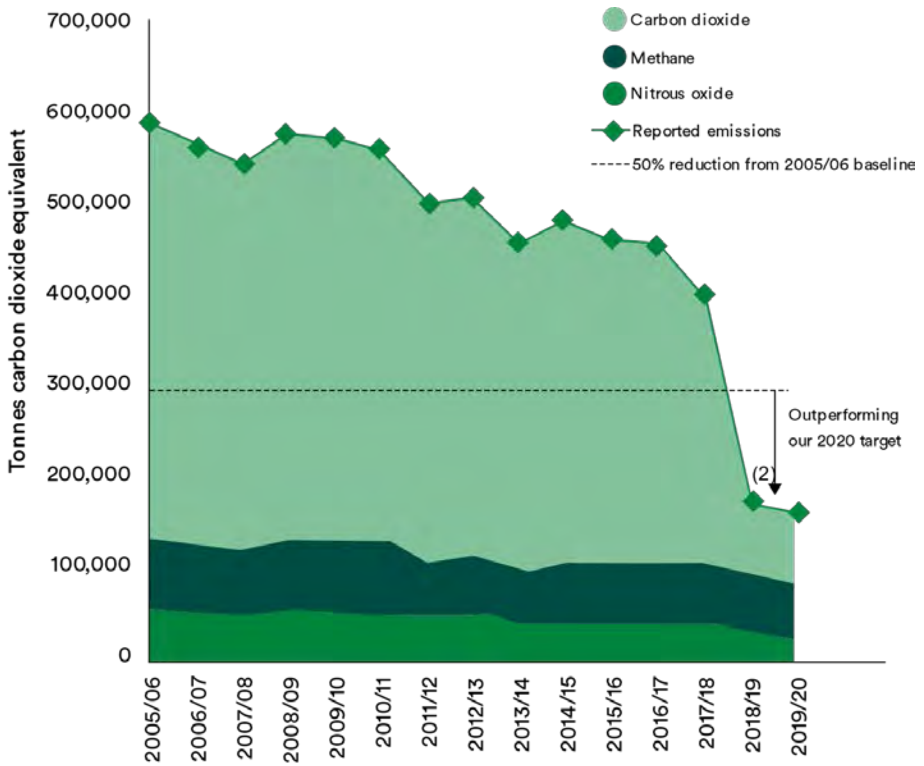
Leading performance in minimising pollution with zero serious incidents in AMP6

Expecting 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 delivers an optimised integrated approach



Carbon footprint significantly reduced since 2005/06 baseline

100% electricity usage from renewable sources from October 2021

Behaving responsibly

Delivering on governance

Strong track record

- Quality and transparency of reporting

Financial resilience

- Prudent financial risk management
- A3 credit rating with Moody's
- Pension fund already achieved low dependency
- Fair Tax Mark

Award winning annual report and strong performance on investor indices

PwC's Building Public Trust Awards 2018
Winner of Reporting in Financial Services in the FTSE 350
Celebrating openness

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

EURONEXT vigeoeiris INDICES UK 20

CDP DISCLOSURE INSIGHT ACTION

Economic regulation

Water for the North West

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

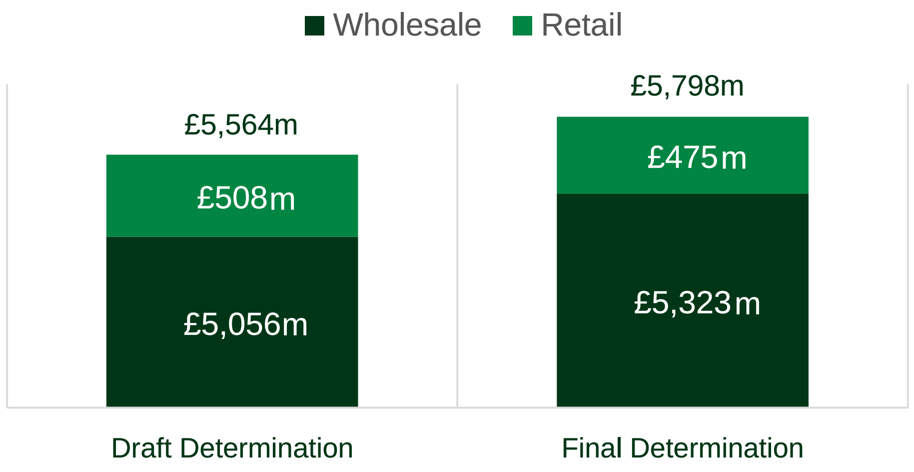
UUG dividend maintained with CPIH growth

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

AMP7 totex allowance increased from draft determination

£5.8bn AMP7 totex allowance

AMP7 net totex allowances (£m)



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

50:50 customer sharing ratio

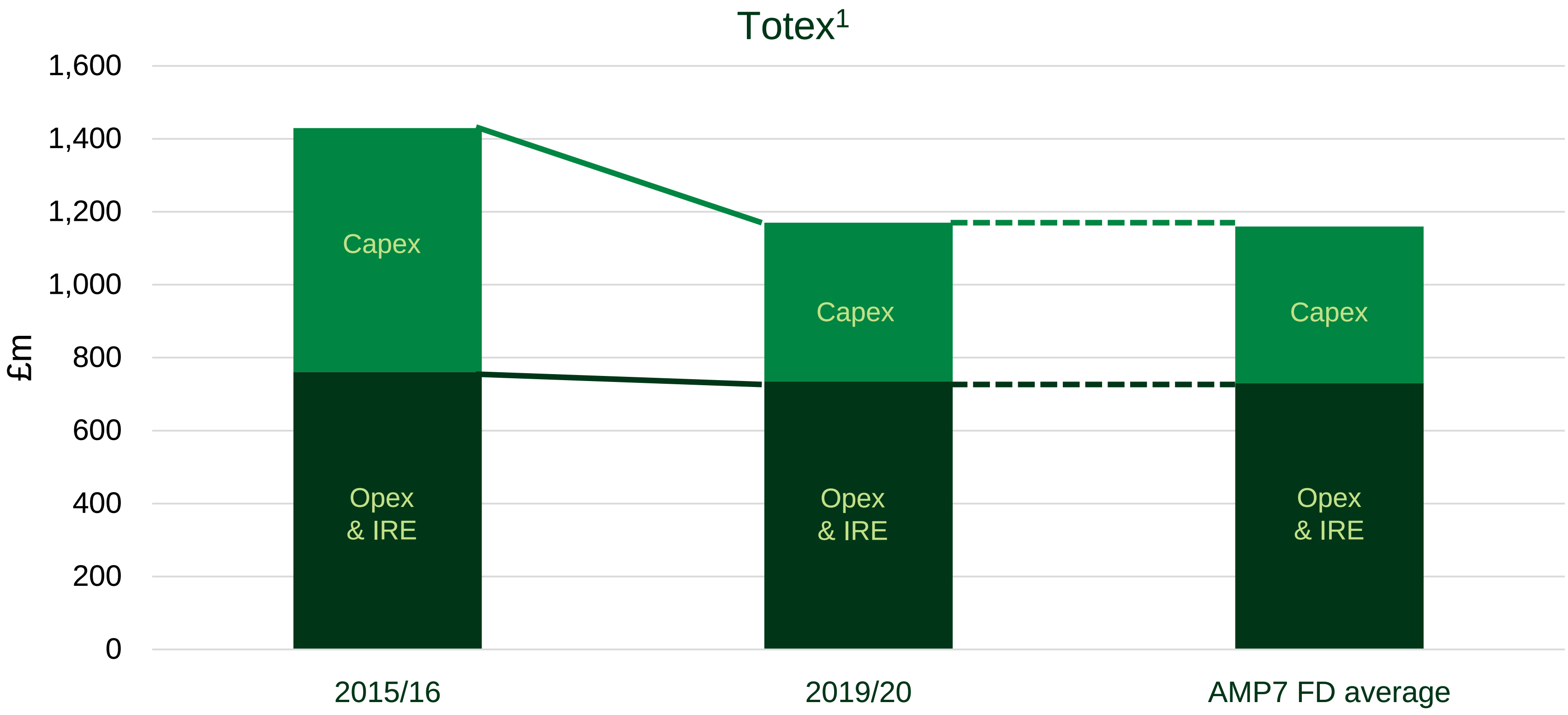
Weighted average **PAYG** of **59.6%** - aligned to the natural rate

£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.

Already delivering efficiencies

AMP6 focus on innovation, market testing and cost challenge delivering 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

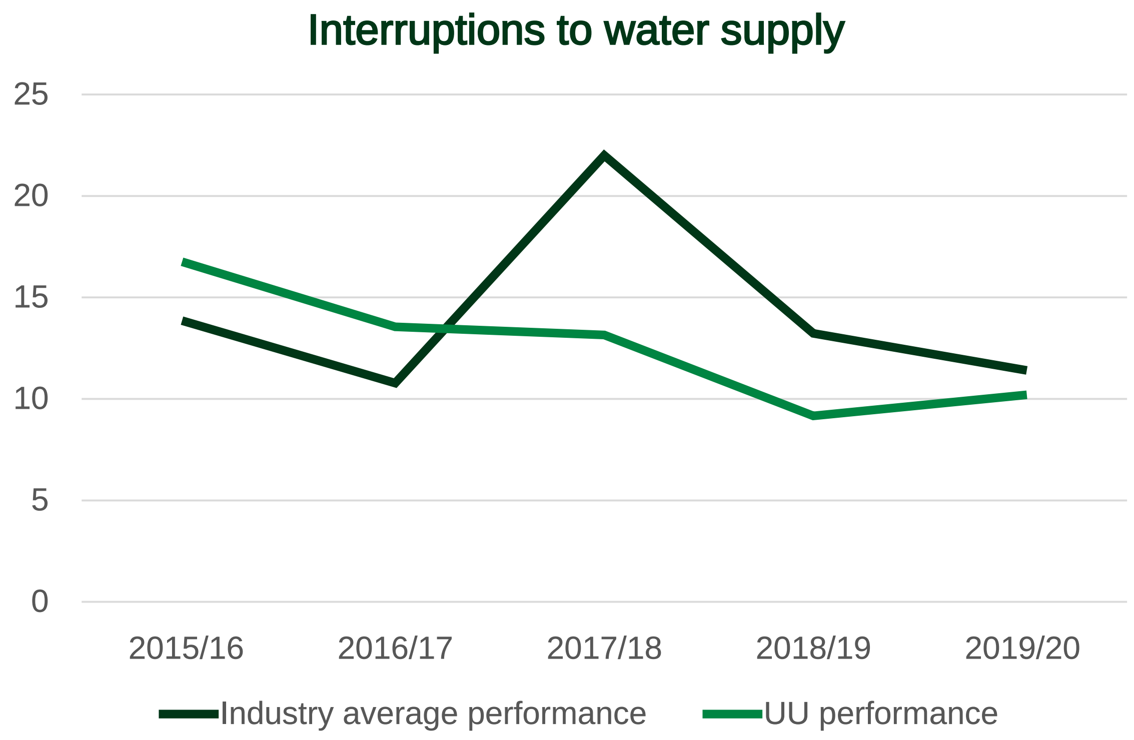
Risk and value assessment across all major projects expected to deliver **£100m savings** in our plan

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

Operational transformation

Water for the North West

Operational transformation: Water



- **39% reduction** in supply interruptions over AMP6
- 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					
	2014	2015	2016	2017	2018	2019
Anglian	3	3	3	3	3	2
Northumbrian Water	3	3	2	2	4	2
Severn Trent Water	3	4	3	4	3	4
Southern Water	2	3	3	3	2	1
South West Water	2	1	2	2	2	2
Thames Water	3	3	2	3	3	3
United Utilities	**3**	**4**	**4**	**4**	**3**	**3**
Wessex Water	3	4	4	4	3	4
Yorkshire Water	4	3	3	3	2	3

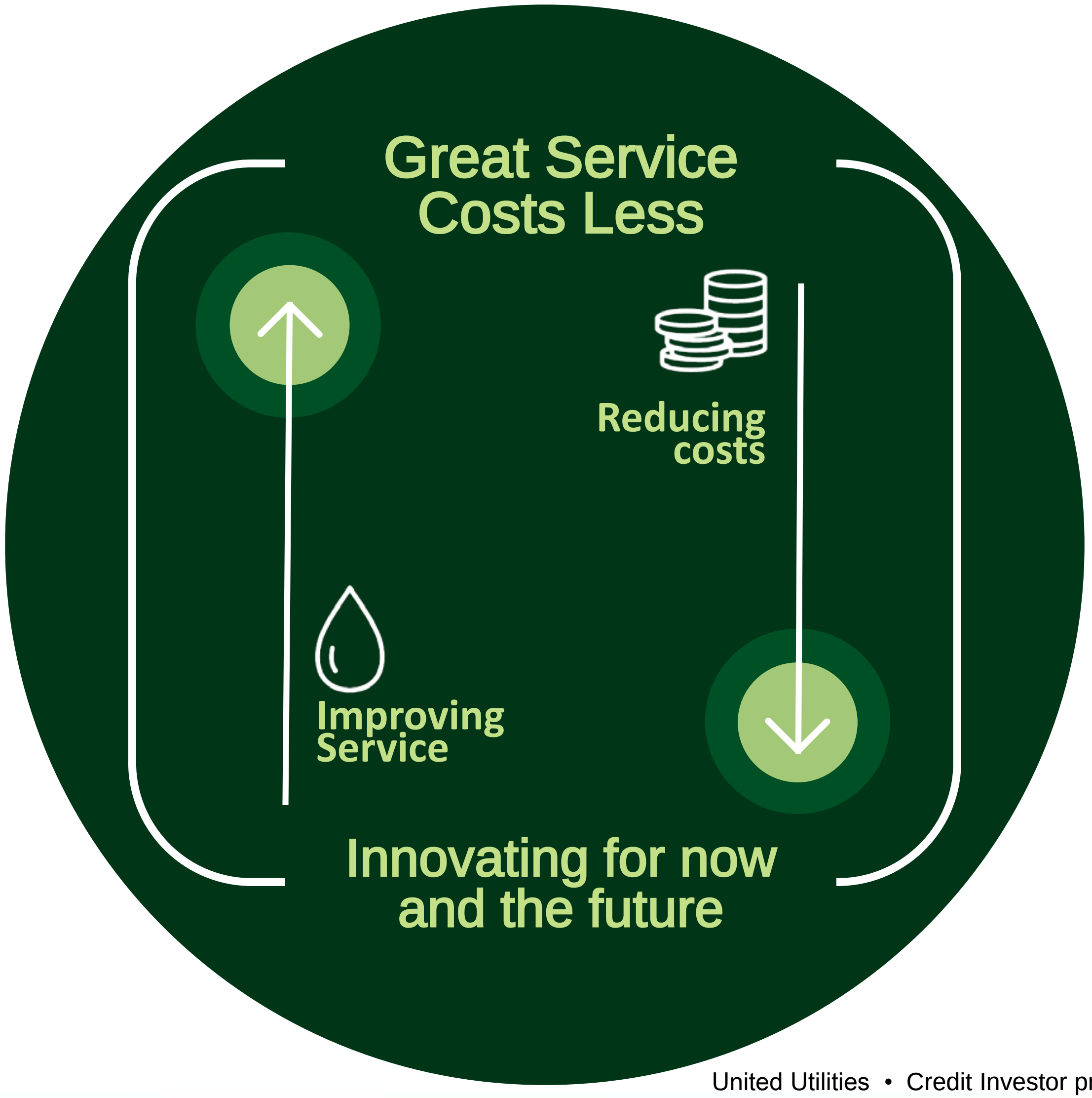
Leading performer
on reducing pollution

On track for **4* industry leading**
status for 2020 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.

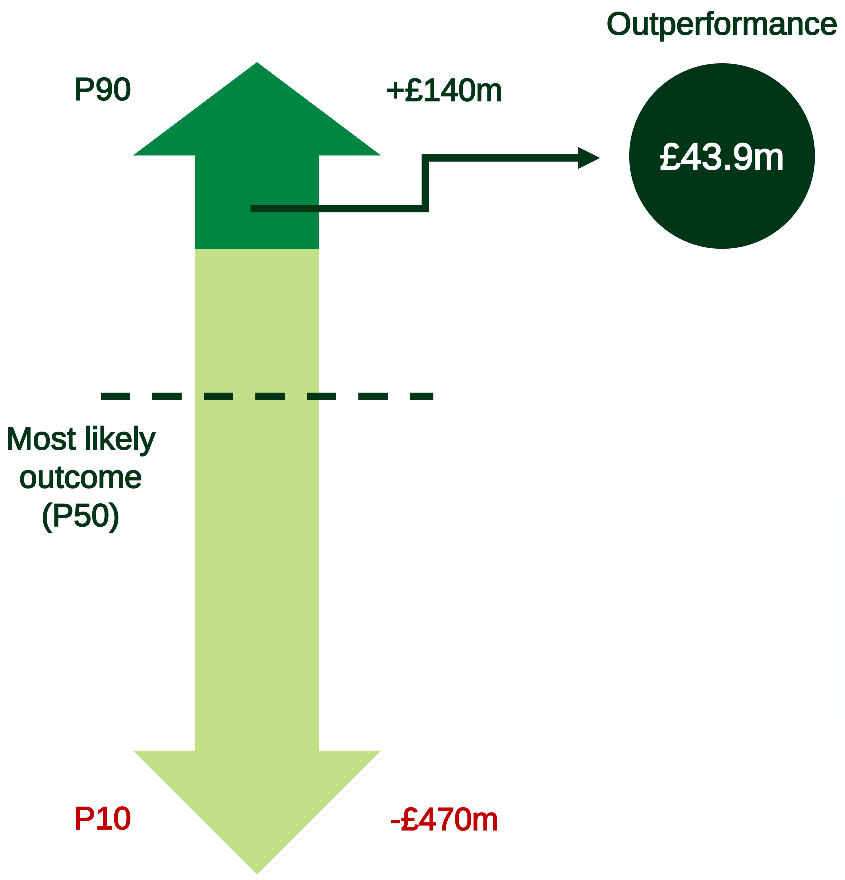


Outcome Delivery Incentives (ODIs)

Outcome Delivery Incentives (ODIs)

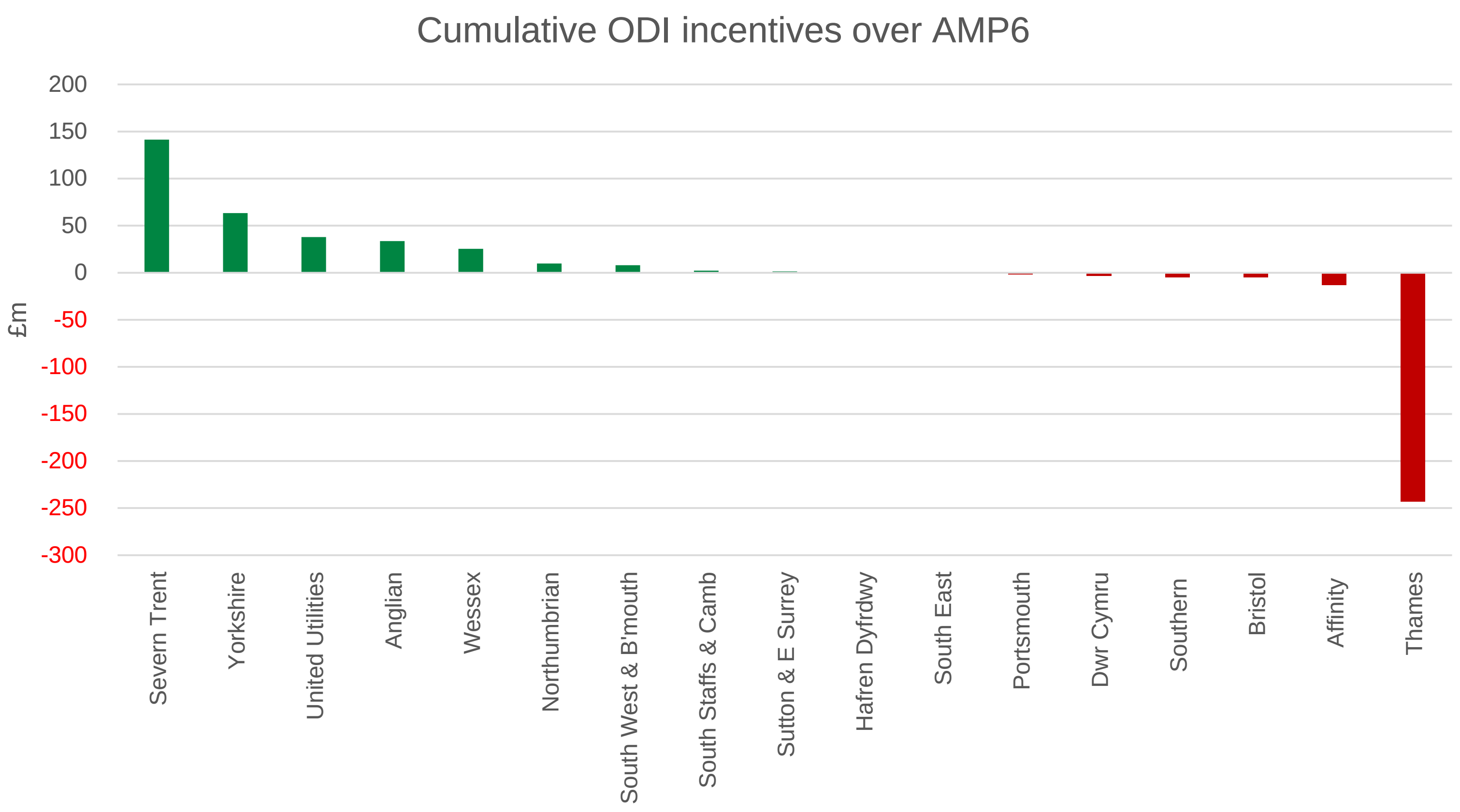
AMP6 performance well in excess of our original most likely outcome

	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



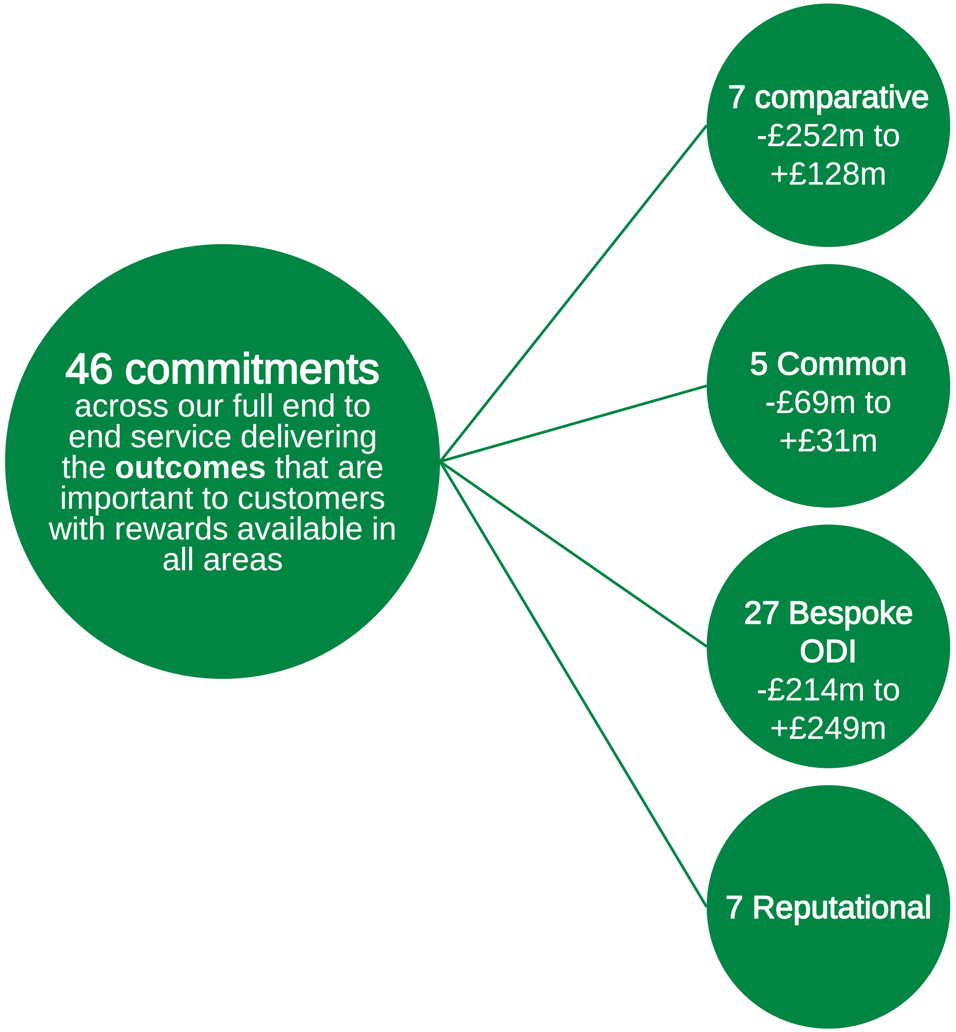
ODIs have incentivised company behaviour

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)



Measuring against the sector with **comparative targets**

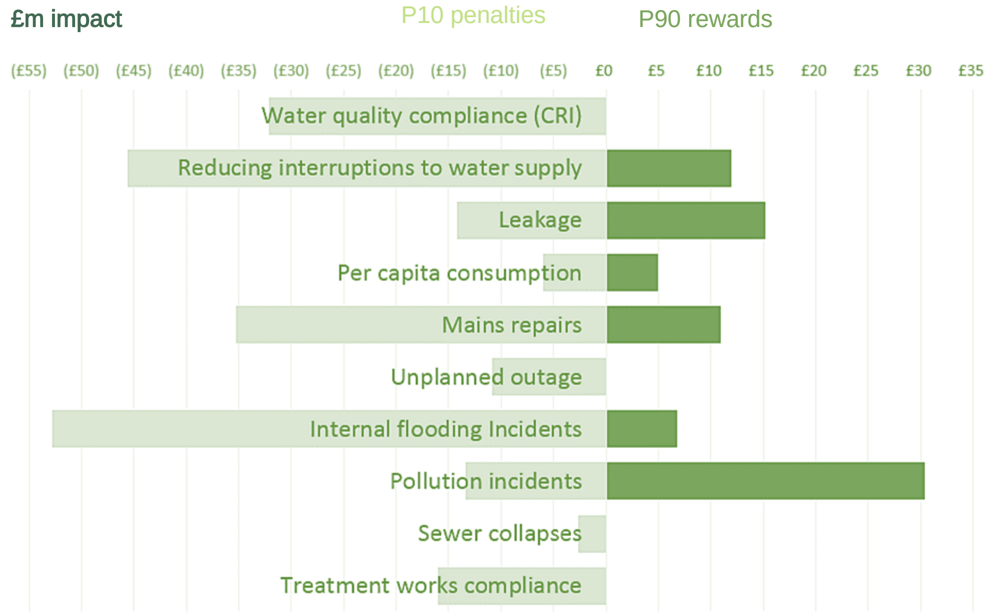
Measuring against the sector with rewards based on **company specific targets**

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

No financial incentive

Robust plans across common AMP7 ODIs

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



Accelerated investment with a flying start

- Smarter networks, increased visualisation and predictability

Systems Thinking & Innovation

- Central planning and decision making capability
- Embedded innovative technologies with AMP7 trials already underway

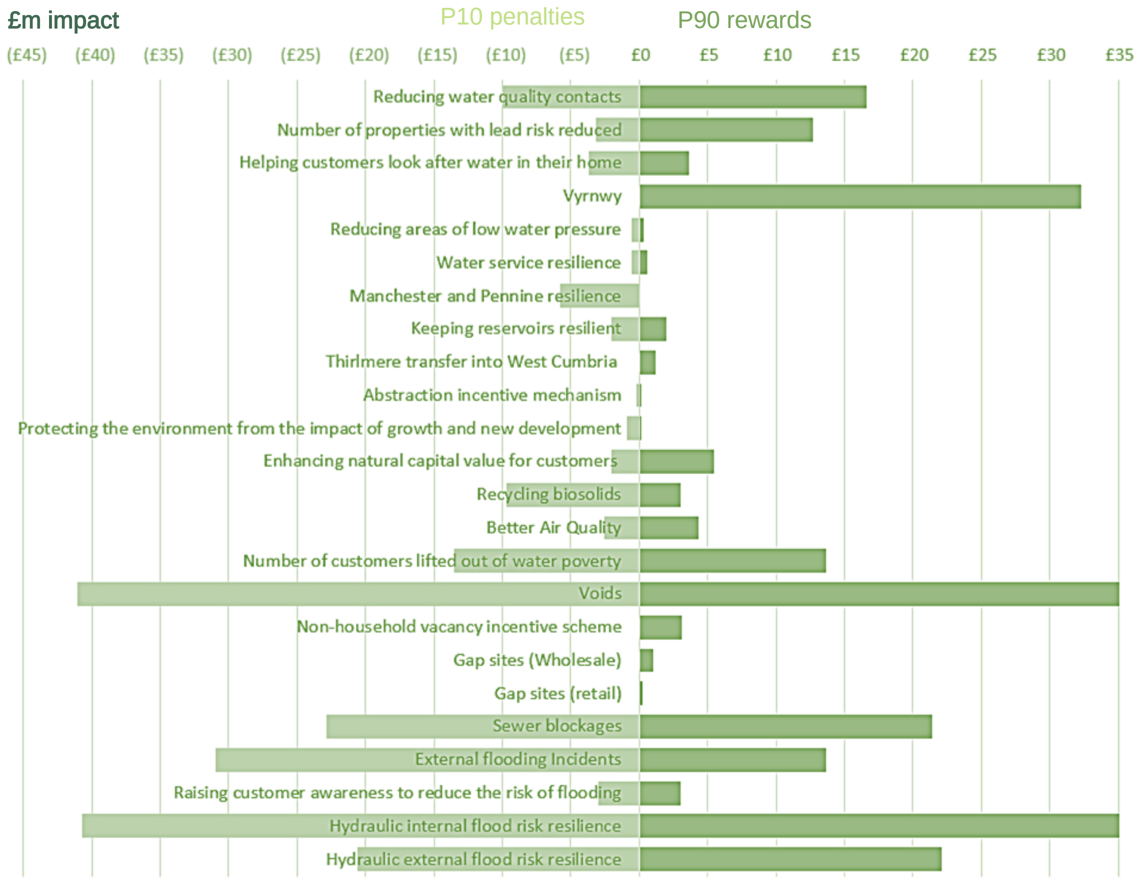
Leading Capability in our people and ways of working

- Integration, optimisation and collaboration across all our asset plans

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

Opportunities across bespoke AMP7 ODIs

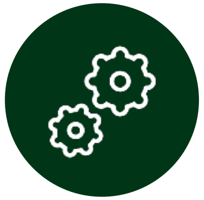
Opportunities to unlock outperformance across bespoke ODI measures



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 have 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)	Customer Experience Survey, survey of any customer across the North West
50%	50%

Reward/penalty range = +/-£66

New D-MeX measure

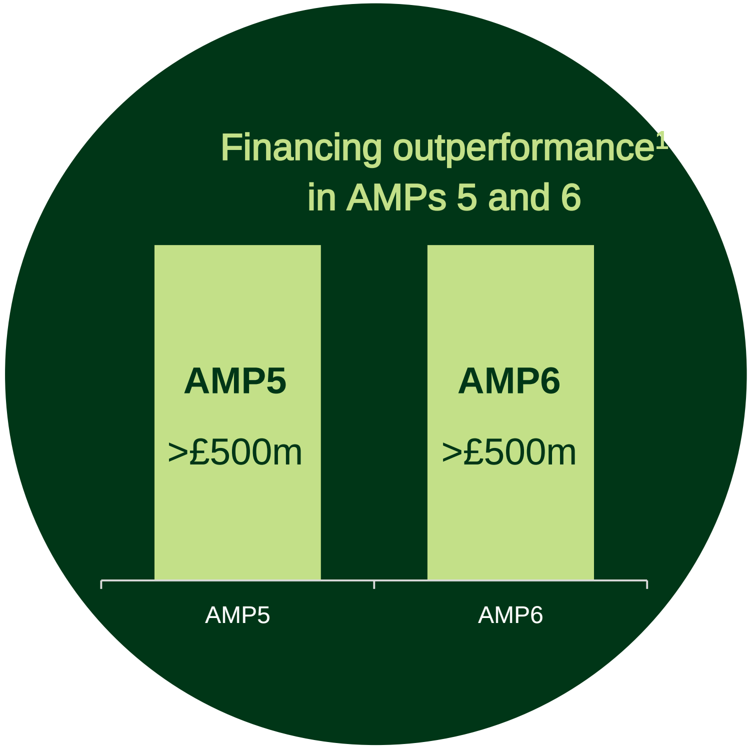
Qualitative Component, developer services customer satisfaction Survey	Quantitative component, company performance against a key set of WaterUK metrics
50%	50%

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**

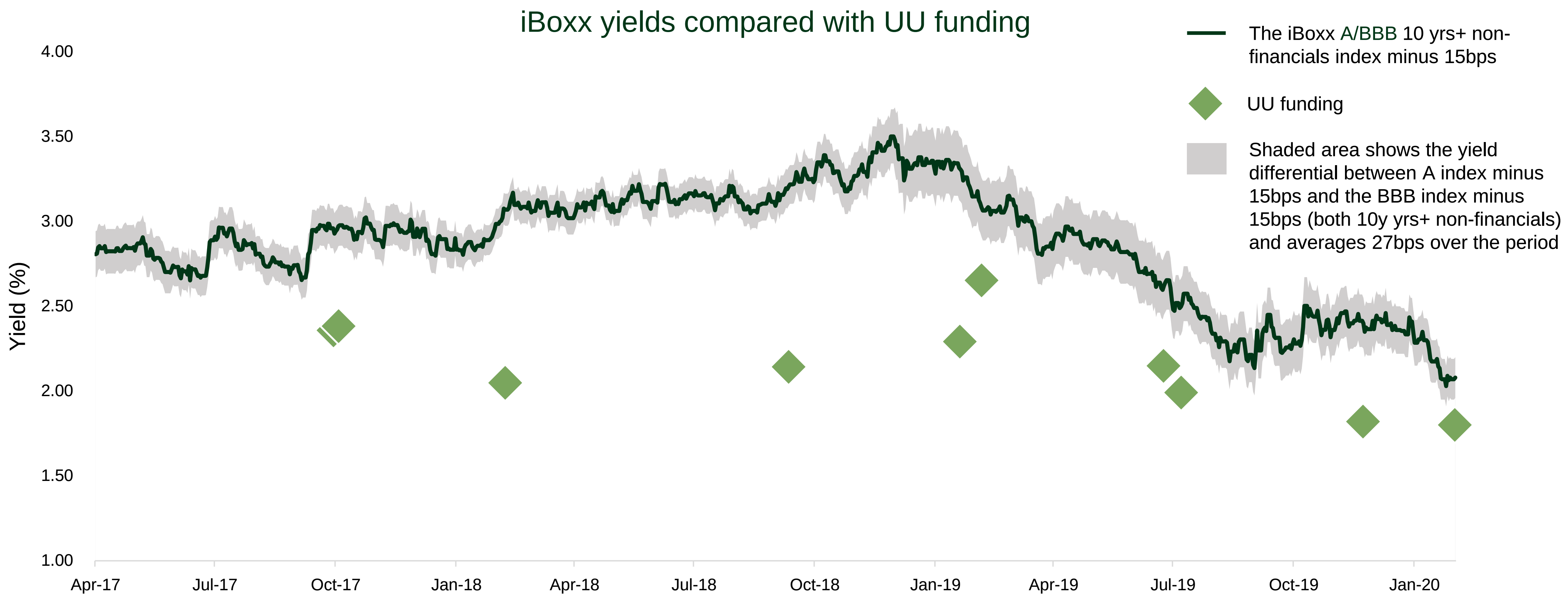
Quantum subject to **outturn inflation**

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 (debt rated BBB-)

BBB+ threshold: adjusted FFO to debt 9-11%

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[1] (WACC)

AMP6 → AMP7

AMP6

Cost of debt	Cost of equity
2.59%	5.65%

Gearing
62.5%

Appointee WACC
3.74%

Retail margin adjustment 0.14%
Wholesale WACC 3.60%

AMP7

Cost of debt	Cost of equity
1.15%[2]	3.18%

Gearing
60%

Appointee WACC
1.96%

Retail margin adjustment 0.04%
Wholesale WACC 1.92%

- 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

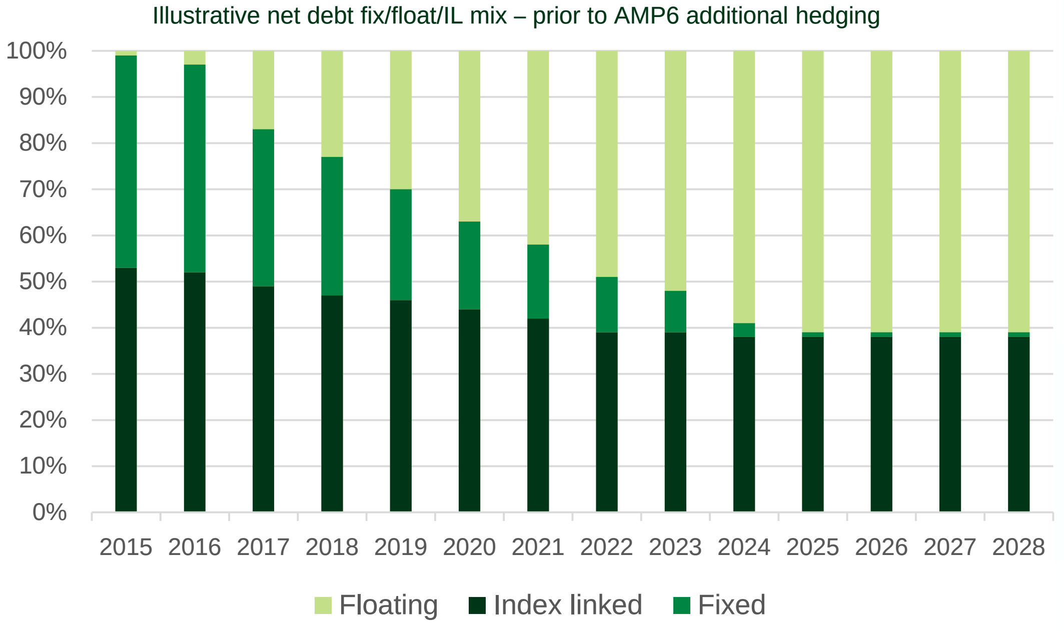
[1] Vanilla, real 2017/18 FYA RPI-stripped
[2] Cost of debt split: 1.43% embedded debt (assumed to be 80% of total); -0.45% new debt (assumed to be 20% of total)

Risk reduction – Interest rate hedging policy

Aims to minimise regulatory risk

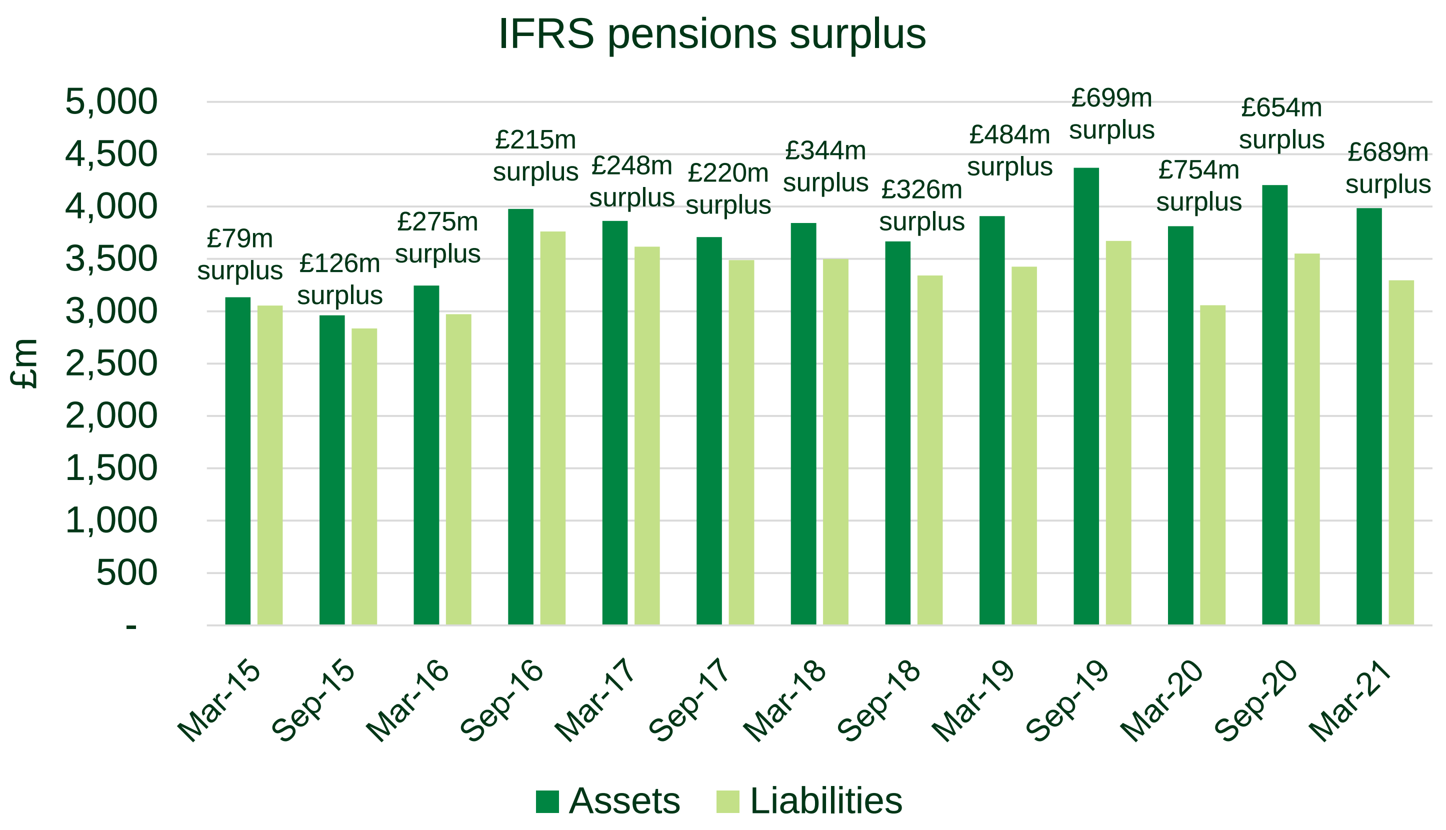
- AMP7 cost of debt set through PR19 process
- We target around half of our debt to be in index-linked form, and we keep index-linked debt un-swapped as a good match for the RCV, which is 50% RPI-linked and 50% CPIH-linked as at 1 April 2020 with post-2020 new additions linked to CPIH
- We fix underlying 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 self-sufficiency 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

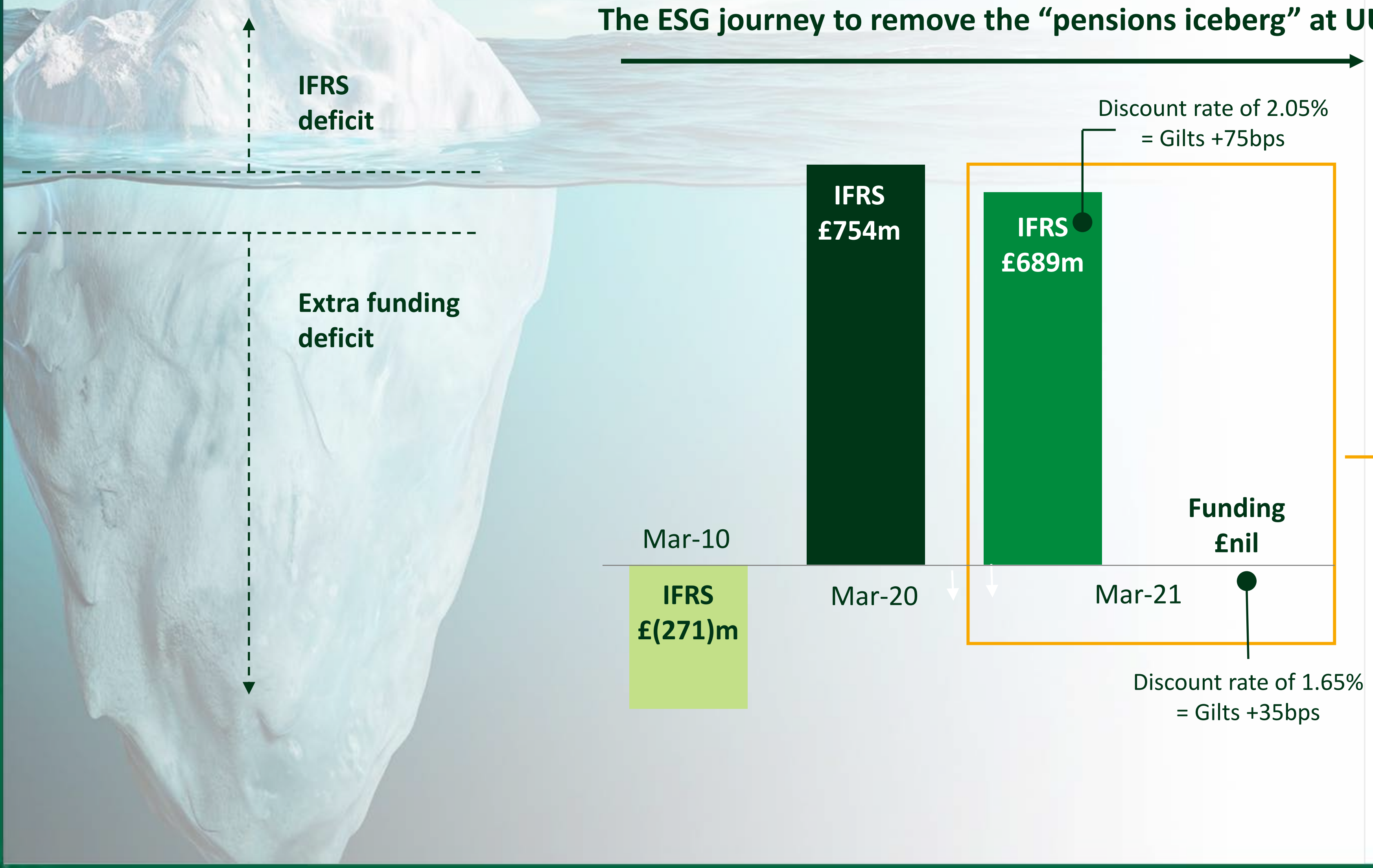
Open schemes

Benefits accruing should be secure

The Pensions Regulator

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

The pensions iceberg



Position today

Pension scheme **fully funded** on a **low dependency** basis with no further pension deficit contributions due

Strong position consistent with the Pensions Regulator's **fast track** classification

Impact of inflation

Short-term timing differences – for 2020/21 year end

Regulated revenue

Price limits are based on the movement in CPIH[3] inflation between November 2018 and November 2019 (i.e. 1.5%)

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 2020 and March 2021, 50% linked to RPI1 inflation and 50% linked to CPIH[3] inflation

Plus RCV additions (from totex) during the year, gives 31 March 2021 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 2020 and January 2021

RPI 8 month lag:
Adjustment to principal is based on the movement in RPI[1] inflation between July 2019 and July 2020

CPI 3 month lag:
Adjustment to principal is based on the movement in CPI[2] inflation between January 2020 and January 2021

[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

COVID-19

Great service in challenging times

- **Around 60%** of workforce working from home
- **Increasing** the number of customers eligible for social tariff support
- **£3.5m** available immediately for those most in need
- **Accelerating payments** to suppliers
- **Limited exposure** to business retail failure

COVID-19 impacts on 2019/20 year end

Great service in challenging times

Description	Income statement line	Impact on profit	Adjusted item
Revenue	Revenue	↓ £5m	✘
Incremental operating costs	Operating costs	↓ £1m	✓
Incremental C-19 HH bad debt (ECL)	Bad debts	↓ £17m	✓
Incremental C-19 NHH bad debt (ECL)	Bad debts	↓ £1m	✓
Share of Water Plus losses	Share of losses of JVs	↓ £32m	✓
Loss on loans to Water Plus (ECL)	Financing expense	↓ £5m	✓

Sustainable Finance Framework

United Utilities
Water for the North West

Sustainable Finance Framework: Strategy and Rationale

- United Utilities' business model has an important role to play in the transition towards a more sustainable, resilient, and lower-carbon economy, both through the current investment portfolio and future investments
- The technologies and assets United Utilities is investing in, should enable us to make a meaningful contribution to the UN SDGs and the objectives of the Paris Agreement on Climate Change

UN SDGs Alignment of the Sustainable Finance Framework

- By establishing this Sustainable Finance Framework, United Utilities believes it will provide the opportunity for investors to more directly link the benefits of the funding which they provide to the United Utilities' sustainability objectives

UU's sustainable finance framework and SPO is available: https://www.unitedutilities.com/corporate/investors/credit-investors/sustainable-finance/

Introduction to the Sustainable Finance Framework

- The United Utilities Sustainable Finance Framework is aligned with the four core components of the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) as well as LMA Green Loan Principles (GLP)
- Under this Framework, United Utilities may issue a number of financing instruments, including, but not limited to, bonds, private placements, loans or other forms of debt instrument

Use of Proceeds

- 7 Green Eligible Categories
- 1 Social Eligible Category

Management of Proceeds

- Managed on a portfolio basis
- 3-year look-back period prior to issuance

Project Evaluation & Selection

- United Utilities Sustainable Finance Committee will review the evaluation and selection of projects

Reporting

- Allocation and Impact reporting will be available within one year of issuance and until full allocation

- United Utilities has obtained a Second Party Opinion from Sustainalytics which confirmed alignment to the ICMA GBP/ SBP/ SBG and LMA GLP

SUSTAINALYTICS SECOND-PARTY OPINION

Use of Proceeds

Green and Social Bonds Principles Category	Example Green Projects	Example Impact Metrics	EU Taxonomy / NACE Codes / Categories	Relevant SDGs
Sustainable Water and Wastewater Management	• Sewer flooding improvement programme • Installation of customer water meters	• Operational emissions per megalitre of treated water • System energy consumption % reduction	Water collection, treatment and supply (E36.0.0)	6
Renewable Energy	• Renewable energy generation from solar power on land or water or renewable energy generation from wind power	• Avoided emissions from renewable electricity generated, tCO2e	Production of Electricity from Solar PV Production of Electricity from Wind Power (D35.1.1)	7
Energy Efficiency	• Renewable energy storage • Refurbishment of pumps to improve efficiencies	• MWh of storage capacity added • KWh/per cubic meter of water billed	–	11
Pollution Prevention and Control	• Refurbishment of anaerobic digestion facilities • Improvements to the Manchester Bioresource Centre	• Methane leakage reduction • Avoided emissions associated with biomethane exported	Anaerobic Digestion of Sewage Sludge (E37.0.0)	11
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Wetland creation (including reedbeds) • Moorland restoration – protecting and enhancing upland peat habitats	• Increase in Natural Capital value • Km of river improved	–	15
Terrestrial and Aquatic Biodiversity Conservation	• Fish passage solutions • Site of Special Scientific Interest (SSSI) protection schemes	• Km of river improved • Increase in SSSI land classed as improving	Anaerobic Digestion of Sewage Sludge (E37.0.0)	14
Clean Transportation	• Nissan E-NV200 Battery Electric investment program • Charging infrastructure	• tCO2e avoided	–	11
Access to Essential Services	• Priority Services Scheme • Hardship Hub • Youth Programme	• Number of beneficiaries in target population	–	6

Evaluation and Selection

PAC1

The financial approval gateway at the start of the project where the business case is presented in order for funds to be released to commence the 'Identify and Define' phases. The purpose of the funding is to identify / confirm the need and develop the required contract documentation.

PAC2

The financial approval gateway at the end of the 'Identify and Define' phase where the business case is presented in order for funds to be released to commence the 'Deliver and Close' phases. The PAC 2 meeting is prior to project contract award and indicates full approval of the investment.

PAC3

The financial approval gateway at the end of the project. The purpose is to review items such as the benefits and present any lessons learned during the investment and how these can be applied in the future.

- The Programme Approval Committee (PAC) approves the release of allocated funding for each stage of a project
- Each committee has delegated authority to approve spend based on limits set out in the United Utilities Internal Control Manual

1. **Project team** delivering the project provides the first level of project assurance. This involves the Project and Programme Manager ensuring that the delivery team are following the correct processes and procedures
2. **Programme Management Office (PMO)** provides the second level of assurance. The PMO provides an independent view and assures the project constantly throughout delivery
3. **Corporate Audit** provides a third level of assurance on project delivery. External parties or Corporate Audit complete annual reviews on specific areas to ensure that projects are being delivered according to the agreed processes

Management of Proceeds

- The net proceeds arising from the issuance under this Framework will be managed by our Treasury function, and will be wholly allocated to finance, refinance or invest in Eligible Projects
- Our Treasury team will ensure on a best efforts basis that the portfolio of Eligible Projects exceeds, or at least is equal to, the amount of Sustainable Financing Instruments raised under this Framework
- Pending allocation, proceeds will be invested on a temporary basis in accordance with the relevant internal policies, in cash, cash equivalents or similar instruments

Reporting

Allocation and Impact Report will be produced annually

- Within one year of issuance, and annually thereafter until full allocation of the Sustainable Financing instrument net proceeds, we will publish an external report

- The External Report will include (i) an Allocation Report; along with (ii) an Impact Report, subject to the availability of suitable information and data. These reports will be made available publicly at www.unitedutilities.com

- Allocation Report will include:

  1. The proportion of Total amount of proceeds allocated to Eligible Projects, per category;

  2. Proceeds allocated to refinancing of existing Eligible Projects; and

  3. Unallocated proceeds

Credible and impactful framework – second party opinion from Sustainalytics

SUSTAINALYTICS SECOND-PARTY OPINION

"Sustainalytics is of the opinion that the United Utilities Sustainable Finance ***Framework is credible and impactful*** *and* ***aligns with the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018 and Green Loan Principles 2020****"*

"Sustainalytics considers United Utilities ***reporting commitments*** *to be* ***in line with market practice*** *and highlights* ***in particular the granularity of the identified impact metrics****"*

"Sustainalytics is of the opinion that United Utilities has implemented adequate measures and is ***well positioned to manage and mitigate environmental and social risks*** *commonly associated with the eligible categories"*

"Sustainalytics is confident that United Utilities is ***well-positioned to issue sustainability bonds and loans*** *and that that United Utilities Sustainable Finance Framework is robust, transparent…"*

Use of Proceeds - examples

Morecambe Wastewater treatment works enhancement

Leakage: Acoustic loggers

Catchment approaches

Green fleet

West Cumbria Supplies project

Priority Services

Summary

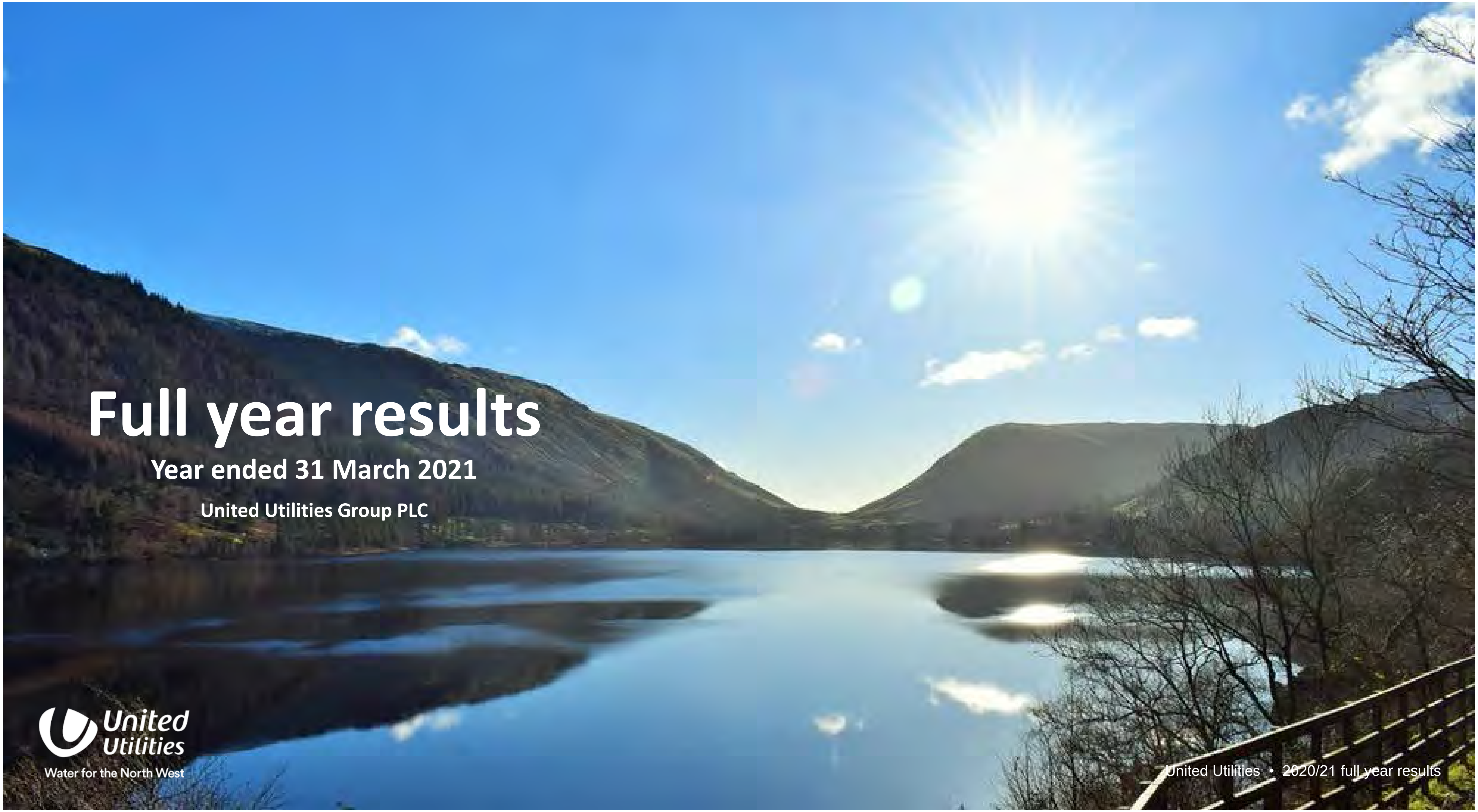
Key credit highlights

- **Regulatory outperformance**: Sustainable performance improvements and track record of outperformance in AMP5 and AMP6
- **Clarity on allowed returns to 2025**: Wholesale revenue and asset base linked to CPIH inflation through to at least 2025
- **Strong management team**: Extensive commercial, operational and regulatory experience across the business
- **Low dependency pension schemes**: Stable IAS19 pension surplus and low dependency funding position
- **ESG credentials**: Strong record of high ESG performance with external recognition of our approach
- **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
- **Systems thinking approach**: Use of technology, data and machine intelligence, which provides us with a competitive advantage

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.



Full year results

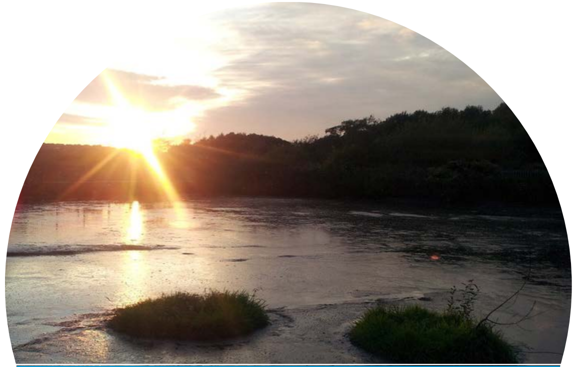
Year ended 31 March 2021

United Utilities Group PLC

United Utilities
Water for the North West

Highlights

A digital utility – delivering excellent performance



ESG is at our heart

Investing incremental £300m for sustainable performance – fully remunerated

Robust financial performance backed by a strong balance sheet

Targeting around £150m of AMP7 customer ODI rewards

Digital transformation delivering excellent performance

★ **53%** reduction in water supply interruptions

★ **Lowest ever level of leakage**

★ **13%** improvement in water compliance risk index (CRI)

93% improvement in water event risk index (ERI)

★ **Zero** serious pollution incidents for two consecutive years; best in sector performance

★ **31%** reduction in environmental pollution incidents

★ **100%** wastewater treatment works compliance; best in sector performance

★ **4 star** ("industry leading company") Environment Agency performance rating forecasted for 2020

★ *Denotes measures that are included or have elements that directly contribute to one or more common ODIs in AMP7*

Excellent customer service delivery

Supporting the most vulnerable

200,000
helped with affordability

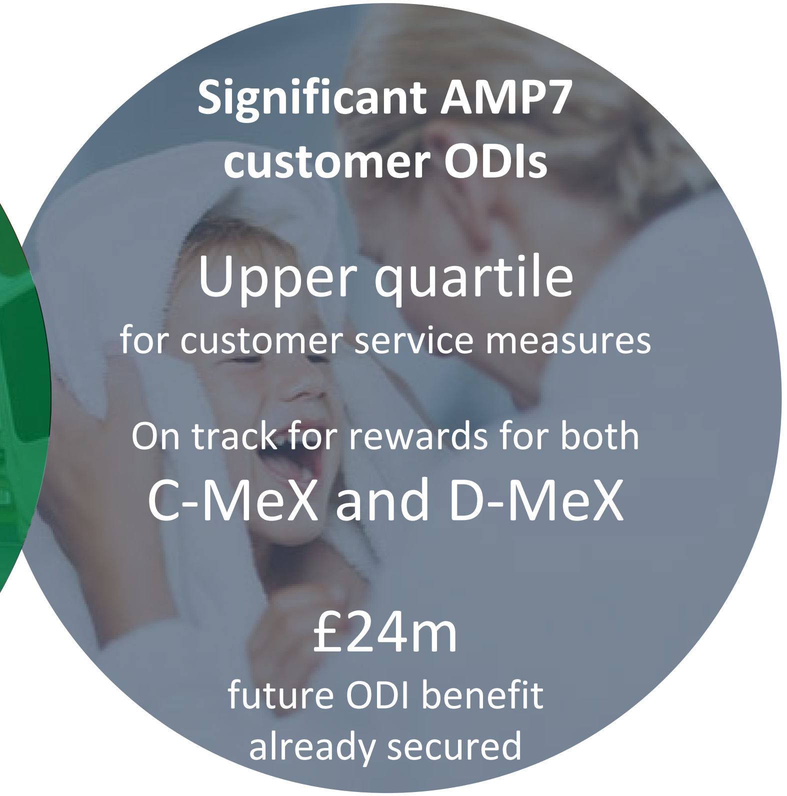
133,000
on Priority Services register

Digital transformation

Open Banking
- innovating to help customers better

1 million
engaging with us through digital channels

In-house development of
Apps



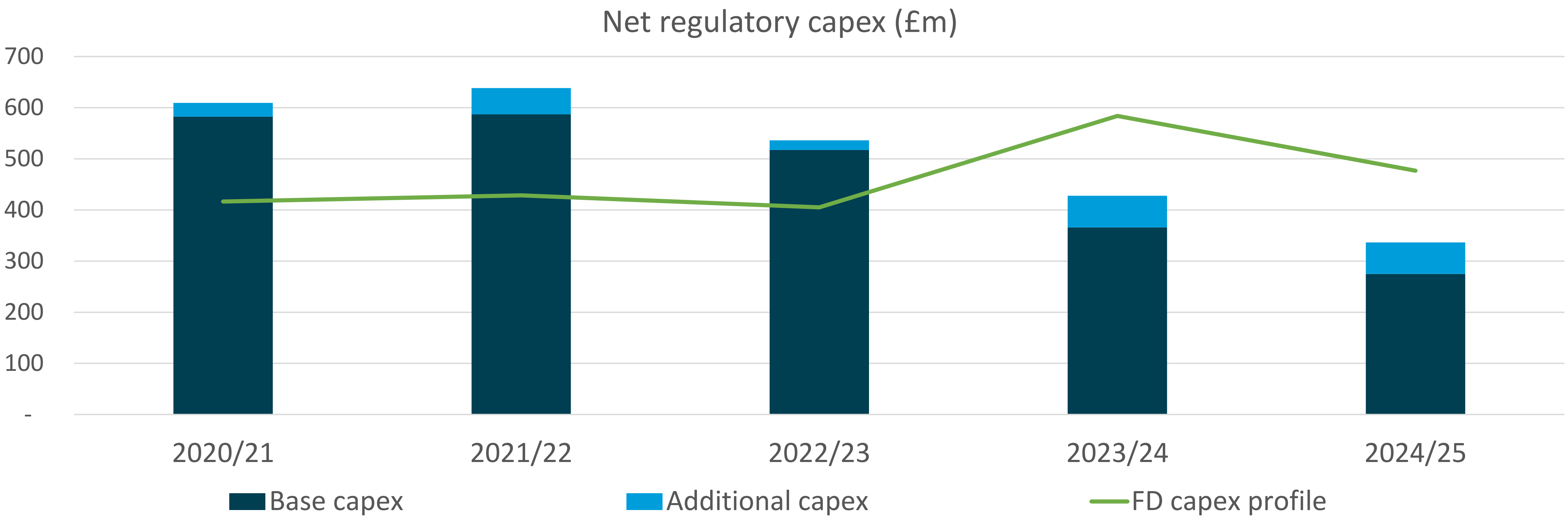
Significant AMP7 customer ODIs

Upper quartile
for customer service measures

On track for rewards for both
C-MeX and D-MeX

£24m
future ODI benefit already secured

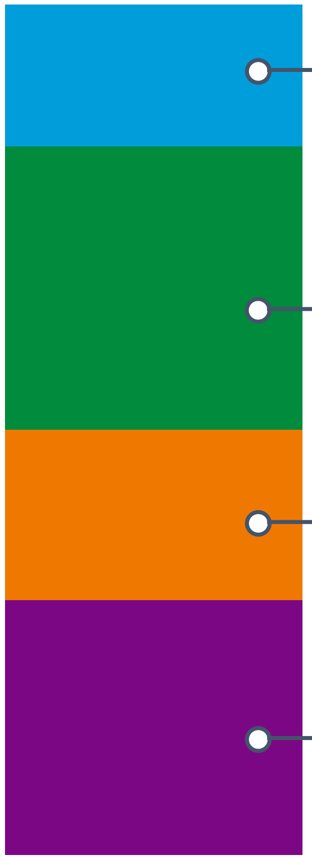
£300m additional totex investment in sustainable performance



1. The light blue blocks on the chart amount to c£220m representing the capex elements of the £300m additional totex across the AMP with the remaining c£80m relating to opex and IRE.
2. £300m additional totex remunerated through c£90m uplift to PR19 allowance, c£105m increasing RCV or AMP8 revenues through totex sharing mechanism and balance from expected customer ODI rewards. In addition, further potential tax benefits are expected from enhanced capital allowances.
3. AMP7 net regulatory capex excludes IRE
4. The AMP7 net regulatory capex profile shown on the chart does not constitute a forecast and is subject to change

£300m additional totex investment

£300m additional totex investment over AMP7 driving long-term sustainable performance for the benefit of all stakeholders



£50m driving ODI performance; totex sharing mechanism results in PR24 adjustment to WACC with remaining more than recovered through expected ODI improvements with further benefit of tax super deductions

£100m Dynamic Network Management; totex sharing mechanism results in PR24 adjustment to WACC with remaining more than recovered through expected ODI improvements with further benefit of tax super deductions

£60m re-lining of Vyrnwy aqueduct; totex sharing mechanism results in PR24 adjustment to WACC with remaining 50% funded through AMP7 ODI

£90m Bolton environmental scheme; adjustment to PR19 allowance so no "overspend" recorded, recovered as a PR24 adjustment to RCV including allowance for WACC

1. c£195m upward adjustment to RCV or AMP8 revenues
2. Expect significant ODI (AMP7 & AMP8) and tax benefits
3. Funded through balance sheet capacity leaving headroom into AMP8

c£900m contribution to a green recovery

1 **£500m**

Accelerating existing AMP7 investment programme – bringing £500m forward into years 1-3

2 **£150m**

Confirming provisional schemes in the FD – Bolton £90m and Vyrnwy £60m

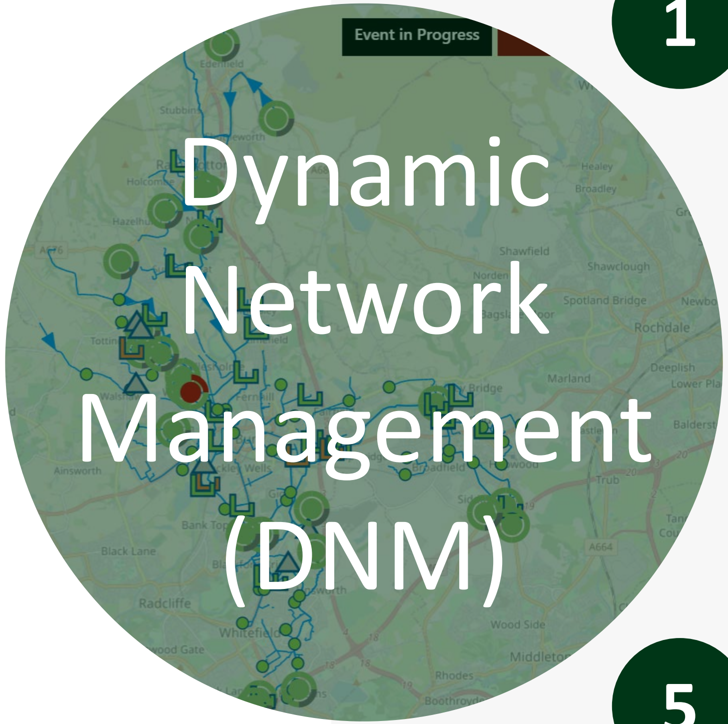
3 **£150m**

Accelerating digital strategy to improve performance for customers and the environment and deliver improved ODI rewards

4 **£63m**

Ofwat's Green Recovery proposals; predominantly relating to Bury scheme that would otherwise have been AMP8 transitional investment in AMP7

Ground breaking applications of Systems Thinking



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

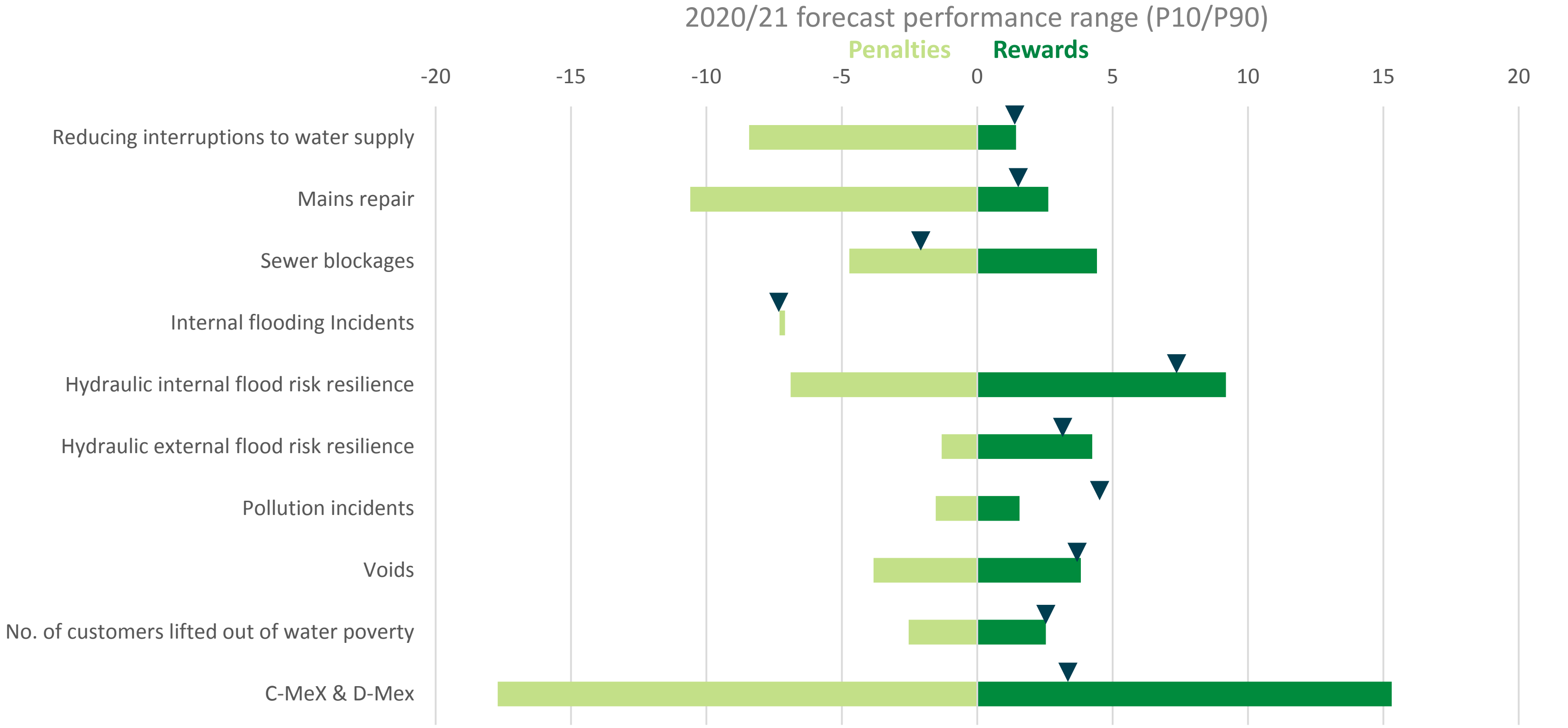
£100m incremental totex[1]

Recovered through regulatory mechanisms

[1] £100m out of the total of £300m additional totex for AMP7

Delivering net customer ODI rewards

Key ODIs contributing to 2020/21 performance



▼ denotes 2020/21 performance against the range of possible outcomes

Met or exceeded over **80%** of our performance commitments

£21m net reward for 2020/21

Targeting around **£150m** net reward for AMP7

Note: 2020/21 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

Commitment to net zero by 2030

73% reduction in emissions – ahead of 2020 target; AMP7 plans build on enhanced resilience delivered in AMP6

1	Commitment to meet our science-based targets (scope 1&2)	Net zero by 2030 consistent with science-based targets of 42% reduction by 2030 and 100% by 2050
2	100% renewable electricity by 2021	100% renewable electricity from renewable sources from October 2021
3	100% Green Fleet by 2028	27 electric vehicles deployed at operational sites; trial of 44ton biogas HGV
4	1,000 hectares of peat restoration by 2030	5 sites proposed for green recovery catchment peatland restoration
5	Planting 1 million trees to create 550 hectares of woodland by 2030	Established 2 tree nurseries and identified 100s of sites for new and ‘replanted’ woodlands
6	Commitment to set science-based scope 3 emissions target by 2021	Set ambitious scope 3 emissions targets submitted for endorsement by the Science Based Targets initiative (SBTi)

Recycling capital

Tallinn JV

Sold for cash consideration of €100m

Profit on disposal of £37m

Proceeds reduce net debt by £85m and gearing by c0.7%

Renewable Energy

Maximised opportunities to date to achieve carbon targets

Continued support of decarbonisation with power agreements through to 2045

Looking to recycle investment to help deliver plans to achieve net zero

Embracing diversity and inclusion

89%
employee engagement – better than UK high performance

92%
employees would recommend UU to friends as a great place to work

4.5/5
rating from former and current employees on Glassdoor

Growing membership of **employee diversity networks**

Hosted the sector's first **Social Mobility Summit**

2021 Bloomberg Gender-Equality Index

FT Financial Times statista LEADER IN DIVERSITY 2020

Social Mobility PLEDGE

#10000 BLACK INTERNS

See more about our plans here: https://www.youtube.com/watch?v=aUlxCKZEaE4

Financial highlights

Revenue
£1,808m
2019/20: £1,859m

Household bad debt
2.2%
of revenue
2019/20: 1.8%

Underlying operating profit[1,2]
£602m
2019/20: £732m

Underlying EPS[1,2]
56.2p
2019/20: 71.3p

Dividend per share
43.24p
2019/20: 42.60p

Raising finance efficiently
Leveraging strong ESG credentials

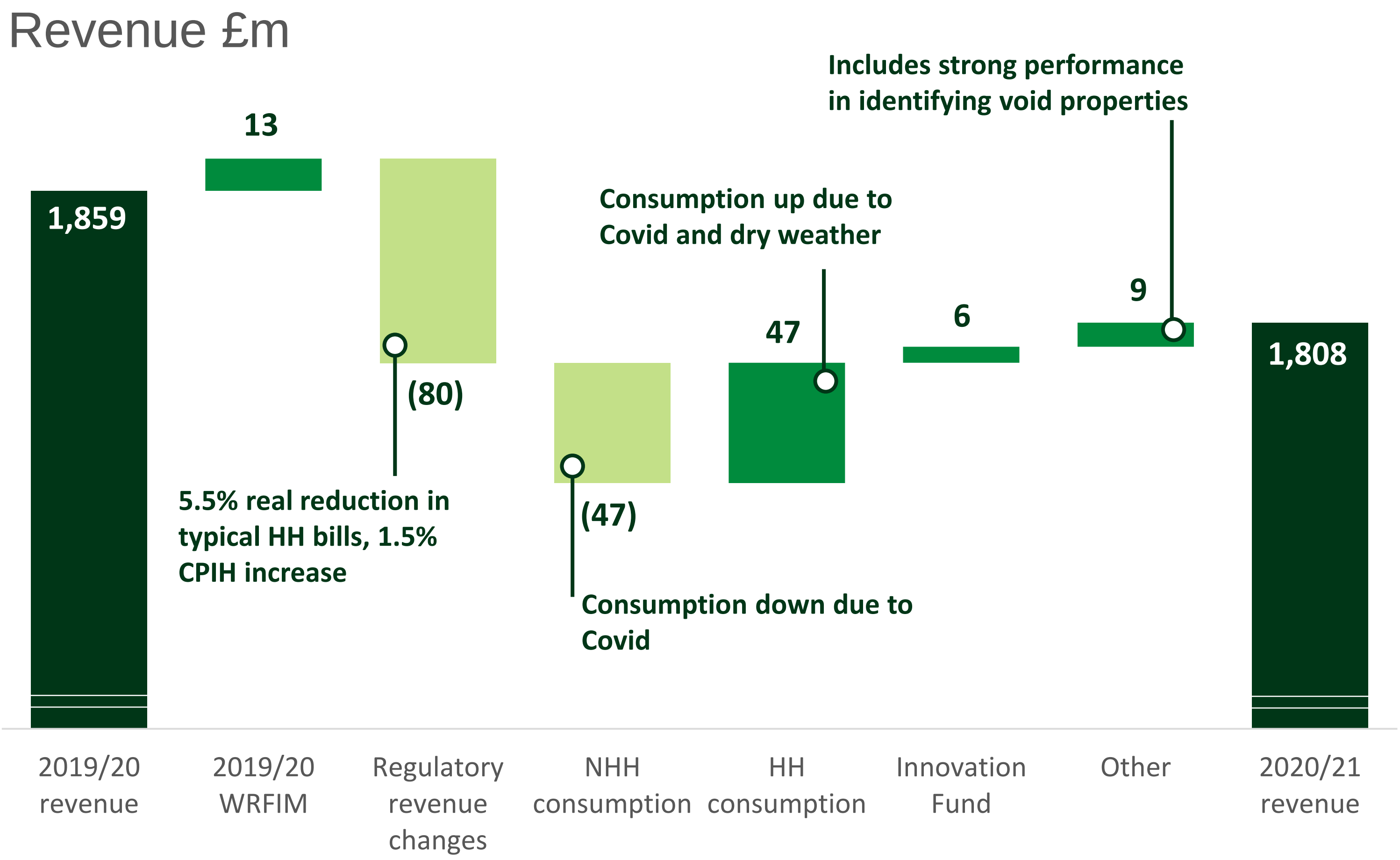
Strong balance sheet
62% RCV gearing and fully funded pension

Return on regulated equity
4.3%
real (CPIH/RPI blended basis)

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

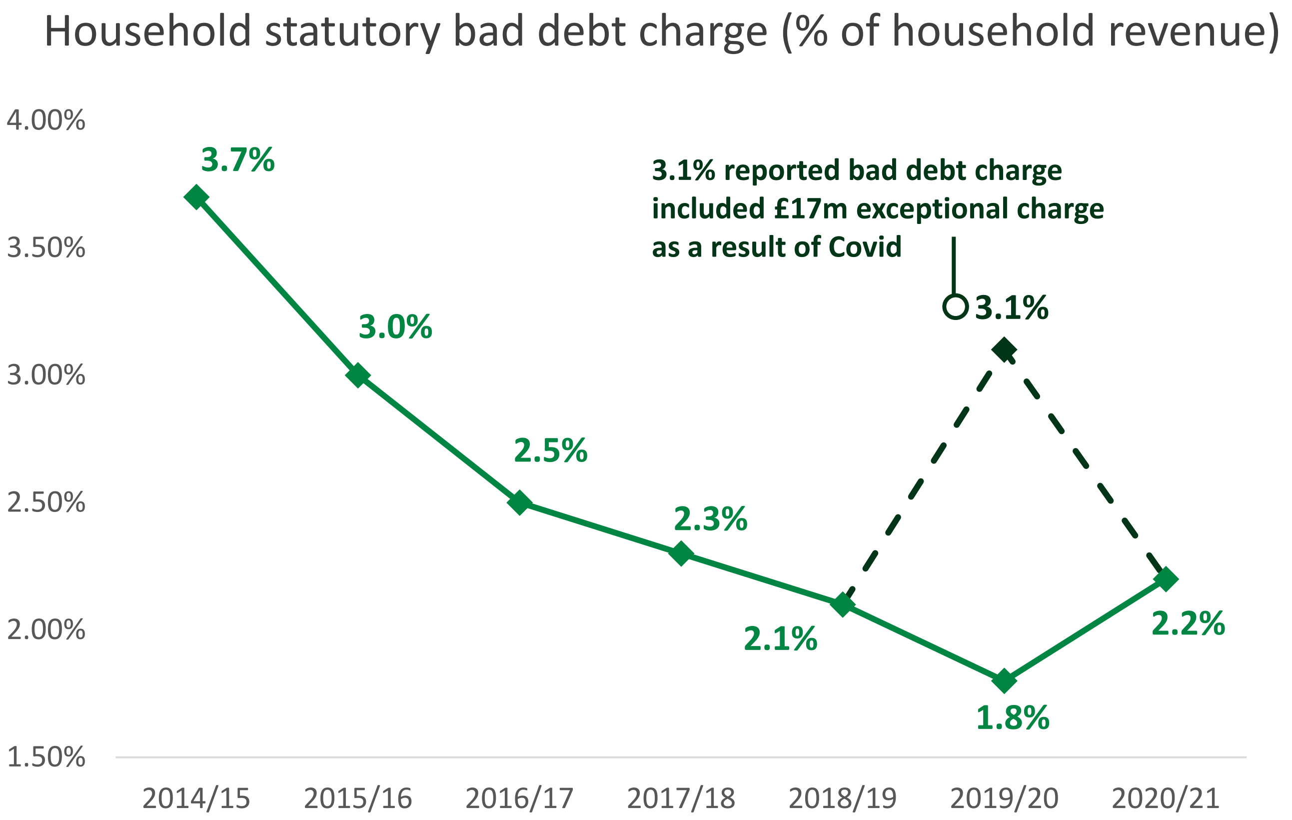
[2] Underlying EPS reflects change in approach to APMs with prior year numbers re-presented for comparative purposes

Revenue



Lower consumption from businesses as a result of Covid broadly offset by higher consumption from households

Strong cash performance



1 Marginal increase in underlying bad debt charge of just £5m as a result of Covid

2 Data led approach

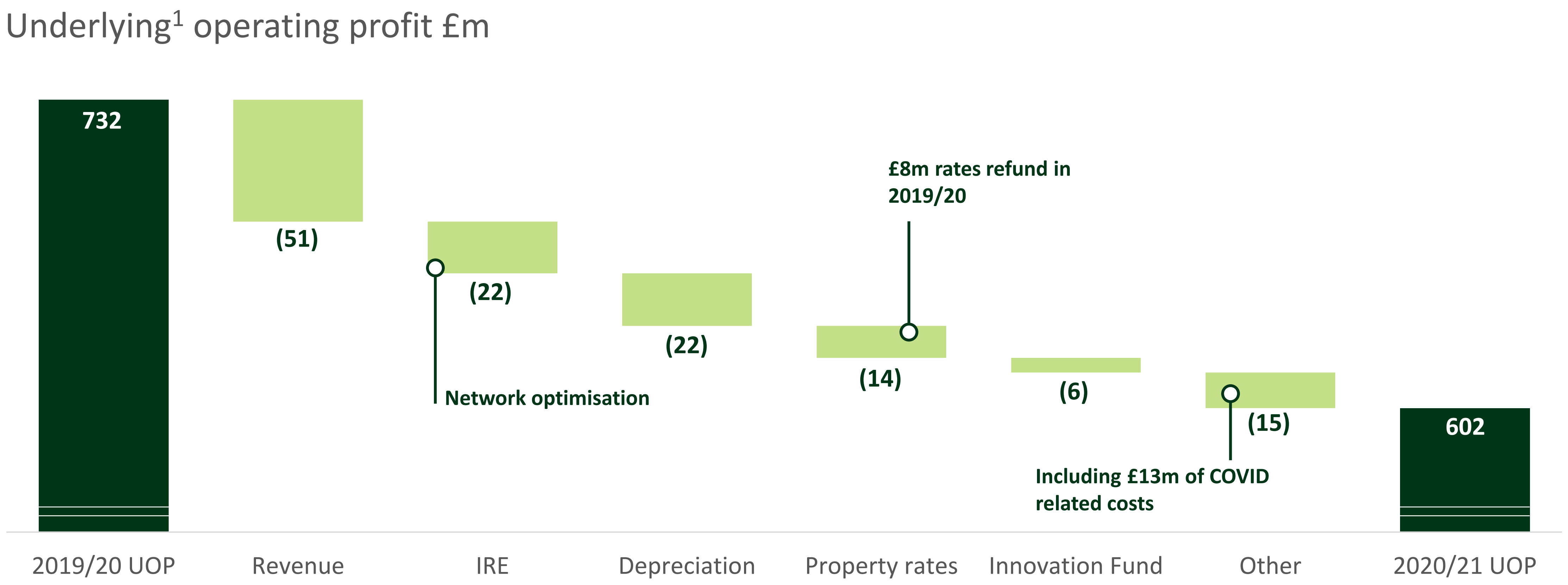
Low balance sheet risk

3 Extended social tariff provides additional £15m of support to customers

4 82% on direct debit or payment plan

Use of credit reference agencies

Underlying operating profit



[1] Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes. A reconciliation is provided in the appendix to show the impact of the new APMs.

Interest, joint ventures, tax and earnings

Underlying net finance expense[1]
£132.8m

£58m lower than 2019/20

Change to alternative performance measures (APMs)

Lower inflation on index-linked debt

Joint Ventures
£9.3m

Share of **underlying losses**

2019/20 £6.1m share of underlying losses

Disposal of Tallinn JV

Underlying tax charge[1]
17%

At **£77m**

Total tax charge (incl. deferred tax) in line with headline rate of 19%

Underlying profit after tax[1]
£383.0m

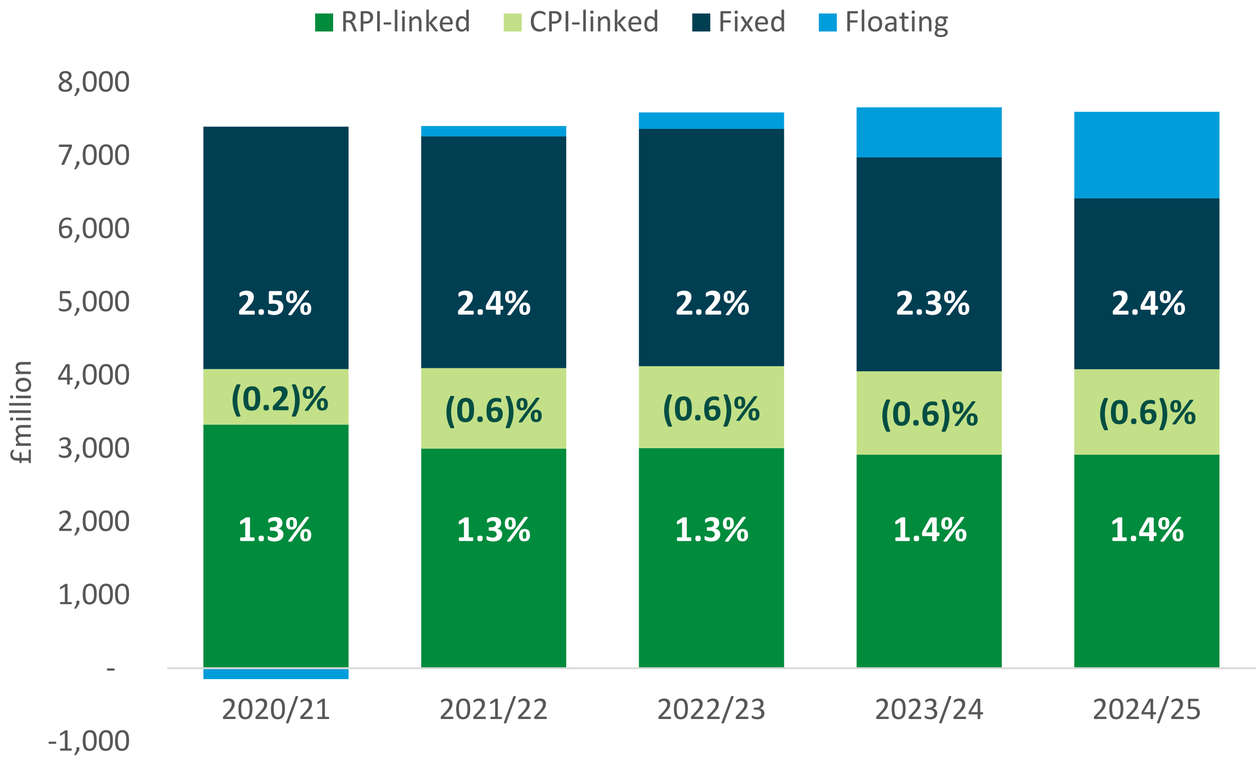
2019/20: **£486.3m**

Underlying EPS of 56.2p

[1] Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes. A reconciliation is provided in the appendix to show the impact of the new APMs.

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.

1. **£2.4bn** financing to raise in AMP7
2. **£900m** raised in 2020/21 at attractive rates
3. Liquidity extended out to **August 2023**
4. **2.5%** effective interest rate for 2020/21
5. Inaugural **£300m** sustainable bond issued

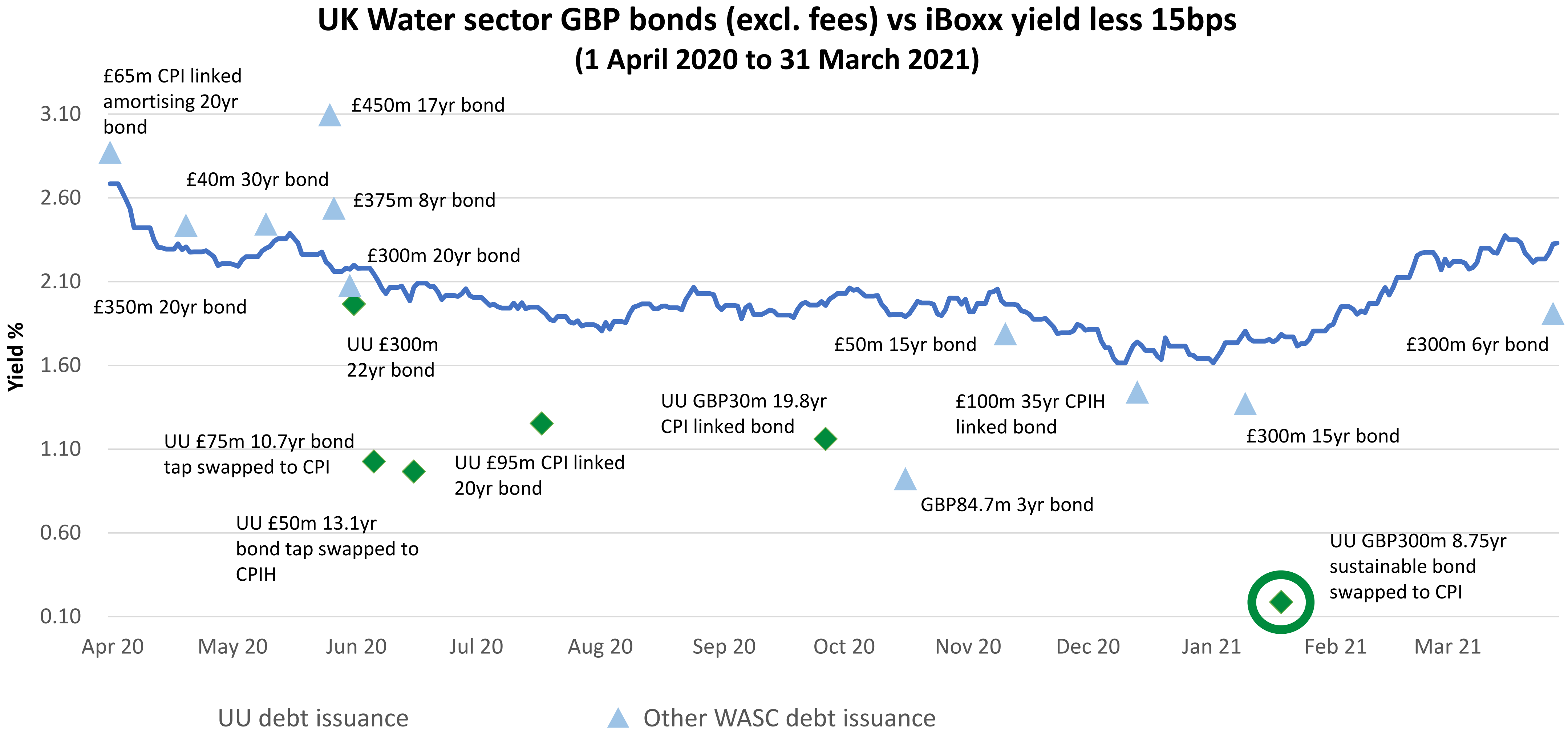
Sustainable financing based on strong ESG credentials

Sustainable Finance Framework launched in November 2020 replacing green EIB funding no longer available

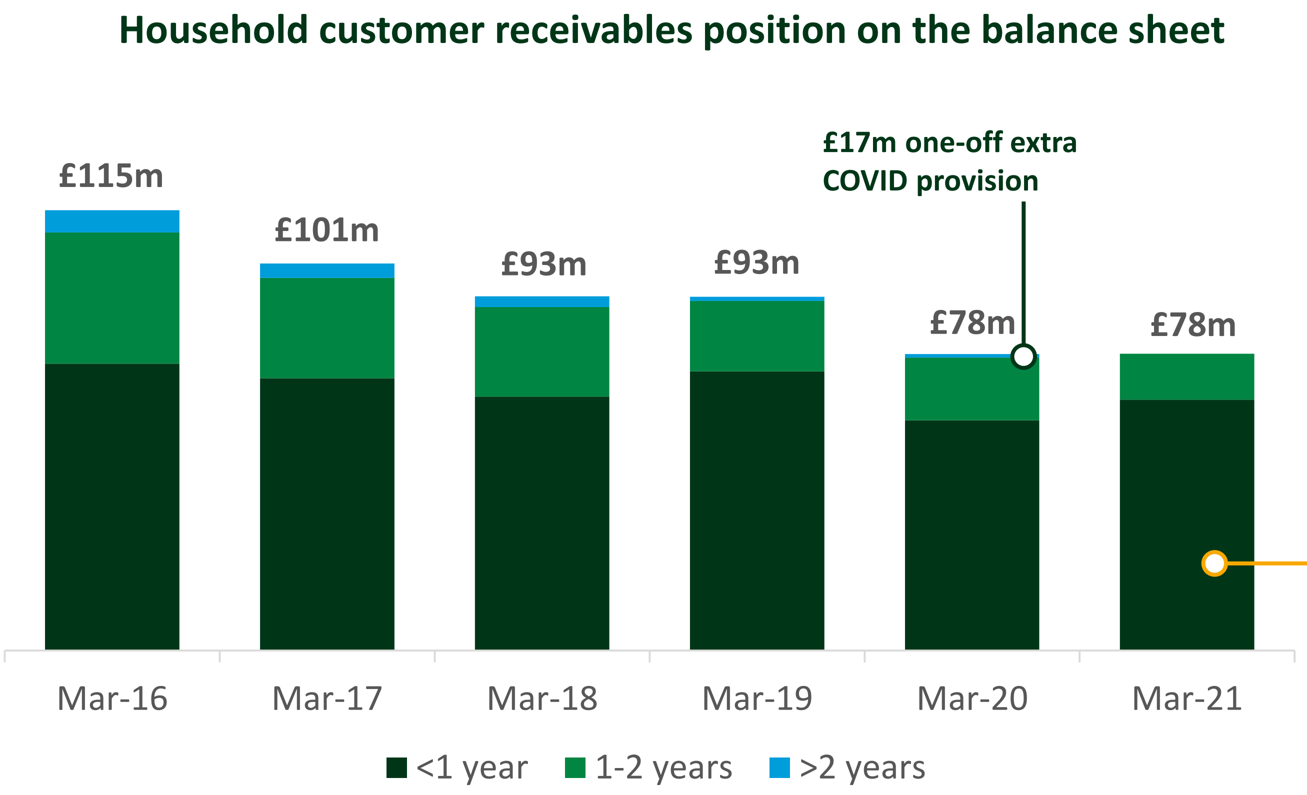
Issued **debut sustainable bond** in January 2021

- £300m notional amount
- Long-8yr term, maturing October 2029
- 0.875% coupon, lowest ever 8yr+ GBP corporate coupon
- UKT+68bps, zero new issue premium
- More than 3x over-subscribed
- 2 days' engagement with c50 institutional investors
- Swapped to CPI at our lowest ever rate (-1.778%)
- Notable first time investors in the credit, 31% allocation overseas

Raising finance efficiently – outperforming the index by 50-100bps



Strong balance sheet – low household debtor risk



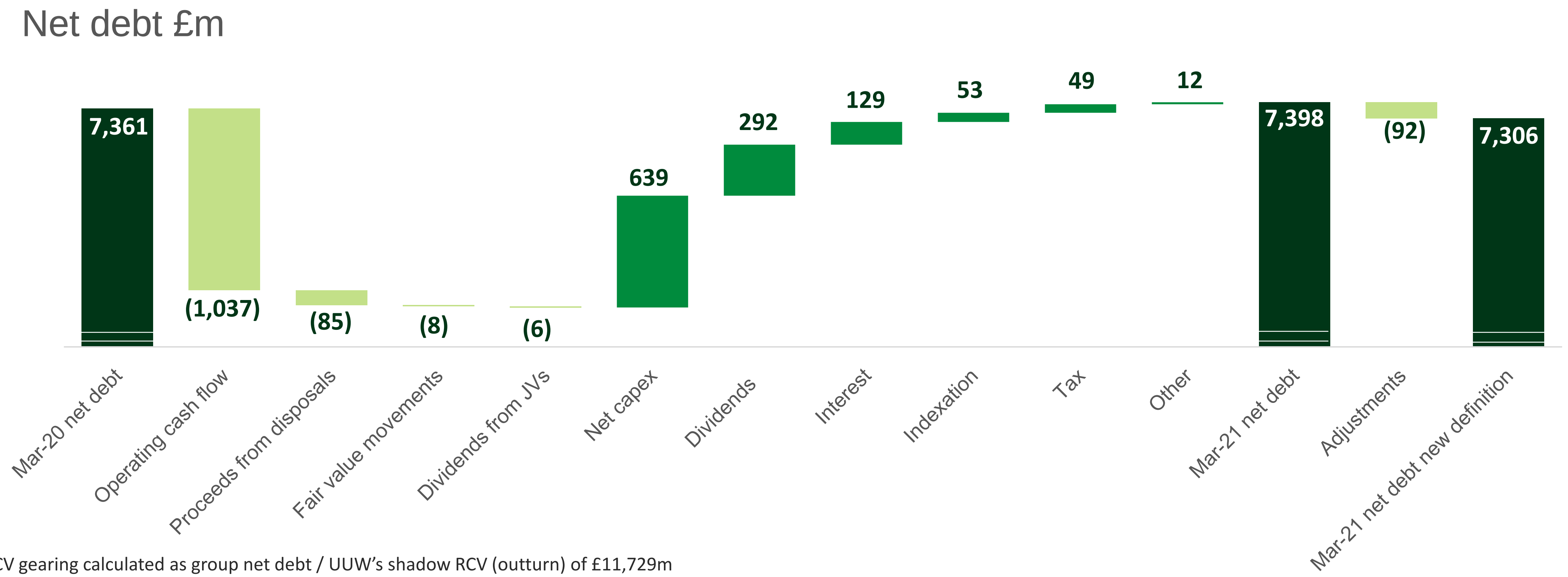
2021 household debtors

	£m
Trade debtors <1 year	65.6
Trade debtors 1-2 years	12.0
Trade debtors >2 years	0.0
Total	**77.6**

Reconciliation to UUW statutory accounts provided in the appendices

Strong balance sheet – net debt to RCV gearing

RCV gearing of 62% supports stable A3 credit rating with Moody's



RCV gearing calculated as group net debt / UUW's shadow RCV (outturn) of £11,729m
Full detail of the adjustments to derive net debt under the new definition are included in the appendices
Had the same adjustments been made at March-20, net debt would have been £135m lower

Strong balance sheet – pension surplus is a key differentiator

1

£689m
IFRS pension surplus at March-21 –
fully funded
on a low dependency basis

2

Focus on RoRE as a measure of relative value –
pensions not captured by RoRE

3

We are not making deficit repair contributions and
not eroding cash value

4

Deficit repair contributions of the other WACSs in 2019/20 equated to
0.8% of RoRE

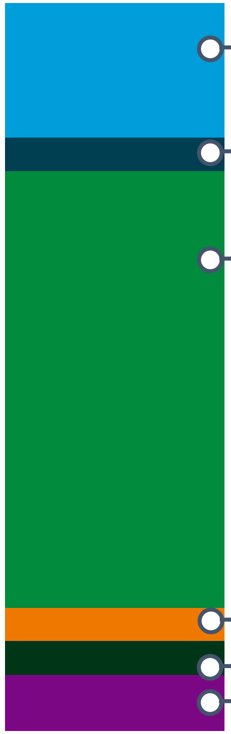
5

Our strong pensions position is a
relative value advantage
that will persist

Return on regulated equity (RoRE) for 2020/21

Reported RoRE of 4.3%; underlying[1] RoRE of 4.8%

Reported 2020/21 RoRE is 4.3%



1.2% financing performance; 2.5% effective interest rate

0.3% customer ODI performance representing net £21m reward

3.9% base return including 0.11% fast track reward

-0.3%% totex performance representing £33m additional investment fully remunerated for

-0.3%% retail performance representing £13m additional Covid costs

-0.5%% tax performance representing reversal of planned reduction in rate (recovered through tax sharing mechanism) and tax impact of financing outperformance

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

[1] Underlying RoRE adjusts for the tax impact that will be recovered through the tax sharing mechanism and the additional totex that drives better outcomes against future customer ODIs

2021/22 full year outlook

Revenue	↓	• 0.6% CPIH offset by -2.0% k factor
Underlying operating costs	↑	• Higher IRE reflecting additional investment in DNM • Inflationary increases net of efficiencies to core costs
Underlying finance expense	↑	• Higher inflation impacting index-linked debt
Capex	£625-675m	• Acceleration of AMP7 capex profile • Includes c£50m of incremental capex
ODIs	c£20m reward	• Consistent with targeting net AMP7 reward of c£150m

Financial summary

Robust financial performance

Resilient cash collection and bad debt position

Locked in debt at **low rates** compared with price review assumptions

Raising new debt **efficiently** and leveraging **strong ESG credentials**

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

Summary

Customers and the environment benefitting from best ever operational performance

Supporting customers; upper quartile customer satisfaction

Industry leading environmental performance

£21m customer ODI rewards in 2020/21; targeting £20m in 2021/22 and £150m for AMP7

Highest levels of employee engagement

Supporting information

Underlying income statement

Year ended 31 March £m	2021	2020	Change (%)
Revenue	**1,808.0**	**1,859.3**	**-3%**
Operating expenses	(618.8)	(584.0)	
Infrastructure renewals expenditure	(164.8)	(143.0)	
EBITDA	**1,024.4**	**1,132.3**	**-10%**
Depreciation and amortisation	(422.3)	(400.2)	
Operating profit	**602.1**	**732.1**	**-18%**
Net finance expense	(132.8)	(191.2)	
Share of profits / (losses) of joint ventures	(9.3)	(6.1)	
Profit before tax	**460.0**	**534.8**	**-14%**
Tax	(77.0)	(48.5)	
Profit after tax	**383.0**	**486.3**	**-21%**
Earnings per share (pence)	**56.2**	**71.3**	**-21%**
Interim dividend per ordinary share (pence)	**43.24**	**42.60**	**+1.5%**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes.

Underlying operating costs

Year ended 31 March £m	2021	2020	Change (%)
Revenue	**1,808.0**	**1,859.3**	**-3%**
Employee costs	(161.8)	(161.4)	0%
Hired and contracted services	(96.3)	(96.5)	0%
Property rates	(89.4)	(75.9)	+18%
Power	(83.6)	(78.9)	+6%
Materials	(82.2)	(73.9)	+11%
Bad debts	(28.7)	(23.7)	+21%
Regulatory fees	(28.0)	(28.3)	-1%
Other expenses	(48.8)	(45.4)	+7%
	(618.8)	**(584.0)**	**+6%**
Infrastructure renewals expenditure (IRE)	(164.8)	(143.0)	+15%
Depreciation and amortisation	(422.3)	(400.2)	+6%
Total underlying operating expenses	**(1,205.9)**	**(1,127.2)**	**+7%**
Underlying operating profit	**602.1**	**732.1**	**-18%**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes.

Profit before tax reconciliation

Year ended 31 March £m	2021	Re-presented 2020	As reported 2020
Operating profit	602.1	630.3	630.3
Investment income and finance expense	(78.5)	(289.0)	(289.0)
Share of profits/(losses) of joint ventures	(9.3)	(38.1)	(38.1)
Profit on disposal of joint ventures	36.7	-	-
Reported profit before tax	**551.0**	**303.2**	**303.2**
Adjustments:			
Bioresources asset write down	-	82.6	82.6
COVID-19	-	56.2	56.2
Restructuring costs	-	-	11.8
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(54.3)	92.8	-
Net fair value losses on debt and derivative instruments	-	-	76.3
Interest on swaps and debt under fair value option	-	-	16.5
Net pension interest income	-	-	(14.0)
Capitalised borrowing costs	-	-	(40.6)
Profit on disposal of Tallinn joint venture	(36.7)	-	-
Underlying profit before tax	**460.0**	**534.8**	**492.0**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes and also showing prior year as reported.

Profit after tax reconciliation

Year ended 31 March £m	2021	Re-presented 2020	As reported 2020
Reported profit after tax	**453.4**	**106.8**	**106.8**
Adjustments:			
Bioresources asset write down	-	82.6	82.6
COVID-19	-	56.2	56.2
Restructuring costs	-	-	11.8
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(54.3)	92.8	-
Net fair value losses on debt and derivative instruments	-	-	76.3
Interest on swaps and debt under fair value option	-	-	16.5
Net pension interest income	-	-	(14.0)
Capitalised borrowing costs	-	-	(40.6)
Profit on disposal of Tallinn joint venture	(36.7)	-	-
Deferred tax adjustment	18.4	157.5	157.5
Agreement of prior years' tax matters	-	-	(12.2)
Tax in respect of adjustments to underlying profit before tax	2.2	(9.6)	(11.3)
Underlying profit after tax	**383.0**	**486.3**	**429.6**
Basic earnings per share (pence)	**66.5**	**15.7**	**15.7**
Underlying earnings per share (pence)	**56.2**	**71.3**	**63.0**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes and also showing prior year as reported.

Finance expense

Year ended 31 March £m	2021	2020
Investment income	25.0	24.0
Finance expense	(103.5)	(313.0)
	(78.5)	**(289.0)**
Less net fair value losses on debt and derivative instruments	(74.5)	76.3
Adjustments for interest on swaps and debt under fair value option	20.2	16.5
Adjustment for the allowance of expected credit losses on loans to joint ventures	-	5.0
Underlying net finance expense	**(132.8)**	**(191.2)**
Adjustment for net pension interest income	(17.5)	(14.0)
Adjustment for capitalised borrowing costs	(30.4)	(40.6)
Effective net finance expense	**(180.7)**	**(245.8)**
Average notional net debt	**7,315**	**7,136**
Average effective interest rate	**2.5%**	**3.4%**
Effective interest rate on index-linked debt	2.4%	3.8%
Effective interest rate on other debt	2.5%	3.0%

Finance expense: index-linked debt

Year ended £m	2021	2020
Interest on index-linked debt	(44.2)	(50.4)
RPI adjustment to index-linked debt principal – 3 month lag[1]	(35.9)	(72.7)
CPI adjustment to index-linked debt principal – 3 month lag[2]	(5.1)	(6.1)
RPI adjustment to index-linked debt principal – 8 month lag[3]	(12.9)	(21.4)
Finance expense on index-linked debt[4]	**(98.1)**	**(150.6)**
Interest on other debt (including fair value option debt and derivatives)	(82.6)	(95.2)
Effective net finance expense	**(180.7)**	**(245.8)**

[1] Affected by movement in RPI between January 2020 and January 2021
[2] Affected by movement in CPI between January 2020 and January 2021
[3] Affected by movement in RPI between July 2019 and July 2020
[4] Adjusted to overlay the impact of inflation swaps

Derivative analysis

At 31 March £m	2021	2020
Derivatives hedging debt	402.7	596.4
Derivatives hedging interest rates	(99.2)	(120.6)
Derivatives hedging commodity prices	6.5	(2.2)
Total derivative assets and liabilities	**310.0**	**473.6**

- 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; the majority fix our sterling interest rate exposure on a 10 year rolling average basis. For the AMP6 regulatory period, this was supplemented by fixing substantially all remaining floating exposure across the future regulatory period around the time of the price control determination. 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.
- 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 2021	31 Mar 2020	Change (%)
Property, plant and equipment	11,799.0	11,510.9	+3%
Retirement benefit surplus	689.0	754.1	-9%
Other non-current assets	267.9	332.9	-20%
Cash	744.1	528.1	+41%
Other current assets	254.4	300.2	-15%
Total derivative assets	424.7	617.9	-31%
Total assets	**14,179.1**	**14,044.1**	**+1%**
Gross borrowings	(8,451.8)	(8,363.1)	+1%
Other non-current liabilities	(2,247.8)	(2,223.8)	+1%
Other current liabilities	(333.8)	(350.8)	-5%
Total derivative liabilities	(114.7)	(144.3)	-21%
Total liabilities	**(11,148.1)**	**(11,082.0)**	**+1%**
TOTAL NET ASSETS	**3,031.0**	**2,962.1**	**+2%**
Share capital	499.8	499.8	0%
Share premium	2.9	2.9	0%
Retained earnings	2,192.0	2,122.7	+3%
Other reserves	336.3	336.7	0%
SHAREHOLDERS' EQUITY	**3,031.0**	**2,962.1**	**+2%**
NET DEBT[1]	**(7,305.8)**	**(7,226.7)**	**+1%**

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

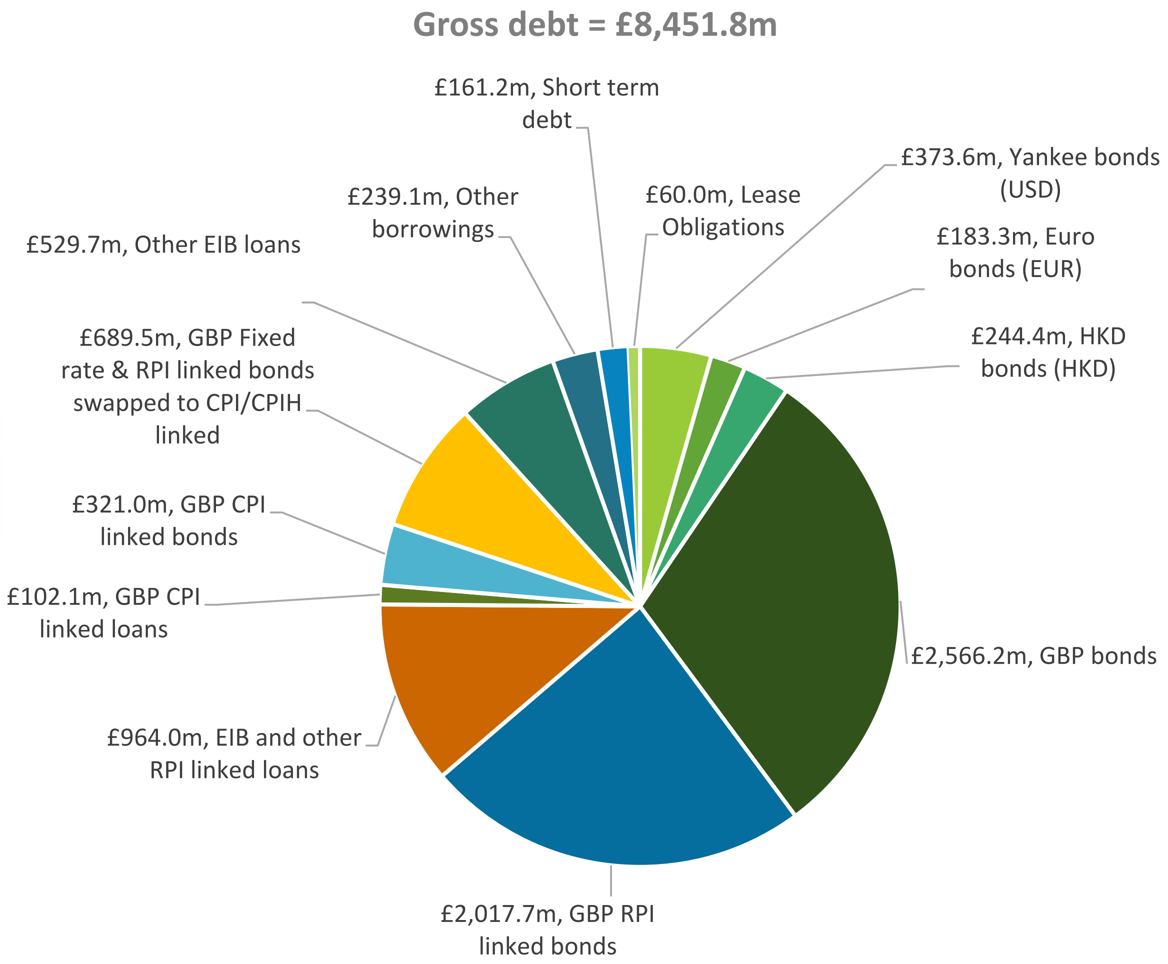
Reconciliation of net debt

At £m	31 Mar 2021	31 Mar 2020
Cash	744.1	528.1
Total derivative assets	424.7	617.9
Gross borrowings	(8,451.8)	(8,363.1)
Total derivative liabilities	(114.7)	(144.3)
Net debt on previous definition	**(7,397.7)**	**(7,361.4)**
Exclude the fair value impact of:		
Interest rate derivatives fixing future nominal interest rates	84.6	120.6
Inflation derivatives fixing future real interest rates	13.8	11.9
Electricity derivatives fixing future electricity costs	(6.5)	2.2
Net debt on new definition	**(7,305.8)**	**(7,226.7)**

Household debtors reconciliation

As at £m	31 March 2021	31 March 2020
Household net debtors	77.6	77.5
Household accrued income	69.4	54.6
Non household net debtors	28.6	37.9
Other sundry net debtors	48.1	31.3
Total net debtors (including related parties)	**223.7**	**201.3**
Less related party debtors	(40.4)	(52.7)
Less total accrued income	(87.9)	(72.1)
Net debtors per UUW statutory accounts	**95.4**	**76.5**

Financing and liquidity



Headroom / prefunding = £806.2m

	£m
Cash and short-term deposits	744.1
Medium-term committed bank facilities[1]	700.0
Short-term debt	(161.2)
Term debt maturing within one year	(476.7)
Total headroom / prefunding	**806.2**

[1] Excludes £100m of facilities maturing within one year.

Debt structure

United Utilities Group PLC

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

Yankees:
- $400m in 28s

Other debt:
- Short-term loans £100m

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

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

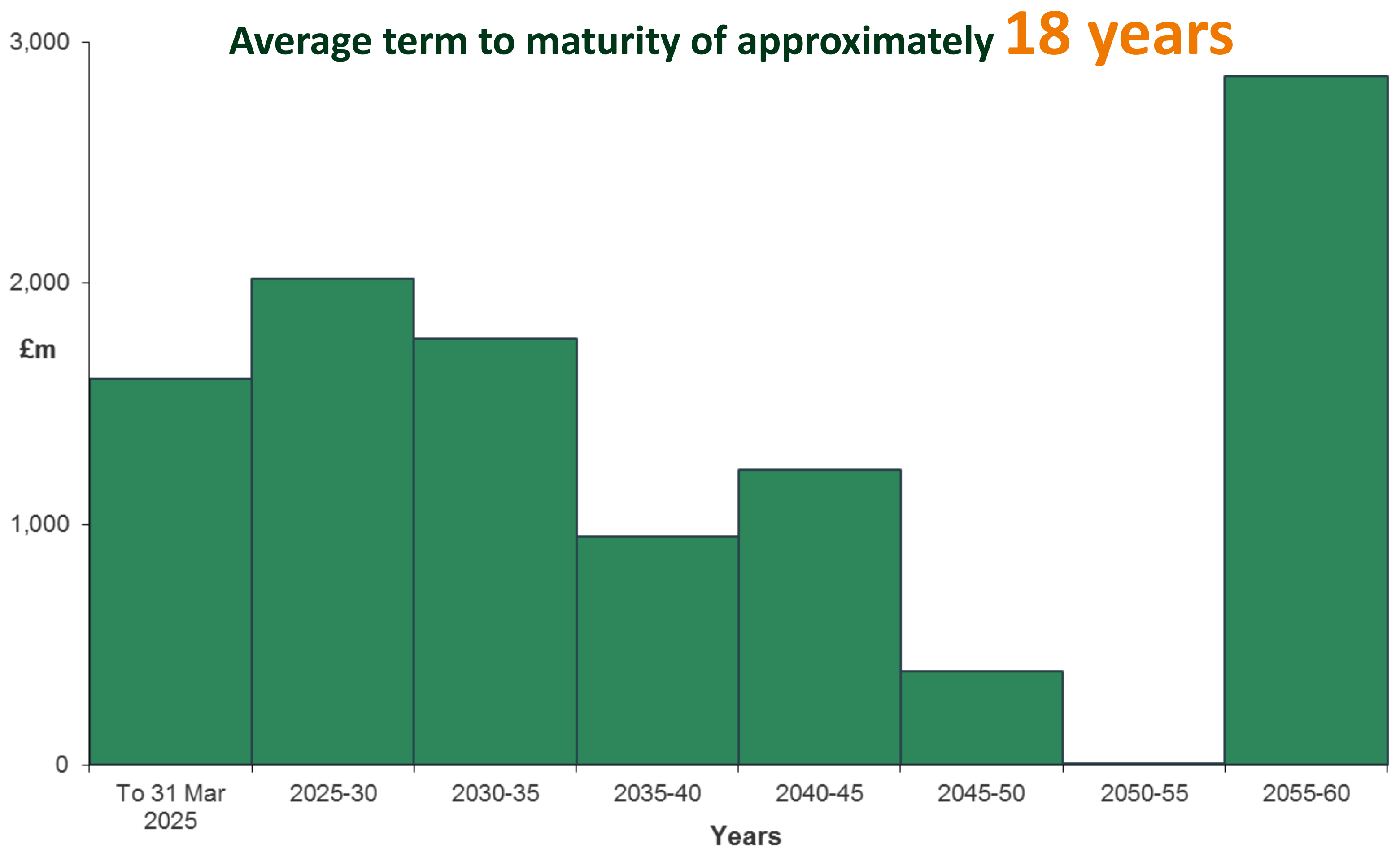
Other debt:
- EIB RPI-linked loans £517m[1]
- Other RPI-linked loans £300m[1]
- CPI-linked loans £100m[2]
- Other EIB loans £530m
- Short-term loans £51m
- ¥10bn dual currency loan
- Other sterling loans £126m

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]
- £300m in 29s[2]
- £35m in 30s[1]
- €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]

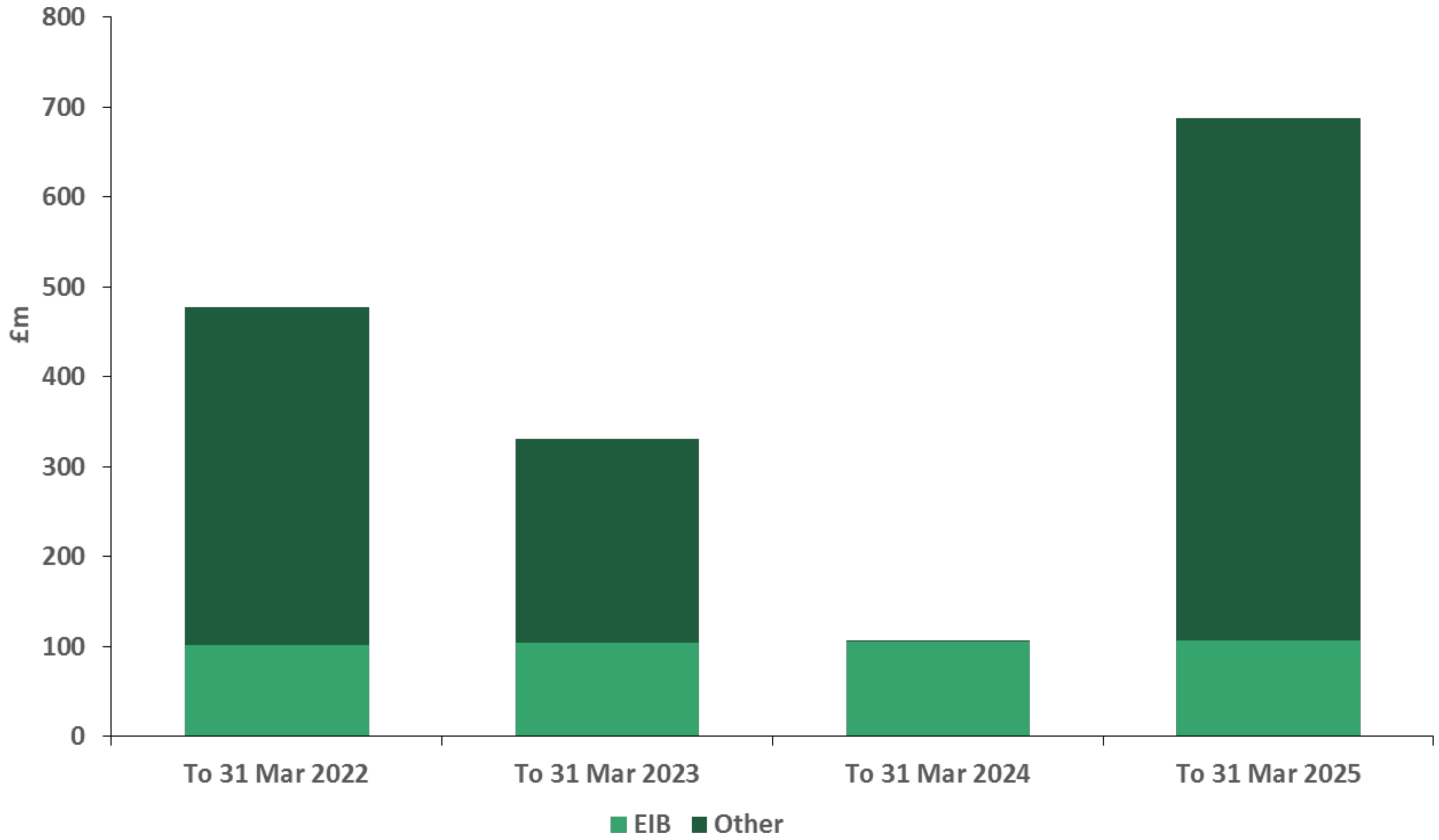
[1] RPI linked finance
[2] CPI linked finance / fixed rate finance subsequently swapped to CPI linked
[3] RPI linked finance subsequently swapped to CPI linked
[4] £100m and £75m fixed rate tranches of this bond have been swapped to CPI linked
[5] Two £50m fixed rate tranches of this bond have been swapped 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



[1] Future repayments of index-linked debt include RPI/CPI/CPIH market derived forecasts out to 2025, subsequently transitioning to an average annual RPI rate of 3% and an average annual CPI/CPIH rate of 2%

AMP7 maturity profile

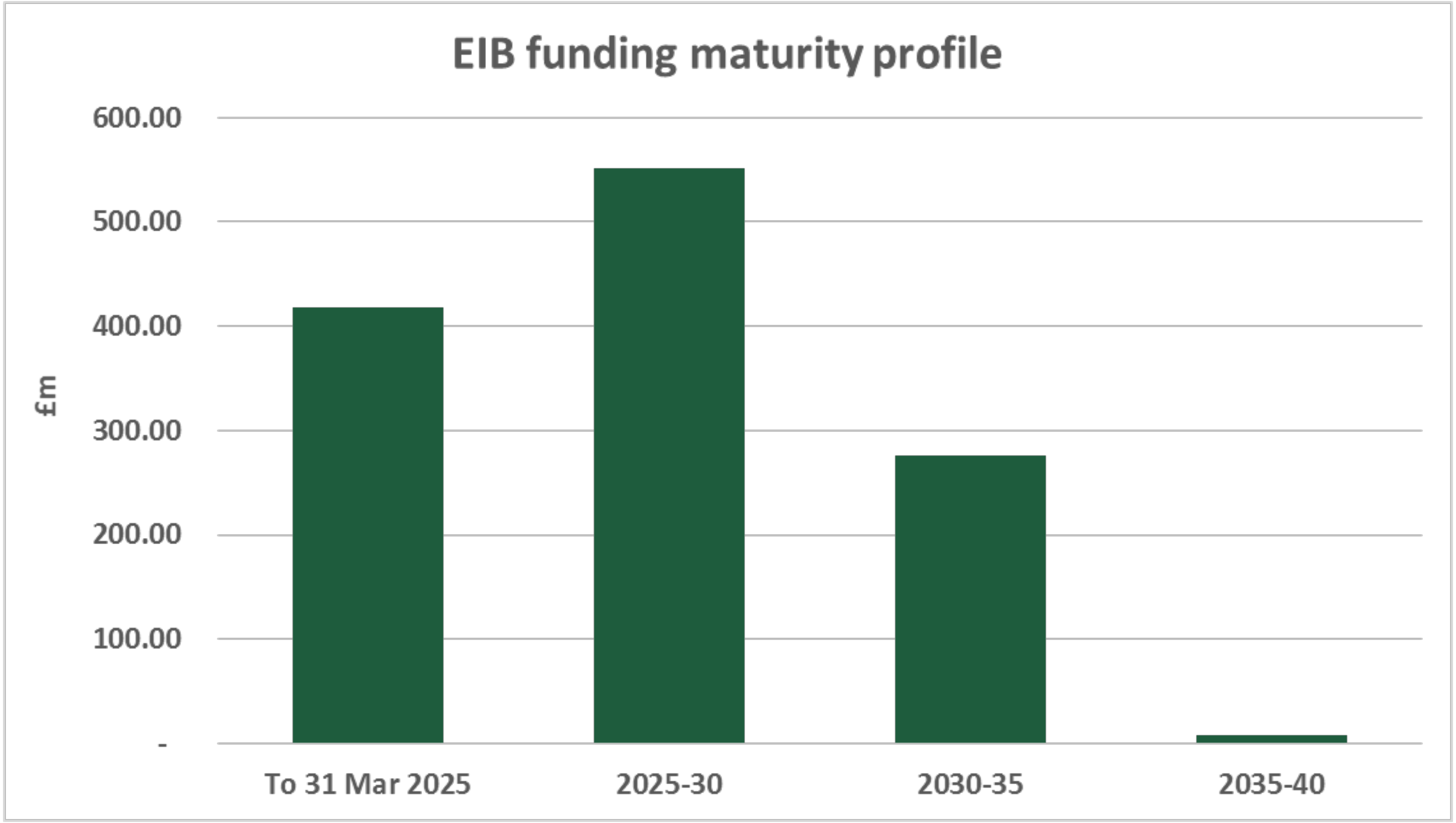


Notes

Future repayments of RPI linked debt include market derived forecasts out to 2025

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 2025, subsequently transitioning to an average annual RPI rate of 3%

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.

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.