

United Utilities Group PLC
25 March 2022

UNITED UTILITIES TRADING UPDATE

United Utilities announces the following trading update ahead of its full year results on 26 May 2022.

Current trading is in line with the group's expectations for the year ending 31 March 2022.

Performing strongly

In Ofwat's Service Delivery Report for 2020/21 we were assessed as the joint top performer across directly comparable areas of outcome delivery, demonstrating focus on delivering objectives that matter to stakeholders. We were identified as a "top performer" in reducing water supply interruptions and minimising pollution incidents. Our pollution performance continues to be sector leading. We have delivered a 31 per cent reduction in incidents in the first year of the AMP and we expect to have maintained this high level of performance in the current year.

Protecting the environment

In the Environment Agency's most recent assessment of environmental performance, we were awarded the top 4 star ranking. We have achieved this industry leading status in four of the last six years, demonstrating our commitment in this important area. It is our duty to protect the environment we rely on, which includes the health of our rivers and coastlines. We are determined to play our part in tackling the problem of river pollution, which is why we are on track with the investment of almost £900 million in AMP7 to improve the quality of our region's rivers and seas.

The Environment Act sets out important requirements about the progressive reduction to the adverse impacts of discharges to rivers. Building on our track record of delivering environmental improvements, such as no serious pollution incidents for two consecutive years, we are making good progress implementing plans to improve our rivers and waterways. In 2021 recorded levels of spill volume and spill frequency from our storm overflows were around 25 per cent lower than reported in 2020. We continue to roll out additional monitoring capability, further improving measurement and identifying potential operational improvements.

Earlier this month we launched our plan for "Better Rivers: Better North West¹" to improve river health and recreation in AMP7. Our four-point plan contains a series of commitments, most of which will be delivered over the next three years, and includes asset improvement, enhanced data monitoring and sharing, greater innovation and more use of nature-based solutions. This activity will also enable us to be better positioned as we plan for AMP8. We are committed to securing the investment necessary to modernise the North West's sewer system and working with partners across the region to make our rivers the healthiest they can be.

Long-standing commitment to ESG

We perform well across a broad range of ESG indices and were pleased to have been assessed by Sustainalytics as an Industry Top Rated Company for 2022, in recognition of our approach to managing ESG matters.

We have a strong track record of ensuring executive remuneration is directly linked to ESG performance. We intend to further align our executive remuneration policy with our ambitions to

operate in an environmentally and socially conscious manner and will be seeking shareholder support at our AGM in July 2022 for the introduction of a new climate change measure in our long-term incentive plan that aligns with our previously announced carbon pledges.

We are very conscious of our responsibility to support our customers at a time when many households in the North West are seeing significant rises in the cost of living. Our typical household bills have seen a 6 per cent real reduction since the start of AMP7 and we are also supporting more than 200,000 customers through extensive affordability schemes.

Financial performance

Our AMP7 guidance on regulatory performance remains unchanged from that given at our half year results in November 2021.

Group revenue is expected to be higher than last year, largely reflecting higher consumption from business customers. Overall, the net increase in revenue is expected to be around 3 per cent.

Underlying operating profit for 2021/22 is expected to be broadly the same as in 2020/21 as higher revenue is broadly offset by higher underlying operating costs, largely as a result of inflationary increases in our core costs.

We expect the underlying net finance expense for 2021/22 to be around £175 million higher than 2020/21 largely due to higher inflation applied to the group's index-linked debt. However, with inflation at a 30-year high, we will benefit from higher indexation increasing the regulatory capital value of the regulated business at the year-end, as well as increasing future revenues.

As a result of the impact of capital allowances, including the temporary super deductions available for the current year, together with the expected agreement of prior years' tax matters as part of the group's normal processes of ensuring the right amount of tax is paid, we would expect an underlying tax credit for 2021/22 of around £60 million.

We expect an increase in group net debt at 31 March 2022 compared with the position as at 31 March 2021. This largely reflects the inflation accretion on the group's index-linked debt along with ongoing investment in its asset base including the acceleration of capital expenditure and the previously announced £365 million of incremental totex to deliver service improvements sooner.

Our responsible approach to financial risk management continues to deliver benefits, including a strong balance sheet, a stable IFRS pension surplus and gearing within our target range supporting a solid A3 credit rating for United Utilities Water with Moody's.

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Classification – Trading update

¹ <https://www.unitedutilities.com/corporate/newsroom/latest-news/united-utilities-publishes-road-map-to-better-river-health/>