

United Utilities Group PLC  
27 September 2022

## **UNITED UTILITIES TRADING UPDATE**

United Utilities announces the following trading update ahead of its half year results on 23 November 2022.

At the group's full year results in May, we provided detailed guidance on the 2022/23 financial outlook. Since then, the increasing inflationary environment and higher power prices have resulted in somewhat higher cash operating costs and increased non-cash indexation on the group's index-linked debt. Further details, together with updated revenue guidance are provided in the financial performance section below.

### **Inflation and cost of living**

We recognise the increasing cost of living challenges for customers and continue to offer support through our extensive range of affordability schemes. With £280 million of support available over AMP7 we expect to help over 200,000 households to reduce the burden of debt.

### **Continued strong environmental performance**

In July, we retained our top-ranking 4 star status as measured through the Environment Agency's annual assessment of environmental performance for 2021. We work extremely hard to maintain a high level of environmental performance and continue to lead the sector on minimising pollution incidents.

We have a long-standing commitment to protect and enhance the environment and have invested over £1.25 billion to improve our region's bathing waters and £1.2 billion to reduce the impact of sewer spills over the last three decades. This year we published our road map to better river health in the North West and will invest £230 million over AMP7 to improve 184km of rivers. In May 2022 we committed to invest a further £250 million over and above our AMP7 allowance to improve environmental outcomes.

### **Delivering our ESG commitments**

Earlier this month, we were delighted to win the EMEA Sustainability Reporting of the Year award in Environmental Finance's inaugural Sustainable Company Awards and have recently retained an MSCI ESG rating of AA for the eighth year running.

Over the next eight weeks we will be releasing a series of short videos leading up to our half year results presentation, with the first introductory video made available today. They will help to bring to life some examples of how we are using innovative solutions to tackle sustainability challenges. The first video can be viewed at [unitedutilities.com/corporate/responsibility/](https://unitedutilities.com/corporate/responsibility/).

### **Financial performance**

We maintain our existing AMP7 guidance on regulatory performance provided at our full year results in May 2022. We are maintaining our ODI guidance for the year, although performance against particular measures can be sensitive to weather and one-off events during the year, and particularly during the winter months.

Due to moderately lower than forecast consumption, group revenue for the first half of 2022/23 is expected to be around 1 per cent lower than the first half of last year. We expect this lower consumption to continue into the second half of the year and therefore full year group revenue is expected to be lower than the guidance that we gave in May.

We previously guided to around £100 million increase in underlying operating costs for the 2022/23 financial year, with around half in relation to previously announced additional investment and half inflationary cost increases. Inflationary increases in our input costs, particularly on chemicals and power, are now expected to be somewhat higher than the forecast used to derive this guidance. We actively manage the impact of inflation on our cost base and while we are in a strong position for 2022/23 with wage deals agreed and the majority of our power consumption hedged. As highlighted at our full year results, we started the year with around 10 per cent of unhedged consumption exposed to market rates. As a result of these factors, underlying operating costs are now expected to be £65 million higher for the first half of 2022/23 leading to a lower underlying operating profit than the first half of last year. We expect these factors to also impact the second half of the year, however we continue to closely monitor the impact of ongoing volatility in power costs and await clarity on the impact of the Energy Bill Relief Scheme for non-household customers. Our regulatory determination for AMP7 allows for inflation through CPIH indexation of the RCV and the totex allowance. This provides mitigation of non-cash indexation on the group's index-linked debt and mitigation against higher cash operating costs over time.

We expect the underlying net finance expense for the first half of 2022/23 to be around £135 million higher than the first half of last year, largely as a consequence of higher inflation rates. Cash interest is expected to remain stable when compared with the first half of last year.

As a result of the impact of capital allowances, including the temporary super deductions available for the current year, we would expect an underlying tax charge close to £nil for both the first half of the year and the full year.

We expect an increase in group net debt at 30 September 2022 compared with the position as at 31 March 2022. This largely reflects the impact of higher inflation leading to a higher indexation of principal on our index-linked debt along with the group's ongoing investment in its asset base, partly offset by the expected receipt of proceeds in relation to the previously announced sale of our renewable energy business United Utilities Renewable Energy Limited.

Our responsible approach to financial risk management continues to deliver benefits, including a strong balance sheet and gearing within our target range. This supports a solid A3 credit rating for United Utilities Water with Moody's and our AMP7 dividend policy.

**United Utilities contacts:**

Gaynor Kenyon, Corporate Affairs Director	+44 (0) 7753 622 282
Anna Oberg, Investor Relations Manager	+44 (0) 7435 939 112
Graeme Wilson, Tulchan Communications	+44 (0) 2073 534 200

LEI 2138002IEYQAOC88ZJ59

Classification – Trading update