

INVESTORS' GUIDE TO UNITED UTILITIES

United Utilities is the UK's largest listed water company, with a market capitalisation of over £4.5 billion*

About us

We provide water and wastewater services to around seven million people and businesses in the North West of England.

United Utilities is listed on the London Stock Exchange. Shares also trade over the counter in the USA in the form of American depositary receipts (ADRs). Each ADR represents two ordinary shares.

Shares in issue: c682 million (100% free float)

Where we operate



Our investment proposition

- Clear vision to be the best UK water and wastewater company in the UK
- Management team with extensive commercial, operational and regulatory experience
- Track record of regulatory outperformance: exceeded our 2010-15 targets
- Wholesale revenue and asset base linked to RPI inflation through to at least 2020
- Clarity on allowed returns through to 2020
- Industry leading customer satisfaction, innovation and operational performance
- Externally recognised responsible business credentials
- Low cost of debt locked in and robust capital structure with a stable A3 rating

Dividend

Dividend policy of targeting a growth rate of at least RPI inflation each year through to 2020

	Total dividend	Yield*
2017/18	39.73p	5.6%

*Based on closing share price on 31/03/2018 of 715.4p

Our competitive advantage

Systems Thinking approach to how we operate improves efficiency and resilience.

- By thinking of our entire network as a system, and using our integrated control centre, we are able to optimise cost and service performance, as well as encourage a proactive, rather than reactive, culture.

Prudent financial risk management delivers long-term predictability.

- Our clearly articulated financial risk management policies, covering a variety of market risks, help us reduce our exposure to the economic and regulatory environment, therefore providing more predictable returns to investors.

Financial summary

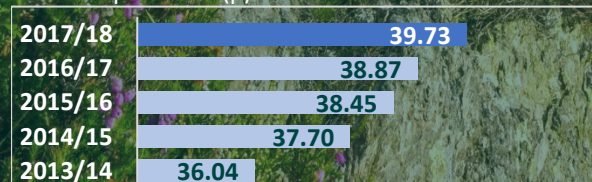
Revenue (£m)



Underlying profit before tax (£m)



Dividend per share (p)



Underlying operating profit (£m)



Underlying earnings per share (p)



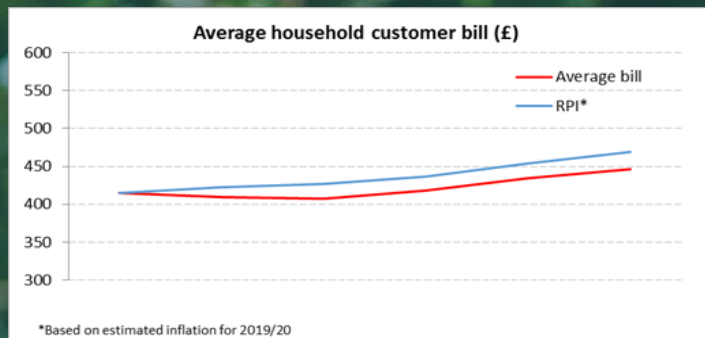
RCV gearing (%)



Economic regulation

Economic regulation is the responsibility of an independent body, Ofwat, whose primary duties are to protect the interests of consumers, to ensure that companies properly carry out and can finance their functions and to secure the long-term resilience of water and sewerage systems.

As part of its periodic review, Ofwat sets the prices each company can charge their customers across the period. Average household bills across the 2015-20 regulatory period are shown on the chart below.



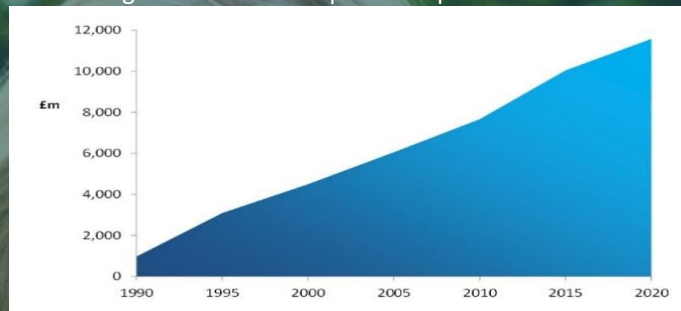
Capital investment

Capital investment is expected to be around £3.6bn across the 2015-20 period and is anticipated to remain high beyond 2020, as we continue to:

- Upgrade our water and wastewater networks;
- Maintain our ageing assets;
- Deliver a cleaner environment;
- Provide high quality water to our customers; and
- Improve our customers' experience.

Growth in RCV*

Attractive growth of >£350m p.a. since privatisation.



*2015-20 growth based on an assumed RPI inflation rate of 2.5% p.a

Operational performance

We are focused on delivering long-term shareholder value by providing the best service to customers, at the lowest sustainable cost and in a responsible manner.

Best service to customers

Sustained improvements in customer service recognised across a range of metrics

- Best ever scores in Ofwat's qualitative Service Incentive
- Mechanism (SIM), positioning first in the final wave and upper quartile for the year overall;
- Upper quartile performance for the utilities sector in the UK Customer Service Institute's Satisfaction Index; and
- Leading listed company for the Consumer Council for Water's assessment of household complaint numbers.

Leading on support for vulnerable customers

- Hosted the first ever North West Affordability summit, building on our already leading position on affordability and vulnerability; and
- Supporting more than 50,000 customers in need of help through our Priority Services scheme, helping significantly more customers than initially targeted.

Consulting with customers on our long-term plans

- Consulted with customers and stakeholders on our new 25-year Water Resources Management Plan, balancing investment with affordability.

Lowest sustainable cost

Efficient delivery of investment plan without compromising on quality

- Efficiency driven into the delivery of our investment programme has delivered customer service, operational and environmental benefits;
- Efficiency savings have contributed to regulatory outperformance, which has been achieved whilst maintaining highly effective capital delivery, with our TCQI score remaining over 90 per cent; and
- Optimised our ODI performance, performing better than expected so far and now expect, absent any unforeseen events, to finish the 2015-20 period with a cumulative net reward on ODIs.

Outperforming our regulatory contract

- Delivered our investment plan efficiently, along with our Systems Thinking approach and innovation, giving us confidence in outperforming our regulatory totex allowance by £100 million for the 2015-20 period; and
- Low cost of debt already locked-in, placing us in a strong position to substantially outperform the regulatory cost of debt allowance for the 2015-20 period.

Responsible manner

Leading performance with integrity

- Retained Industry Leading status in the Environment Agency's assessment, achieving frontier performance for the sector with the lowest number of pollution incidents and our best-in-sector level of self-reporting;
- Improved our drinking water quality again, which is now the best it has ever been; and
- Leading the industry in our approach to resilience.

Strong Environmental, Social and Governance (ESG) credentials

- Retained World Class rating in Dow Jones Sustainability Index for tenth consecutive year, a very good achievement in light of the ever-evolving standards.

Sharing outperformance to improve resilience

- Sharing our anticipated net outperformance across the 2015-20 regulatory period, increasing our additional investment from £100 million to £250 million and delivering industry-leading, long-term resilience for the benefit of customers.

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Cautionary statement:

This document 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 document and the company undertakes no obligation to update these forward looking statements. Nothing in this document should be construed as a profit forecast. Certain regulatory performance data contained in this document is subject to regulatory audit.