

INVESTORS' GUIDE TO UNITED UTILITIES

United Utilities is the UK's largest listed water company, with a market capitalisation of over £6 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 (ADR). 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, providing great service to our customers
- ▶ 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
- ▶ "Water Plus" Non-Household Retail JV with Severn Trent – first mover advantage and well placed to compete
- ▶ 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*
2016/17	38.87 p	4.0%

*Based on closing share price on 31/03/17 of 993.5p

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)

2016/17	£1,704m
2015/16	£1,730m
2014/15	£1,720m
2013/14	£1,689m
2012/13	£1,636m

Underlying operating profit (£m)

2016/17	£604m
2015/16	£604m
2014/15	£664m
2013/14	£635m
2012/13	£604m

Underlying profit before tax (£m)

2016/17	£389m
2015/16	£408m
2014/15	£447m
2013/14	£388m
2012/13	£351m

Underlying earnings per share (p)

2016/17	46.0p
2015/16	47.7p
2014/15	51.9p
2013/14	44.7p
2012/13	38.7p

Dividend per share (p)

2016/17	38.87p
2015/16	38.45p
2014/15	37.7p
2013/14	36.04p
2012/13	34.32p

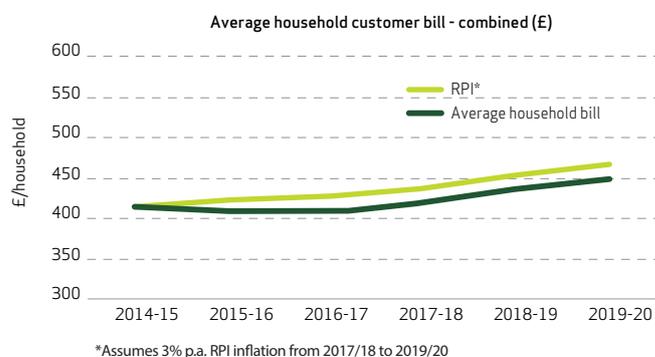
Gearing (%)

2016/17	61%
2015/16	61%
2014/15	59%
2013/14	58%
2012/13	60%

Economic regulation

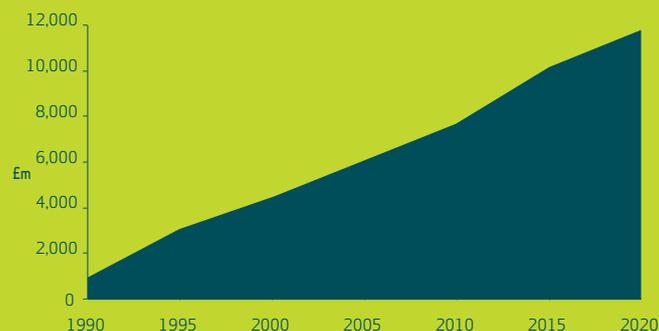
Economic regulation is the responsibility of an independent body, Ofwat, whose primary duties are to protect the interests of consumers, to ensure that companies properly carry out and can finance their functions and to secure the long-term resilience of water and sewerage systems.

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 opposite.



Growth in RCV*

Attractive growth rate of >£350m per annum since privatisation



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

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

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

- ▶ A leading company for customer satisfaction as measured by Ofwat's Service Incentive Mechanism (SIM)
 - » Achieved our best ever qualitative SIM scores, above industry average for the full year, and ending the year as a leading company in the sector
 - » Customer complaints reduced 27 per cent, with a 55 per cent reduction in issues not resolved at first contact
 - » Introduced a number of innovations enhancing our customer service offering
 - » targeting a further reduction of >40% in sewer flooding incidents over 2015-20
- ▶ Accelerated investment delivering operational and customer benefits
 - » Improving resilience of our network
 - » Delivered another net reward in Outcome Delivery Incentives (ODIs) of £6.7 million in 2016/17
 - » Cumulative net ODI reward of £9.2 million to date, and improved the likely cumulative outcome over the five-year period

Lowest sustainable cost

- ▶ Continued effective delivery of our capital investment programme reflected in our Time: Cost: Quality index score of c93% in 2016/17
- ▶ The low cost of debt we have already locked-in places us in a strong position to deliver our 2015-20 target of beating Ofwat's industry allowed cost of debt
- ▶ Implementing a range of initiatives and we remain confident of meeting our target of delivering our promises to customers within the cumulative 2015-20 wholesale totex final determination allowance
- ▶ Good performance in household retail area with costs £14 million below our 2016/17 revenue allowance
- ▶ 'Systems Thinking' approach is unparalleled in the sector, driving improved operational performance, resilience and innovation
 - » On track to deliver over £100 million of benefits across 2015-20, which are already built into our business plan assumptions

Responsible manner

- ▶ Excellent Environmental, Social and Governance (ESG) credentials
 - » Industry Leading status in the Environment Agency's assessment, and one of only two companies to attain Green rating for serious pollution incidents
 - » Retained World Class rating in Dow Jones Sustainability Index for ninth consecutive year
 - » We have again met our regulatory leakage targets
- ▶ Launched Priority Services
 - » Offering dedicated support for customers experiencing short or long-term personal or financial challenges
- ▶ Additional investment to improve resilience
 - » £100 million additional investment across this regulatory period

For more information please contact:

Robert Lee
Head of Investor Relations
robert.lee@uuplc.co.uk
T +44 (0) 1925 237033

United Utilities Group plc
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington WA5 3LP
corporate.unitedutilities.com

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.