

United Utilities' investment case

Our purpose is to provide great water for a stronger, greener and healthier North West. This drives us to deliver our services in an environmentally sustainable, economically beneficial, and socially responsible manner. Our strong track record and sustainability credentials, alongside predictable earnings, long-term RCV growth, and progressive and predictable dividends linked to inflation, make for a compelling investment proposition.

Strong track record

We have a consistent history of outperformance and our long-term adaptive planning and measured approach to risk ensures we maintain strong operational, corporate and financial resilience.

Regulatory overview

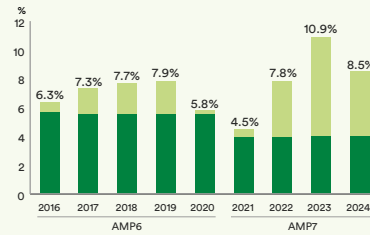
The vast majority of our activities sit within our regulated business, which provides essential water and wastewater services to more than seven million people. We are one of only three listed water companies in England and Wales and the second largest company in the industry.

The regulatory model for UK water sets revenue over five-year periods, giving a high degree of clarity and certainty over future income. The regulatory framework offers incentives for companies that outperform through delivery of customer and environmental outcomes, achieve strong cost control and efficient financing.

We have consistently been one of the strongest performers in the industry. Our business plan for AMP7 was awarded fast-track status, recognising the high quality and ambition it demonstrated, and this granted us an additional 11 basis point base return in each year of the period (2020–25).

As one of the strongest performers, we have consistently earned outperformance incentives

RoRE (split base/outperformance)



AMP7 financial framework guidance:

6–8% real RoRE

with £104 million net reward on outcome delivery incentives (ODIs) in the first four years

Key: ■ Base return ■ Outperformance

Underpinned by:

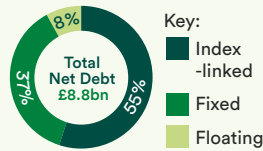
Strong balance sheet and measured approach to risk, giving us leading levels of financial resilience and flexibility

Significant performance improvements delivering strong performance for customers and the environment

Progressive approach to sustainability with strong credentials and clear alignment to ESG

Strong balance sheet

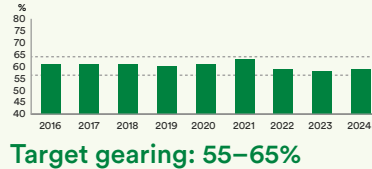
Net debt profile suited to regulatory environment



Long-term RCV growth

AMP7 financial framework guidance:
4–5% CAGR

Net debt/RCV gearing one of the lowest in the sector



Target gearing: **55–65%**

Leading investment grade credit ratings

- Moodys A3
- Fitch A-
- S&P BBB+

Helping to enable efficient financing costs.

Low dependency pension schemes

fully funded with nil deficit repair payments needed.

Categorised as having the highest status in Ofwat's latest Monitoring Financial Resilience assessment

Progressive approach to sustainability

Providing great water for a stronger, greener and healthier North West.

Our six strategic priorities are fully aligned with our purpose and ESG. The metrics and targets we use to monitor operational performance, including our KPIs, are also aligned to these key priorities.

75 per cent of the annual bonus for all colleagues, and 50 per cent of the Long Term Plan for executives and senior leaders, is directly linked to delivery for customers and environmental targets.

Strategic priorities

Greener
 Improve our rivers
 Create a greener future

Healthier
 Deliver great service for all our customers
 Provide a safe and great place to work

Stronger
 Spend customers' money wisely
 Contribute to our communities

Track record of strong ESG credentials

- On track to reduce spills from storm overflows by a third by 2025 from 2020 baseline
- Rated 'industry leading' (4-star) or 'good' (3-star) in the EA's annual Environmental Performance Assessment in every year since it began
- 100 per cent renewable electricity
- Ranked number one WaSC and top five utility in the independent Customer Service Index from the Institute of Customer Service
- Water Industry Skills Employer of the year 2023
- Significantly improved water quality, recognised by the DWI
- Upper quartile across a range of ESG indices
- Strong levels of efficiency across our capital programme
- £11.8 million community investment so far in the four years since 2020

Ambitious plan for 2025–30 (AMP8)

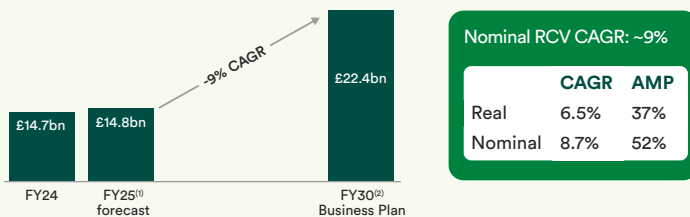
In October 2023, we submitted our business plan to Ofwat setting out our proposed investment and performance targets for AMP8.

Biggest investment in our region’s water and wastewater infrastructure in over 100 years

We have submitted an ambitious business plan, with a significant step up in enhancement expenditure proposed, helping us to build a stronger, greener and healthier North West. Some of the highlights in our plan are set out below.

The increase in investment is driven primarily by new environmental legislative requirements – our proposed AMP8 environmental programme is seven times greater than our AMP7 plan. The level of investment proposed in our plan would result in record levels of regulatory capital value (RCV) growth.

AMP8 RCV (nominal) based on our business plan submission



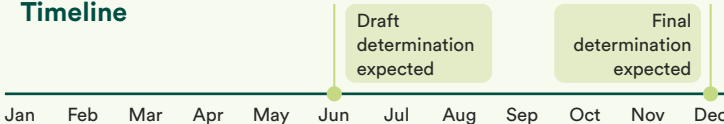
(1) FY25 closing RCV reflects midnight adjustments capitalised £0.6 billion of carried forward value with £0.4 billion to be added to AMP8 revenues.
 (2) Based on our AMP8 business plan submitted in October 2023. This is subject to change.

High levels of customer support

We developed our plan using a unique approach, with individual plans for each of the five diverse counties across our region, showing how we plan to address their individual needs, challenges and opportunities. This has helped us secure strong support and advocacy for the plan.

74%
customer
acceptability

Timeline



Confident and mobilised to deliver

The financial strength in our balance sheet gives us flexibility to enable this growth investment, and we are mobilised and confident in our ability to successfully deliver the plan. Around £400 million of totex has been accelerated into AMP7, which we have already started delivering.

Longer-term opportunities

Our business is very long term by nature, and our AMP8 plan was set in the context of a long-term delivery strategy.

We plan for the very long term

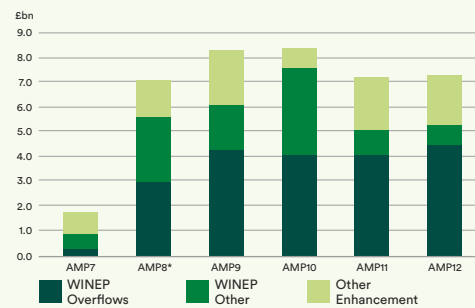
Our AMP8 business plan was built in the context of a long-term delivery strategy out to 2050, and our Water Resources Management Plan covers a 25-year period and considers consumption and climate forecasts out to 2080.

We embrace adaptive planning

We have proposed phasing opportunities to prioritise low/no regrets actions, helping to ensure that we are prepared to respond to risks and opportunities that may arise far into the future.

Step-up in investment is expected to continue, creating long-term growth opportunities

Future cost expectations set out in our long-term delivery strategy see total expenditure needs out to 2050 remaining significantly greater than AMP7.



*AMP8 includes transition investment and accelerated infrastructure delivery project.

Read more in the long-term delivery strategy that was submitted alongside our AMP8 business plan at pr24.unitedutilities.com/pdfs/UUW12_Long_Term_Delivery_Strategy.pdf

AMP8 business plan highlights

- Proposing to invest £3.1 billion to reduce spills from over 400 overflows, driving 60 per cent reduction in decade to 2030
- Targeting 25 per cent reduction in pollution incidents
- £200 million net zero investment programme to enable more than two million tonnes GHG emissions benefit by 2055

- Doubling affordability support to £525 million, helping one in six customers in the North West
- Replacing lead pipes in 30,000 homes
- Targeting a 32 per cent reduction in internal sewer flooding

- Supporting 30,000 jobs, directly and in our supply chain, including 7,000 new skilled jobs created
- Driving 14 per cent efficiency through innovation, solution optimisation, robust cost challenge and efficient use of markets
- Improved resilience, halving the likelihood of a hosepipe ban

Long-term ambitions

- Reduce to no more than ten spills per overflow on average by 2050
- Net zero across all three emissions scopes by 2050 and activities to avoid or reduce GHG emissions or remove and store GHG from the atmosphere

- Eliminate lead pipes by 2070
- Bold ambitions for long-term equity, diversity and inclusion, including 50 per cent female executives by 2050

- Halve leakage by 2050
- 75 per cent meter penetration by 2045, helping to reduce water consumption to 110 litres per person per day by 2050

Greener

Healthier

Stronger