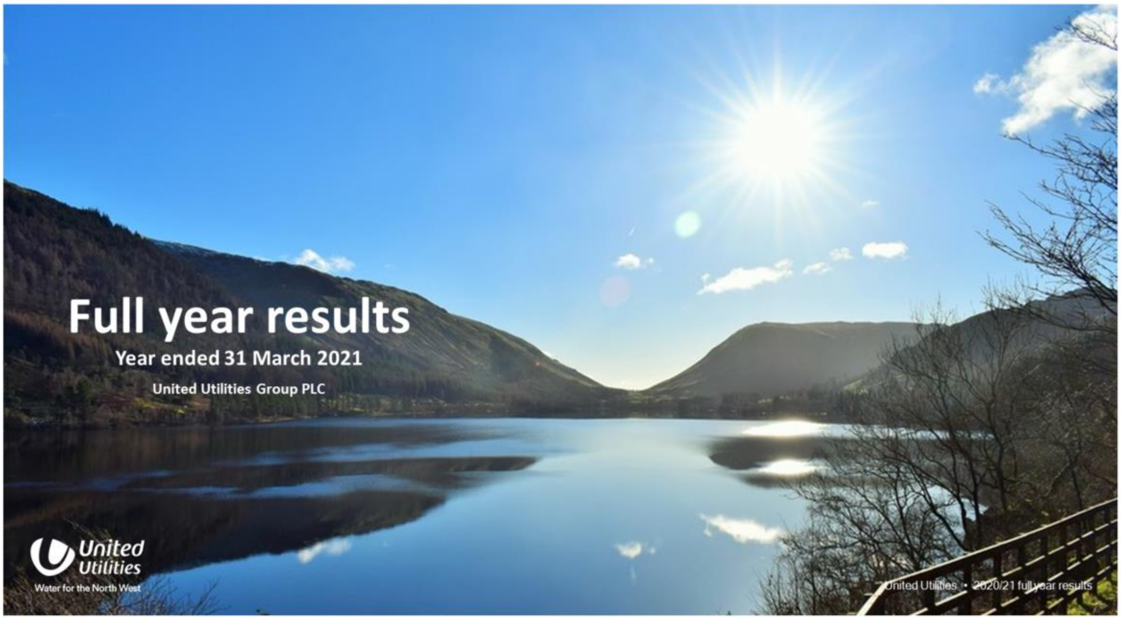


Good morning and welcome to United Utilities' full year results presentation – the third set of results we have now delivered virtually. We hope to be able to present our next set of results in person but in the meantime, I trust you continue to find our virtual presentations informative and engaging, and I look forward to meeting many of you as soon as restrictions are lifted.

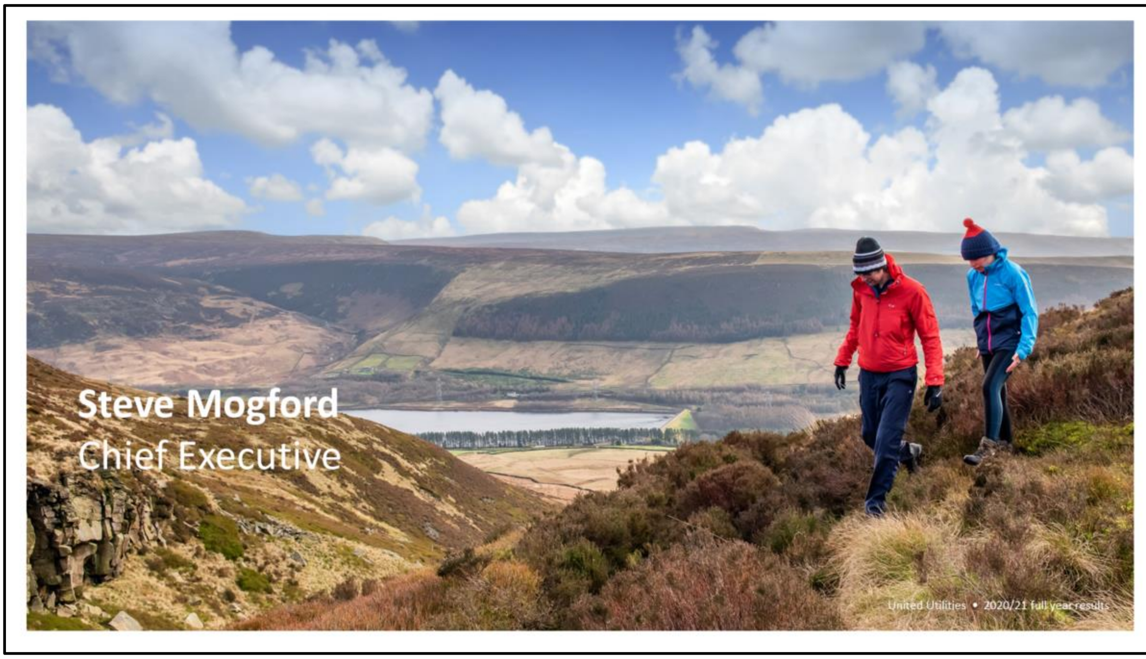
I have been in role as Chairman since the beginning of 2020 and since then, we have appointed two new non-executive directors, together with the appointment of Phil Aspin as CFO, as part of a planned and orderly succession process. As you can imagine, the priority of the Board over this last year has been ensuring that we keep our employees safe and support our customers and the communities in which we operate. As you will be hearing in today's presentation, Steve and the management team have done a great job leading the company through the challenges of the last year and ensuring we have continued to improve service and support so critical to customers in the North West.

Our achievements are a testament to the work of highly engaged and motivated colleagues right across the organisation and we are proud of the resilience and adaptability they have demonstrated.

Our operational performance has been strong, building on the improvements we delivered in the previous regulatory period and providing us with a great start to achieving our targets for AMP7.

Recognising this, the Board proposes an increase of 1.5 per cent in the final dividend, in line with our policy. This takes the total dividend for the year to 43.24 pence per share.

Thank you, and I'll now hand you over to Steve.



Thanks David and good morning ladies and gentlemen.

Welcome to United Utilities full year results presentation for the financial year 2020/2021, the first year of the AMP7 regulatory period.

I'm pleased to report that the United Utilities team has addressed the unprecedented challenges brought about by the Covid pandemic and delivered its best ever operational performance – testimony to the business transformation achieved in recent years and our intense preparation for AMP7. Our customer facing teams have worked hard to help customers struggling financially as a consequence of Covid and I'm proud of how our front line key workers have shown courage and resilience in maintaining the provision of essential water and wastewater services throughout the year, at the same time as dealing with prolonged and intense weather conditions now characteristic of climate change.

Here are the highlights:

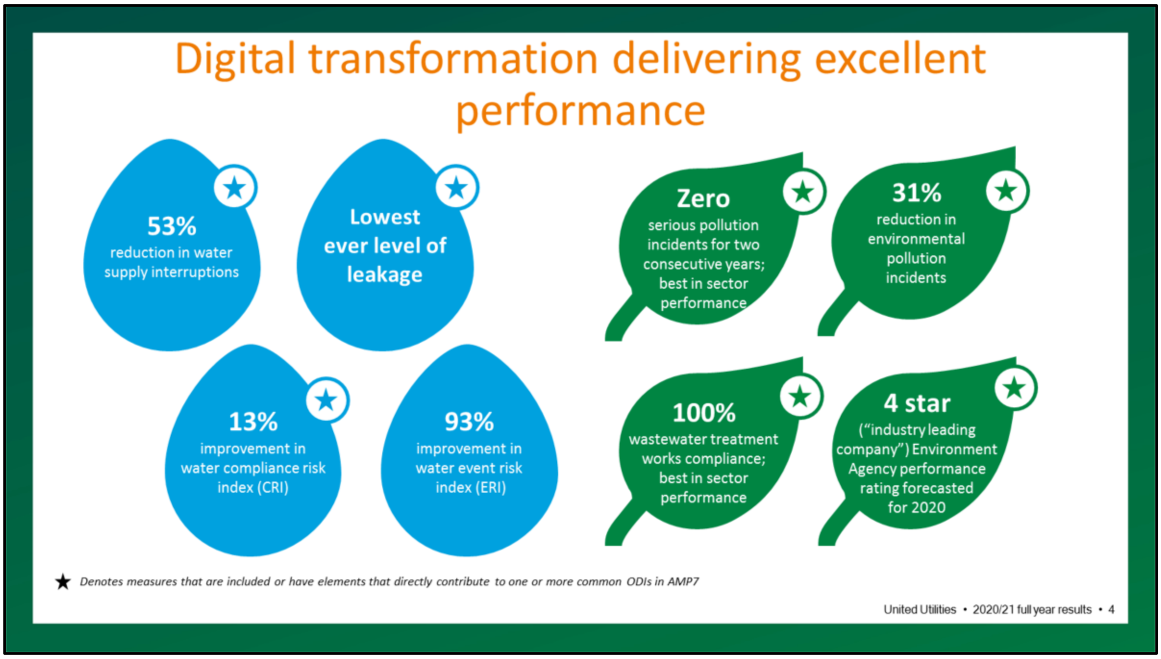
We're delivering our vision of being a digital utility. Our Systems Thinking approach uses real-time data, supported by sector leading innovation and technology, to take a holistic approach to the operation and optimisation of our network. This is enabling significant performance improvement, efficiency and a better service for customers.

ESG is at our heart and always has been – we have a deep symbiotic relationship with the environment and the communities we serve.

We have accelerated investment in the first year of this AMP to deliver customer and environmental benefit early and are investing an incremental £300 million of totex over AMP7 to underpin long term sustainable performance – all of which we expect to be fully remunerated and supports a green recovery as we emerge from the pandemic.

We have again delivered a robust financial performance and raised finance efficiently underpinned by a strong balance sheet.

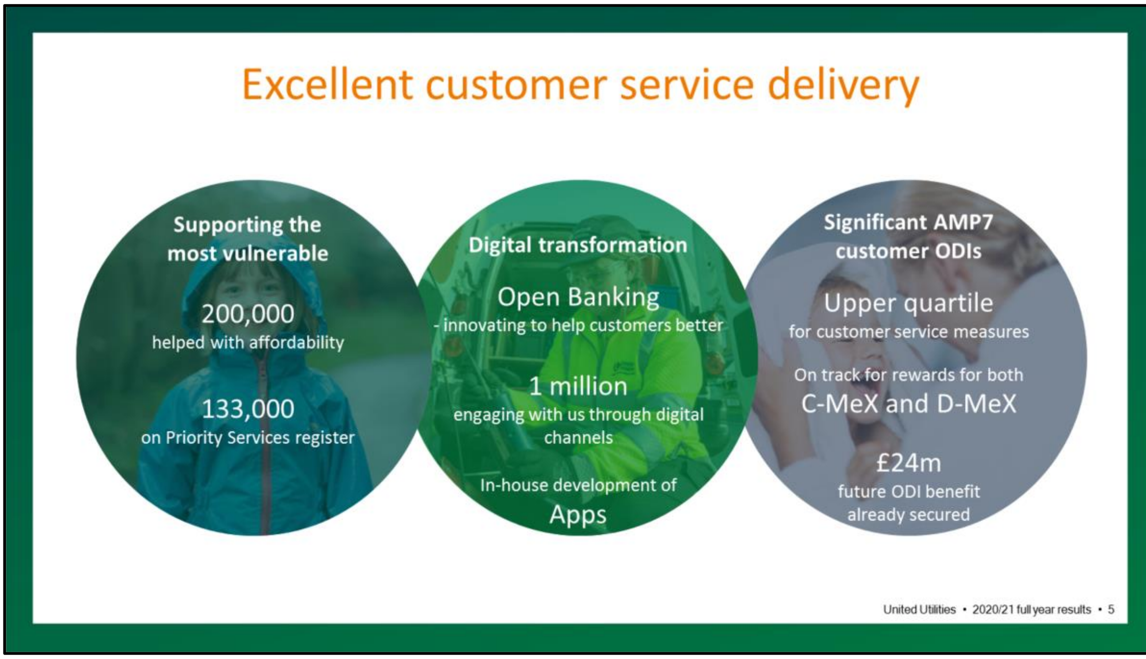
We are targeting around £150 million of customer ODI rewards over AMP7, reflecting the successful start to the period in which we have earned over £20 million in year one.



Our digital transformation is yielding excellent results. Here are just a few examples:

In water:
- Supply interruptions to customers have been halved.
- We have delivered our lowest ever level of leakage.
- We have made substantial improvements in our water regulator's risk scores, CRI and ERI, reflecting investment in the quality and reliability of our service.

And in wastewater:
- We once again lead the sector with no serious pollution incidents for the second consecutive year, and
- All other pollution incidents have been cut by almost a third.
- We achieved best in sector performance at our wastewater treatment works, and
- This, along with other improvements means we expect to be awarded top 4 star status by the Environment Agency for the year, something we will have achieved in four of the last five years.

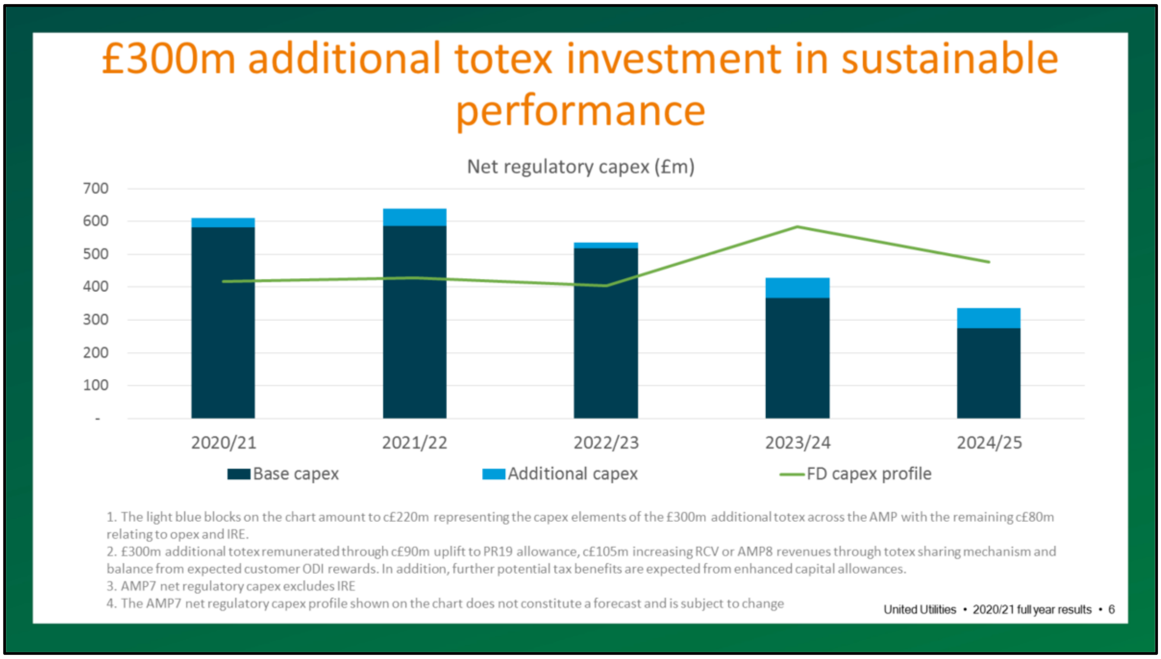


This has been a year in which customer service has never been more important – and one in which we have seen a demographic shift from the work to home environment along with a change in usage patterns. The pandemic has also led to increasing financial hardship for many customers – unwelcome in a region with high background socio-economic deprivation.

Despite this, cash collection has been good over the year because of the excellent job our team has done in adapting to this environment, helping more struggling families than ever before with over 200,000 customers benefitting from our help to pay schemes. We constantly seek new and innovative ways to help customers and most recently, we have started to use open banking through which customers can share their data with us to help us find the most suitable payment scheme for them at times of difficulty. And we continue to increase the number of customers with access to priority services in times of need with over 133,000 now on our register.

Digital transformation is not contained to water and wastewater operations. This year, the value of payments received via our mobile app has increased by 74 per cent and now, one million customers engage with us digitally, representing over a third of our customer base. We have our own in house app development team and this is paying dividends in creating digital capability for our field and customer facing teams with agility, flexibility and at low cost. Our new voids app which helps us to easily identify unbilled but occupied properties has helped us earn maximum customer ODI reward on voids this year and underpins a further £24 million reward over the AMP.

I'm delighted to say that customer satisfaction has improved again this year with us earning a reward on both C-MeX and D-MeX ODIs – positioning us in the sector upper quartile for all round customer satisfaction.

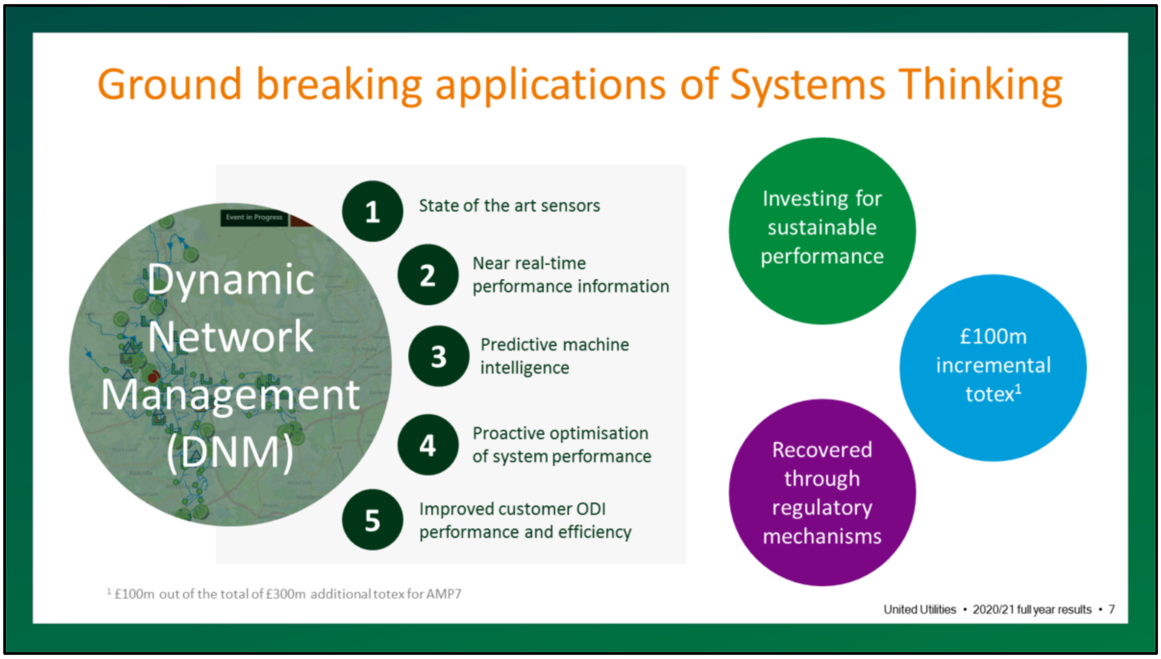


On this slide we're showing our net regulated capex profile for AMP7. We're comparing our Final Determination profile – shown as the green line – against our actual year one and forecast spend profile.

Our investment strategy is clear and enduring – we invest for long term sustainable performance for customers and the environment. At the half year, we told you we had extended out totex plans since accepting the AMP7 Final Determination by £150 million in relation to confirmed extensions to our environmental programme at Bolton and Vyrnwy. We are now increasing this additional investment by a further £150 million, to a total of £300 million, investing in spend to save opportunities and the acceleration of our digital programme. We expect all of this expenditure to be fully remunerated through regulatory mechanisms, with much of it flowing through to our RCV, and on the next slide, I'll provide some more detail on one of the largest components of this investment.

In AMP6 we accelerated investment to deliver performance benefits earlier and we're repeating this successful formula this AMP – with around £500 million brought forward for spend over years one to three of AMP7. This will de-risk delivery of our capital programme, deliver targeted operational improvements early and support customer ODI earnings targets. A further benefit is the stimulus this expenditure gives to the regional economy as we exit the worst effects of the pandemic – frequently referred to as 'Green Recovery'.

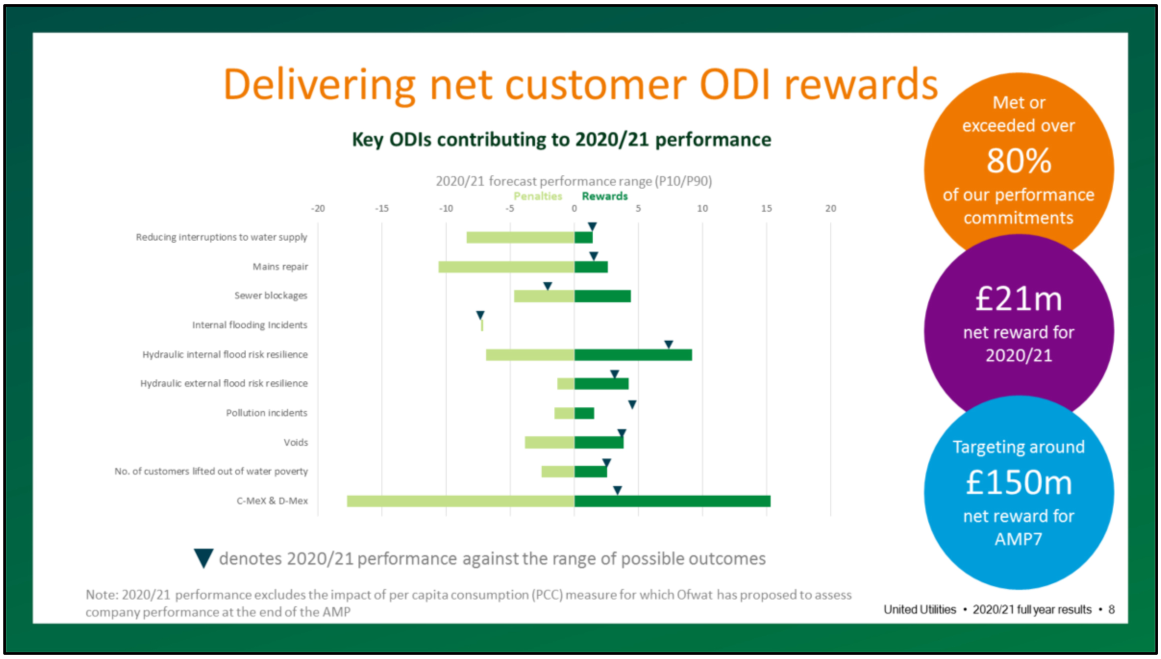
Our first year AMP7 capex programme has gone extremely well. The early start and transition investment we made in the last year of AMP6 gave us a flying start and we pressed on with our investment programme throughout the pandemic – provided of course we could do so safely. As a consequence, under our time, cost and quality metric – TCQi – we achieved one of our highest ever performance scores for the year. A great achievement by our team along with our design and construction partners.



Those of you who attended our capital markets day earlier this year will have heard us talk about Dynamic Network Management – a new and exciting application of Systems Thinking not seen anywhere else in the world.

Application of this new digital capability will shift us from reactive management of our wastewater network to use of a web of sensors providing near real-time performance information. Machine intelligence then uses that information to diagnose and predict performance of the wastewater network. This will deliver improved services to customers, fewer blockages, less sewer flooding, fewer pollution events and financially, this will result in reduced totex and improved customer ODI performance.

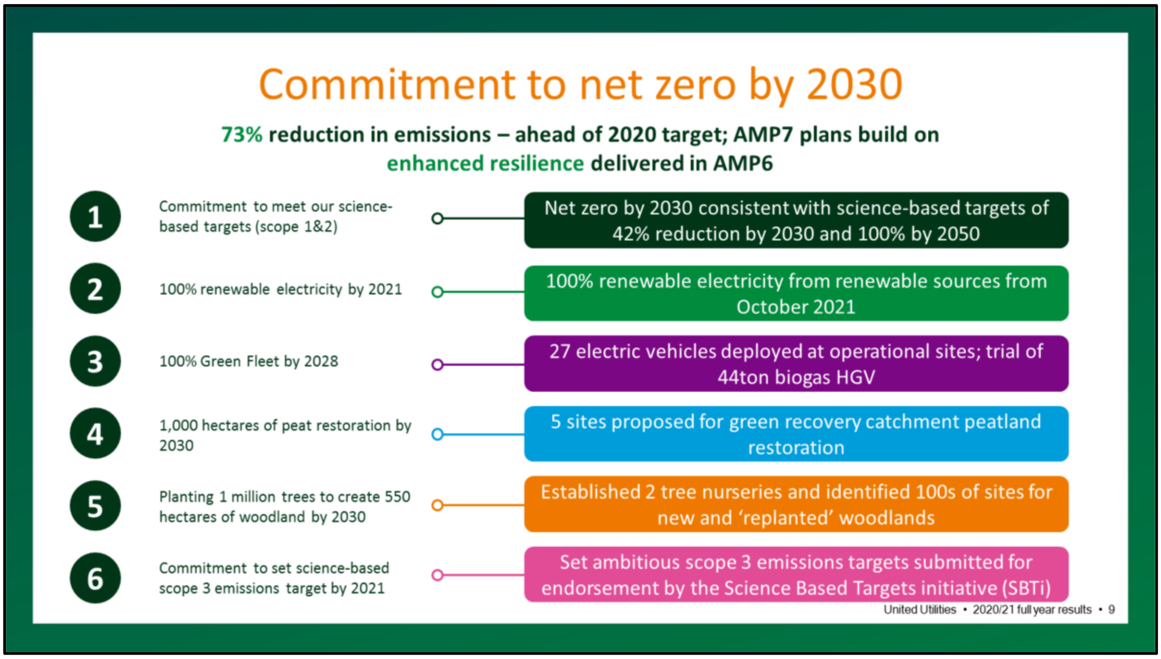
Investment in this capability is around £100 million and is therefore a significant component of the total £300 million additional investment for the AMP. Proof of concept is complete and we are currently rolling out the sensor web across our wastewater network. The system backbone is in place such that we gain immediate benefit as each sensor is installed. It should be substantially complete by the end of year three of this AMP and we expect this investment to be fully recovered through the regulatory mechanisms.



Turning to the broad set of customer ODIs, this slide shows the principal ODIs contributing to our year one reward.

You can now see that our investment strategy and digital transformation is delivering value across the board of our activity. We have had a great start to the AMP, having met or exceeded over 80 per cent of our performance commitments, and therefore earning £21 million in customer ODIs – some 10 times the performance we saw for the same period in AMP6.

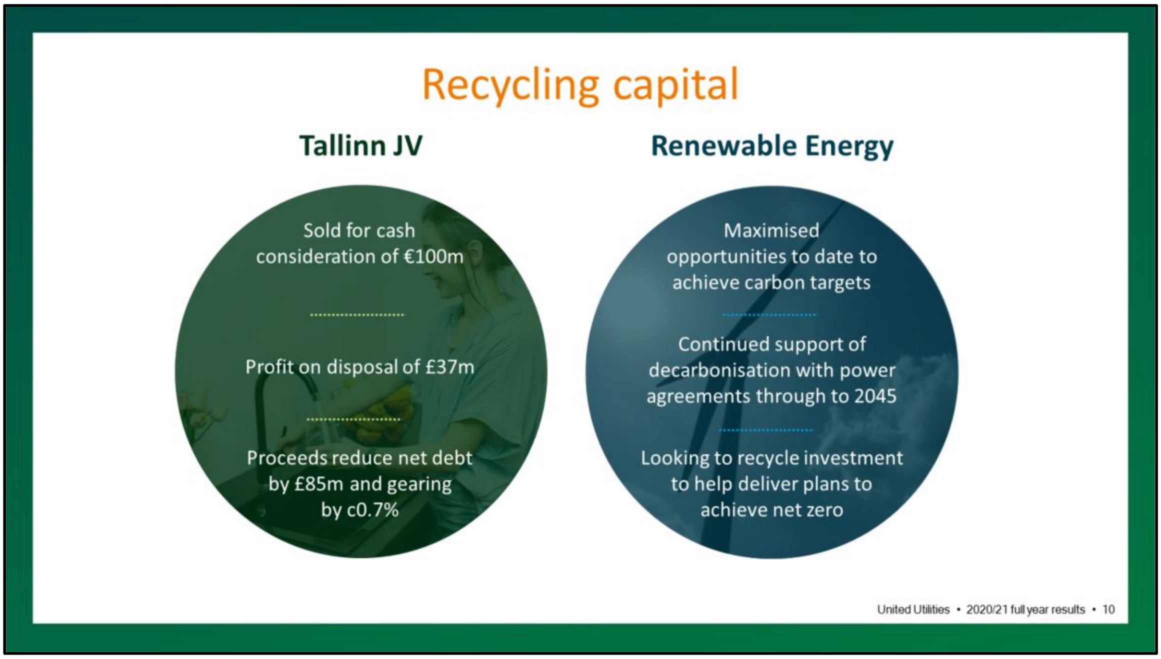
Progress against our plans gives us the confidence to target cumulative ODI performance over AMP7 of around £150 million.



The company's intimate relationship with the environment means that the climate change journey is one we've been on for many years. Having exceeded our climate change objectives for 2020 – reducing greenhouse gas emissions by 73 per cent – we have made 6 carbon pledges, including a clear commitment to science based targets and that you can see in the TCFD disclosure in our 2020 annual report.

The slide shows how we are on track and delivering against all 6 pledges, most notably the two pledges with target delivery dates of 2021. From October of this year, 100 per cent of our electricity will be sourced from renewable technologies, and we have set ambitious scope 3 emissions targets that have been submitted for endorsement by the SBTi and which will be disclosed in our 2021 annual report.

For us, climate change is so much more than carbon. It is fundamentally changing the weather pattern in our region bringing hotter, drier periods more frequently and heavier, more sustained periods of rainfall – all of which tests the resilience of our systems. The investments we made in AMP6 have given us demonstrable improvements in resilience and our plans for AMP7 take us further.



We sold the vast majority of our non-regulated portfolio over ten years ago and, as we have previously announced, we completed the sale of our largest residual investment – our Tallinn joint venture – in March for a consideration of 100 million Euros.

You will be aware that in recent years we have built a renewable energy portfolio principally of solar installations across our estate along with a small number of wind and hydro generators. The portfolio is operating satisfactorily and our investment has delivered the returns that we targeted. Having maximised the opportunities to date and established long-term contracts to secure a proportion of our renewable energy out to 2045, we are now looking at how we can recycle our investment in order to achieve further strong returns and take the next steps in our plans to achieve net zero.

Strong employee engagement is critical to business performance and over the past year our survey score positioned us above the norm for UK high performing companies – remarkable in a Covid year and testimony to the cohesiveness of the UU team. 92 per cent of employees would recommend UU to friends as a great place to work and current and former employees score us 4.5 out of 5 on Glassdoor in terms of how they view UU as an employer, positioning us as a leading place to work in the utility sector.

We're committed to creating a diverse and inclusive workforce. Our employee diversity networks have a growing membership and play a pivotal role in providing insight, raising awareness and giving support to colleagues. In October, we hosted the sector's first Social Mobility Summit, sharing leading edge thinking in promoting social mobility, including case studies from our own employees reflecting the progress we have made and we have signed up to the 10,000 Black Interns Programme providing paid work experience to young black people over the next five years.

Reflecting the progress we have made, we are delighted to be one of the top 1 per cent of 15,000 companies across Europe in the Financial Times' Statista Survey for Diversity and Inclusion Leadership and to achieve inclusion in the Bloomberg Gender Equality Index.

But we're not stopping here and the link on the slide takes you to a video that gives more detail on how we are driving diversity and inclusion further. Our approach is clear - we need fantastic people to enable us to deliver a great public service – we are striving to reach and recruit from every part of our community we serve and to support employees to achieve their full potential, making them feel valued and included, regardless of their gender, age, race, disability, sexual orientation or social background.

I'll now hand you over to Phil to take you through the financials.

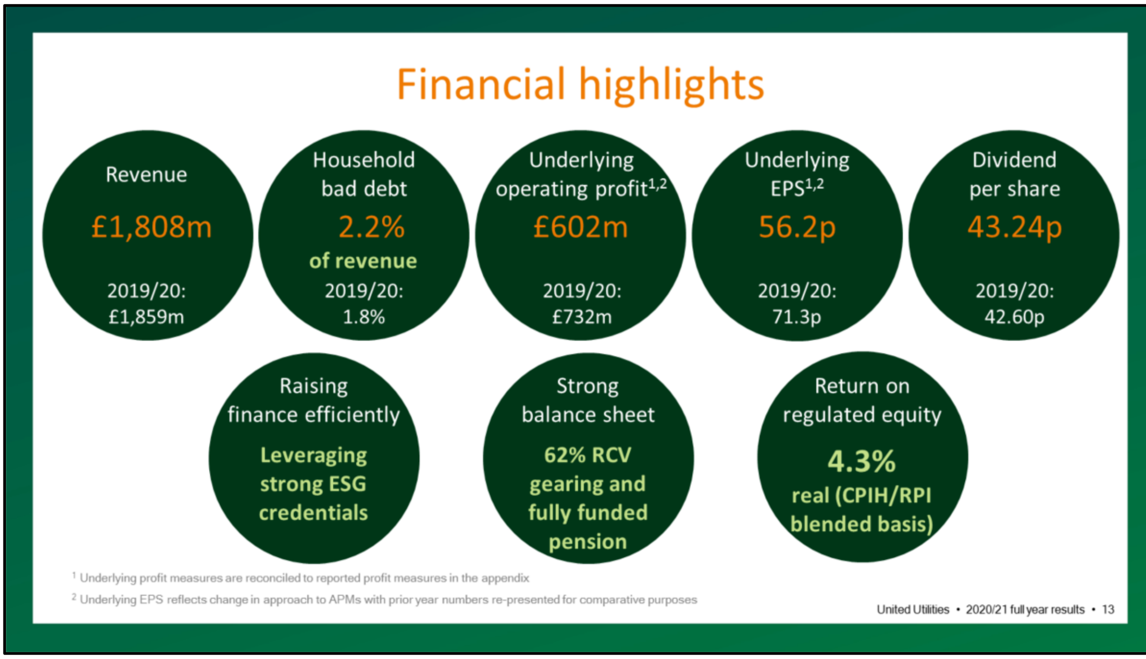
Thanks Steve. Good morning everyone.

I'm delighted to be presenting my first full year set of results this morning and having this opportunity to build on the relationship that I've established with many of you over the course of the last year. I also hope you find the changes we have made to: the definition of net debt; the streamlining of our APMs; the inclusion of forward guidance; and the discussion of RoRE, helpful in providing greater transparency and comparability of our performance.

So, turning to our results; in today's presentation I will highlight our strong financial performance, through what has been a challenging environment for the business and our customers.

I will then look at how our sector leading ESG credentials supported the issuance of our debut sustainable bond, before reminding you of our robust balance sheet. Here, I will highlight our customer receivables position; RCV gearing; and finally pensions.

To wrap up, I will focus on our RoRE and finish with some high level guidance for the year to March-22.



These are the key financial highlights for the year.

Revenue of £1.8 billion is down on the prior year, largely reflecting the known price reduction in this, the first year of the new regulatory period.

Household bad debt is 2.2 per cent of regulated revenue, representing a marginal increase of £5 million on the underlying bad debt cost in the prior year.

Underlying operating profit of £602 million largely reflects the fall in revenue and planned higher infrastructure renewals expenditure.

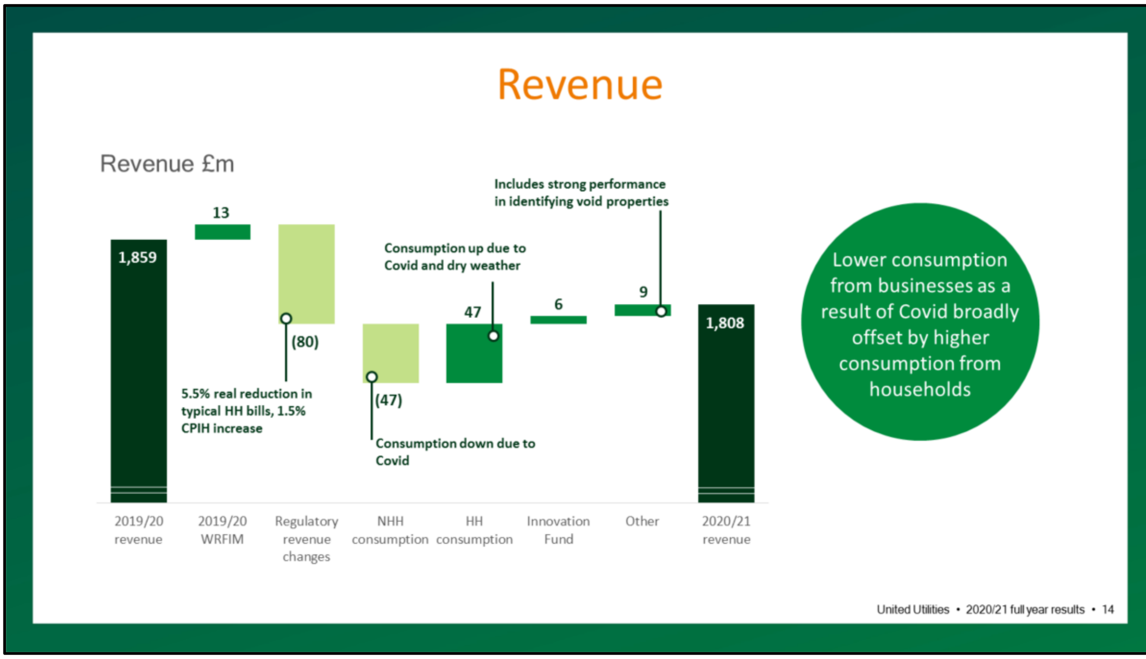
As a result, underlying EPS for the year is 56.2 pence per share, supporting a dividend per share of 43.24 pence.

We continue to raise finance efficiently, and in January issued our debut sustainable bond leveraging on our strong ESG credentials and resulting in one of our best ever financing transactions.

Our balance sheet remains one of the strongest in the sector, with low customer debtor risk, RCV gearing of 62 per cent, and a pension scheme that is fully funded on a low dependency basis. All of which, supports a stable A3 credit rating from Moody’s.

And finally, our performance in the year has helped deliver a return on regulated equity of 4.3 per cent on a real, basis.

I’ll now consider these points, in further detail.



Here we provide a bridge of revenue, from last year to this year.

In summary, revenue of £1.8 billion is £51 million lower than last year, largely reflecting the known price reduction in this, the first year of the new regulatory period.

Now turning to each of the components in the bridge.

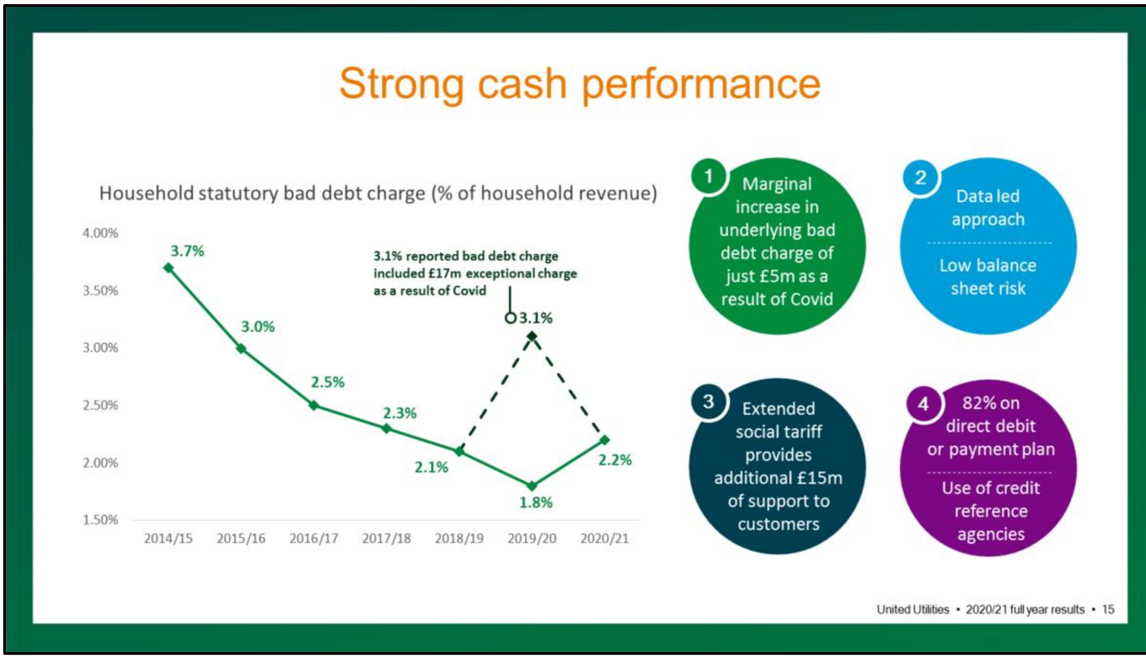
Revenue in 2019/20 was reduced by £13 million due to the impact of the wholesale revenue forecasting incentive mechanism, which does not apply in the current year.

This year we had a known reduction in the revenue cap of £80 million, representing a 5.5 per cent real reduction in typical household bills offset by a 1.5 per cent increase in CPIH.

Across our total customer base we have seen the changes in consumption through the Covid pandemic broadly offset. Lower consumption from businesses, as a result of the restrictions in place over the year, has reduced revenue by £47 million; while the warm weather in the early part of the year, together with many of us continuing to work from home for longer, has increased consumption from households by £47 million. This net position has improved from the half year, as consumption has remained high from households in the second half but more businesses have been able to operate in the run up to Christmas and also in some capacity during the post-Christmas lockdown period.

Revenue this year includes £6 million in relation to the Innovation Fund. This is a new scheme introduced by Ofwat in AMP7, and is intended to fund industry-wide innovation projects. In the current year, we have provided for £6 million of offsetting costs with the balance of revenue and costs in future years dependent upon how successful companies are in bidding for funds. In the first round of results announced recently, we were pleased to have been involved in five of the eleven successful projects, leading on two of them and representing half of the available funding.

Other revenue increases of £9 million includes the benefit of our strong focus on identifying void properties.



I will now talk through our household cash collection and bad debt performance for the year.

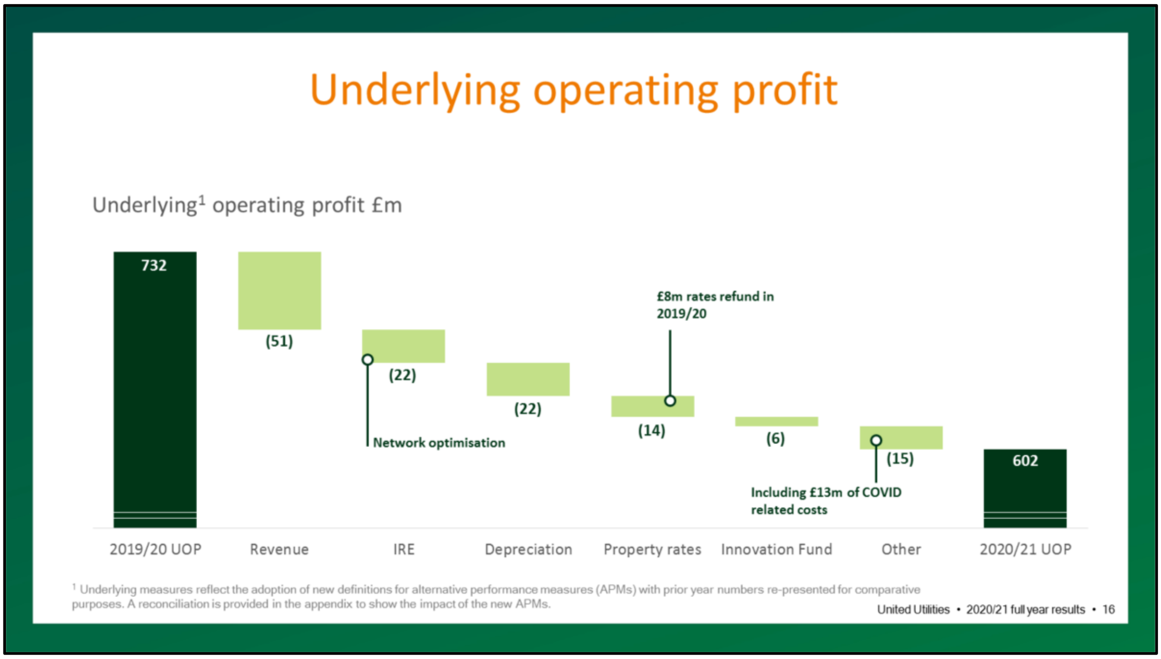
The chart on the left hand side of this slide shows our household bad debt charge for the year at 2.2 per cent. This is a marginal increase on the underlying charge of last year reflecting the ongoing uncertainty associated with the third lockdown and taking into account expected cash collections into the future, as government support schemes unwind and furlough comes to an end in September.

Our underlying cash collection performance remains robust, as a result of our continued focus on improved data quality, business processes and systems to ensure we are able to accurately pursue payment in an efficient and timely manner. This has enabled us to manage the impact of Covid such that this year's higher bad debt charge is a relatively modest increase of £5 million in the absolute charge.

The last year has been incredibly challenging for many in our region and we are helping those customers with clear affordability issues with the sector's widest range of support schemes. These have been extended this year, with the addition of a further social tariff providing £15 million per annum of support, to customers struggling as a consequence of Covid.

Where customers have the ability to pay but attempt to avoid doing so, we have a comprehensive approach to collections activity including sharing data with multiple credit reference agencies, extending our footprint and improving collections activity. We have over 80 per cent of household customers on direct debit or an alternative payment plan, one of the highest proportions in the sector and providing a high level of collection certainty for a significant proportion of the household customer base.

All of these factors give us the confidence that our cash collection performance will remain robust and, as the country emerges from the effects of Covid, that our bad debt charge will revert to a similar level to that which we were achieving pre-pandemic.



On this slide we provide a bridge of underlying operating profit from last year to this year.

Underlying operating profit of £602 million is down £130 million.

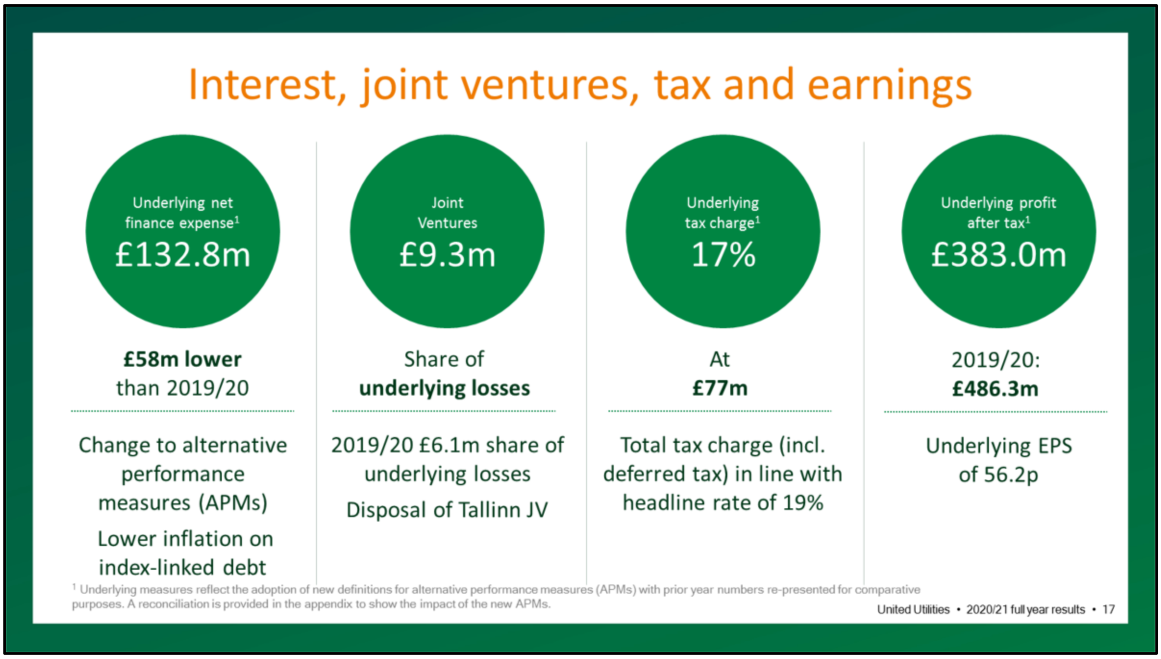
This principally reflects the £51 million reduction in revenue and a £22 million increase in infrastructure renewals expenditure as a result of ongoing work to optimise the network performance.

Depreciation is £22 million higher, principally reflecting the higher capex programme in AMP6 with a high number of assets commissioned towards the end of the AMP. In the near term we would expect depreciation to flatten out reflecting the lower AMP7 capex programme.

Property rates are higher, largely reflecting an £8 million rates refund received last year.

As I mentioned earlier, £6 million of costs were recognised in the year in relation to the Innovation Fund.

Lastly, we have incurred £13 million of extra Covid related costs, including the higher bad charge, which have been absorbed within our cost base and have not been treated as an adjusted item when calculating our underlying operating profit.



Focusing next on the remaining key lines of the income statement.

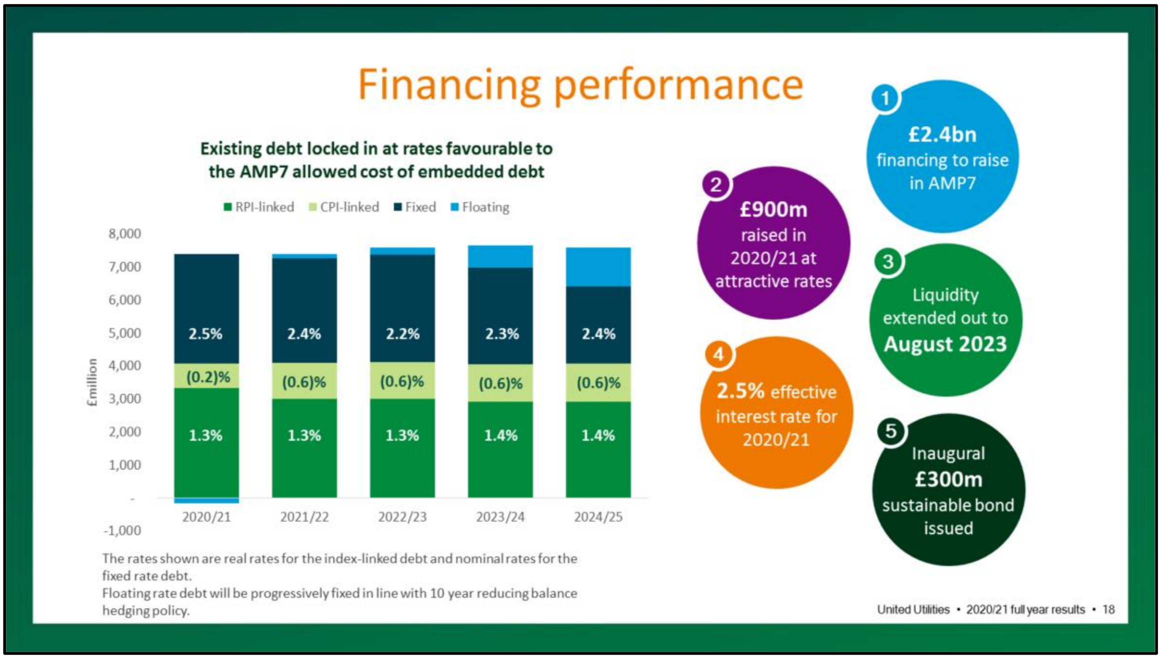
Our underlying net finance expense is £133 million. This reflects the changes we have made to alternative performance measures as highlighted in our March trading update and is £58 million lower than last year on a like-for-like basis, predominantly reflecting the lower inflation applied to our index-linked debt. A full reconciliation of the changes we have made to APMs can be found in the appendix to this presentation.

Our share of losses of joint ventures is £9 million, including £5 million of profit from our Tallinn JV. Following the sale of our stake in Tallinn, going forward, profits and losses of joint ventures will relate solely to Water Plus.

Although it has been a challenging operating environment for Water Plus and other business retailers through the pandemic, we have seen an improvement in the underlying operating performance. In our March trading statement we highlighted the intention to convert £32.5 million of working capital loans to Water Plus into loss absorbing equity. This, together with the improved underlying performance, provides Water Plus with a robust platform from which to make a strong recovery as business customers emerge from the Covid pandemic. As a result of the recapitalisation, the share of losses recognised this year comprises £5 million of unrecognised losses from the prior year and £9 million of losses in relation to the current year.

Our underlying tax charge for the year is £77 million, representing 17 per cent of underlying profits and excludes the impact of deferred tax.

All of which results in underlying profit after tax of £383 million and an underlying EPS of 56.2 pence per share.



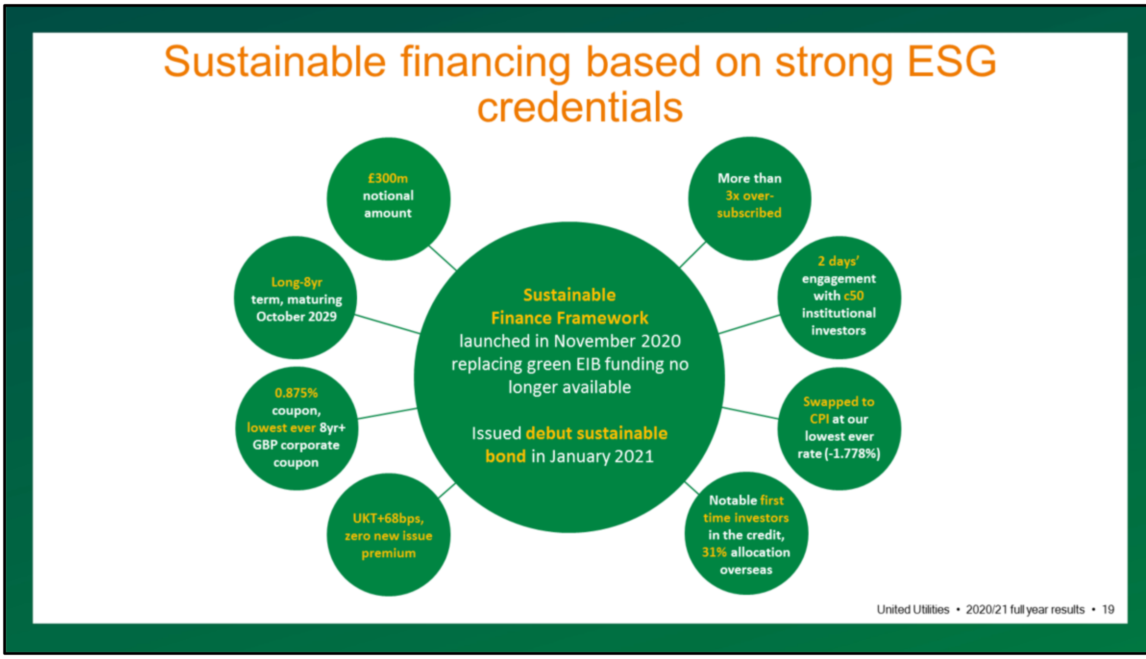
Now looking more closely at financing performance.

Over AMP7 we have around £2.4 billion of financing to raise and in the first year we have made a great start raising around £900 million, taking advantage of attractive rates and extending our liquidity position out to August-23.

Our effective interest rate for the year is 2.5 per cent nominal. This, together with the projected debt balances at the locked-in rates shown in the chart on the left hand side of the slide, compare favourably to the price review assumptions for AMP7.

You can also see from the chart that we have made good progress in transitioning the mix of our index-linked debt away from RPI-linked - the dark green segment - to CPI or CPIH-linked - the light green segment – including last summer executing the first ever CPIH-linked swap.

And finally, having launched our Sustainable Finance Framework in November we were delighted to issue our debut sustainable bond in January, raising £300 million based on our strong ESG credentials. This was one of our best ever financing transactions, so let me give you some more insight.



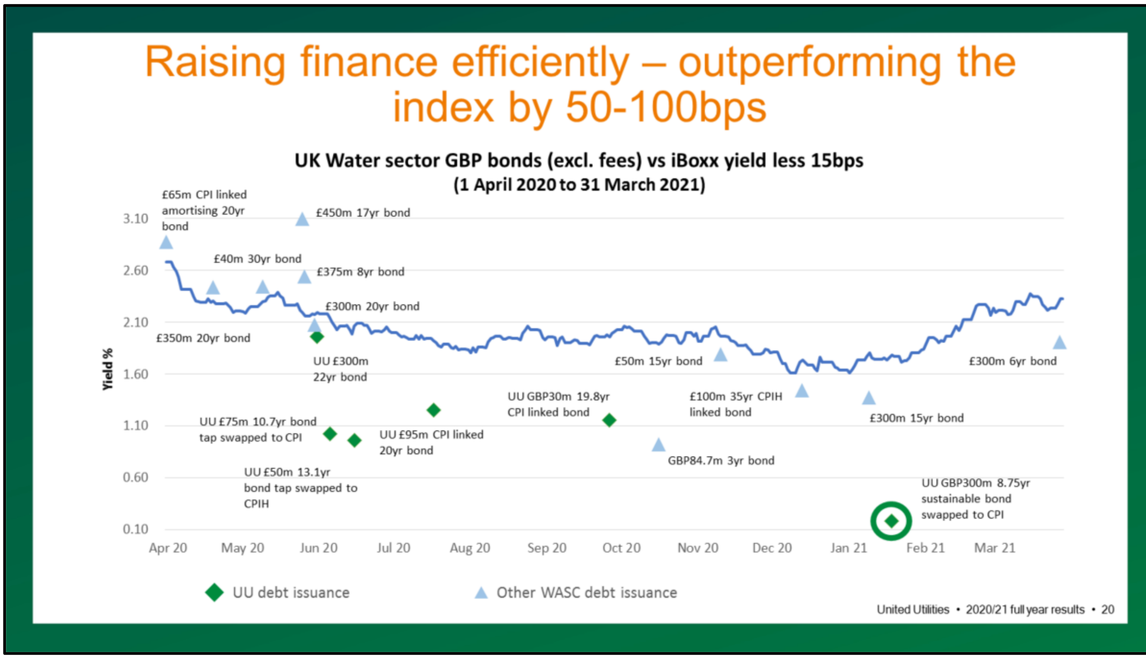
This slide shows some of the details of our £300 million sustainable bond.

The transaction is a superb illustration of our agile approach and how demand for our financing is enhanced by being a company delivering a strong public purpose. Recognising our excellent ESG credentials, there was a huge amount of appetite for our debut sustainable bond, and it was great to engage with so many investors with such a keen interest in our sustainability agenda.

The order book was more than three times oversubscribed allowing us to tighten pricing and ultimately issue flat to our secondaries, which were trading tight to historic lows. This delivered a coupon of 0.875 per cent, which is not only our lowest ever coupon at this part of the curve, locking-in financing outperformance, but also the lowest ever corporate coupon in the sterling market at this maturity.

Recognising there was a further opportunity with the CPI wedge having reduced to its tightest ever level, we subsequently swapped the bond to a CPI basis with a yield of CPI minus 1.78 per cent, delivering even more value.

So in summary, a great showcase of how our agile and market focused approach and our strong ESG credentials have delivered significant value.

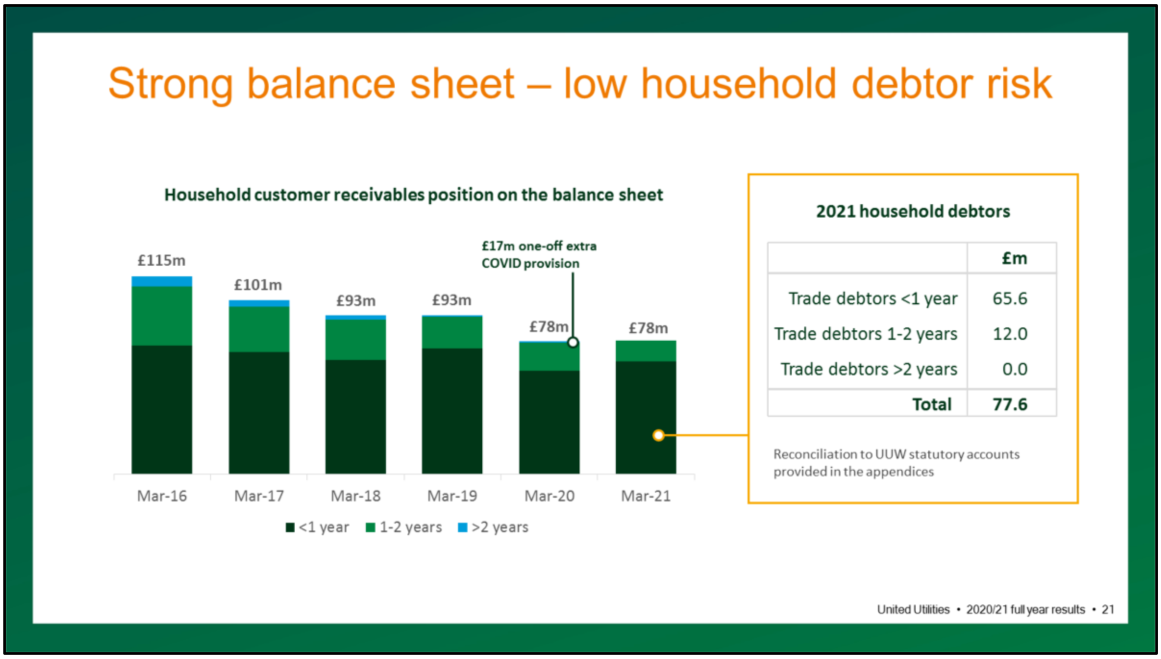


So let's have a look at how this latest financing transaction stacks up.

As you can see from the bottom right of this chart, the £300 million sustainable bond issued in January, outperformed the index used for regulatory assumptions for AMP7 new cost of debt by around 150 basis points.

You can also see from the chart our other debt issuance, shown by the green diamonds, where we have consistently outperformed the index, typically by around 50 to 100 basis points and also outperformed peers in the sector whose issuance, shown by the blue triangles, is broadly in line with the regulatory index.

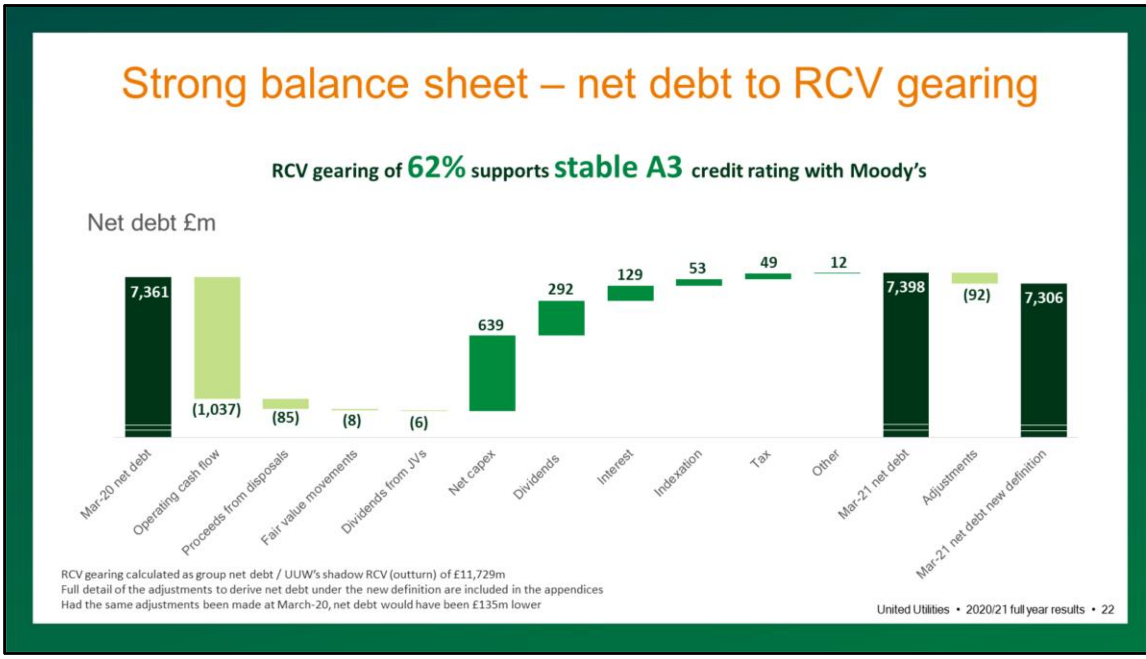
This illustrates well how our long-standing and robust approach to treasury and financial risk management is consistently delivering value.



Now an update on our customer receivables position.

We anticipate the recoverability of household debtors will continue to be a key area of focus for investors and analysts as we emerge from lockdown and government support is gradually withdrawn. That's because the balance sheet position provides important context to the bad debt charge. The chart here shows our household net debtor positon since the beginning of AMP6. The position has been robustly managed over that period and our strong performance manifests itself in the balance reducing from £115 million in 2016 to its lowest ever level of £78 million in 2021. Not only has the absolute level reduced over this period but the aged profile of debt has also improved with balance sheet exposure to debt more than one year old of just £12 million and no exposure to household debt more than two years old as at March-21.

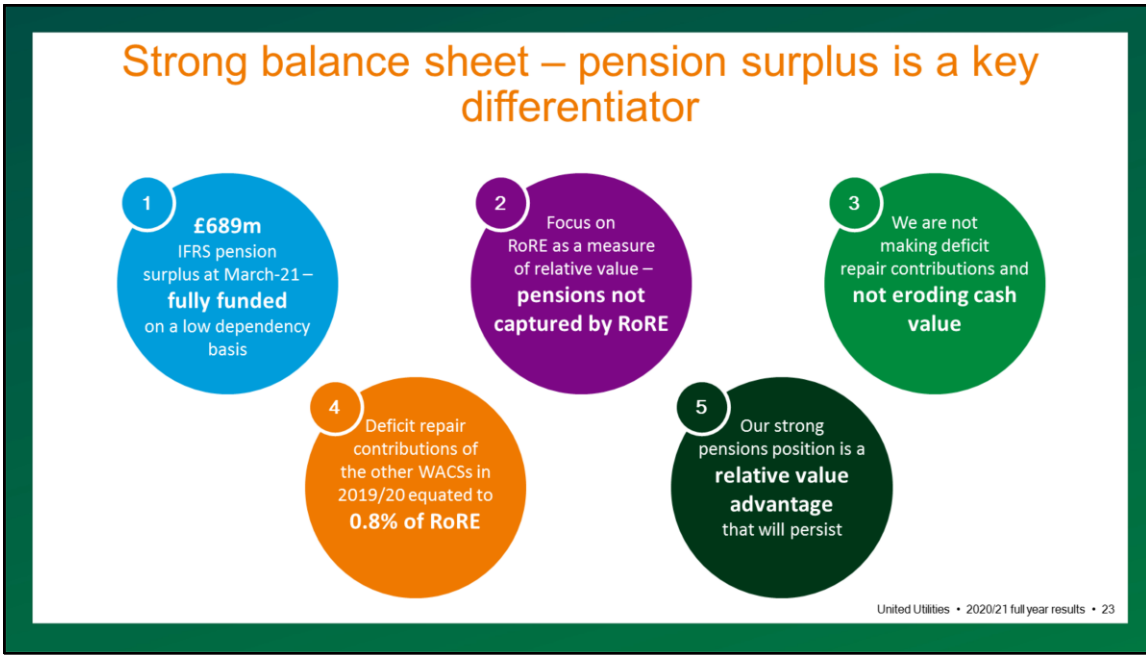
The intense focus we have had in this area over the last decade ensured we came into the Covid pandemic in a strong positon and we have maintained that position through the last twelve months. It represents one of the best managed customer receivables positions in the sector and gives us added confidence as we emerge from the effects of the pandemic.



This slide bridges the net debt from March-20 to March-21.

Net debt of £7.3 billion has reduced by £55 million since March-20. This incorporates a change to our definition that we highlighted at the half year to exclude the impact of derivatives that are not hedging specific debt instruments and therefore gives a better reflection of the debt balances we are contractually obliged to repay. The change in definition reduces net debt by £92 million at March-21 compared to £135 million at March-20. A full description of the adjustments are included in the appendices to this presentation.

The usual underlying movements in net debt are shown in the bridge along with the impact of the £85 million sales proceeds from the disposal of our Tallinn JV. Our net debt position results in RCV gearing of 62 per cent and therefore within our target range of 55 to 65 per cent and supporting a stable A3 credit rating with Moody's. The credit rating agencies also make an adjustment for any IFRS pension deficit, which is not relevant for United Utilities given our IFRS pension surplus position.



Now looking at pensions in more detail.

As at March-21 we had an IFRS pensions surplus of £689 million and perhaps more importantly, we are fully funded on a low dependency basis – a position we do not expect to change given our approach to hedging market risk.

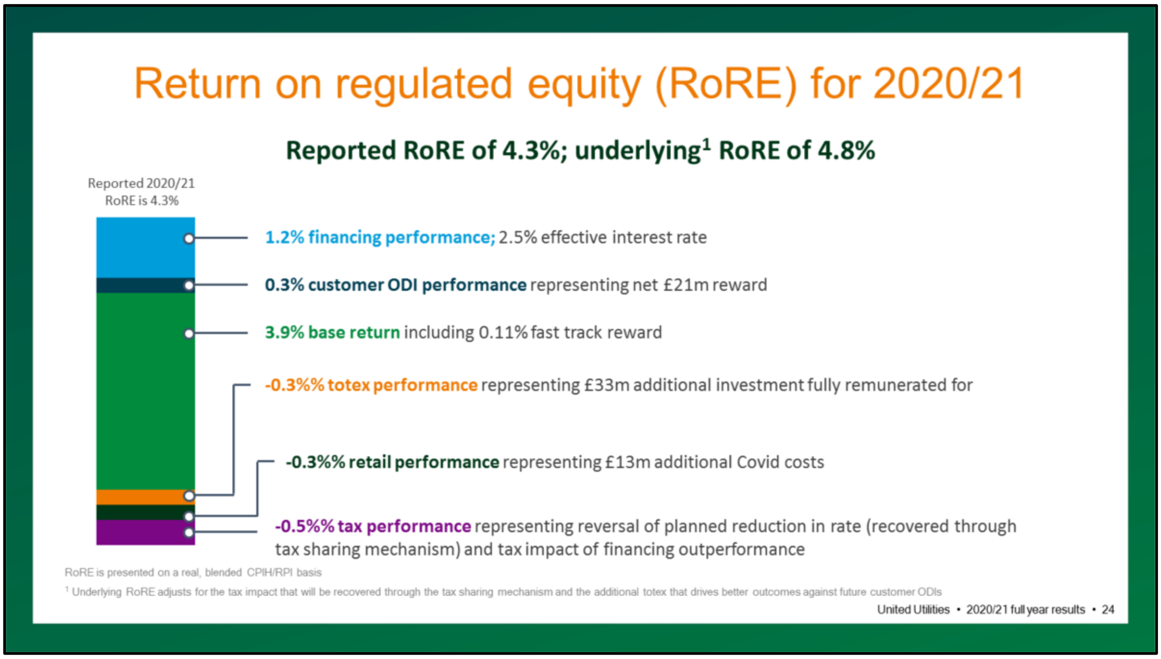
Since being appointed CFO last year this is an area I have discussed with many investors and analysts and it is clear there is a strong desire to understand relative value from an equity perspective, particularly given many focus on return on regulated equity or RoRE for ease of comparison.

While I understand the simplicity of focusing on RoRE, it is important to recognise the elements of value not included in the RoRE measure.

Even today as CFO, the treasurer in me constantly reinforces the importance of cash as a value driver. Ultimately future cash contributions paid into a pension scheme is value that is not available to be paid to shareholders as dividends. This is a very live issue given the introduction of the Pension Schemes Act 2021 and the ongoing consultation around scheme funding where the direction of travel will result in companies having to achieve full funding on a low dependency basis by the time their schemes are significantly mature.

As we are already fully funded on a low dependency basis, we have an underlying advantage versus most other companies in the sector, and indeed the FTSE more broadly, where other companies are continuing to be required to make significant cash contributions into their pension schemes.

In the year to March-20 the average deficit repair contributions made by the other water and sewerage companies represented around 0.8 per cent of their regulated equity. Although not included in RoRE, this is a drag on shareholder returns as ultimately cash is diverted to support pension funding to the detriment of future dividends.



So let's now have a look at return on regulated equity.

The chart here shows our reported RoRE for the year of 4.3 per cent on a real basis.

This principally comprises the base return of 3.9 per cent, including our 11 basis point fast track reward that we receive in each of the five years of the AMP, financing outperformance of 1.2 per cent and customer ODI outperformance of 0.3 per cent as a result of our year 1 net reward of £21 million.

Our totex performance of -0.3 per cent represents the year 1 impact of the £300 million additional totex Steve has already mentioned and which provides benefits that are not all reflected in RoRE.

Retail performance reflects a small overspend this year in adapting to the effects of Covid and tax performance reflects the reversal of the planned reduction in the rate of corporation tax from 19 per cent to 17 per cent and the tax impact of our strong financing outperformance.

Our underlying RoRE is higher at 4.8 per cent and is adjusted for the tax impact that will be recovered through the tax sharing mechanism and the additional totex that drives better outcomes against future customer ODIs.

As discussed on the previous slide, as a result of our robust pensions position we can retain all of our RoRE performance for the benefit of shareholders without having to use it to make further contributions into our pension scheme.

2021/22 full year outlook

Revenue	↓	• 0.6% CPIH offset by -2.0% k factor
Underlying operating costs	↑	• Higher IRE reflecting additional investment in DNM • Inflationary increases net of efficiencies to core costs
Underlying finance expense	↑	• Higher inflation impacting index-linked debt
Capex	£625-675m	• Acceleration of AMP7 capex profile • Includes c£50m of incremental capex
ODIs	c£20m reward	• Consistent with targeting net AMP7 reward of c£150m

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This slide sets out our outlook for the year to March-22.

We would expect revenue to be marginally lower reflecting the November 2020 CPIH of 0.6 per cent offset by the regulatory revenue reduction of 2.0 per cent.

Underlying operating costs are expected to be marginally higher year-on-year reflecting inflationary increases net of efficiencies coming through core costs and IRE is expected to be higher reflecting the additional investment in Dynamic Network Management.

Having ended AMP6 at the required totex run rate for AMP7, we remain confident that we can deliver our AMP7 scope within our Final Determination totex allowance.

Underlying finance expense is expected to be higher year-on-year as higher inflation impacts our index-linked debt.

Capex for the year is expected to be in the range of £625 million to £675 million reflecting the ongoing acceleration of our AMP7 programme and around £50 million of additional capex that Steve highlighted earlier.

Finally, we are targeting a net customer ODI reward of around £20 million for next year, which is consistent with the updated investment plans and AMP guidance on ODIs which Steve summarised earlier.

So to conclude:

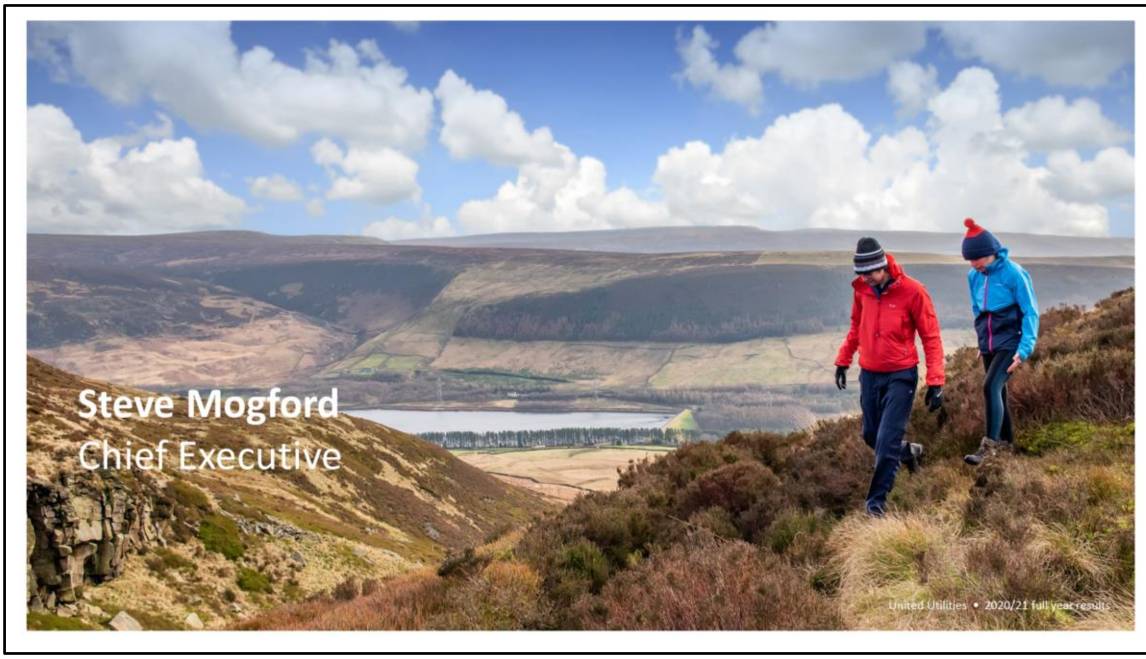
We have delivered another robust financial performance in the year.

Our household cash collection and bad debt position have remained resilient.

We have delivered some great financing transactions throughout the year, locking in debt at low rates compared with the price review assumptions and leveraging our strong ESG credentials.

And finally, we benefit from having one of the strongest balance sheets in the sector – with a leading pensions position and a low level of customer debtor risk.

Thank you, and I'll now hand you back to Steve.


Steve Mogford
Chief Executive
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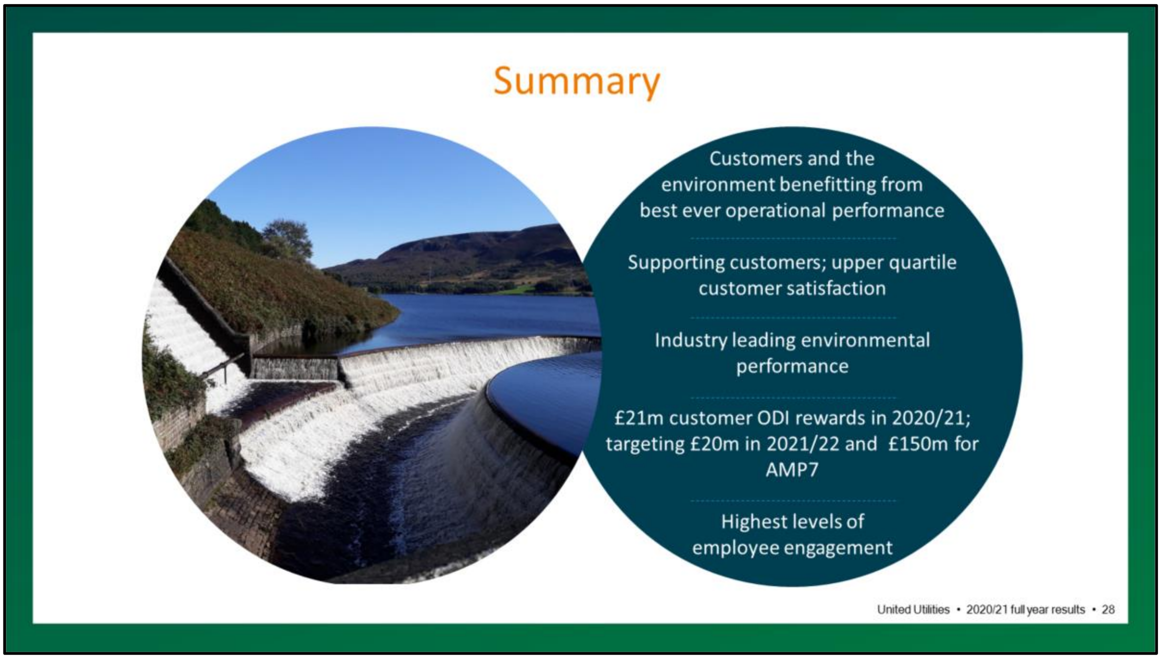
Thanks Phil.



So in summary, in a year characterised by many as ‘unprecedented’ the highly motivated and engaged UU team has shown agility, courage and resilience in stepping up to and delivering excellent performance in a region hard hit by the pandemic, leveraging our extensive preparations for the first year of this AMP.

- Customers and the environment benefitted from our best ever operational performance.
- More customers in financial difficulty than ever received help from us to pay.
- Customer satisfaction has improved.
- Our environmental performance reflected in top 4* rating.
- Shareholders share in our success with £21 million of customer ODI rewards – almost ten times the reward earned in the same period of AMP6.
- The confidence we have in the delivery of our investment programme together with momentum that we have built in year 1 means we are targeting £20 million in customer ODI rewards in year 2 and a total of £150 million across AMP7.

I would like to thank the UU team and its partners for all they have done to deliver a great set of results for all our stakeholders over such a challenging period.

Thank you for listening. We’ll now take questions.


Any questions?
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Cautionary statement

This presentation 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 presentation and the company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Certain regulatory performance data contained in this presentation is subject to regulatory audit.

This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.

Supporting information

Underlying income statement

Year ended 31 March £m	2021	2020	Change (%)
Revenue	**1,808.0**	**1,859.3**	**-3%**
Operating expenses	(618.8)	(584.0)	
Infrastructure renewals expenditure	(164.8)	(143.0)	
EBITDA	**1,024.4**	**1,132.3**	**-10%**
Depreciation and amortisation	(422.3)	(400.2)	
Operating profit	**602.1**	**732.1**	**-18%**
Net finance expense	(132.8)	(191.2)	
Share of profits / (losses) of joint ventures	(9.3)	(6.1)	
Profit before tax	**460.0**	**534.8**	**-14%**
Tax	(77.0)	(48.5)	
Profit after tax	**383.0**	**486.3**	**-21%**
Earnings per share (pence)	**56.2**	**71.3**	**-21%**
Interim dividend per ordinary share (pence)	**43.24**	**42.60**	**+1.5%**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes.

Underlying operating costs

Year ended 31 March £m	2021	2020	Change (%)
Revenue	**1,808.0**	**1,859.3**	**-3%**
Employee costs	(161.8)	(161.4)	0%
Hired and contracted services	(96.3)	(96.5)	0%
Property rates	(89.4)	(75.9)	+18%
Power	(83.6)	(78.9)	+6%
Materials	(82.2)	(73.9)	+11%
Bad debts	(28.7)	(23.7)	+21%
Regulatory fees	(28.0)	(28.3)	-1%
Other expenses	(48.8)	(45.4)	+7%
	(618.8)	**(584.0)**	**+6%**
Infrastructure renewals expenditure (IRE)	(164.8)	(143.0)	+15%
Depreciation and amortisation	(422.3)	(400.2)	+6%
Total underlying operating expenses	**(1,205.9)**	**(1,127.2)**	**+7%**
Underlying operating profit	**602.1**	**732.1**	**-18%**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes.

Profit before tax reconciliation

Year ended 31 March £m	2021	Re-presented 2020	As reported 2020
Operating profit	602.1	630.3	630.3
Investment income and finance expense	(78.5)	(289.0)	(289.0)
Share of profits/(losses) of joint ventures	(9.3)	(38.1)	(38.1)
Profit on disposal of joint ventures	36.7	-	-
Reported profit before tax	**551.0**	**303.2**	**303.2**
Adjustments:			
Bioresources asset write down	-	82.6	82.6
COVID-19	-	56.2	56.2
Restructuring costs	-	-	11.8
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(54.3)	92.8	-
Net fair value losses on debt and derivative instruments	-	-	76.3
Interest on swaps and debt under fair value option	-	-	16.5
Net pension interest income	-	-	(14.0)
Capitalised borrowing costs	-	-	(40.6)
Profit on disposal of Tallinn joint venture	(36.7)	-	-
Underlying profit before tax	**460.0**	**534.8**	**492.0**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes and also showing prior year as reported.

Profit after tax reconciliation

Year ended 31 March £m	2021	Re-presented 2020	As reported 2020
Reported profit after tax	**453.4**	**106.8**	**106.8**
Adjustments:			
Bioresources asset write down	-	82.6	82.6
COVID-19	-	56.2	56.2
Restructuring costs	-	-	11.8
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(54.3)	92.8	-
Net fair value losses on debt and derivative instruments	-	-	76.3
Interest on swaps and debt under fair value option	-	-	16.5
Net pension interest income	-	-	(14.0)
Capitalised borrowing costs	-	-	(40.6)
Profit on disposal of Tallinn joint venture	(36.7)	-	-
Deferred tax adjustment	18.4	157.5	157.5
Agreement of prior years' tax matters	-	-	(12.2)
Tax in respect of adjustments to underlying profit before tax	2.2	(9.6)	(11.3)
Underlying profit after tax	**383.0**	**486.3**	**429.6**
Basic earnings per share (pence)	**66.5**	**15.7**	**15.7**
Underlying earnings per share (pence)	**56.2**	**71.3**	**63.0**

Underlying measures reflect the adoption of new definitions for alternative performance measures (APMs) with prior year numbers re-presented for comparative purposes and also showing prior year as reported.

Finance expense

Year ended 31 March £m	2021	2020
Investment income	25.0	24.0
Finance expense	(103.5)	(313.0)
	(78.5)	**(289.0)**
Less net fair value losses on debt and derivative instruments	(74.5)	76.3
Adjustments for interest on swaps and debt under fair value option	20.2	16.5
Adjustment for the allowance of expected credit losses on loans to joint ventures	-	5.0
Underlying net finance expense	**(132.8)**	**(191.2)**
Adjustment for net pension interest income	(17.5)	(14.0)
Adjustment for capitalised borrowing costs	(30.4)	(40.6)
Effective net finance expense	**(180.7)**	**(245.8)**
Average notional net debt	**7,315**	**7,136**
Average effective interest rate	**2.5%**	**3.4%**
Effective interest rate on index-linked debt	2.4%	3.8%
Effective interest rate on other debt	2.5%	3.0%

Finance expense: index-linked debt

Year ended £m	2021	2020
Interest on index-linked debt	(44.2)	(50.4)
RPI adjustment to index-linked debt principal – 3 month lag[1]	(35.9)	(72.7)
CPI adjustment to index-linked debt principal – 3 month lag[2]	(5.1)	(6.1)
RPI adjustment to index-linked debt principal – 8 month lag[3]	(12.9)	(21.4)
Finance expense on index-linked debt[4]	**(98.1)**	**(150.6)**
Interest on other debt (including fair value option debt and derivatives)	(82.6)	(95.2)
Effective net finance expense	**(180.7)**	**(245.8)**

[1] Affected by movement in RPI between January 2020 and January 2021
[2] Affected by movement in CPI between January 2020 and January 2021
[3] Affected by movement in RPI between July 2019 and July 2020
[4] Adjusted to overlay the impact of inflation swaps

Derivative analysis

At 31 March £m	2021	2020
Derivatives hedging debt	402.7	596.4
Derivatives hedging interest rates	(99.2)	(120.6)
Derivatives hedging commodity prices	6.5	(2.2)
Total derivative assets and liabilities	**310.0**	**473.6**

- Derivatives hedging debt; hedge our non index-linked debt into sterling, floating interest rate debt. Typically these are designated in fair value hedge accounting relationships.
- Derivatives hedging interest rates; the majority fix our sterling interest rate exposure on a 10 year rolling average basis. For the AMP6 regulatory period, this was supplemented by fixing substantially all remaining floating exposure across the future regulatory period around the time of the price control determination. A portion of these derivatives instead fix future real interest rates through inflation-linked swaps.
- Derivatives hedging commodity prices; fix a proportion of our future electricity prices in line with our policy.
- Derivatives hedging specific debt instruments are included within net debt to eliminate, to a certain extent, the fair value recognised in borrowings and thereby present a more representative net debt figure.
- Further details of our group hedging strategy can be found in the Group financial statements.

Statement of financial position

At £m	31 Mar 2021	31 Mar 2020	Change (%)
Property, plant and equipment	11,799.0	11,510.9	+3%
Retirement benefit surplus	689.0	754.1	-9%
Other non-current assets	267.9	332.9	-20%
Cash	744.1	528.1	+41%
Other current assets	254.4	300.2	-15%
Total derivative assets	424.7	617.9	-31%
Total assets	**14,179.1**	**14,044.1**	**+1%**
Gross borrowings	(8,451.8)	(8,363.1)	+1%
Other non-current liabilities	(2,247.8)	(2,223.8)	+1%
Other current liabilities	(333.8)	(350.8)	-5%
Total derivative liabilities	(114.7)	(144.3)	-21%
Total liabilities	**(11,148.1)**	**(11,082.0)**	**+1%**
TOTAL NET ASSETS	**3,031.0**	**2,962.1**	**+2%**
Share capital	499.8	499.8	0%
Share premium	2.9	2.9	0%
Retained earnings	2,192.0	2,122.7	+3%
Other reserves	336.3	336.7	0%
SHAREHOLDERS' EQUITY	**3,031.0**	**2,962.1**	**+2%**
NET DEBT[1]	**(7,305.8)**	**(7,226.7)**	**+1%**

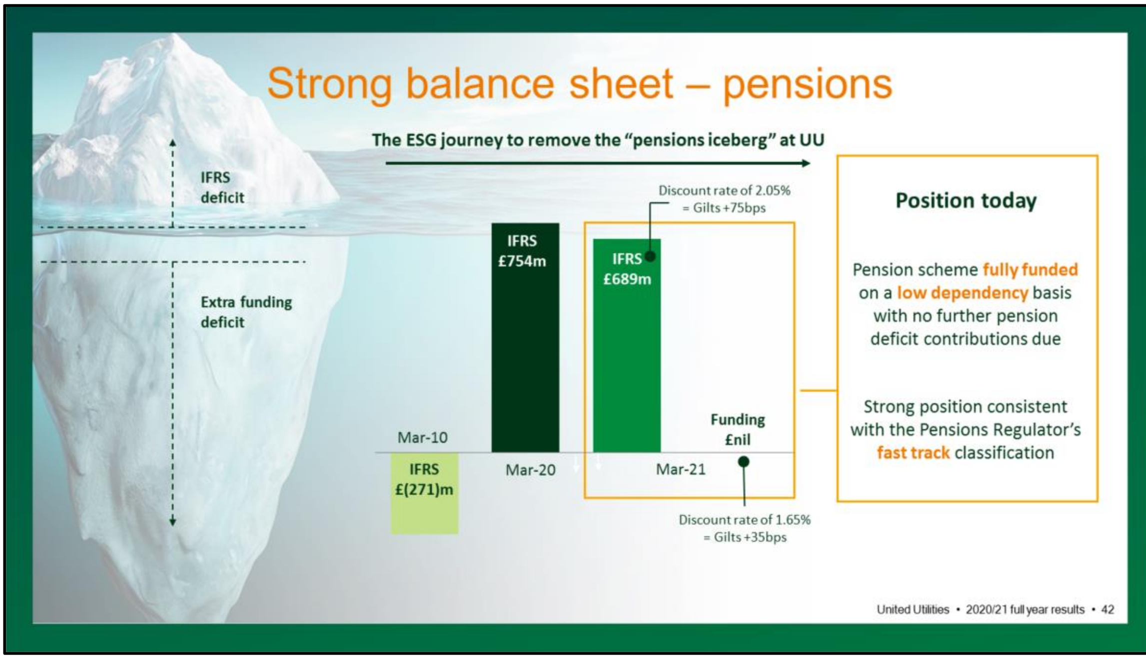
[1] Reconciliation of net debt included on the following slide

Reconciliation of net debt

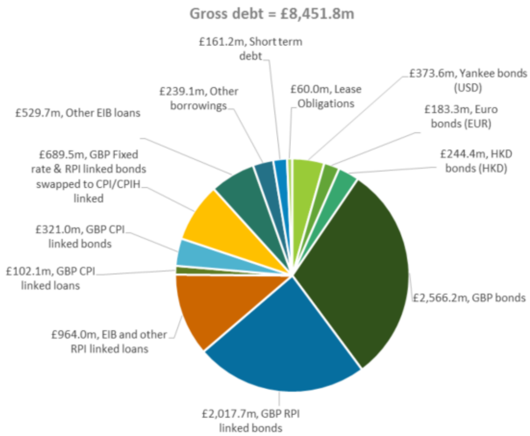
At £m	31 Mar 2021	31 Mar 2020
Cash	744.1	528.1
Total derivative assets	424.7	617.9
Gross borrowings	(8,451.8)	(8,363.1)
Total derivative liabilities	(114.7)	(144.3)
Net debt on previous definition	**(7,397.7)**	**(7,361.4)**
Exclude the fair value impact of:		
Interest rate derivatives fixing future nominal interest rates	84.6	120.6
Inflation derivatives fixing future real interest rates	13.8	11.9
Electricity derivatives fixing future electricity costs	(6.5)	2.2
Net debt on new definition	**(7,305.8)**	**(7,226.7)**

Household debtors reconciliation

As at £m	31 March 2021	31 March 2020
Household net debtors	77.6	77.5
Household accrued income	69.4	54.6
Non household net debtors	28.6	37.9
Other sundry net debtors	48.1	31.3
Total net debtors (including related parties)	**223.7**	**201.3**
Less related party debtors	(40.4)	(52.7)
Less total accrued income	(87.9)	(72.1)
Net debtors per UUW statutory accounts	**95.4**	**76.5**


Strong balance sheet – pensions
The ESG journey to remove the "pensions iceberg" at UU
IFRS deficit
Extra funding deficit
Mar-10
IFRS £(271)m
IFRS £754m
Mar-20
Discount rate of 2.05% = Gilts +75bps
IFRS £689m
Mar-21
Funding £nil
Discount rate of 1.65% = Gilts +35bps
Position today
Pension scheme fully funded on a low dependency basis with no further pension deficit contributions due
Strong position consistent with the Pensions Regulator's fast track classification
United Utilities • 2020/21 full year results • 42

Financing and liquidity



Headroom / prefunding = £806.2m

	£m
Cash and short-term deposits	744.1
Medium-term committed bank facilities[1]	700.0
Short-term debt	(161.2)
Term debt maturing within one year	(476.7)
Total headroom / prefunding	**806.2**

[1] Excludes £100m of facilities maturing within one year.

Debt structure

United Utilities Group PLC

United Utilities PLC
Baa1 stable; BBB- stable; A- stable[7]

Yankees:
- $400m in 28s

Other debt:
- Short-term loans £100m

United Utilities Water Limited
A3 stable; BBB+ stable; A- stable[7]
Ring-fenced and regulated by Ofwat

Euro MTNs:
- £375m in 22s
- £300m in 27s
- £50m in 32s[1]
- £200m in 35s
- £100m in 35s[1]
- £35m in 37s[1]
- £70m in 39s[1]
- £100m in 40s[1]
- £50m in 41s[1]
- £100m in 42s[1]
- £20m in 43s[1]
- £50m in 46s[1]
- £50m in 49s[1]
- £510m in 56s[1]
- £150m in 57s[1]

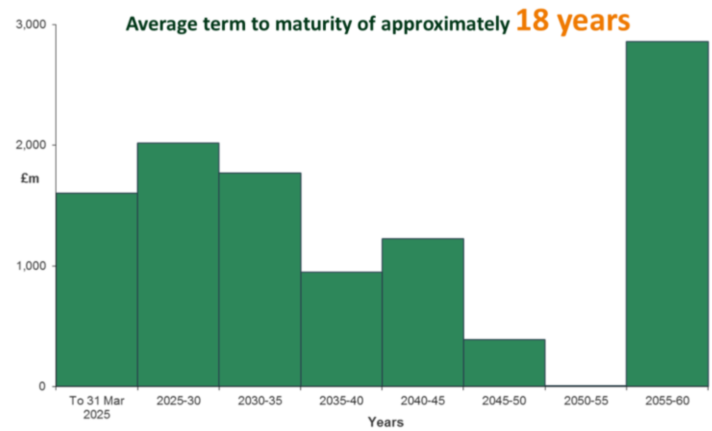
Other debt:
- EIB RPI-linked loans £517m[1]
- Other RPI-linked loans £300m[1]
- CPI-linked loans £100m[2]
- Other EIB loans £530m
- Short-term loans £51m
- ¥10bn dual currency loan
- Other sterling loans £126m

United Utilities Water Finance PLC[6]
Guaranteed by United Utilities Water Ltd

Euro MTNs:
- £450m in 25s
- £25m in 25s[1]
- HK$320m in 26s
- HK$739m in 26s
- €52m in 27s
- HK$830m in 27s
- £20m in 28s[1]
- £300m in 29s[2]
- £35m in 30s[1]
- €30m in 30s
- £425m in 31s[4]
- €30m in 31s
- HK$600m in 31s
- US$35m in 31s
- £38m in 31s[3]
- £20m in 31s[2]
- €28m in 32s
- €26m in 32s
- €30m in 33s
- £350m in 33s[5]
- £27m in 36s[3]
- £29m in 36s[3]
- £20m in 36s[2]
- £60m in 37s[2]
- £250m in 38s
- £125m in 40s[2]
- £300m in 42s
- £32m in 48s[2]
- £33m in 57s[2]

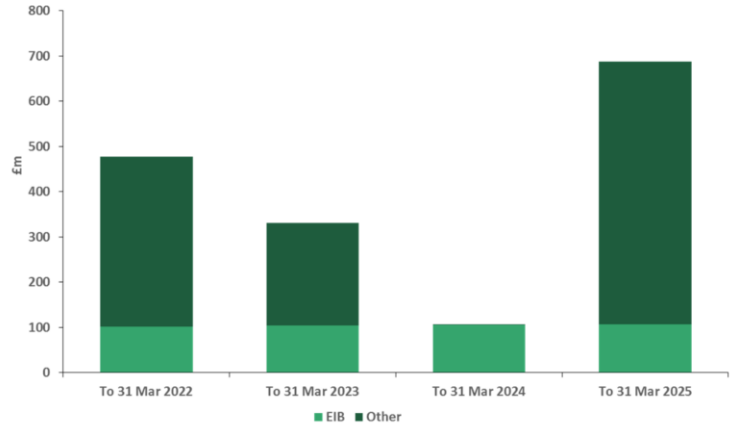
[1] RPI linked finance
[2] CPI linked finance / fixed rate finance subsequently swapped to CPI linked
[3] RPI linked finance subsequently swapped to CPI linked
[4] £100m and £75m fixed rate tranches of this bond have been swapped to CPI linked
[5] Two £50m fixed rate tranches of this bond have been swapped to CPI/CPIH linked
[6] United Utilities Water Finance PLC (UUWF) is a financing subsidiary of United Utilities Water Limited (UUW) established to issue new listed debt on behalf of UUW. Notes issued by UUWF are unconditionally and irrevocably guaranteed by UUW and are rated in line with UUW's credit ratings
[7] Senior unsecured debt ratings published by Moody's; Standard & Poor's; Fitch respectively

Term debt maturity profile



[1] Future repayments of index-linked debt include RPI/CPI/CPIH market derived forecasts out to 2025, subsequently transitioning to an average annual RPI rate of 3% and an average annual CPI/CPIH rate of 2%

AMP7 maturity profile

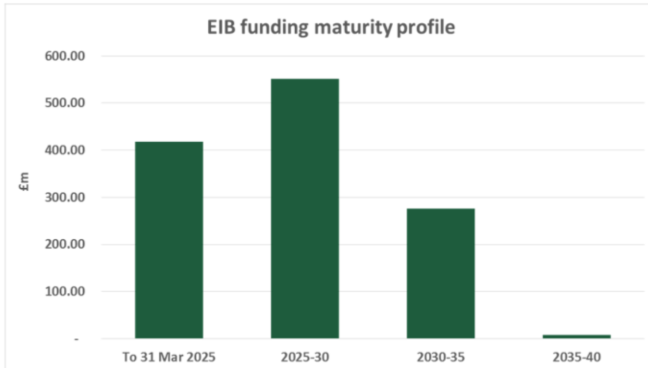


Notes

Future repayments of RPI linked debt include market derived forecasts out to 2025

Light green areas represent EIB debt maturing whereas dark green areas represent other debt maturing.

EIB funding maturity profile



Notes

Future repayments of EIB RPI linked debt include market derived forecasts out to 2025, subsequently transitioning to an average annual RPI rate of 3%