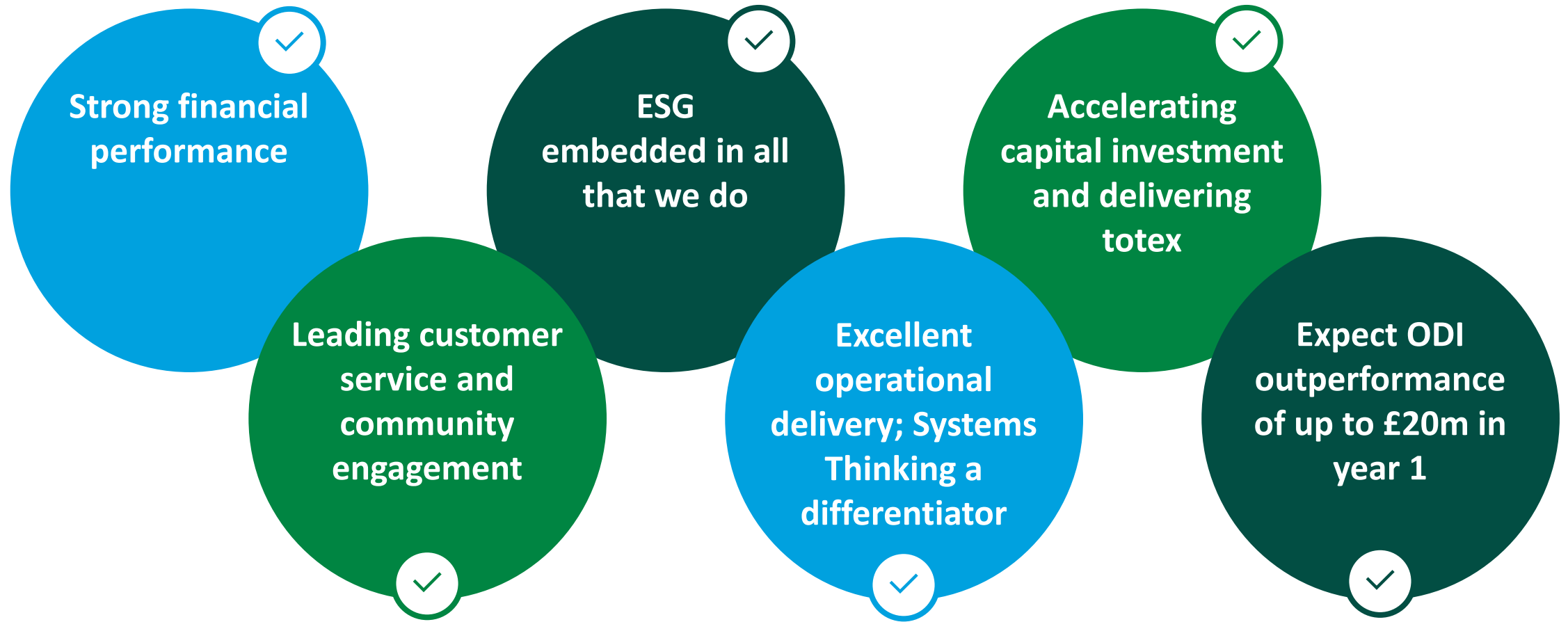


Capital Markets Day

3rd and 4th March 2021

Excellent performance in a challenging year



Agenda

**Financing
update and
ESG**

Phil Aspin

Chief Financial
Officer

**Delivering
value
through
totex**

Kevin Fowle

Commercial, Engineering
and Capital Delivery Director

**People,
retail and
ODI
performance**

Louise Beardmore

Customer Service and
People Director

**Operational
performance
driving
customer
ODIs**

Simon Chadwick

Water, Wastewater and
Digital Services Director

Financing update and ESG

Phil Aspin

Chief Financial Officer

Financial resilience

RCV gearing of
63%
at September 2020

A3 stable
credit rating with
Moody's

Fully funded
pension schemes on a
low dependency
basis

Low customer
debtor risk – only
£17m
aged >1yr at
March 2020

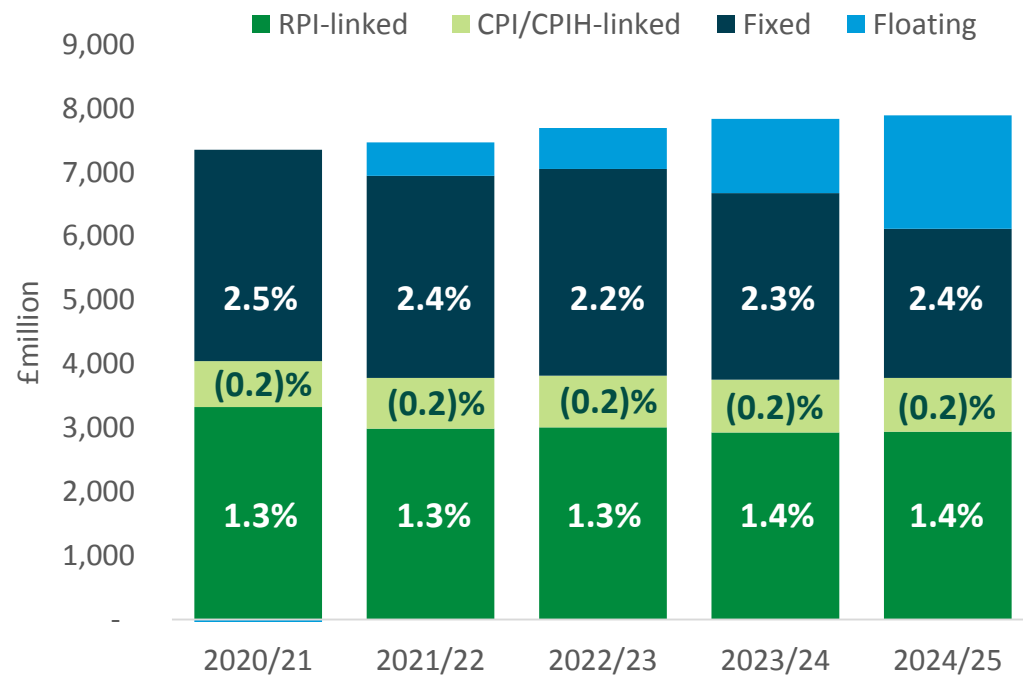
**Flexibility
and headroom**
through economic
cycles

Access to
efficient financing
driving
financing
outperformance

Delivered
>£500m financing
outperformance
in each of AMPs 5
and 6

Financing performance

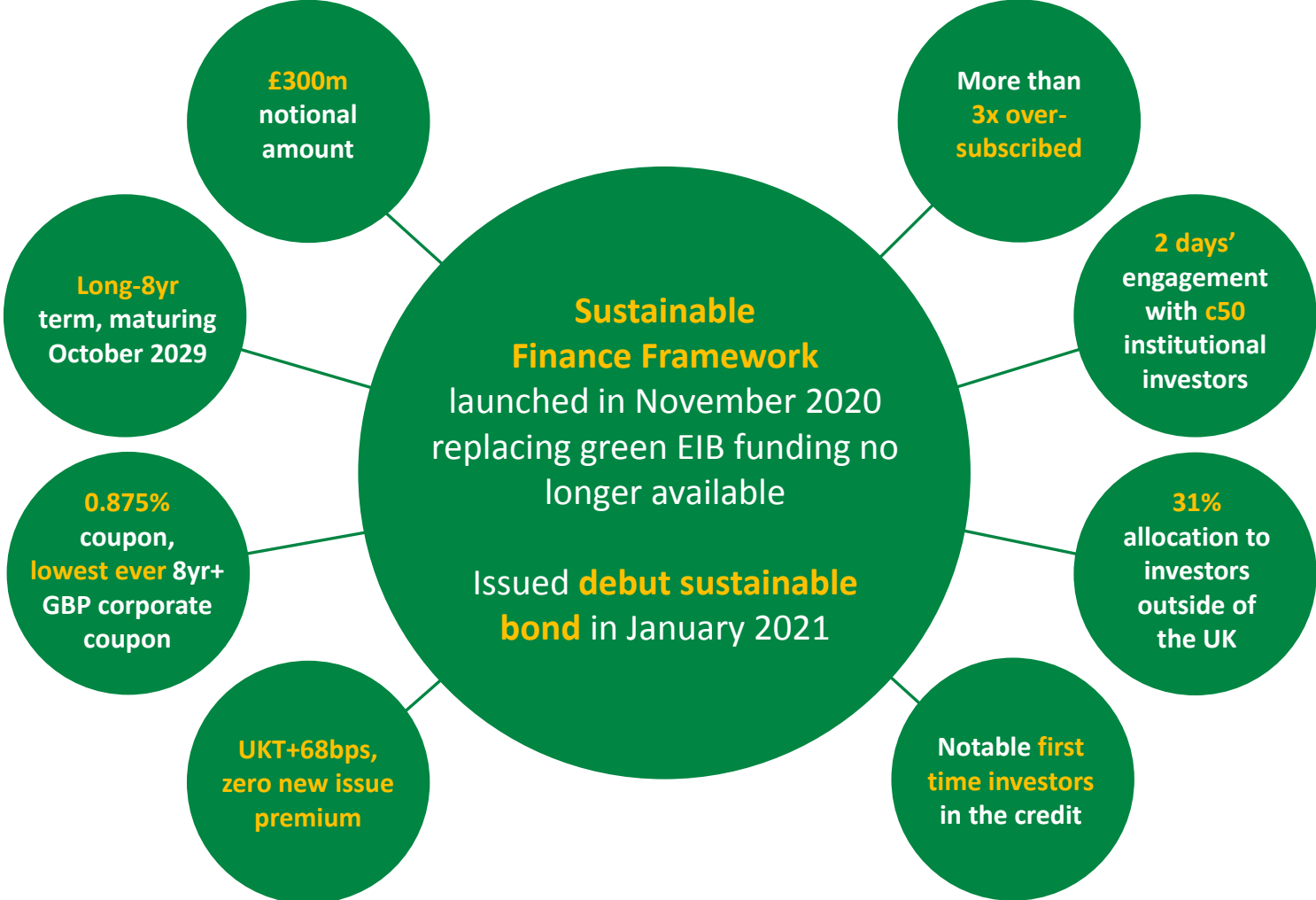
Existing debt locked in at rates favourable to the AMP7 allowed cost of embedded debt



The rates shown are real rates for the index-linked debt and nominal rates for the fixed rate debt. Floating rate debt will be progressively fixed in line with 10 year reducing balance hedging policy.

- **£2.4bn** financing to raise in AMP7
- **£600m** raised in H1 at attractive rates
- Liquidity extended out to **September 2022**
- Central bank stimulus **supportive**
- First **CPIH swap**
- Launched **sustainable finance framework** replacing green EIB funding

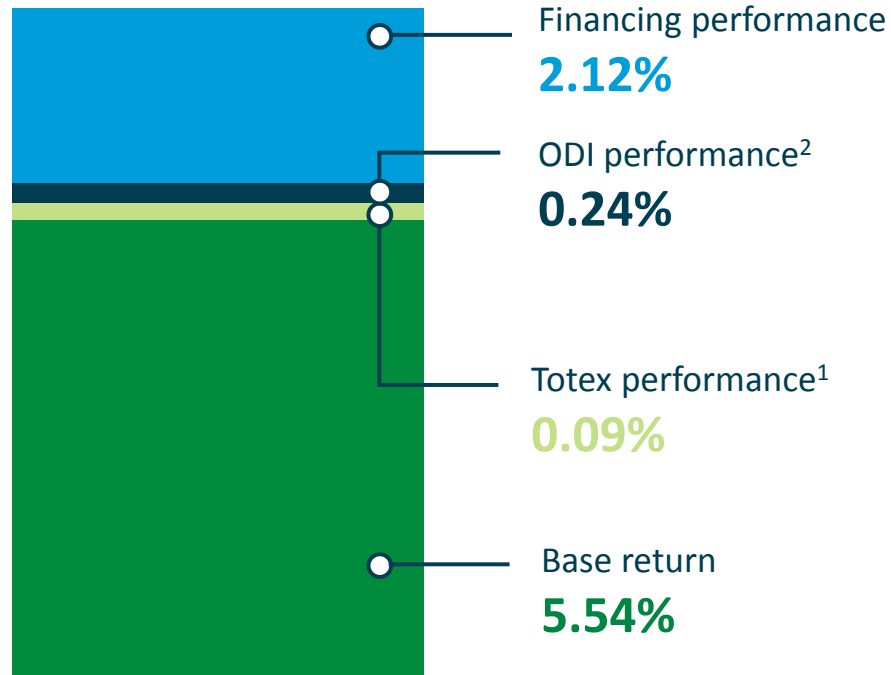
Sustainable financing based on strong ESG credentials



Reporting complexities require normalisation

1

Underlying AMP6 RoRE of **7.99%**
– **99bps** higher than reported RoRE



¹ Includes wholesale totex and retail cost performance

² Includes wholesale ODI and SIM performance

2

Definition of **net debt** to include or exclude derivatives – can impact calculation of **financing outperformance**

3

Alternative performance measures (APMs) – different presentations can impact **underlying earnings**

4

IAS19 allows for different assumptions for **pensions** – can impact **sum of the parts valuations**

Protecting and enhancing the environment

A top performer on EPA

Leading performance in minimising pollution in AMP6

On track for 4* industry leading status on the Environment Agency's environmental performance assessment for 2020

Sector leading catchment management

Led sector's approach to catchment management through SCaMP

Catchment Systems Thinking enhancing the region's natural capital

Overall performance

Zero serious pollution incidents in 2019 and 2020

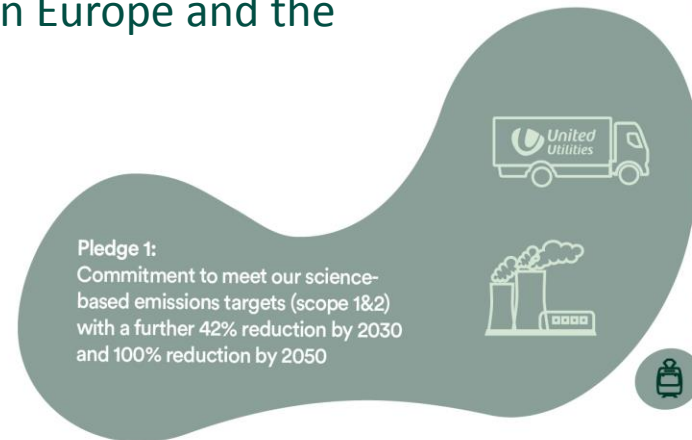
Industry leader with 90% self-reporting of pollution incidents in 2019

100% wastewater discharge compliance in 2020

Managing climate change

- **Reduced our carbon footprint by 73%** since 2005/06
- **Over 95% electricity from renewable sources**, rising to 100% in 2021
- Maintained our position in the **leadership category in the CDP Climate Change 2020 report**, making United Utilities a leader in Europe and the non-energy utilities sector
- **11th in the 2020 FTSE leaderboard of the Sustainability reporting performance report** published by EcoAct
- Backed the water sector's ambition to hit **net zero by 2030**

Future targets aligned to the Paris Agreement's more ambitious objective to limit global warming to 1.5degC above pre industrial levels



Pledge 2:
100% renewable electricity by 2021



Pledge 3:
100% Green Fleet by 2028



Pledge 4:
1000 hectares of peat restoration by 2030



Pledge 5:
Planting 1 million trees to create 550ha woodland by 2030



Pledge 6:
Commitment to set science-based scope 3 emissions target by 2021

Delivering for society – customers



£71m voluntary funding for financial assistance in AMP7

Helping **145,000** customers through financial support schemes

Increased eligibility for social tariff to help a further **45,000** customers

114,000 customers supported through Priority Services scheme

On track for **C-MeX reward**

Delivering for society – colleagues and communities



Responsible governance

Corporate governance

Annual compliance with UK Corporate Governance Code

Multiple winner of PwC Public Trust Reporting awards

£350m additional investment from AMP6 outperformance improving resilience and services

“World Class” on Dow Jones Sustainability Index for 14 consecutive years

Innovation

Industry leading approach / most embedded culture of innovation (Ofwat)

Three Innovation Labs launched to support, foster and work in partnership with innovators

31 teams taken part in CEO challenge

£445m expected savings from innovation between 2010-2025

Responsible finance

A3 credit rating with Moody's

63% gearing
(at 30 September 2020)

Secured Fair Tax Mark

Pensions scheme has achieved low dependency

Sustainable Finance Framework published

An investor guide to UU's ESG approach is available:

<https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-esg-booklet-2020.pdf>

Delivering value through totex

Kevin Fowlie

Commercial, Engineering and Capital Delivery Director

Asset planning

1. Monitor & respond

Accept the current level of risk, define and agree an appropriate level of monitoring. Develop a local contingency plan

2. Operational intervention

Review and enhance the current operational and maintenance interventions to maintain asset performance

3. Optimisation

Improve asset performance capability by reviewing operating parameters for the asset, site or wider system and optimise parameters to improve performance. This may also involve changing operational and maintenance regimes

4. Partnership

Collaborative investment shared or wholly provided through a third party with costs and benefits shared across all parties



5. Refurbishment

Major refurbishment of existing assets to prolong asset life and restore performance capability to original design

6. Replacement

Replace assets on a like for like basis, restoring the original performance capability. Should not require detailed design

7. New asset

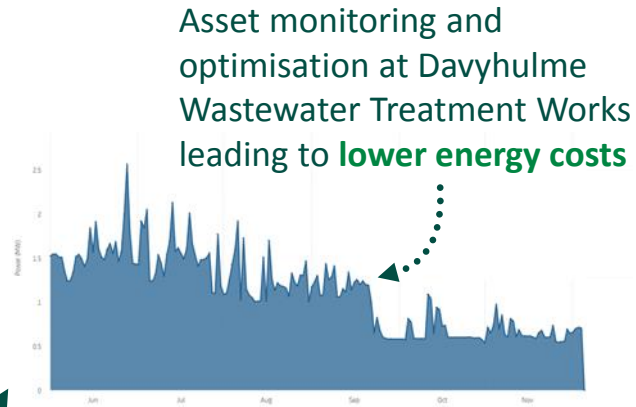
Capital investment on new or additional assets to meet performance standards, enhanced reliability or a more cost beneficial solution. This will require a design element

8. Integrated approach

Integrated solution across asset boundaries such as process network boundary, process bioresources or catchment level solutions. An integrated solution is a Systems Thinking response and could be a combination of any of the above solution types

Pervasive engineering driving value

Area deployed engineering teams engaged in all processes

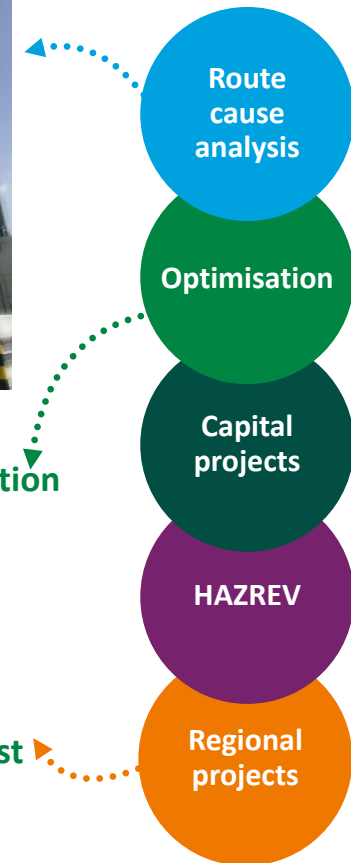


90% TCQI consistently above 90%; collaborating across the business to ensure projects are delivered on **time**, to **cost** and to the right **quality**



Process control changes driving **optimisation** and **compliance** benefits

Power clips installed at Herron Bridge to provide **real time energy usage**, allowing **optimised** pump selection and driving **cost savings**



Catchment Systems Thinking



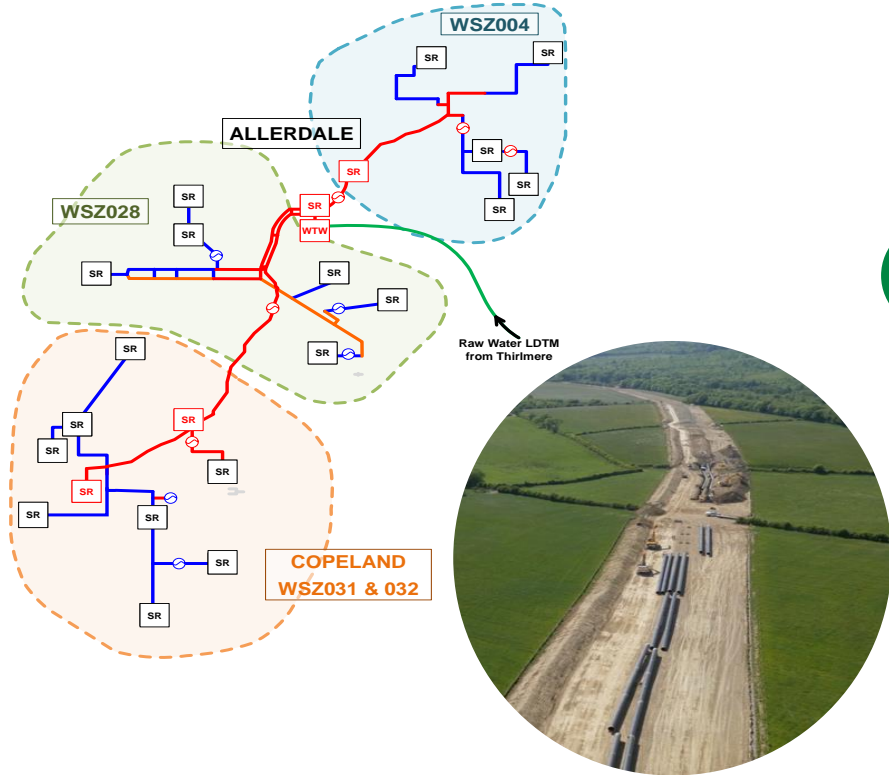
- Viewing the catchment as a **whole system** and managing it as one
- **Aligning water company interests with others:**
 - Communities
 - Businesses
 - Local authorities
- **Promoting partnerships** and delivering in a consistent way – the right intervention from the right organisation
- **Integrating catchment and asset solutions** to achieve the best results
- Maximising multiple benefits, **delivering more for less**

Innovation + Digital + Systems Thinking the showcase

The West Cumbria project is providing a new water supply to 150,000 customers

This major investment in a pipeline and new water treatment works is an ideal opportunity to establish a new benchmark for advanced operation of a water system

Key systems components



Digital Twin

System Visualiser

Predictive Analyser

System Optimiser

Types of benefits

Customer Service

Totex

ODI

Safety & Wellbeing

Risk & Resilience

Case study: Hallbank Tunnel replacement

Overview of the Haweswater Aqueduct:

- Delivers up to 570 million litres of water every day
- Serving up to 2 million customers
- 35% of United Utilities daily regional supply
- Consists of 35km raw water section and 110km treated water section
- Diameter of single pipe sections is 2.6m

Hallbank project:

- To relay 1.8km section tunnel and conduit of the Hallbank section of the Haweswater Aqueduct
- 2.5km of 4 x 1.6m diameter new steel pipes
 - Welded in 14m lengths
 - Buried up to 8m deep
 - Connections into the existing Haweswater Aqueduct



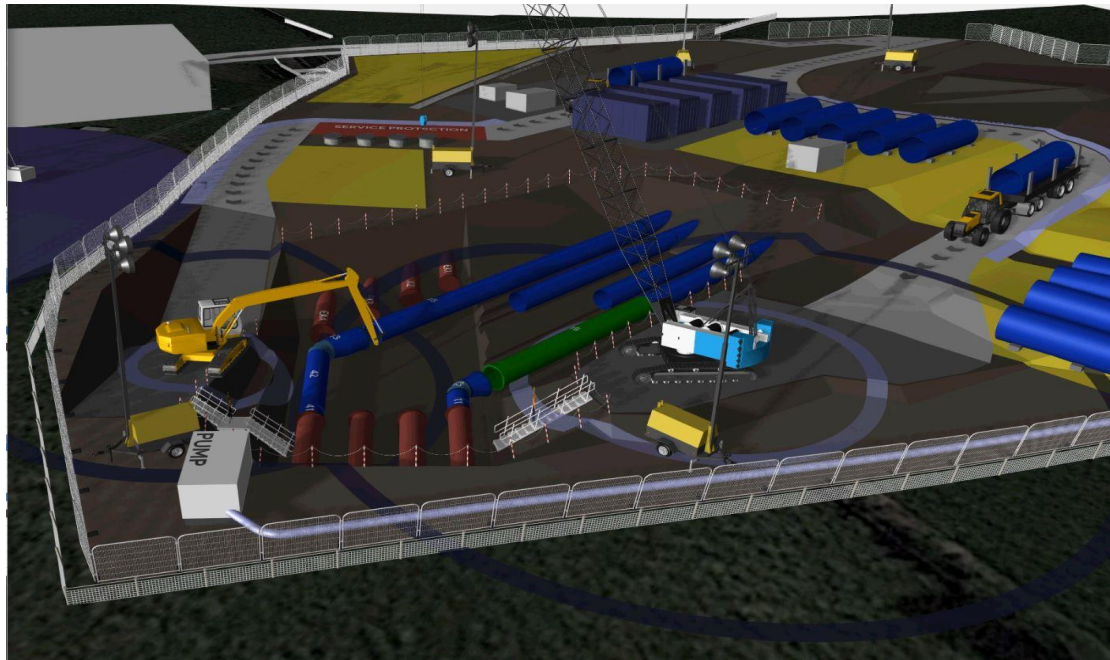
Technology and Innovation

Extensive use of 4D modelling to simulate the works

- Simulation of working practice
- Covid compliance, social distancing and methodology
- Construction activity and sequencing, (effectively built the asset in virtual reality)

Reduced construction window from 28 days to 7.5 days

Over 15,000 hours without a H&S incident



Innovation case study: NEREDA



A woman with dark, curly hair is shown in a kitchen setting. She is wearing a brown top and is looking down at a smartphone held in her right hand. In her left hand, she holds a white mug. The background shows a kitchen counter with various items like a kettle and a toaster, and white cabinets above. The overall lighting is soft and natural.

People, retail and ODI performance

Louise Beardmore

Customer Service and People Director

Fantastic engaged workforce delivering strong performance

UK High Performance Engagement levels

- UK high performance levels of employee engagement
- Glassdoor top 20 employer

United Utilities 84%
UK High Performance 84%
UK Average Norm 74%

Leading listed company in Statista Survey in the Financial Times for Diversity and Inclusion Leadership

- Placed 110 out of 15,000 companies across Europe
- The top ranking water company in UK
- 1 of only 5 Utilities across Europe to make top 150



Pay and Performance

- Worked with customers and shareholders to design and now launch new LTIP - 50% focused on ESG outcomes
- Living Wage Foundation accredited from 1st April 2021



Achieved inclusion in The Bloomberg Gender Equality Index

- Inclusion in the index demonstrates our commitment to gender equality and transparency
- Reflects a high level of disclosure and performance across five dimensions



Developing skills for now and the future



- Continued with all of our graduate and apprentice recruitment
- Now have 230 Apprentices and 36 Graduates on schemes
- Further 40 coming into the business in September



- Purpose built technical training academy for 7 years
- We are the only Ofsted registered facility in the sector – ‘Good’
- Means we maximise the Apprentice Levy and can respond quickly
- This year we are integrating our new Digital Skills Academy

Doing more for the North West



- Recognising challenges of the North West we were one of the first to sign up to the Government's KickStart programme
- Bringing in 250 young people who are not in education and claiming Universal Credit into employment
- An opportunity to extend



- Huge supporters of the Social Mobility Pledge taking a leading role in the North West bringing together over 150 businesses
- We have signed up as one of the companies supporting the 10,000 Black Interns programme to offer paid work experience

Brilliant performance in a challenging year

60% of colleagues
delivering from
home

Leading customer
service
performance
C-MeX and
D-MeX

1 million
customers now
utilising digital
channels

£15m Social
Tariff agreed;
145,000 customers
helped with
affordability
support

Best ever
ODI performance;
9/10 in reward
and 3 reputational
already
delivered

£24m of reward
already secured
for future years

Underlying
cash collection
is performing
well

Fantastic people delivering brilliant customer service

We are the only listed water company on track for positive rewards on both C-MeX and D-MeX with over £3.5m reward this year

C-MeX

4th out of 11 WASCs year to date;
firmly in reward

Perception satisfaction performed well over summer when satisfaction across the industry declined

Highest ranking of the listed companies

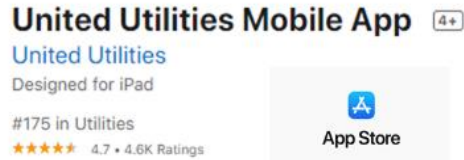
D-MeX

3rd out of 11 WASCs year to date;
firmly in reward

New team in place driving enhanced results

Consistent performance improvement with focus on customer segmentation and tailored service showing real results

Fantastic customer service delivery



Mobile App

4.7/5
App store from 5,096 reviews

4.3/5
Google Play from 1,211 votes

210,000 users

£15 million
cash this year alone



WOW's

Over **13,000**
this year

Over **50,000** since
we started

Google review **4.1**
out of five –
leading listed



Priority Services

Now have **114,000**
customers on our **Priority Services Register** achieving
our reputational ODI
commitment for this year

**Accredited to the BSI
Inclusive Service Standard
for Services for Vulnerable
Customers** – reputational
ODI commitment delivered



Service Mark Accreditation

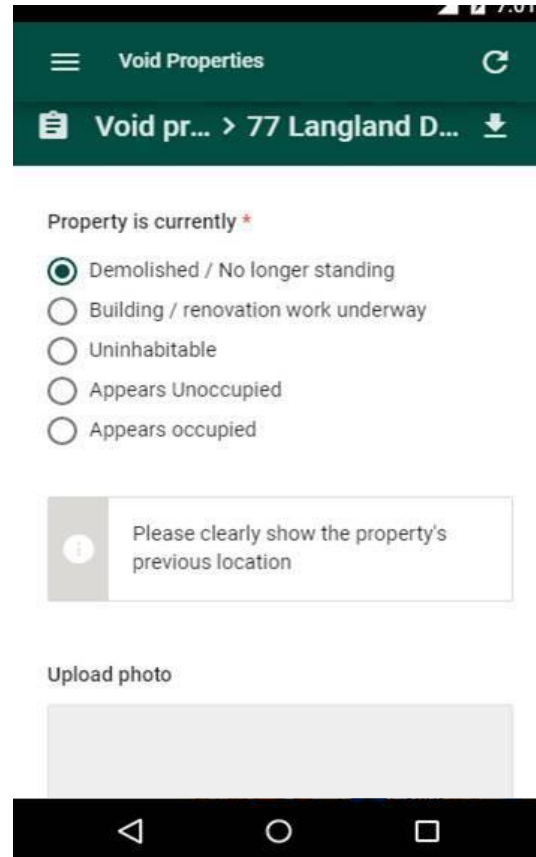
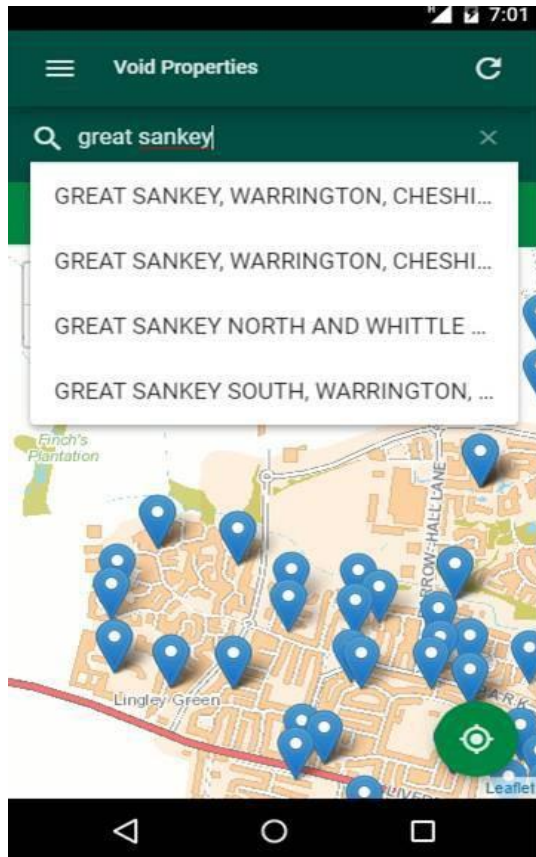
One of only 18
brands with Service
Mark with Distinction in
the UK

**Only UU and Wessex
Water achieved the
accreditation among all
UK utility companies**

13 ODI's	10 Reward/ Penalty based	9 out of 10 all in positive reward	✓
	3 reputational only	All 3 delivered	✓

ODI delivery

Voids



£41million maximum reward over AMP

Achieved full reward for year one of £3.9m

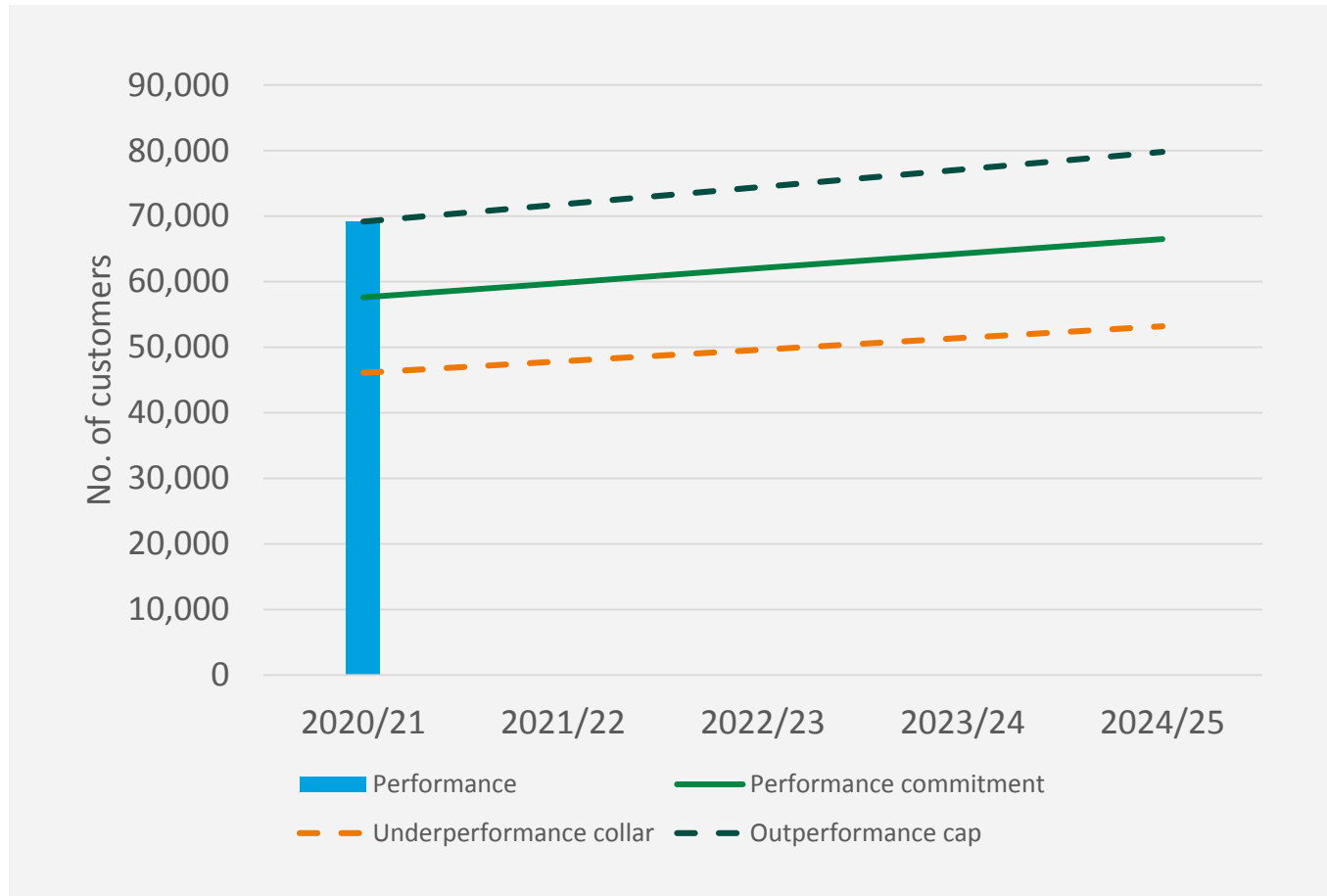
Already delivered a further £24m of future years benefits

- **Comprehensive data analytics capability** where we are verifying data against multiple indices to check for occupation
- **Developed an in house Void App** - enabling all our field teams to report status of void properties at touch of button; **gamified performance** driving real competition
- **£15,000 cost and delivered in four weeks**
- Maximum reward of **£3.9m this year**, and have delivered a further **£24m of future years benefits**
- Revenue, cost to serve benefits now visualising commercial premises

13 ODI's	10 Reward/ Penalty based	9 out of 10 all in positive reward	✓
	3 reputational only	All 3 delivered	✓

ODI delivery

Customers lifted out of water poverty



£13.65 million maximum reward over AMP

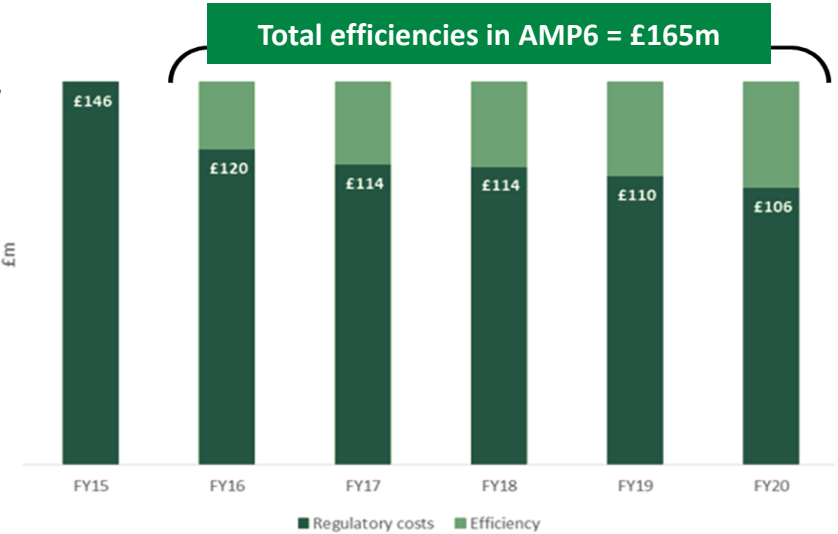
Will achieve full reward for year one of £2.5m

- **Bespoke ODI** linked to affordability support for customers
- Enable the full AMP reward; **80,000 customers** lifted out of water poverty by 2024/25
- **Data partnerships** with Equifax, TransUnion and the DWP pivotal in enabling delivery
- Continue to innovate in this space; the only water company to move into a full pilot with **Open Banking Capability**
- Could be pivotal in enabling us to **help more customers quickly** at a much **cheaper cost to serve**

Delivering further efficiencies in cost to serve

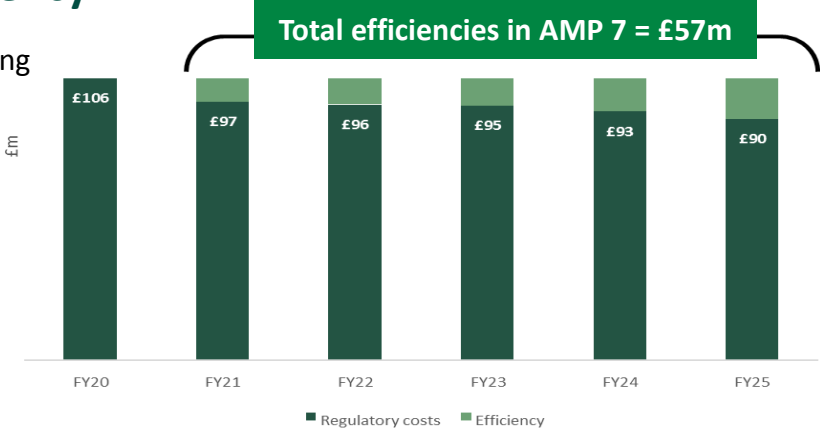
AMP6 Efficiency

Already delivered



AMP7 Efficiency

Delivering now



1
Increased digital delivery

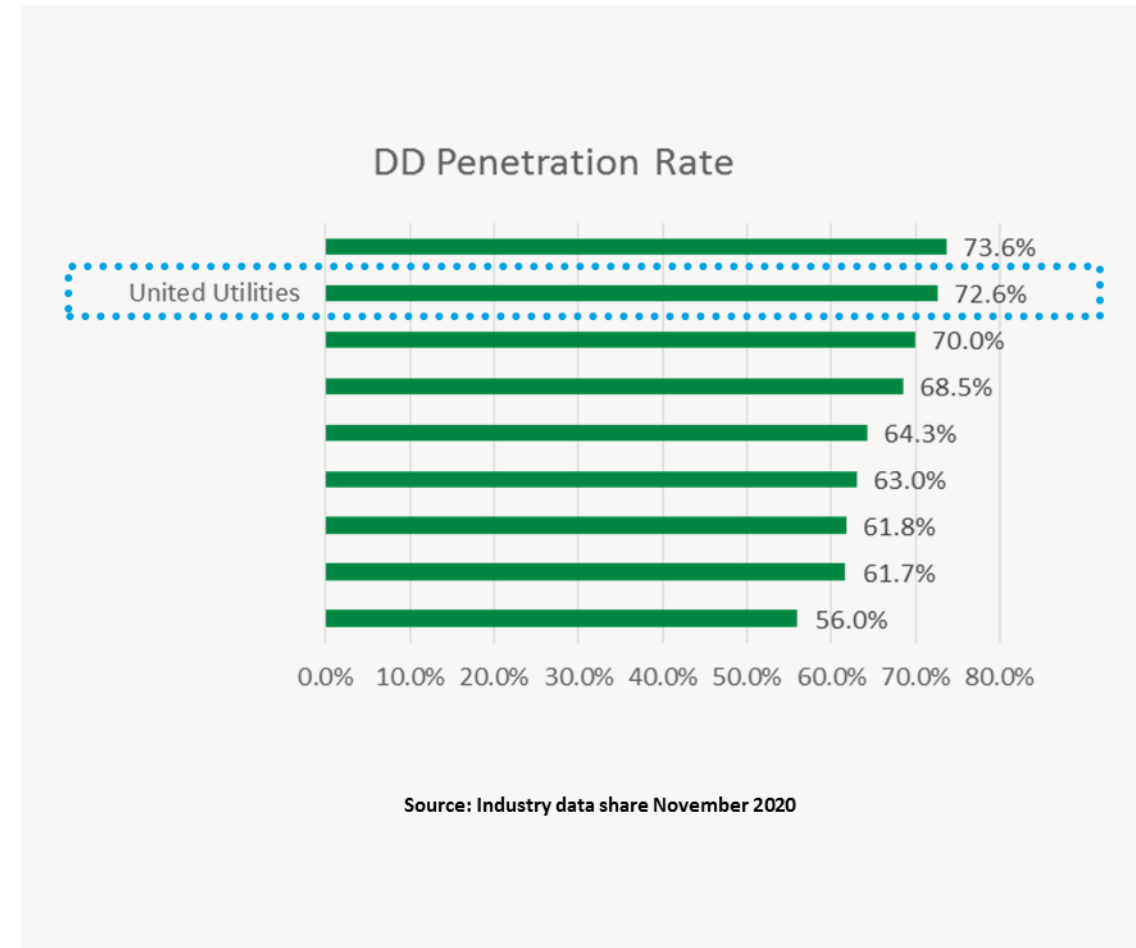
2
Metering capability

3
Robotic process automation

4
Data analytics and service segmentation

Encouraging cash performance in a challenging climate

- **Data led customer engagement strategy** enabling us to focus on high risk customers and customers with furlough status to target support
- **Benefiting from the new debt manager technology** delivered last year
- **Introduced additional data share partnership** TransUnion (we already do full data share with Equifax)
- **Number of customers on active payment plans increased to 83% of customer base;** leading Direct Debit penetration of listed water companies – security of cash
- **The only water company to secure additional social tariff of £15 million to support and additional 45,000 customers** at the start of Covid
- **Now supporting 145,000 customers with affordability support**
- **Underlying cash collection performance continues to perform well**
- **Uncertainty ahead Furlough unwinding and unemployment**



Invested in our credit capability – serves us well

Recognition of collections capability

Leveraging data

Segmenting and managing risk

Exploiting partnerships and technology



Best Vulnerable Customer Support Initiative – Covid-19
U&T Awards **WINNER** November 2020
Water Team of the Year
U&T Awards **Highly Commended** November 2020



Utilities & Telecoms Team of the Year
Best Use of Technology
Credit Awards **WINNER** November 2020



Credit Excellence Awards in Collections
Credit Excellence Awards **WINNER** June 2020



Consumer Team
Innovation & Technology
2020 CICM British Credit Awards **WINNER** February 2020



Water Team of the Year - Collections
Best Vulnerable Customer Support Team
Best Vulnerable Customer Support Initiative
Transformation Programme of the Year
U&T Awards **WINNER** October 2019



Achieved the **Quality Accreditation (CICMQ)** granted by *The Chartered Institute of Credit Management*



First and only water company to achieve this
Achieved Feb 2018; revalidated Jan 2021

These awards recognise excellence across the utility and credit industries and reward organisations that have achieved outstanding performance in the last year. To win or to be shortlisted shows we have reached the very highest standards, as judged by panels of leading independent experts

Operational performance driving customer ODIs

Simon Chadwick

Water, Wastewater and Digital Services Director

Year 1 AMP7 operational performance headlines

54%
reduction in water supply interruptions

Lowest ever level of leakage

35%
reduction in environmental pollution incidents

4 star
("industry leading company") Environment Agency performance rating forecasted for 2020

23%
improvement in water compliance risk index (CRI)

94%
improvement in water event risk index (ERI)

100%
wastewater treatment works compliance; best in sector performance

Zero
serious pollution incidents for two consecutive years; best in sector performance

▲ Denotes measures that are included or have elements that directly contribute to one or more common ODIs in AMP7

Note: All data is provisional and subject to final signoff with the relevant regulators

Case study – Sewer flooding

In AMP7 we have a basket of four customer ODIs for sewer flooding. We are forecasting a positive overall flooding outcome for AMP7 through our work to protect customers from the risk of flooding

Flooding ODIs	5 year reward range (£m)	5 year penalty range (£m)	Year 1 forecast (£m)	Commentary
1. Internal flooding incidents	-35.0	-61.3	-7.2	<i>Measures actual number of flooding incidents at properties</i>
2. External flooding incidents	1.1	-30.9	1.1	
3. Internal flood risk resilience	45.9	-40.7	7.5	<i>Totex investment schemes that remove future risk of flooding at specific properties</i>
4. External flood risk resilience	21.2	-20.6	3.1	
TOTAL	33.3	-153.5	4.5	

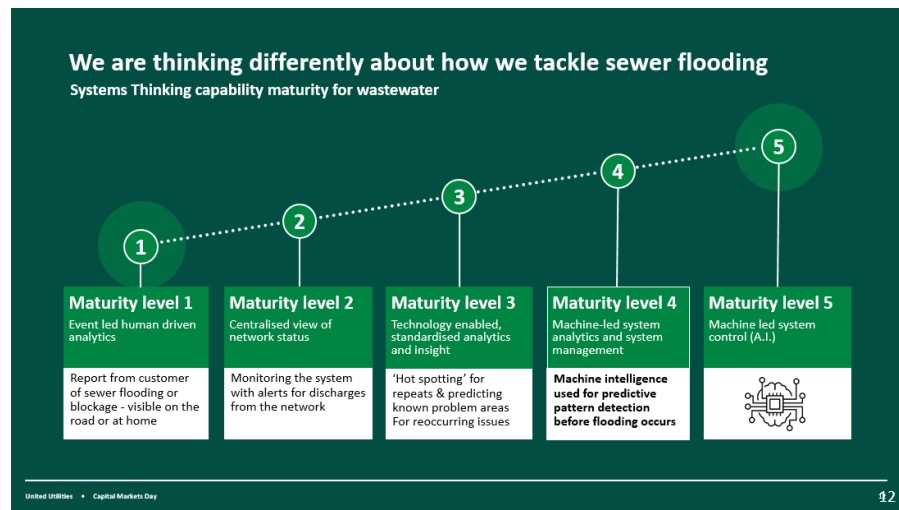


Image taken from UU capital markets day presentation (March 2020)

Dynamic Network Management (DNM)

To deliver further service improvements for customers we have commenced the rollout of the world's most advanced implementation of System Thinking – what we call 'Wastewater Dynamic Network Management'. This will fundamentally transform how we operate the wastewater network.

At the Capital Markets Day in 2020 we were able to share the concept behind this approach. Today we can reveal exciting progress on DNM; the scale of change, the level of technology exploitation and the significant customer benefits.

Case study – Sewer flooding

Dynamic Network Management (DNM)

What is DNM?

This is the most advanced implementation of Systems Thinking in the water sector

Uniquely, this is a fully integrated & connected system view, optimising the whole system performance in a predictive and preventative way

State of the art sensors



Cloud aggregation



Predictive System A.I.

What is the progress so far?

Installing 16,000 sensors - first 800 already operational

A.I. now ingesting data and identifying predictive alerts

Covers the key 54 drainage areas (79% of UU customers)

What are the benefits?

The first phase of testing and development has demonstrated that a machine operated and fully integrated digital wastewater network system can predict and prevent issues

This results in a forecast improvement across five customer ODIs. These benefits are in addition to the AMP7 improvement plans already underway for each customer ODI

Internal Sewer Flooding ODI (Common)

+22%

Pollution ODI (Common)

+20%

Sewer Collapses ODI (Common)

+6%

External Sewer Flooding ODI (Bespoke)

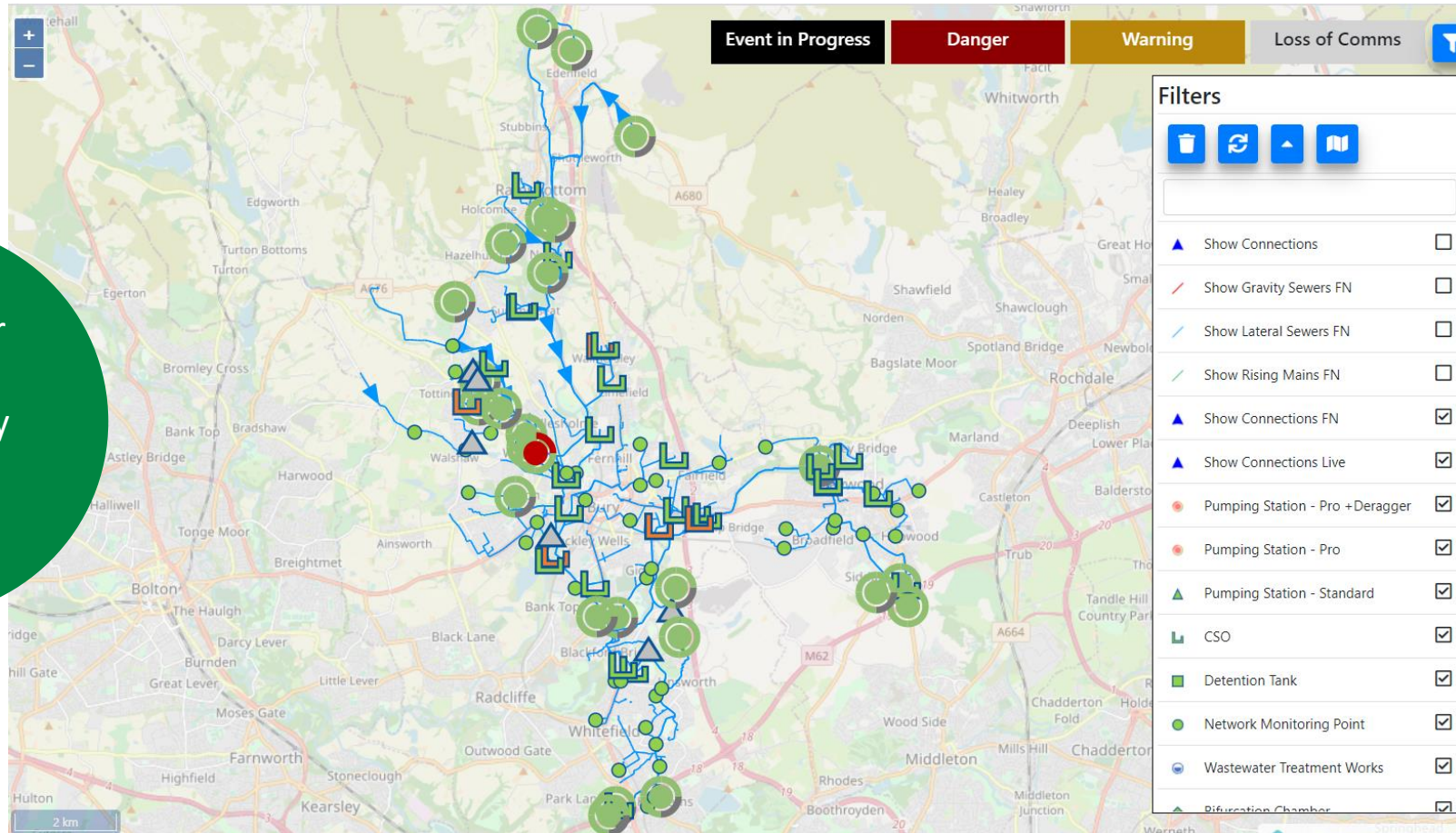
+13%

Sewer Blockage ODI (Bespoke)

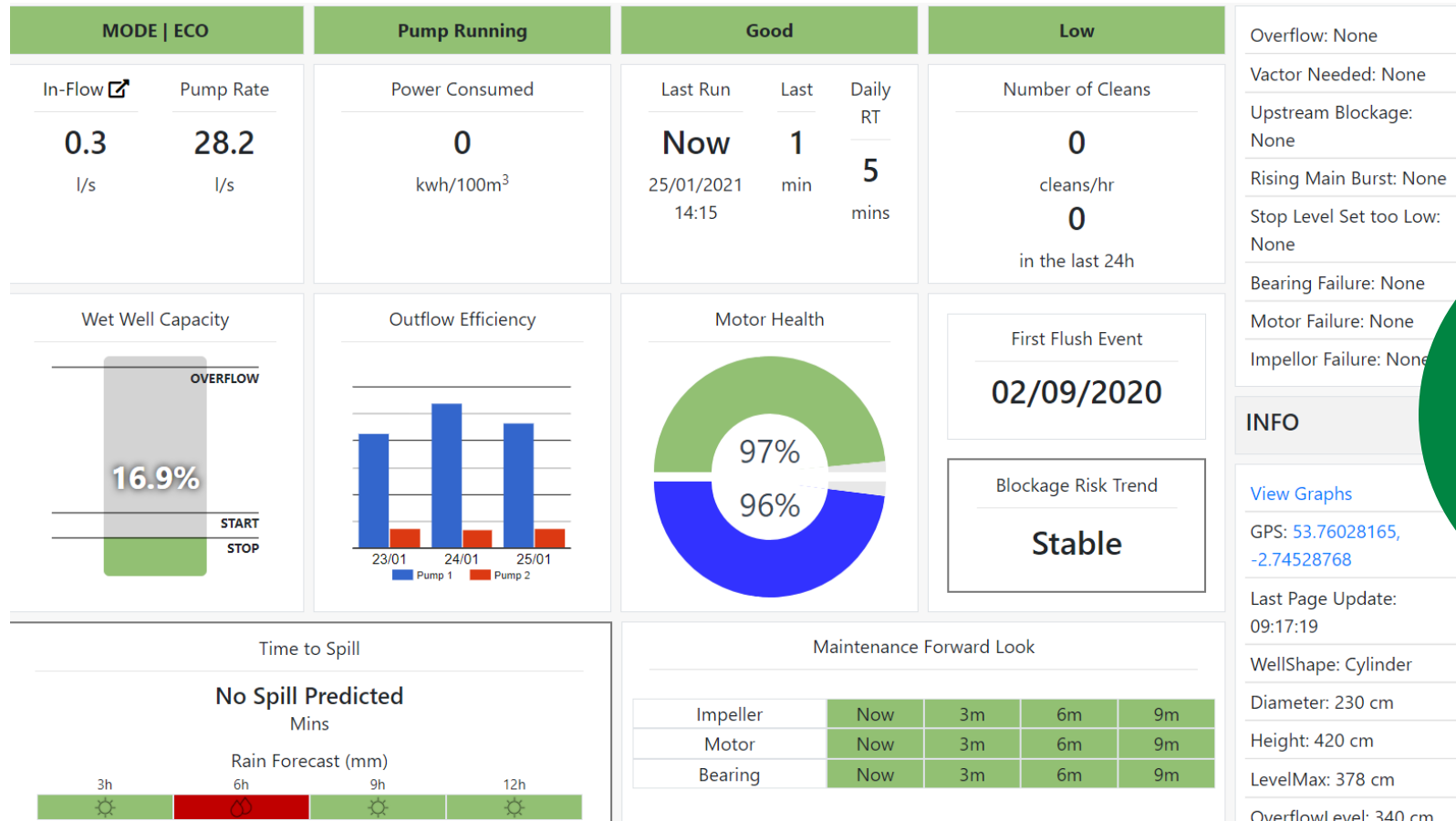
+11%

DNM local system visualisation

Wastewater
System
Connectivity
and Status
view



DNM pumping station dashboard

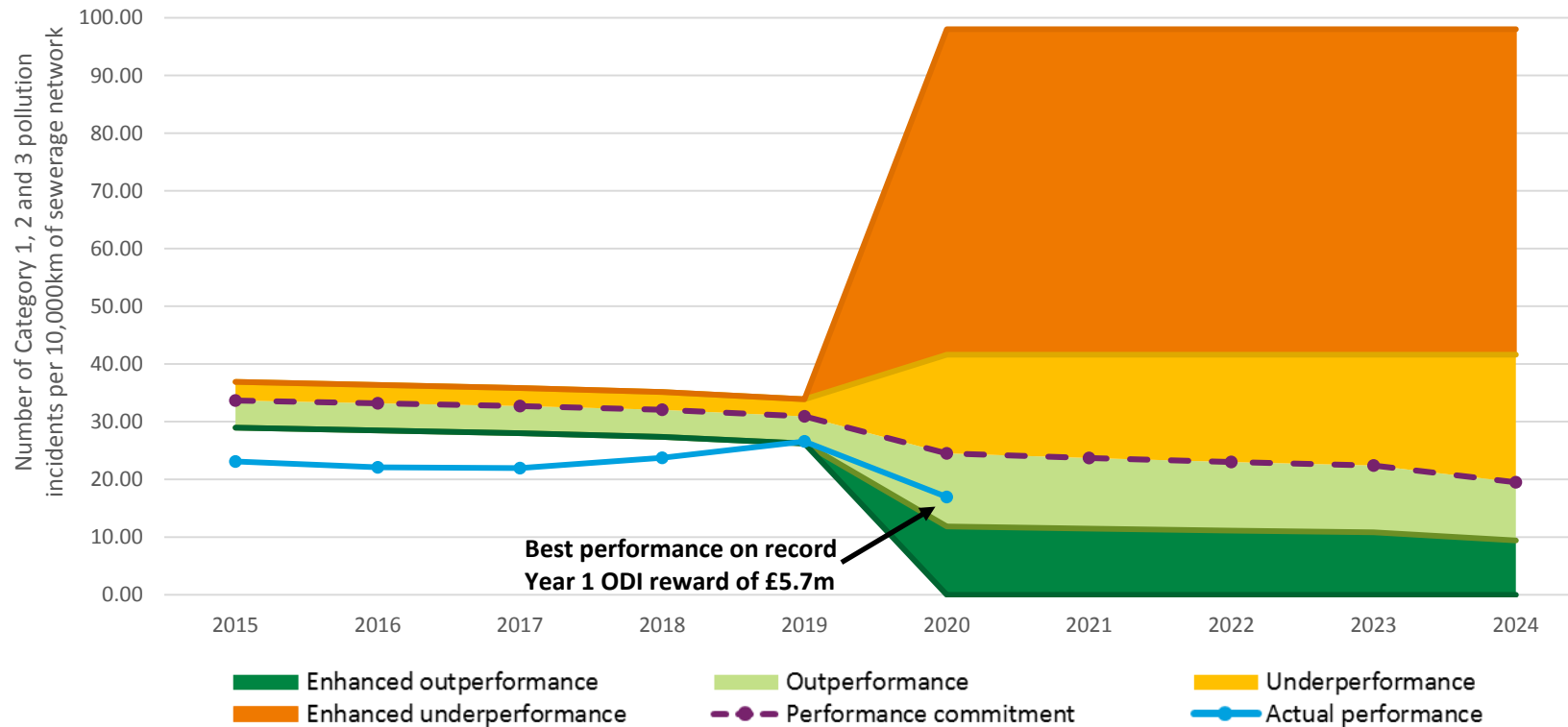


Actual and predicted performance

Case study – Pollution

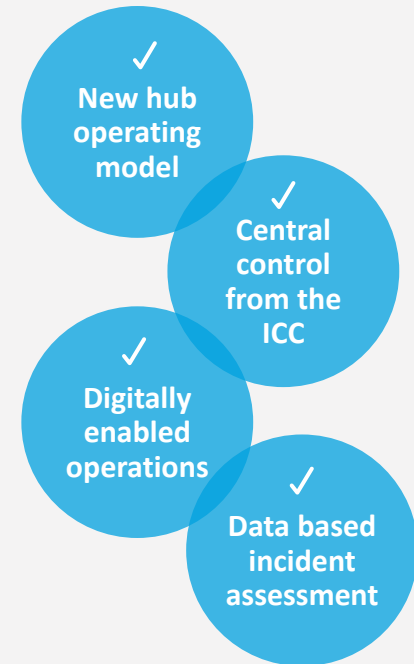
An important measure for customers and for the environment. There is a new structure for the customer ODI for pollution for AMP7. In the last 12 months we have delivered a **35%** improvement in performance, establishing further opportunities for years 2-5 of AMP7

Pollution Performance and ODI Structure in AMP6 & AMP7



Note: 2020 data is provisional and subject to final signoff

Delivered through Systems Thinking



Track record of digital transformation

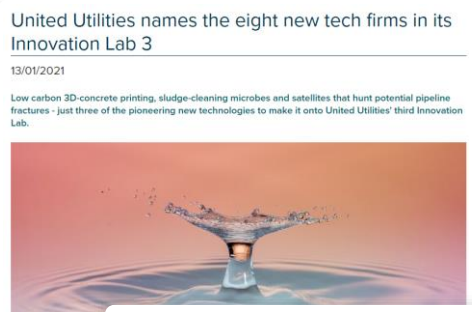
Industry leading innovation capability

Systems Thinking competitive advantage

8 Machine Intelligences Created (AI)

16 custom mobile apps delivering operational performance

Robots now account for 1% of the UU workforce



'Exactly the sort of innovation water companies need to be embracing': Battery storage system installed at Preston plant



Customer ODI guidance

Following the continued focus on improving service to customers, guidance for year 1 customer ODI performance updated to a net reward of up to £20 million

Key ODIs driving current year performance

Year 1 forecast performance range (P10/P90)



Current forecast performance is subject to change dependent upon performance