

United Utilities Group PLC
27 March 2018

UNITED UTILITIES TRADING UPDATE

Current trading is in line with the group's expectations for the year ending 31 March 2018.

Delivering our strategy for AMP6

We have delivered further improvements in customer satisfaction over the year and a step change in performance since the start of AMP6. This has been achieved through a strong customer focus, combining higher levels of investment to improve resilience, greater use of technology to deliver better customer service and our leading approach to supporting vulnerable customers.

This is reflected in our Service Incentive Mechanism (SIM) performance for which we have achieved our best ever score this year against Ofwat's qualitative SIM measure, positioning the company first in the final wave and achieving an upper quartile position for the year overall.

This performance is mirrored across other customer satisfaction metrics including an upper quartile performance in the UK Customer Satisfaction Index covering all industries and we are the leading listed company for the Consumer Council for Water's customer satisfaction research.

In January, we hosted the first ever North West Affordability summit, engaging with many of our stakeholders including customers and building on our already leading position on affordability and vulnerability.

Our continued leading environmental performance is reflected in our 'Industry Leading Company' status as measured through the Environment Agency's annual assessment. We are one of only two companies to achieve this.

Preparations for AMP7

We are advanced in our plans for PR19, informed by extensive engagement with customers regarding their needs and priorities. We are on track to submit our PR19 business plan in September 2018 and we are confident that it will deliver against Ofwat's four key themes; great customer service, affordable bills, innovation and resilience. These are not new for us in the way that we run our business and have been areas of focus for us for some time. Indeed, in many of these areas we are a leader in the industry and already have plans in place to build on this in AMP7 and beyond.

Financials

Our innovative Systems Thinking approach continues to drive sustainable operational improvements in service delivery, resilience and Totex efficiencies. We maintain our existing guidance on capital expenditure and Outcome Delivery Incentives (ODIs).

Group revenue is expected to be slightly higher than last year, reflecting our allowed regulatory revenue changes, partly offset by the accounting impact of our Water Plus business retail joint venture, which completed on 1 June 2016.

Underlying operating profit for 2017/18 is expected to be moderately higher than 2016/17. Infrastructure renewals expenditure (IRE) has increased slightly in the second half of the year, although full year IRE for 2017/18 is expected to be similar to last year.

RPI inflation has increased this year which is expected to increase the company's regulatory capital value (RCV) by around £400 million. Since United Utilities is well hedged for inflation, there is also an impact of higher RPI inflation on our index-linked debt and we expect the underlying net finance expense for 2017/18 to be around £40 million higher than last year.

As the company continues to invest in its asset base, we expect a small increase in group net debt at 31 March 2018 compared with the position as at 30 September 2017.

Our responsible approach to financial risk management continues to deliver benefits including a strong balance sheet, a stable IFRS pension surplus and gearing comfortably within our target range of 55% to 65% net debt to RCV, supporting a solid A3 credit rating for United Utilities Water with Moody's.

Full year results

We will announce our 2017/18 full year results on 24 May 2018.

United Utilities contacts:

Gaynor Kenyon, Corporate Affairs Director	+44 (0) 7753 622282
Robert Lee, Head of Investor Relations	+44 (0) 1925 237033
Peter Hewer, Tulchan Communications	+44 (0) 20 7353 4200

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