

United Utilities Water Limited

Fitch Ratings expects United Utilities Water Limited (UUV) and United Utilities PLC's (UU) financial profiles to remain commensurate with their current ratings for the price control period ending March 2025 (AMP7), supported by strong performance in the first two years of AMP7.

UUV met or exceeded 78% of its performance commitments in the financial year ending March 2022 (FY22), earning net outcome delivery incentives (ODI) rewards of GBP25 million. UU has revised its five-year ODI guidance to GBP200 million net reward over AMP7 from GBP150 million. The rating also considers UUV's strong record of outperforming the cost of debt allowance due to the low cost of debt embedded in the company's debt structure.

Key Rating Drivers

Higher Gearing on Increased Spend: Fitch expects UUV's net debt/shadow regulatory capital value (RCV) to increase to around 63.2% by end-AMP7, still leaving adequate rating headroom under our negative sensitivity of 67%, following UU's announcement that it would increase its AMP7 total expenditure (totex) by GBP765 million above its baseline allowance (incremental increase of GBP400 million from 2021).

Investments to Benefit Gearing Later: The expected value creation from these additional investments will be realised in AMP7 and AMP8, and is therefore not fully reflected in our forecast gearing of 63.2%. We only include carried forward values to AMP8, which we believe are highly certain (below UUV's expectations). Fitch expects these assumptions to improve headroom under net debt/shadow RCV at FYE25.

Credit Ratios Within Guidelines: We expect average cash and nominal post-maintenance interest coverage ratios (PMICR) at about 2.5x and 2.6x, respectively, over AMP7. Both credit metrics are commensurate with our rating sensitivities. In addition, we assume that group treasury arrangements will remain and therefore expect UU's net gearing to be below its negative sensitivity of 63% in AMP7.

Totex Overspend Expected: UUV expects to overspend totex above Ofwat's final determination allowance by around GBP765 million (2017-2018 prices) to accelerate environmental and customer outcomes. These investments, which are within our expectations, are aimed at improving service for customers (GBP250 million), environmental improvements (GBP250 million), and increasing base allowances (GBP265 million) mainly related to Water Industry National Environment Programme schemes and green recovery.

Investment to Improve Customer Service: Fitch expects additional totex of GBP250 million to largely improve performance in sewer flooding and water quality, both below Ofwat's target. UUV aims to invest a further GBP100 million to reduce sewer flooding and pollution incidents using a network of sensors to enable proactive maintenance before an incident occurs through predictive and preventative optimisation.

An additional GBP100 million investment is aimed at improving drinking water quality by targeting improvements in taste, smell and appearance.

Reducing Storm Overflows: UUV aims to apply an additional GBP250 million totex to improve environmental outcomes, targeting one-third sustainable reduction in the number of spills recorded from storm overflows between 2020 and 2025.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Stable	Affirmed 21 Sep 22
Senior Unsecured	A-	Stable	Affirmed 21 Sep 22

[Click here for full list of ratings](#)

Applicable Criteria

[Corporate Rating Criteria \(October 2021\)](#)

[Sector Navigators: Addendum to the Corporate Rating Criteria \(July 2022\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(December 2021\)](#)

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Sewer Flooding Biggest Challenge: Fitch expects internal sewer flooding to remain U UW's most challenging performance commitment for AMP7. U UW recorded internal flooding incidents of 2.98 against a target of 1.63 per 10,000 connections.

ODI Rewards Expected: U UW achieved strong FY22 performance with net ODI rewards of GBP25 million, driven by affordability and vulnerability assistance, fewer pollution incidents and improved customer experience (C-Mex). Based on the additional totex and FY22 results, we have revised our ODI forecast upwards to around GBP84 million of net cash ODI rewards over AMP7.

This is driven by forecast net rewards in its bespoke ODIs such as hydraulic flood-risk resilience, voids and customers lifted out of water poverty. These net rewards more than offset forecast penalties in internal sewer flooding, water-quality complaints due to taste, smell and appearance, and higher per capita consumption.

Financial Policy: Under its dividend policy United Utilities Group PLC expects to increase dividend distribution in line with CPIH over AMP7, while maintaining its commitment to its target gearing of 55%-65%.

Fitch anticipates a material increase in dividends from U UW (opco) to UU (holdco) and ultimately UU Group PLC, especially at the tail-end of AMP7, driven by expected outperformance. If dividends at UU exceed our expectations and result in UU's net gearing rising above our negative sensitivity of 63%, we would consider a downgrade of UU.

Ratings Aligned: UU and U UW's Long-Term IDRs are equalised at 'BBB+', instead of a typical one-notch difference between the opco and the holdco for structural subordination and regulatory ring-fencing provisions. The equalisation reflects Fitch's assumption that group treasury arrangements will remain similar to those in AMP6 and therefore our expectation that the holdco's net gearing will remain significantly below that of the opco over the remainder of AMP7.

Financial Summary

United Utilities Water Limited

(GBPm)	Mar 20	Mar 21	Mar 22	Mar 23F	Mar 24F
Net debt to RCV (%)	66.4	65.3	64.4	63.7	61.2
Cash PMICR (x)	3.3	2.8	2.9	3.1	1.9
Nominal PMICR (x)	3.2	2.6	2.8	2.9	2.5

F - Forecast.

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

U UW's ratings reflect adequate credit metrics and improving regulatory and operational performance.

The closest peer is Wessex Water Services Limited (BBB/Stable). U UW's rating sensitivities are tighter than Wessex Water's, reflecting U UW's one-notch higher rating. In addition, the 'A-' senior unsecured rating benefits from a one-notch uplift from the IDR due to regulated cash flows, which in our view would warrant above-average creditor recoveries upon default.

UU's rating remains aligned with the rating of its opco U UW, given the group's treasury arrangements and our expectations that UU's leverage will remain lower than that of the opco.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating

Action/Upgrade:

- A sustained reduction in UUW's gearing to below 62%
- Cash PMICR above 1.9x and nominal PMICR above 2.0x at UUW on a sustained basis
- Sustained top-quartile regulatory performance

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade:

- Gearing above 67% at UUW, which could have a negative impact on both UUW and UU's ratings
- Cash PMICR below 1.6x and nominal PMICR below 1.8x at UUW on a sustained basis
- Further adverse regulatory decisions that may materially affect cash flow generation
- An ambitious dividend policy for AMP7 leading to an increase in group gearing with a resulting adverse impact on UU and UUW's financial metrics
- Additional debt raising by UU, which could be negative for its ratings, or changes to the group treasury arrangements leading to UU's net gearing increasing above 63%

Liquidity and Debt Structure

Adequate Liquidity: As of FYE22, UUW had cash and cash equivalents of GBP182 million, along with GBP555 million of undrawn committed borrowing facilities against short-term debt of about GBP470 million. Liquidity is further supported by our expectations of positive free cash flow to fund operating requirements, debt maturities and dividends for the next 24 months.

ESG Considerations

UUW has an ESG Relevance Score of '4' for exposure to environmental impacts due to the risk of exposure to severe weather events, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

United Utilities Water Limited Liquidity Analysis

(GBP m)	2023F	2024F
Available liquidity		
Beginning cash balance	182	-138
Rating case FCF after acquisitions and divestitures	150	113
Total available liquidity (A)	332	-25
Liquidity uses		
Debt maturities	-470	0
Total liquidity uses (B)	-470	0
Liquidity calculation		
Ending cash balance (A+B)	-138	-25
Revolver availability	555	555
Ending liquidity	417	530
Liquidity score (x)	1.9	Not meaningful

F - Forecast
Source: Fitch Ratings, Fitch Solutions, United Utilities Water Limited

Scheduled debt maturities (GBPm)	Original 31 Mar 22
2023	470
2024	0
2025	596
2026	226
2027	471
Thereafter	6,607
Total	8,371

F - Forecast
Source: Fitch Ratings, Fitch Solutions, United Utilities Water Limited

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Ofwat's final determinations financial model used as a main information source
- Allowed wholesale weighted-average cost of capital of 1.92% (RPI based) and 2.92% (CPIH based) in real terms, excluding retail margins until FY25
- RCV is 50% RPI linked and 50% plus capital additions CPIH linked since FY21
- RPI of 10.5% for FY23, gradually decreasing to about 3.4% by FY25
- CPIH of about 8.2% in FY23, gradually decreasing to about 2.4% by FY25
- Allowed net totex of GBP5.4 billion (wholesale and retail) in real terms (net of grants and contributions) for AMP7
- Cash ODI rewards of around GBP84 million over FY23-FY25
- Weighted average pay-as-you-go rate of 58.9% in AMP7
- Weighted average run-off rate of 5.5% in AMP7
- Unregulated EBITDA of GBP11 million a year during AMP7
- Retail EBITDA around GBP21 million a year during AMP7
- Average UUV dividends a year of about GBP370 million during AMP7

Financial Data

United Utilities Water Limited

(GBPm)	Historical			Forecast	
	Mar 20	Mar 21	Mar 22	Mar 23F	Mar 24F
Summary income statement					
Gross revenue	1,850	1,798	1,845	1,834	1,979
Revenue growth (%)	2.9	-2.8	2.6	-0.6	7.9
Operating EBITDA (before income from associates)	1,160	1,045	1,029	1,107	1,114
Operating EBITDA margin (%)	62.7	58.1	55.8	60.4	56.3
Gross interest expense	-318	-186	-331	-392	-385
Summary balance sheet					
Shadow RCV	11,866	11,729	12,436	12,934	13,710
Net debt	7,894	7,644	8,006	8,241	8,385
Summary cash flow statement					
Operating EBITDA	1,160	1,045	1,029	1,107	1,114
Cash interest paid	-159	-143	-121	-137	-143
Cash tax	-61	-46	-37	-7	-128
Other items before FFO	-134	-122	-37	0	0
Funds flow from operations	816	741	834	963	843
FFO margin (%)	44.1	41.2	45.2	52.5	42.6
Change in working capital	6	114	18	-1	11
Cash flow from operations (Fitch defined)	822	855	853	962	853
Total non-operating/nonrecurring cash flow	0	0	0		
Capex	-636	-633	-627		
Capital intensity (capex/revenue) (%)	34.4	35.2	34.0		
Common dividends	-513	0	-339		
Free cash flow	-327	221	-113		
Net acquisitions and divestitures	0	0	0		
Other investing and financing cash flow items	2	0	0	7	128
Net debt proceeds	501	-157	-380	0	0
Net equity proceeds	0	0	0	0	0
Total change in cash	175	64	-493	157	241
Leverage ratios					
Total net debt/shadow RCV (%)	66.4	65.3	64.4	63.7	61.2
FFO leverage (x)	8.7	9.5	8.6	7.8	9.1
FFO net leverage (x)	8.2	8.7	8.4	7.5	8.5
Calculations for forecast publication					
Capex, dividends, acquisitions and other items before FCF	-1,149	-633	-966	-812	-740
Free cash flow after acquisitions and divestitures	-327	221	-113	150	113
Free cash flow margin (after net acquisitions) (%)	-17.7	12.3	-6.1	8.2	5.7
Coverage ratios					
Senior cash PMICR (x)	3.3	2.8	2.9	3.1	1.9
Senior nominal PMICR (x)	3.2	2.6	2.8	2.9	2.5
FFO interest coverage (x)	6.1	6.2	7.9	8.1	6.9

Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

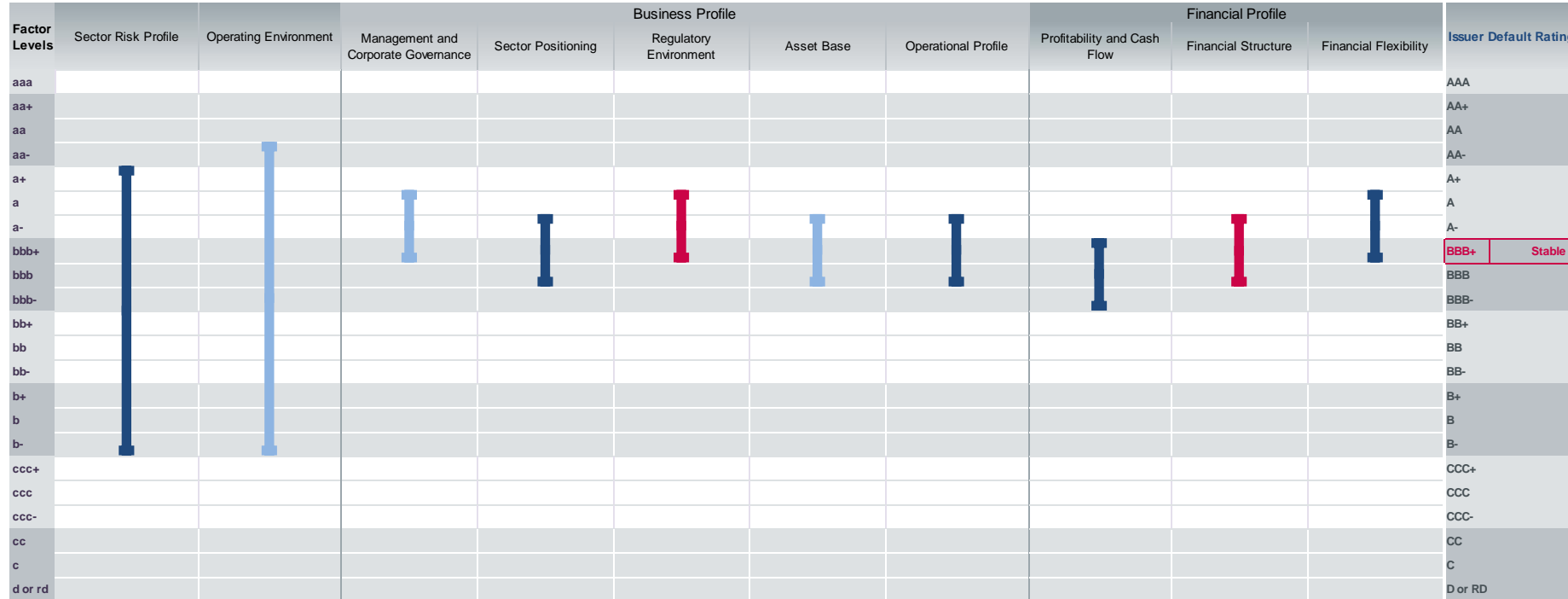
Ratings Navigator

FitchRatings

United Utilities Water Limited

ESG Relevance: 

Corporates Ratings Navigator
EMEA Regulated Networks



Bar Chart Legend:

Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Sector Positioning

a	Operation Type	bbb	Local or regional monopoly asset owners, regional monopoly asset operators.
a-	Non-Regulated Earnings (% of Total Earnings)	a	up to 10%
bbb+			
bbb			
bbb-			

Asset Base

a	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
a-	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
bbb+	Asset Quality and Residual Life	bbb	Mid-range asset quality not affecting opex and capex requirements compared with peers. The residual life of regulatory assets is average.
bbb			
bbb-			

Profitability and Cash Flow

a-	Return on Capital	bbb	Return on capital comparable with the regulatory benchmark.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.
bbb	Investment Cycle	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.
bbb-			
bb+			

Financial Flexibility

a+	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well spread debt maturity schedule. Diversified sources of funding.
a-	FFO Interest Coverage	a	4.5x
bbb+	FX Exposure	aa	No material FX mismatch.
bbb	Dividend Cover	n.a.	

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure has some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bbb			

Regulatory Environment

a+	Independence, Transparency, Predictability	a	Transparent frameworks with strong track record and multi-year predictable tariffs set by independent regulators; little political risk.
a	Licensing, Ring-Fencing, Concessioning	a	Licensing includes effective ring-fencing provisions with creditworthiness requirements; limited concession renewal risk.
a-	Cost and Investment Recovery	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb+	Volume and Price Risk	a	High insulation from price and volume risk, little revenue under-recovery.
bbb			

Operational Profile

a	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
a-	Counterparty Risk	bbb	Medium counterparty risk; medium collection rates for water suppliers. Some exposure to cyclical industries and/or customers.
bbb+			
bbb			
bbb-			

Financial Structure

a	FFO Leverage		n.a.
a-	FFO Net Leverage		n.a.
bbb+	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	bbb	70%
bbb	Cash PMICR	a	2.2x
bbb-	Nominal PMICR	a	2.5x

Credit-Relevant ESG Derivation

United Utilities Water Limited has 1 ESG rating driver and 11 ESG potential rating drivers			Overall ESG	
key driver	0	issues	5	
driver	1	issues	4	
potential driver	11	issues	3	
not a rating driver	1	issues	2	
	1	issues	1	

Showing top 6 issues
For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

United Utilities Water Limited has 1 ESG rating driver and 11 ESG potential rating drivers

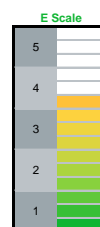
- ➔ United Utilities Water Limited has exposure to extreme weather events which, in combination with other factors, impacts the rating.
- ➔ United Utilities Water Limited has exposure to energy regulatory risk but this has very low impact on the rating.
- ➔ United Utilities Water Limited has exposure to water management risk but this has very low impact on the rating.
- ➔ United Utilities Water Limited has exposure to waste & impact management risk but this has very low impact on the rating.
- ➔ United Utilities Water Limited has exposure to access/affordability risk but this has very low impact on the rating.
- ➔ United Utilities Water Limited has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

Overall ESG Scale			
key driver	0	issues	5
driver	1	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Profitability and Cash Flow
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	3	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	4	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

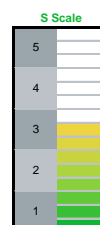
The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

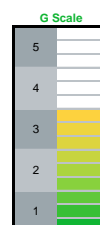
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow



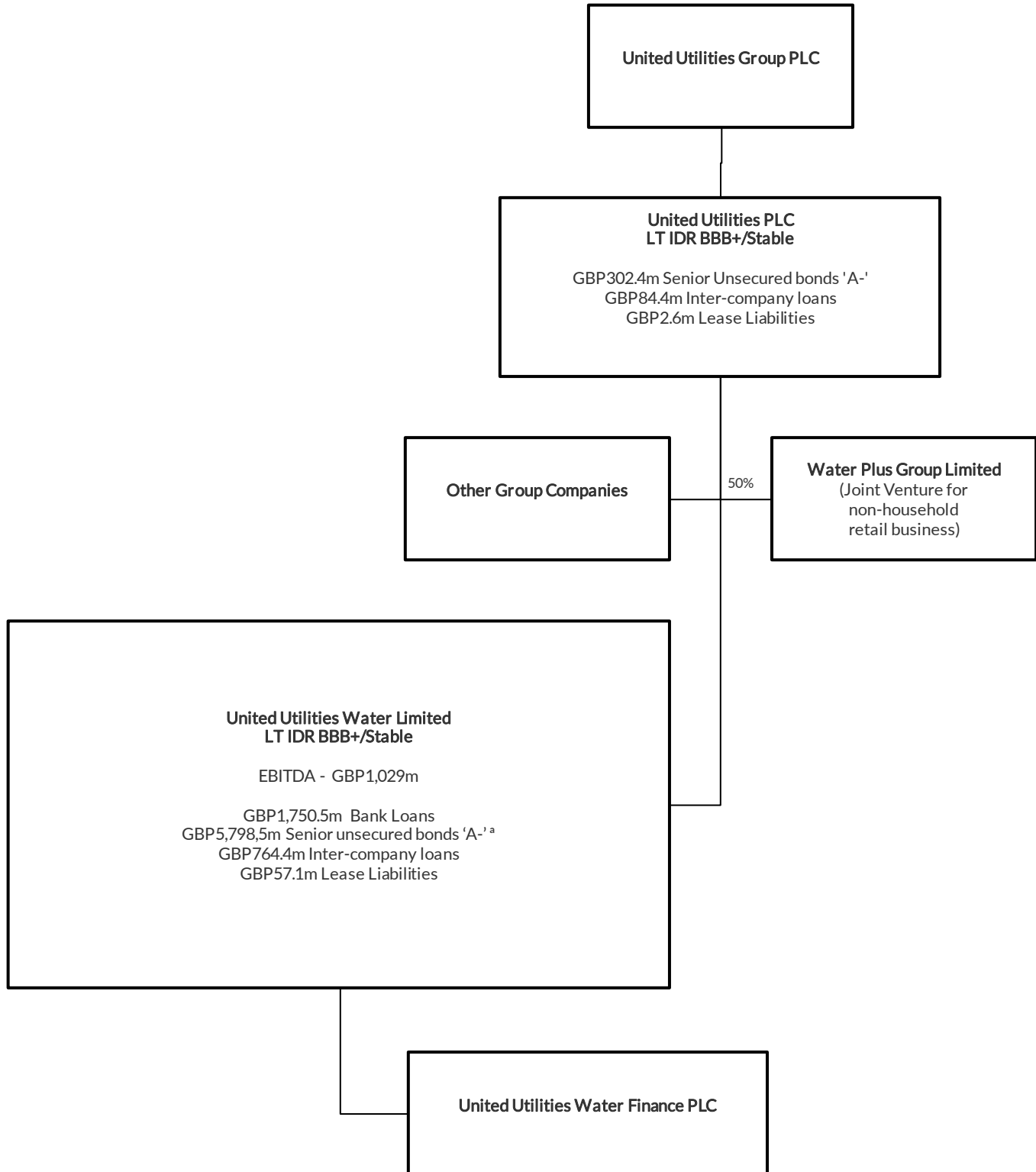
Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

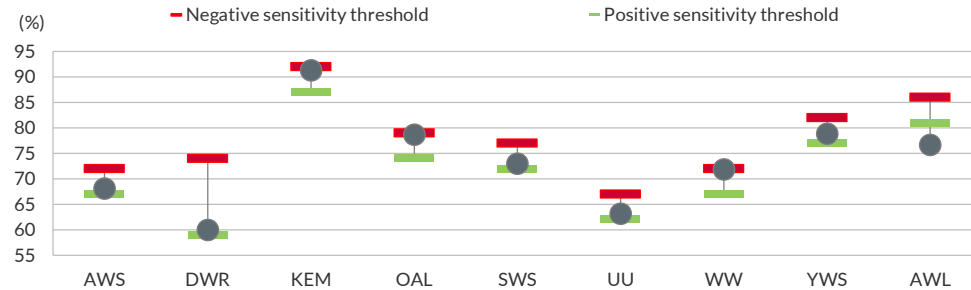
Simplified Group Structure Diagram



^a Senior unsecured bonds issued by UUL and UUL Finance PLC (guaranteed by UUL)
Source: Fitch Ratings, Fitch Solutions, UUL, As at 31 March 2022.

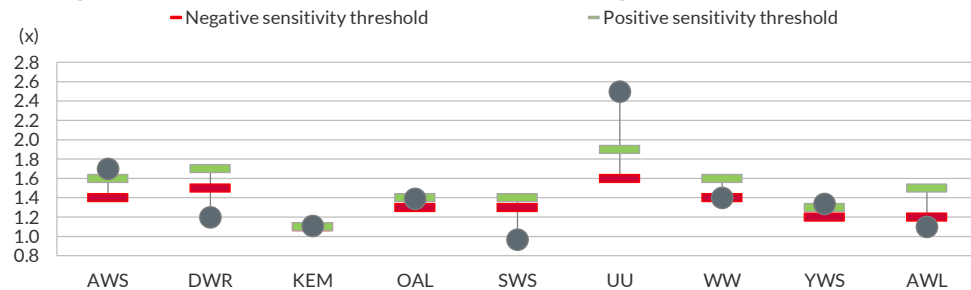
Peer Financial Summary

Rating Headroom by Gearing (FY25)



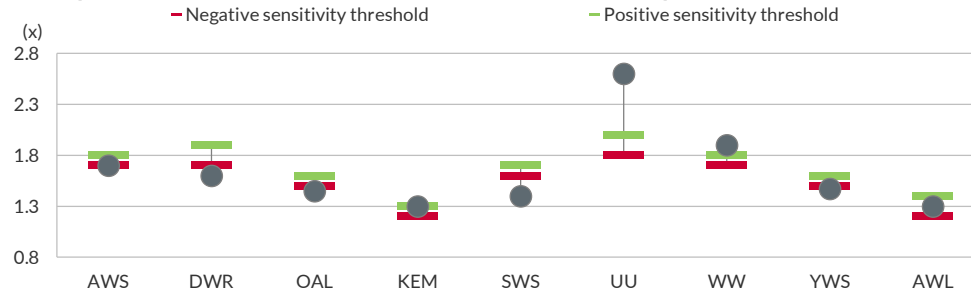
Ratios for DWR, YWS and AWL reflect total net senior debt
Source: Fitch Ratings, Fitch Solutions, companies' data

Rating Headroom by Cash PMICR (Five-Year Average)



Ratios for DWR, YWS and AWL reflect total senior cash interest
Source: Fitch Ratings, Fitch Solutions, companies' data

Rating Headroom by Nominal PMICR (Five-Year Average)



Ratios for AWS, DWR, YWS and AWL reflect total senior interest
Source: Fitch Ratings, Fitch Solutions, companies' data

Key

AWS	Anglian Water Services
DWR	Dwr-Cymru (Financing) UK Ltd
OAL	Osprey Acquisition Limited
KEM	Kemble Water Finance Limited
SWS	Southern Water Services
UU	United Utilities Water Limited
WW	Wessex Water Services Limited
YWS	Yorkshire Water Services
AWL	Affinity Water Limited

Source: Fitch Ratings

Fitch Adjusted Financials

Reconciliation of Key Financial Metrics for United Utilities Water Limited

(GBPm)	31-Mar-22
Interest-bearing loans and borrowings	8,371
- Derivatives adjustments	183
- Intercompany liability	0
- Cash and equivalents	182
= Net debt	8,006
+ Pension deficit not funded by customers	0
= Pension adjusted net debt (a)	8,006
Economic regulatory asset value (b)	12,436
Net debt/RAV (%)	64.4
Pension adjusted net debt/regulatory asset value (a/b) x 100	
Operating EBITDA	1,029
- Regulatory Depreciation	-646
- Taxation paid	-37.4
- Pensions	0
Post maintenance cash flow = EBITDA - regulatory depreciation - tax - pensions (c)	345
Consolidated cash interest (d) (includes GBP52.7m of capitalised interest costs)	120
Post-maintenance interest cover ratio (x)	2.9
Post-maintenance cash flow/cash interest c/d	
RCV Indexation	724
Nominal Post Maintenance Cash Flow = Post Maintenance Cash Flow + RCV Indexation (e)	1,069
Net Debt Indexation	256.9
Total senior unsecured interest = Cash Interest + Net Debt Indexation (f)	376.9
Nominal PMICR (x)	2.8
Nominal Post Maintenance Cash Flow/Total senior unsecured interest e/f	

Source: Fitch Ratings, Fitch based on company accounts and investor reports

Reconciliation of Key Financial Metrics for United Utilities PLC

(GBPm)	
Interest-bearing loans and borrowings	7979.8
- Derivatives adjustments	183
- Cash and equivalents	240.9
= Adjusted Net debt	7,556
+ Pension deficit not funded by customers	0
= Pension adjusted net debt (a)	7,556
Economic regulatory asset value (b)	12,436
Net debt/RAV (%)	60.8
Pension adjusted net debt/regulatory asset value (a/b) x 100	

Source: Fitch based on company accounts and investor reports

Source: Fitch Ratings, Fitch Solutions, UUW, UU

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