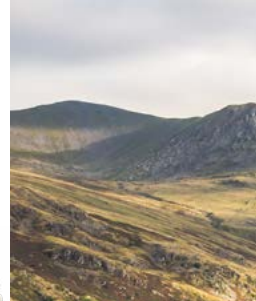


Chair's review

Sir David Higgins



Resilient, high-performing, and well-placed to deliver in AMP8 and beyond

Having delivered a strong performance over the last five years and already started work on some of our key deliverables for the next period, United Utilities is well positioned as we accept the final determination and start work on our significant investment programme.



Performance review

As AMP7 has now drawn to a close, I'd like to take this opportunity to reflect back on a five-year period that brought many challenges, both for the water industry and more broadly.

With COVID-19 and an economic downturn at the beginning of the period, followed by the unprecedented weather that we have seen in the last two years, I am proud of the level of adaptability and resilience that United Utilities has maintained.

We have successfully delivered our AMP7 capital programme, consistently meeting, or beating, around 80 per cent of the stretching targets set out in our regulatory performance commitments for the last five years, which is industry leading.

We have delivered significant improvements and provided industry-leading support for customers, and we are making strong progress on a number of environmental enhancements. This includes accelerating work to reduce spills from storm overflows, where we have delivered a 39 per cent reduction since 2020 and are pressing forward with an industry-leading AMP8 investment programme to reduce this further.

More details on our AMP7 performance can be found in the Chief Executive Officer's review on pages 14 to 15.

AMP8 final determination

In January, the board accepted United Utilities Water Limited's final determination (FD) for the next five-year period, running to 31 March 2030.

The FD was received in December and assessed by the board in the round. This included consideration of the total expenditure allowance, the deliverability of a plan of this size, the required step-up in customer bills with increased affordability support being provided by the company, the high levels of engagement and customer support for our business plan, the stretching performance targets, and the level at which returns were set.

Overall, the board concluded that accepting the FD in the form published by Ofwat would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Some of the key highlights of what we will deliver in AMP8 can be found on pages 08 to 09, but it is clear that this higher investment growth period presents a significant opportunity to deliver major improvements for customers and the environment. I am pleased to see the early progress that has already been made on these ambitious plans as we transition into the new period.

United Utilities has good balance sheet strength, giving us the ability to deliver this investment growth without needing recourse to equity, and the board has confirmed its intention to retain our longstanding target gearing range of 55 to 65 per cent, and to target maintaining United Utilities Water Limited's long-term issuer credit ratings of at least Baa1 with Moody's, BBB+ with Standard & Poor's (S&P), and an issuer default rating of at least BBB+ with Fitch (senior unsecured debt rating A-).

Upon acceptance of the FD, the board also announced that we will continue to grow the group dividend by CPIH inflation annually, in line with our long-term dividend policy.

Dividend and AGM

We recognise the importance of dividend payments as a key element of shareholder returns, supporting the essential role that equity investors have in financing long-term investment programmes and supporting the efficient and effective delivery of services to customers.

The board has proposed a final dividend of 34.57 pence per share, to be paid on 1 August 2025, taking the total dividend for the 2024/25 financial year to 51.85 pence per share. This is an increase of 4.2 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation.

Our group dividend is supported by strong performance opposite the regulatory contract by United Utilities Water Limited, and further underpinned by a robust financial position – as demonstrated by a responsible level of gearing, strong investment-grade credit ratings and pension surplus – which provides stability across the peaks and troughs of both the economic and regulatory cycle.

I look forward to meeting shareholders at the annual general meeting (AGM), which is being held on 18 July 2025 at the group's head office in Warrington.

“The board has accepted United Utilities Water Limited's final determination from Ofwat for the five-year period to 31 March 2030.”

“Upon acceptance, we also announced that we will maintain long-standing group policies, including our 55–65 per cent target range for gearing, CPIH inflation-linked dividend policy, and will target retaining current investment-grade credit ratings.”



51.85p

per share total dividend in respect of the 2024/25 year

+4.2%⁽¹⁾

CPIH inflation-linked increase in the dividend

18 July

annual general meeting (AGM) to be held at our head office in Warrington

⁽¹⁾ The dividend increase is based on the CPIH element included within allowed regulatory revenue for the 2024/25 financial year (i.e. the movement in CPIH inflation between November 2022 and November 2023).

Regulatory environment

The Water (Special Measures) Act was passed in February this year, strengthening the power of water industry regulators, and Ofwat is now consulting on this legislation. We have responded and await the outcome of this consultation. We share the Government's ambition for a step change in environmental performance, and our significant investment plans for AMP8 will help us to achieve this.

In October 2024, the Government launched an independent commission into the water sector and its regulation with broad terms of reference to review the regulatory framework, the regulators and incentives that govern the water industry model and strategic water planning. It also required consideration of the conditions needed in the private regulated model to attract the investment required to improve environmental performance, bring more accountability, rebuild public trust and confidence, and secure a resilient, innovative water sector and framework that will "work for decades to come".

The commission has launched a call for evidence and is expected to report back to the Government in the summer of 2025 with a set of recommendations. The company has contributed fully towards the evidence-gathering process.

The industry-wide investigations launched by Ofwat and the Environment Agency (EA) in November 2021 into how companies manage their wastewater assets remain ongoing, with Ofwat having announced in July 2024 that it was opening enforcement cases for a number of water companies, including UUW, following analysis of environmental performance and data about the frequency of spills from storm overflows. As set out on page 24, the EA has made a number of data requests and undertaken site visits as part of its industry-wide investigation, with which we continue to fully comply.

Board succession

As reported last year, Clare Hayward joined the board on 16 April 2024, with Paulette Rowe stepping down at the conclusion of the AGM on 19 July 2024.

Ian El-Mokadem will join the board on 1 June 2025. Ian brings a wealth of experience of working in regulatory environments in the delivery of essential public services. Further information regarding board membership can be found on page 111.

Outlook

United Utilities has a strong history of continuous improvement, and consistent delivery of its capital programme and regulatory commitments. This is due, in large part, to the high-performing culture and dedicated team of people we are fortunate to have. On behalf of the board, I sincerely thank everyone across the company for their commitment, hard work and passion during AMP7.

As we transition into AMP8, this brings a significant step-up in terms of the level of investment and the volume of work that needs to be delivered, with ambitious targets for customer and environmental performance. I am confident that we have the best people to continue to improve for all our stakeholders.



Sir David Higgins
Chair

14 May 2025

The strategic report on pages 01 to 103 was approved at a meeting of the board on 14 May 2025 and signed on its behalf by Sir David Higgins, Chair.