How we're creating long-term sustainable value

Key performance indicators

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our performance for the year.

Underlying operating profit

See note 1.

Target

Not externally disclosed

Annual performance

£634 million

Reported operating profit: £632 million

Underlying operating profit has increased £116 million compared with last year, largely reflecting the revenue increase allowed as part of our revenue cap, partly offset by higher costs as a result of growth in the underlying asset base and inflationary pressures.

2023/24: £518 million

2022/23: £441 million

Status

Behind expectation/target

Link to remuneration[2]

Bonus

Gearing

Group net debt (plus loan receivable from our joint venture) divided by UUW's regulatory capital value.

Target

55–65%

Annual performance

60%

Gearing has risen marginally compared with 59 per cent last year but remains comfortably within our target range.

2023/24: 59 per cent

2022/23: 58 per cent

Status

Met expectation/target

Link to remuneration[2]

n/a

Dividend per share (DPS)

Total dividends declared divided by the average number of shares in issue during the year.

Target

Annual growth in line with CPIH inflation

Annual performance

51.85 pence

The board has proposed a final dividend of 34.57 pence, which takes the total dividend to 51.85 pence per share for 2024/25. This is an increase of 4.2 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation.

2023/24: 49.78 pence

2022/23: 45.51 pence

Status

Met expectation/target

Link to remuneration[2]

n/a

Underlying earnings per share (EPS)

See note 1.

Target

Not externally disclosed

Annual performance

49.6 pence

Reported EPS: 38.8 pence

Underlying EPS is primarily driven by the movement in underlying operating profit and a slightly lower underlying finance expense. Reported EPS is lower due primarily to the deferred tax adjustment and fair value movements.

2023/24: 33.3 pence

2022/23: -1.3 pence

Status

Behind expectation/target

Link to remuneration[2]

n/a

Return on regulated equity (RoRE)

Base allowed return plus or minus any out or underperformance.

Target

6-8% cumulative for AMP7

Cumulative AMP7 performance	Annual performance
6.1%	1.1%

Average RoRE for AMP7 was 6.1 per cent on a real, RPI/CPIH blended basis, outperforming the base return of 4.0 per cent. Annual performance was impacted by the phasing of totex.

2023/24: 7.5 per cent[3]

2022/23: 10.5 per cent[3]

Status

Close to meeting expectation/target

Link to remuneration[2]

LTP

Also indirectly linked to the bonus, as RoRE is influenced by two bonusable measures: ODIs and C-MeX.

Total shareholder return (TSR)

Based on the movement in share price plus dividends over each financial year.

Target

Not externally disclosed

Annual performance

+2.8%

TSR was 2.8 per cent in the year to 31 March 2025, which was behind the FTSE 100 return but sits between the performance of our listed water company peers.

2023/24: +1.6 per cent

2022/23: -1.5 per cent

Status

Close to meeting expectation/target

Link to remuneration[2]

n/a

(1) Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 98 to 99.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 172.

(3) Prior year RoRE figures restated to reflect post-intervention PCC performance due to the impact of COVID-19, and recalculated tax allowances in line with Ofwat's information notice published in March 2025.

Financial framework

Upon acceptance of the final determination for the five years to 31 March 2030 (the AMP8 regulatory period), we have updated our financial framework.

Investment and regulated asset growth

Our regulated assets grew at a compound annual growth rate of 5.2 per cent across the five years to March 2025 (AMP7). Our capital programme for the five years to March 2030 (AMP8) is significantly larger, due to a number of long-term investment drivers, meaning we expect to see our regulated assets grow at a higher compound annual growth rate of around 7 per cent.

RoRE

The return on regulatory equity (RoRE) metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, price control deliverables, operating efficiency, financing and tax efficiency and customer service. We currently aim to outperform the regulatory contract by at least 100 basis points (bps).

Capital investment

Capital investment is forecast to be approximately £9 billion across the five years to March 2030, representing an uplift of around £5 billion compared to AMP7.

Balance sheet

The board has maintained a target gearing range of 55 to 65 per cent net debt to regulated capital value. As at 31 March 2025, our gearing is comfortably in the middle of this range at 60 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year, having increased the dividend at least in line with inflation for the last 15 years. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated as using the CPIH annual rate from the November prior (i.e. the 2024/25 dividend is equal to the 2023/24 dividend indexed for the movement in CPIH between November 2022 and November 2023).

Outlook and guidance for 2025/26

ODI rewards

We are forecasting to incur a net customer ODI penalty for 2025/26, recognising the introduction of new measures in AMP8, with performance improvements expected to be progressive.

Revenue

Revenue is expected to increase to between £2.5 billion and £2.6 billion in 2025/26 in line with the final determination, adjusted for inflation.

Underlying operating costs

Underlying operating costs are expected to decrease, with higher costs associated with inflation and growth in the asset base more than offset by lower infrastructure renewals expenditure (IRE) due to a more granular asset recognition, resulting in the greater component of network expenditure being capitalised.

Depreciation

With continued growth in our asset base and the impact of a more granular asset recognition, depreciation is expected to increase by around £50 million year on year.

Underlying net finance expense

Underlying net finance expense is expected to increase by around £50 million year on year, due to increased debt requirements to fund the step-up in investment in AMP8. As at 31 March 2025, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2025/26, reflecting expected benefits in relation to ‘full expensing’ and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2025/26 is expected to be over £1.5 billion.

How we're creating long-term sustainable value

Financial performance

We delivered strong underlying financial performance this year. Revenue increased 10 per cent due to regulatory adjustments, including the 4.2 per cent CPIH-linked increase allowed as part of our revenue cap.

This revenue increase, partly offset by higher costs as a result of growth in the underlying asset base and inflationary pressures resulted in underlying operating profit of £634 million, a 22 per cent increase compared to the prior year.

Reported operating profit was slightly lower than underlying at £632 million, reflecting an adjusting item in respect of the residual costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works in June 2023.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit after tax of £338 million and an underlying earnings per share of 49.6 pence.

Reported profit after tax was lower at £265 million, with reported earnings per share of 38.8 pence per share. Adjusted items between underlying and reported are set out on pages 98 to 99.

Our balance sheet remains one of the strongest in the sector, and we are fully equity funded for AMP8. With RCV gearing at 60 per cent alongside robust credit ratings, we have financing flexibility as we approach AMP8.

Following the significant financial challenges from inflation over the prior two financial years, it is reassuring to see the company's underlying earnings per share return to levels more commensurate with the start of the AMP7 periods and regulatory assumptions more broadly, as the effect of regulatory revenue increases, which lag the cost impact, take effect.

£2.1bn
revenue

£634m
underlying operating profit

1.5%
bad debt as a percentage of household revenue

Fair tax mark
retained for sixth consecutive year

Revenue

Revenue was up £196 million, at £2,145 million, with £186 million attributable to regulatory adjustments. Adjustments include a 4.2 per cent CPIH-linked increase to the revenue cap as well as reconciliation adjustments for under-recovery in prior years, partially offset by 1.5 per cent real reduction in allowed wholesale revenues as set out in our PR19 final determination.

Other revenue impacts largely reflect favourable consumption.

Operating profit

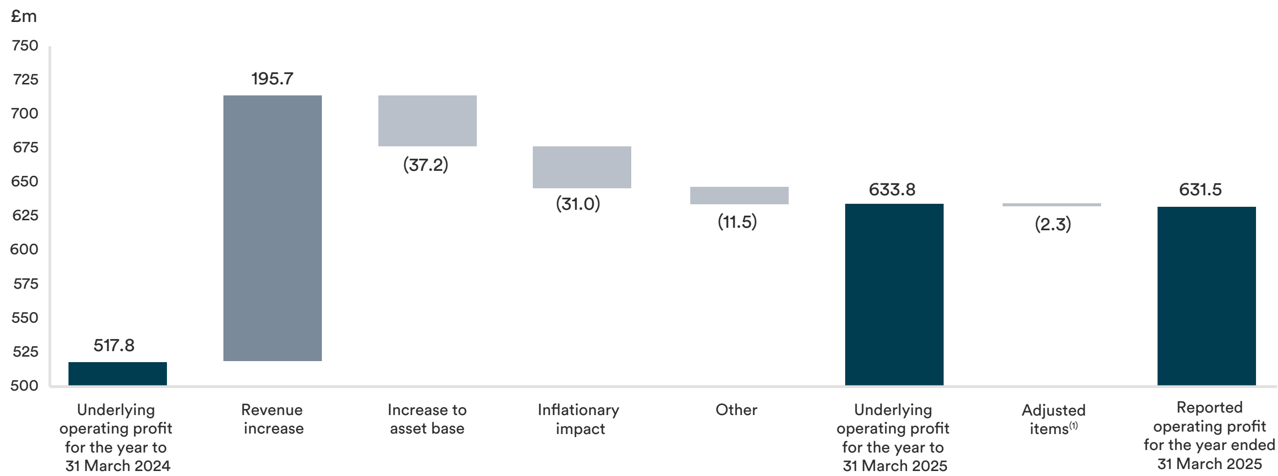
Underlying operating profit at £634 million was £116 million higher than last year, largely reflecting the increase in revenue.

Underlying operating costs have increased by £80 million compared to the prior year, largely reflecting an increase in costs associated with growth in the underlying asset base and inflationary pressures, as well as additional investment in performance ahead of AMP8.

Reported operating profit was lower at £632 million, reflecting lower adjusted items as detailed on pages 98 to 99.

Our industry-leading affordability schemes, combined with effective credit collection practices and utilisation of technology, have meant that current year cash collection has been strong. Our bad debt position remains stable at 1.5 per cent of statutory revenue.

Summary of operating profit movement



(1) Adjusted items between underlying and reported are set out on pages 98 to 99.

Profit before tax

Underlying profit before tax of £339 million compared to a £221 million underlying profit before tax last year. The £118 million increase reflects the £116 million increase in underlying operating profit, a £9 million reduction in underlying net finance expense, partially offset by a £7 million increase in the share of losses of joint ventures.

Reported profit before tax is £16 million higher, reflecting adjustments outlined on pages 98 to 99.

Net finance expense

Underlying net finance expense of £284 million was £9 million lower than the prior year, reflecting lower inflation applied to our index-linked debt resulting in a £90 million decrease in non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest and pension interest income, as well as an increase in cash interest.

Cash interest has increased by £46 million, primarily reflected the increase in debt largely due to the accelerated funding ahead of AMP8.

Reported net finance expense was £19 million lower than underlying net finance expense, reflecting adjustments outlined on pages 98 to 99.

Joint ventures

The group incurred a share of the losses of Water Plus for the year ended 31 March 2025 of £11 million, all of which has been recognised in the income statement compared to a share of the losses of Water Plus of £4 million for the year ended 31 March 2024. This increase is mainly due to data cleanse activities performed by Water Plus during the year, which has informed its assessment of the recoverability of customer receivables resulting in a higher bad debt charge.

Profit after tax and earnings per share

The underlying profit after tax of £338 million was £111 million higher than the prior year, reflecting the £118 million increase in underlying profit before tax, partially offset by a £7 million reduction in underlying tax credit.

Reported profit after tax was lower at £265 million and reported earnings per share at 38.8 pence per share with the adjusted items between underlying and reported set out on pages 98 to 99.

Tax

We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs and are delighted to have retained the Fair Tax Mark independent certification for a sixth year.

The group makes significant contributions to the public finances on its own behalf as well as collecting and paying over further amounts for its over 6,000 strong workforce. The total payments for 2024/25 were around £257 million and included business rates, employment taxes, environmental taxes and other regulatory service fees such as water abstraction charges.

In the current year, we received a net corporation tax repayment of £6.4 million which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced by HMRC in 2023.

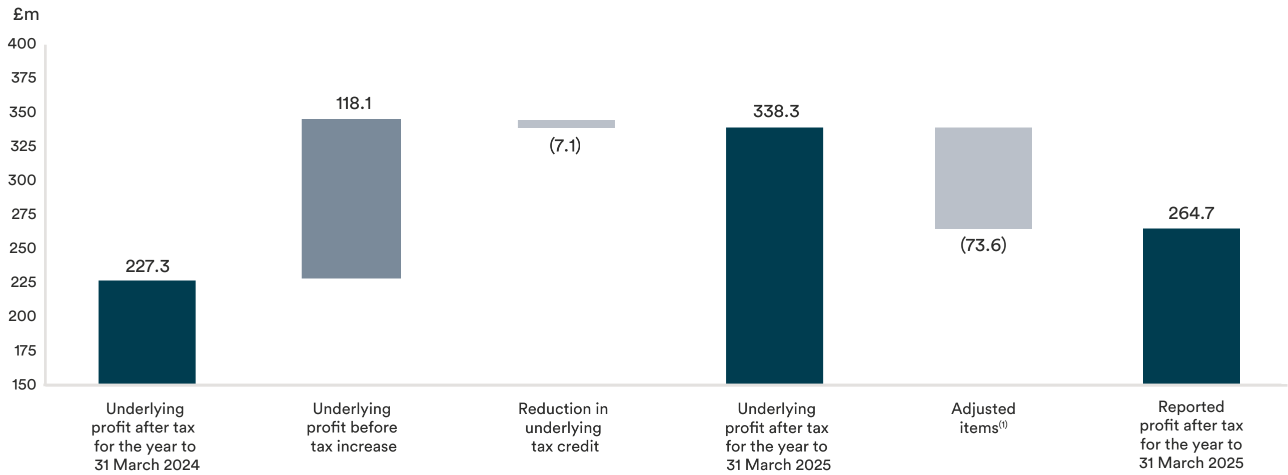
The group recognised a current tax debit of £0.4 million, mainly due to a prior year adjustment in relation to claims for research and development UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims.

For the year to 31 March 2025, we recognised a deferred tax charge of £90 million, compared with £49 million last year.

The total effective tax rate, excluding prior year adjustments was 26 per cent for the year to 31 March 2025 compared with the headline rate of 25 per cent.

There are £7.9 million of tax adjustments recorded within other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent, being the rate applicable to refunds from a trust.

Summary of profit after tax movement



[1] Adjusted items between underlying and reported are set out on pages 98 to 99.

How we're creating long-term sustainable value

Dividend per share

The board has proposed a final dividend of 34.57 pence per ordinary share in respect of the year ended 31 March 2025. This is an increase of 4.2 per cent compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year. The 4.2 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2024/25 financial year (i.e. the movement in CPIH between November 2022 and November 2023).

The final dividend is expected to be paid on 1 August 2025 to shareholders on the register at the close of business on 20 June 2025. The ex-dividend date for the final dividend is 19 June 2025.

A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**. The closing date for DRIP elections is 11 July 2025.

The ISIN for UUG is GB00B39J2M42 and the TIDM is UU.

Cash flow

Net cash generated from operating activities for the year to 31 March 2025 was £918 million, £173 million higher than £745 million last year, principally due to increased revenue. The net cash generated from continuing operating activities supports the dividends paid of £344 million and partially funds some of the group's net capital expenditure of £988 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated statement of cash flows can be found on page 195 of our consolidated financial statements.

Pensions

As at 31 January March 2025, the group had an IAS 19 net pension surplus of £302 million, compared with a surplus of £268 million at 31 March 2024. This £34 million increase has been driven mainly by £19 million of remeasurement gains, as an increase in the discount rate assumption and changes in the demographic assumptions following the triennial valuation reduce the defined benefit obligation by more than the value of the schemes assets.

Further detail on pensions is provided in note 14 ('Retirement benefits') of our consolidated financial statements.

Financing

Net debt at 31 March 2025 was £9,345 million, compared with £8,763 million at 31 March 2024. This comprises gross borrowings with a carrying value of £10,789 million, net derivative liabilities hedging specific debt instruments of £99 million and total indexation on inflation swaps of £131 million, and is net of cash and bank deposits of £1,673 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £15.4 billion, was 60 per cent at 31 March 2025, slightly higher than the 59 per cent at 31 March 2024 and still comfortably within our target range.

Cost of debt

As at 31 March 2025, the group had approximately £3.5 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of –0.6 per cent.

A lower RPI inflation charge compared with last year contributed to the group's average effective interest rate of 4.0 per cent being lower than the rate of 4.7 per cent last year. More information on this can be found on page 99.

The group has fixed the interest rates on its non index-linked debt in line with its 10-year reducing balance basis at a net effective nominal interest rate of 3.5 per cent for the current financial year.

Credit ratings

UUW's senior unsecured debt obligations are rated Baa1 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa2 with Moody's, BBB+ with Fitch and BBB- with S&P, all on stable outlook.

Debt financing

The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme.

In the year to March 2025, we raised c.£1.4 billion of term funding, comprising of a 27-year £350 million sustainable public bond in May, a EUR175 million tap of a 9.8 year green bond in August, a £150 million tap of a 21.4-year public bond in September, a £75 million tap of a 13.4 year public bond in September, an 11-year NOK1.5 billion bond in October, and an 8 year EUR650 million green public bond in February. In addition, in the year to March 2025 we entered into £75 million of new relationship bank revolving credit facilities, entered into £250 million of new liquidity facilities, increased the amount of existing facilities by £75 million and extended the maturity date on £150 million of existing facilities by a further year.

Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2025, approximately 37 per cent of the group's net debt was in RPI-linked form, representing around 22 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 14 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of –0.6 per cent. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is approximately 15 years.

Our AMP7 inflation hedging policy has been to target around 50 per cent of net debt to be maintained in index-linked form. We have taken the opportunity to consider the appropriateness of this policy for AMP8 and have decided to transition to a lower target of 33 per cent. This continues to reflect a balanced assessment across a range of factors and aligns more closely with Ofwat's notional company assumption and our listed peers. Transition to the new policy target will happen progressively over the period, given the significant financing requirements for AMP8.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. Our MTN programme provides further support.

At 31 March 2025, we had liquidity extending out to 2027, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

Return on regulated equity (RoRE)

Average RoRE for AMP7 was 6.1 per cent on a real, RPI/CPIH blended basis. In addition to the base return of 4.0 per cent (including our 11 basis point fast track reward that we received in each of the five years of the AMP), we delivered 2.1 per cent of outperformance comprising:

Financing outperformance

We earned financing outperformance over the AMP of 2.8 per cent. We have consistently issued debt at efficient rates that compare favourably with the industry average, thanks to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise.

Tax outperformance

Outperformance on tax largely reflects the impact of allowable tax deductions on capital investment including full expensing introduced in 2023. Tax outperformance of 2.0 per cent across AMP7 has been updated to reflect recalculated tax allowances published by Ofwat in March 2025, which resulted in a downwards adjustment of 0.6 per cent on average, leading to a net outperformance of 1.4 per cent.

Customer outcome delivery incentives (ODIs)

Customer ODI outperformance of 0.5 per cent reflects a net reward in each year of AMP7, exceeding c.80 per cent of our performance commitments across the five years. Significant rainfall in 2023 and 2024 naturally had an impact on our weather responsive wastewater measures, but we have performed well in water, customer and bioresources, achieving net rewards in each of these areas. As a result of COVID-19, Ofwat published updated PCC performance models in March 2025, which resulted in a modest upward adjustment.

Customer ODI rewards and penalties are applied to revenues with a two-year lag. As we are at the end of the AMP7 regulatory period, the payments earned in 2024/25 reporting year will be reflected in adjustments to revenues during AMP8.

Totex performance

The totex impact on RoRE of -2.2 per cent reflects the combined impact of previously announced investment programmes, and further accelerated investment brought forward from AMP8, to deliver environmental improvements (including “Better Rivers: Better North West”) and to improve service for customers (including Dynamic Network Management and drinking water quality improvements). This has been further increased by inflationary pressures on costs, most notably on power and chemicals and the impact of isolated events across AMP7 such as the freeze-thaw incident in FY23 and the fractured pipe outlet in Fleetwood last year. The current year impact is higher as a result of phasing of the additional investment.

Retail performance

The retail impact on RoRE of -0.4 per cent reflects a small underperformance in household retail resulting from the impacts of cost of living and inflationary cost pressures.

Nominal performance

After accounting for the impact of inflation we’ve seen on returns across the five-year period, nominal returns reached an average of 11.5 per cent.

6.1% real

cumulative AMP7 RoRE,
11.5 per cent on a nominal basis

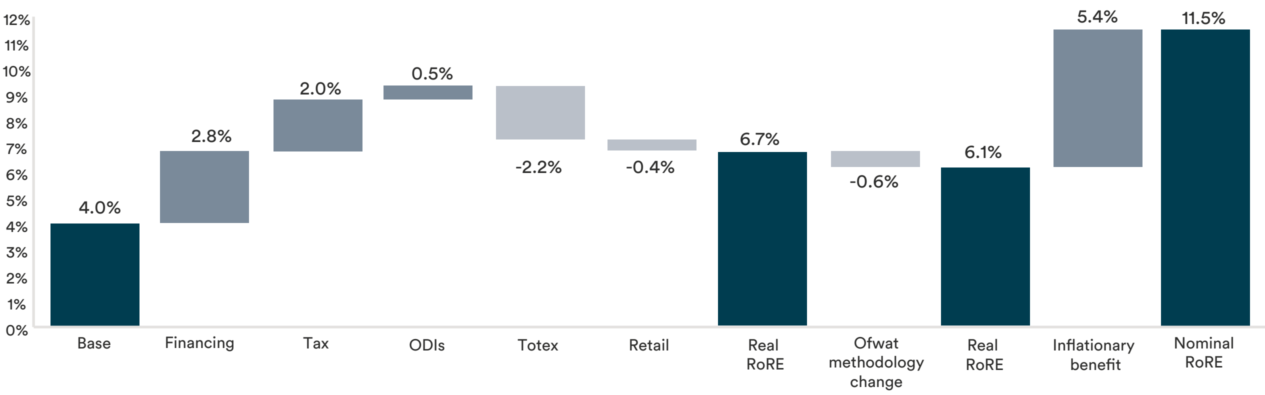
c.80%

of targets in our performance commitments met or beaten across AMP7

£129m

cumulative net ODI reward for AMP7

AMP7 return on regulated equity (RoRE)



How we're creating long-term sustainable value

Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated statement of comprehensive income, which can be found on page 191. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework that considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Adjusted item	Rationale
Adjustments not expected to recur	
Fleetwood outfall pipe fracture	In June 2023, the group suffered a large-scale outfall pipe fracture at a major wastewater treatment works at Fleetwood. The specific nature of this incident, and scale of the activity involved in remediating this failure was unlike anything that would be typically experienced. As such, the associated costs, which were incurred across both operating expenditure and infrastructure renewals expenditure, were not representative of normal business activity and, therefore, the costs are excluded in arriving at underlying operating profit.
Consistently applied presentational adjustments	
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance.
Deferred tax adjustment	Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences.
Tax in respect of adjustments to underlying profit/(loss) before tax	Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current year performance.

Underlying profit	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Operating profit per published results	**631.5**	480.2
Fleetwood outfall pipe fracture	**2.3**	37.6
Underlying operating profit	**633.8**	517.8
Net finance expense		
Finance (expense)/income	**(371.9)**	(389.3)
Allowance for expected credit losses – loans to joint ventures	**–**	(2.4)
Investment income	**106.2**	85.6
Net finance expense per published results	**(265.7)**	(306.1)
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	**(18.7)**	12.9
Underlying net finance expense	**(284.4)**	(293.2)
Share of losses of joint ventures per published results	**(10.8)**	(4.1)
Profit before tax per published results	**355.0**	170.0
Adjustments:		
In respect of operating profit	**2.3**	37.6
In respect of net finance expense	**(18.7)**	12.9
Underlying profit/(loss) before tax	**338.7**	220.5
Profit after tax per published results	**264.7**	126.9
Adjustments:		
In respect of profit before tax	**(16.4)**	50.5
Deferred tax adjustment	**90.0**	48.9
Tax in respect of adjustments to underlying profit before tax	**–**	1.0
Underlying profit/(loss) after tax	**338.6**	227.3
Earnings per share		
Profit after tax per published results (a)	**264.7**	126.9
Underlying profit/(loss) after tax (b)	**338.3**	227.3
Weighted average number of shares in issue, in millions (c)	**681.9m**	681.9m
Earnings per share per published results, in pence (a/c)	**38.8**	18.6
Underlying earnings per share, in pence (b/c)	**49.6**	33.3
Dividend per share, in pence	**51.85p**	49.78p

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Average effective interest rate	Year ended 31 March 2025	Year ended 31 March 2024
Underlying net finance expense	**(284.5)**	(293.2)
Adjustments:		
Net pension interest income	**(12.9)**	(28.6)
Adjustment for capitalised borrowing costs	**(68.5)**	(81.0)
Net finance expense for effective interest rate	**(365.9)**	(402.8)
Average notional net debt[1]	**(9,057)**	(8,504)
Average effective interest rate	**4.0%**	4.7%
Effective interest rate on index-linked debt	**4.3%**	6.2%
Effective interest rate on other debt	**3.8%**	2.9%

(1) Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.

How we're creating long-term sustainable value

Our EU Taxonomy disclosure

We have undertaken our first voluntary assessment this year of how we align with the EU green taxonomy.

The EU Taxonomy provides a common language and framework for assessing whether an economic activity is environmentally sustainable. Its aim is to prevent greenwashing and help investors make informed sustainable investment decisions in order to direct investments to the economic activities most needed to meet the EU's climate and energy targets for 2030 and the objectives of the European green deal. The taxonomy sets out a list of activities, with detailed criteria that must be met in order to demonstrate alignment. Undertaking an assessment involves three key steps – eligibility assessment, alignment assessment, and financial mapping – as set out below.

Eligibility

We first undertook a review of the more than 150 activities to ascertain which of these we carry out through our activities. The results of this are set out on page 101.

Alignment

Substantial contribution
Companies must demonstrate that the way they deliver an activity makes a substantial contribution to at least one of the six environmental objectives set out below.

Do no significant harm
Alignment requires that making a substantial contribution to one of the environmental objectives is not being achieved at the expense of another of them.

Minimum safeguards
The company must also meet certain social and environmental safeguards, with due diligence processes to cover topics like human rights and anti-bribery.

Financial mapping

The result of the assessment must be reported in terms of three financial KPIs – turnover, opex and capex – with specific definitions of each KPI set out by the taxonomy. We map our financial data to each activity and adjust to align with the taxonomy definitions. Our results are presented on page 103.

Our activities are naturally linked to sustainability, so the environmental objectives are things that we have been contributing towards for some time and continue to focus on.

Climate change mitigation

Focused on reducing greenhouse gas emissions to limit the contribution to global warming.

We were the first (and only) UK water company to have approved science-based targets for the near term, long term and net zero. Our comprehensive TCFD disclosures set out our transition plan to net zero by 2050. We generate renewable energy, and have six ambitious climate pledges, including extensive peatland restoration, woodland creation, and our transition to a green fleet.

Climate change adaptation

Focused on adapting to the unavoidable impacts of climate change, such as rising sea levels and extreme weather events.

As a water and wastewater provider we must constantly adapt to extremes of weather, managing periods of heavy rainfall, prolonged dry periods, and freeze-thaw events. We have long-term plans for managing water resources, drought, and drainage and wastewater. Our AMP8 plan includes investment that will improve our resilience further to these extreme events.

Pollution prevention and control

Focused on preventing and controlling various forms of pollution, including air, water, and soil pollution.

We are sector leading on minimising pollution, and the only UK company to be rated 'green' against serious pollution incidents every year in the EA's environmental performance assessment. We have ambitious targets to reduce pollution incidents further in AMP8, targeting zero serious pollution incidents in every year.

Sustainable use and protection of water and marine resources

Promoting the efficient and sustainable use of water resources, protecting water quality and marine ecosystems.

As shown on pages 18 to 19, we operate across the entire water cycle and rely on water bodies for our core activities, so protecting their sustainability is crucial. We protect the quality of water through management of catchment land, treatment of wastewater, and our significant activity to reduce spills from storm overflows. We are also focused on conserving water through leakage reduction and helping customers to reduce consumption.

Protection and restoration of biodiversity and ecosystems

Aiming to protect and restore biodiversity and ecosystems, including forests, wetlands, and marine habitats.

As set out on page 43, we are committed to protecting and improving biodiversity, and AMP8 final determinations include a specific performance commitment recognising how important this is in our work. The North West includes significant areas of SSSI land and areas of outstanding natural beauty, and our sustainable land management approach, as well as our woodland creation activity, deliver biodiversity benefits.

Transition to a circular economy

Encouraging the reuse, recycling, and recovery of resources to minimise waste and resource depletion.

We are committed to minimising waste from our activities. This includes our treatment of sewage sludge – a by-product from wastewater treatment activity – from which we create clean, renewable energy from biogas and recycle the residual biosolids to create a high quality fertiliser for use in agriculture. More than 98 per cent of our waste goes to beneficial use.

Eligible activities

Given the nature of our core activities, it is not surprising that we are eligible for a large number of the activities set out in the taxonomy. Some activities are quite broad, while others are relatively narrow and specific. We have chosen to focus on the activities that best align with our core day-to-day services but, where other activities are met through what we do, we disclose these as well.

Water supply

Core activity: Construction, extension and operation of water collection, treatment and supply systems. This core activity covers our provision of water services to customers from the point of abstraction, through treatment, and up to the point of supply.

There is another activity - 'Water supply' - that overlaps with this and covers the same end-to-end process, where the focus is on substantial contribution to the sustainable use and protection of water and marine resources. Given that compulsory metering is not legally permitted in our region, we felt the objectives behind our core activity were better suited than the 'Water supply' activity.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems'
- 'Renewal of water collection, treatment and supply systems'
- 'Use of concrete in civil engineering'

Read more about **how we manage water resources and supply to customers** in our water cycle on pages 18 to 19

Wastewater treatment

Core activity: Urban wastewater treatment. This core activity covers our provision of wastewater services to customers from the point of collection, through treatment, storm water management, and up to the point of discharge of final effluent.

There is another activity - 'Construction, extension and operation of wastewater collection and treatment' - that overlaps with this and covers the same end-to-end process, where the focus is on climate mitigation and adaptation. We felt that the focus of our core activity on the sustainable use and protection of water and marine resources was better suited, given the heavy focus on protecting environmental water quality.

There are also a number of narrower and more specific activities that would be eligible, were they not already covered by the end-to-end process of our core activity. This includes:

- 'Flood risk prevention and protection infrastructure'
- 'Phosphorus recovery from wastewater'
- 'Renewal of wastewater collection and treatment'
- 'Nature-based solutions for flood and drought risk prevention and protection'
- 'Use of concrete in civil engineering'

Read more about **how we manage wastewater treatment** in our water cycle on page 19

Sustainable drainage systems (SuDS)

Core activity: 'Sustainable urban drainage systems (SuDS)'.

Our sustainable drainage projects would also be eligible under the broader 'Nature-based solutions for flood and drought risk prevention and protection' activity, but we have focused on the more specific core activity.

With a changing climate we are seeing increasing periods of intense heavy rainfall, and we have particularly high rainfall in urban areas. We are also preparing for a continually growing population, and planning and investing to reduce spills from storm overflows and flood risk. The impact of these changes, with our largely combined sewer network, means that we will continue to see more and more wastewater and surface water runoff entering our sewers unless we find other ways to cope with rainwater. Sustainable drainage is an effective and environmentally beneficial way to ease the strain on combined sewers and better manage rainfall, an this is part of our long-term rainwater management strategy.

Read more about **our rainwater management activities and use of sustainable drainage** in our TNFD disclosures on pages 41 to 49

Bioresources

Core activities: 'Anaerobic digestion of sewage sludge' and 'Electricity generation from bioenergy'.

The sludge by-product from the wastewater separation and treatment process is transported to our bioresources facilities.

These two core activities cover the main treatment process using anaerobic digestion to produce biogas, and the subsequent use of biogas to generate clean, renewable electricity.

Read more about **how we use bioresources to generate renewable green energy** in our water cycle on page 18

Woodland creation and peatland restoration

Core activities for woodland creation: Identified as 'Afforestation' and 'Forest management'.

In addition, our woodland activities would be eligible for other activities, including:

- 'Conservation forestry'
- 'Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event'

Core activities for peatland restoration: Identified as 'Restoration of wetlands' or 'Conservation, including restoration, of habitats, ecosystems and species'.

Read more about **our progress against woodland and peatland pledges** on page 74

Property management and fleet

Core activity for property: 'Acquisition and ownership of buildings'. In addition, in certain years we will be eligible under 'Construction of new buildings' and 'Renovation of existing buildings'.

While the majority of our properties relate to core water and wastewater activities, we do have some outside of these, including head offices.

Core activity for fleet: 'Transport by motorbikes, passenger cars and light commercial vehicles'. However, our fleet is primarily used in our core water and wastewater activities and therefore we have not chosen to strip this out for alignment purposes, but note that this is also an eligible activity.

Non-eligible activities

We have a small amount of non-eligible business activities, such as our retail services for customers. These are not covered within the list of activities for EU taxonomy purposes as they do not meet the specific environmental objectives of the European Green Deal, but we still undertake them through the lens of our commitment to sustainability. For instance, our community investment and the industry-leading affordability and vulnerability support that we provide through our household retail activities both contribute to the social element of ESG.

How we're creating long-term sustainable value

Our EU Taxonomy disclosure

Assessment of alignment

Our assessment is the result of a collaborative process between the finance team and numerous other subject matter experts in the relevant functions right across the business.

The EU Taxonomy has detailed requirements and technical screening criteria that must be met to establish alignment. In order to improve the robustness, governance, and efficiency around our assessment we utilised specialised analysis software and expert support and advice from Celsia, part of ISS-Corporate.

This enabled us to assess and demonstrate that we met the minimum safeguards and identify where we were satisfying the criteria for making a substantial contribution, and/or doing no significant harm, for the relevant environmental objectives in relation to each eligible activity.

Initial focus

Our primary focus for this first assessment has been on our water and wastewater activities, which make up the majority of what we do. In doing so, we also separated out our sustainable urban drainage systems from wastewater and assessed these independently for alignment.

As set out on the previous page, we first identified the most suitable core activities, as defined by the EU Taxonomy, for each of these. We then undertook detailed analysis of the technical screening criteria to establish whether we met the requirements for alignment. We were pleased to see that for each of these core activities we did successfully meet the alignment criteria.

In future assessments, we will look to undertake further analysis of the technical screening criteria for activities within bioresources, woodland creation and management, peatland restoration, property and fleet.

While smaller in terms of proportionate contribution to the three KPIs, these are important areas of our business that improve environmental sustainability. In particular:

- Our woodland creation and peatland restoration both deliver important benefits for biodiversity, carbon sequestration and natural flood management, as well as protecting water quality impacted by runoff from this land.
- Our bioresources activities help to ensure our waste is going to beneficial use as well as generating clean, renewable energy.
- Our transition to a green fleet, including our recent addition of four electric HGVs, is an important step towards reducing our emissions and contributing towards climate change mitigation.

Mapping of financial data

We have mapped financial data to the individual activities using existing systems.

The majority of our activities sit within our regulated entity, United Utilities Water Limited (UUW), for whom we are required to report to the regulator, Ofwat, under price controls. These are closely aligned to EU Taxonomy activities – for instance, the water price controls cover the construction, extension and operation of water collection, treatment and supply systems – and therefore form the initial basis of our financial data mapping.

There are instances where we have split financial data further than the price controls to enable reporting with additional granularity, for instance separating out SuDS from within the wastewater price control, and stripping out woodland activity that was in part included under the water price controls.

Regulatory reporting guidelines differ from IFRS, so we made the relevant adjustments between regulatory and statutory accounting standards, and also adjusted to include other activities that sit outside of UUW, to arrive at IFRS reported financial data at the group level, apportioned out between EU taxonomy eligible activities and other activities not eligible under EU Taxonomy.

We then made further adjustments to reflect any differences between the definitions of the KPIs reported under EU Taxonomy and IFRS reporting definitions. The general EU Taxonomy definitions, and core differences with our IFRS-reported equivalents, are set out here.

Turnover

Net turnover is defined by EU Taxonomy as the amounts derived from the sale of products and the provision of services after deducting sales rebates and taxes, such as VAT, that are directly linked to turnover. Governmental grants should be excluded, as they are not recognised as revenue under IAS1 paragraph 82(a). Any grants and contributions we receive are not included in revenue, so turnover for EU Taxonomy purposes does not differ from revenue reported under IFRS.

Capital expenditure (capex)

Capex is defined by EU Taxonomy as the total additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements. It excludes the additions resulting from revaluations and impairments, and fair value changes. The taxonomy capex definition refers to costs that are accounted based on IAS16 'Property, plant and equipment', IAS38 'Intangible assets', IAS40 'Investment property', IAS41 'Agriculture', and IFRS16 'Leases'. We include depreciation and amortisation as opex, therefore capex for EU Taxonomy purposes does not differ from capex additions reported under IFRS.

Operating expenditure (opex)

Opex aims to capture non-capitalised costs that relate to investments in assets and processes. It is defined by EU Taxonomy as non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repair costs, and other direct expenditure related to the company's strategy for maintaining or improving environmental performance and resilience in respect of each activity.

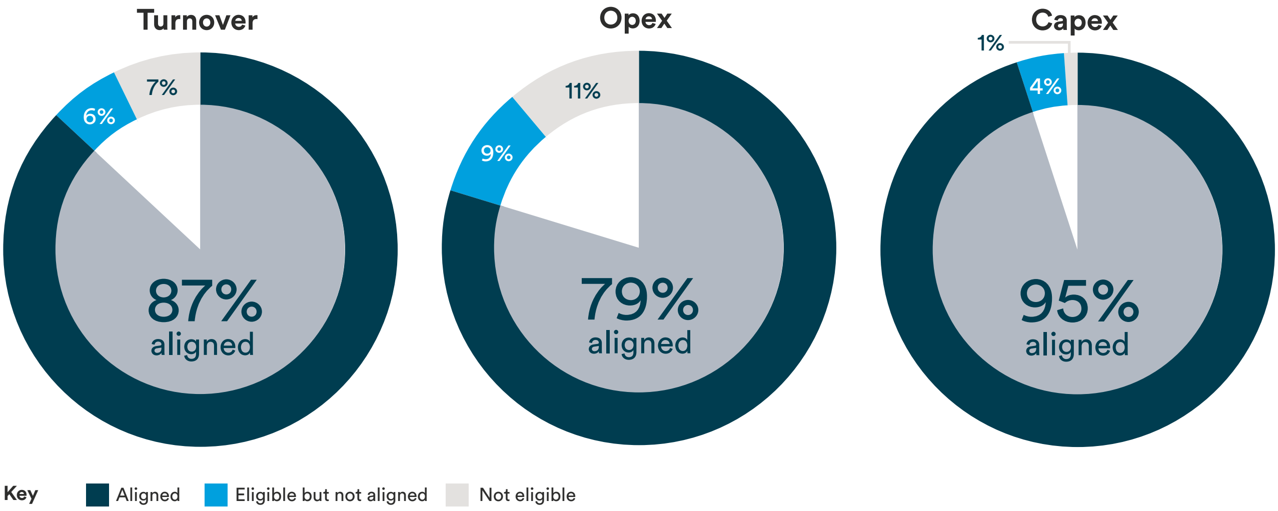
This is the measure that diverges most from IFRS, and we have made a number of adjustments to meet the taxonomy definition of opex.

For example overheads are excluded, as these are not directly attributable to the activities, and we have stripped out depreciation and amortisation.

Reagents such as the chemicals used in water and wastewater treatment, and the electricity used to operate PPE, are also stripped out on the basis that these are direct costs of production and therefore must be excluded under EU Taxonomy to avoid double counting with turnover.

Outcome of our assessment

We are pleased to see that the inherent sustainability of our activities, and our commitment to protecting and enhancing the natural environment, is reflected with a high level of eligibility and alignment under the EU Taxonomy, as shown in the charts below.



	Turnover		Opex		Capex	
Activities	**£m**	**%**	**£m**	**%**	**£m**	**%**
Construction, extension and operation of water collection, treatment and supply systems	887	41%	313	45%	449	35%
Urban wastewater treatment	976	46%	238	34%	764	60%
Sustainable urban drainage systems (SuDS)	1	0%	–	–	6	0%
Total eligible and aligned under EU Taxonomy	**1,864**	**87%**	**552**	**79%**	**1,219**	**95%**
Other eligible activities	135	6%	64	9%	56	4%
Total eligible under EU Taxonomy	**1,999**	**93%**	**616**	**89%**	**1,275**	**99%**
Not eligible under EU Taxonomy	146	7%	80	11%	5	1%
Total[1]	**2,145**	**100%**	**696**	**100%**	**1,280**	**100%**

[1] The total opex differs significantly to the equivalent figure calculated under IFRS as a result of the differences in the EU taxonomy definition.

Looking ahead

This was the first year of voluntary assessment against the EU Taxonomy criteria, and as mentioned we have focused primarily on our core water and wastewater activities.

As we move forward, we will continue to refine our assessment further to improve the granularity and further examine the criteria for our other eligible activities.

If and when a UK Taxonomy is published, we will also seek to incorporate this into our assessment.

As mentioned on page 08, we are entering a higher growth phase and will see significantly higher investment levels, with AMP8 capex more than doubling compared with AMP7. This means that our alignment under EU Taxonomy is expected to increase significantly in absolute levels in the next five-year period and beyond.

With a significant proportion of the increase in investment being required to address new environmental improvement drivers, and more nature-based solutions being used in AMP8 than ever before, we would also expect that our proportional alignment would remain very high as we continue to work towards a stronger, greener and healthier North West.