

Chief Executive Officer's review

Louise Beardmore



Proud to lead a high-performing company into a period of transformation and growth

We have delivered a strong performance over the course of AMP7, making significant improvements and outperforming the regulatory contract. This year, we accepted the final determination for AMP8, which will see the largest investment in more than 100 years, helping us to deliver this step change in performance for customers, communities and the environment.



We have, for some time, been preparing for AMP8 – building new capability, using an innovative five-county approach, and undertaking early supplier onboarding. Alongside our strong track record, this gives us confidence that we can successfully deliver our ambitious investment programme.

While all eyes are firmly looking ahead, as we conclude another busy year and close out AMP7 I want to reflect on the great progress we have made over the last five years.

Delivering improvements for customers

We are the only UK water and sewerage company to earn the Service Mark with Distinction from the Institute of Customer Service, the Chartered Institute of Credit Management excellence in credit management, and the BSI kitemark for inclusive service, maintaining our focus on service excellence for all customers.

We have maintained our position as the leading listed company on Ofwat's measure of customer satisfaction, C-MeX, and we have earned a reward against this metric in each year and the third highest reward across AMP7, demonstrating consistently strong performance for household customers. We also perform strongly on housing developer and business retailer satisfaction, D-MeX and BR-MeX, meeting our targets since reporting began and expecting to place in an upper quartile position for both.

We have been driving improvements in water quality across the region, with a 29 per cent reduction in customer contacts over AMP7, achieving our lowest ever levels. This has been helped by our company-wide culture-change programme (Water Quality First), as well as some significant targeted investment in infrastructure.

We have recently reached the halfway point in our eight-year project upgrading the Vyrnwy Aqueduct to improve water quality for a million customers, which has been

delivered on time and within budget. We also have a number of key strategic projects underway through AMP8 to deliver further improvements to water quality.

We saw periods of particularly intense rainfall in the winter of 2024, and the unprecedented heavy rainfall over the New Year caused a number of rivers to burst their banks and the collapse of part of the Bridgewater Canal, resulting in significant flooding. We took part in a multi-agency emergency response alongside emergency services, the Environment Agency (EA) and local councils, helping to minimise the impact and assist those affected.

This naturally impacted our weather-responsive wastewater performance measures – particularly sewer flooding and pollutions – but despite the heavy rainfall and challenging targets, we continue to deliver improvements, with internal sewer flooding 19 per cent lower than last year and our lowest ever level of sewer blockages. We have consistently been one of the strongest performers at minimising pollution, and the only company to have achieved 'green' status on serious pollution incidents in the EA's Environmental Performance Assessment (EPA) every year since it began.

As well as improving our service for customers, we remain focused on supporting those experiencing affordability or vulnerability challenges. We have helped 414,000 customers with affordability support in the last five years, and around 540,000 customers are registered to receive additional tailored support through our Priority Services offering.

Driving improvements for the environment

Protecting and enhancing the natural environment remains a top priority, and we are really pleased to have consistently been one of the strongest performers in the EPA. We have achieved the upper ratings (3-star "good" and 4-star "industry-leading") every

year so far, earning the top 4-star rating in six of the last nine years, including the latest assessment for 2023. As measurement standards continue to tighten, we are committed to doing more.

Rivers have been an area of particular focus, with improvements delivered through our AMP7 commitments, and the fast start we have made on tackling spills from storm overflows. Between the additional AMP7 investment, accelerating delivery of our Better Rivers programme, and AMP8 investment we have brought forward targeting some of the highest spilling sites, we have made big strides.

2024 saw almost 20,000 fewer spills than 2023 and a 31 per cent reduction in duration. Despite the intense periods of rainfall during the year, spills per overflow are down 39 per cent since 2020. While excellent progress and exceeding our target of a one-third reduction by 2025, there remains a long way to go and our industry-leading AMP8 spill reduction programme will help us deliver an even bigger step change.

We are at our lowest level of leakage in the North West. This year we have increased our find and fix rates by 70 per cent, using satellite imagery and AI capability to find and trace more leaks than ever before. This has been supported by a new 'no dig' repair capability, which has proven extremely reliable in trials in the last six months – increasing the speed to fix and reducing the costs of repair, both of which are key areas of focus as we drive further improvements against our stretching AMP8 targets.

The work we have been doing on our lowest bill guarantee – helping customers to reduce their bills and consumption by better understanding their usage, with targeted communications and water efficiency home audits – has helped to identify areas of high usage and internal leaks. Once fixed, this has helped reduce per capita consumption, where we are performing in the upper quartile.



Materiality

Our integrated annual report and financial statements aim to meet the information needs of our investors to help them make informed decisions regarding their participation, for example, whether to buy, hold or sell our shares or bonds, whether to engage with management on issues, and how to vote their shares. We have included information that we believe is material to these decisions, which is presented in a way that we believe is fair, balanced and understandable. Our assessment of materiality can be found on pages 29 to 30.

We have made excellent progress with our carbon pledges, and scope 1 and 2 greenhouse gas emissions are down around 10.5 per cent since 2020. We have completed 3,000 hectares of peatland restoration, surpassing our 2030 target, and planted more than 640,000 trees in the last five years. We use 100 per cent renewable electricity, with 23 per cent generated by us or with partners, and have over 400 all-electric vehicles. We are the only UK water company taking part in the 'Electric Freightway' project, with four electric HGVs powered by renewable electricity generated at our Manchester Bioresource Centre.

Maintaining strong regulatory and financial performance

Our AMP7 performance commitment targets were stretching, but we have met or beaten around 80 per cent of them across AMP7. This includes strong performance across a range of water, wastewater, bioresources and customer measures. While we are pleased with our progress overall, we still have work to do in some areas, such as volatile weather-impacted measures like internal sewer flooding where, despite delivering a reduction of around 20 per cent, we fell short of the very stretching 73 per cent target.

As a result of the significant improvements we have delivered for customers and the environment, we have earned a cumulative net ODI reward of £129 million for AMP7, and a cumulative return on regulated equity (RoRE) of 6.1 per cent, outperforming the 4 per cent base return.

This strong track record, improving further on the outperformance we delivered in AMP6, demonstrates our continuous improvement and position as one of the best performing companies in the sector. This, alongside the investment we have made during AMP7 on targeted areas such as storm overflows, sets us up very well for another strong performance in AMP8.

We reported underlying profit after tax (PAT) of £338 million and underlying EPS of 49.6 pence for the year, up from £227 million and 33.3 pence last year due to higher regulatory revenue partially offset by increased operating costs and depreciation on our growing asset base. Reported PAT was £265 million and reported EPS at 38.8 pence. The difference to underlying mainly reflects deferred tax and fair value movements on underlying net finance expense. Our balance sheet remains strong, with 60 per cent gearing and liquidity to 2027.

Doing the right thing

We are committed to delivering these and future improvements in the best way possible for customers, the environment, colleagues, the North West, and all of our stakeholders.

We continue to prioritise providing a safe and great place to work. Colleague engagement of 87 per cent is seven points higher than the high performing norm. We have strong retention, successful graduate and apprentice schemes, and a continued focus on training, development, health, safety and wellbeing. Delivering as we go forward will depend on great people, and I am proud to know that we have such a highly engaged team with the right skills to help us ensure long-term success, with 91 per cent of our colleagues proud to work at United Utilities.

Spending money wisely is so important, and we are pleased that our capital delivery programme incentive – a key performance measure focused on efficiency, quality, delivery on time, and carbon impact – is very high at over 99 per cent. We work in strategic partnerships, leveraging opportunities and resources to accomplish more together, and we have directly invested more than £21 million in local communities during AMP7.

We continue to perform in the upper quartile across a range of trusted ESG indices, make use of our sustainable finance framework to raise efficient debt linked to environmental improvements, and have retained the Fair Tax Mark for six consecutive years.

Integrated Report and TCFD disclosure

This annual report is an Integrated Report and has been prepared and presented in accordance with the International <IR> Framework published by the International Integrated Reporting Council in January 2021. The board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

This report contains all climate-related financial disclosures required to be consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and in line with the Listing Rules requirements (UK Listing Rule 6.6.6R(8)) and the 2022 amendments in S414CB (A1) of the Companies Act. In making our disclosures, we have considered 'Guidance for All Sectors' in the TCFD implementation guidance. Further supplementary detail, such as our 2024 adaptation progress report, WRMP and supporting technical documents, are available on our website.

Thank you

I remain grateful for the continued support and hard work of the entire team at United Utilities, who have been instrumental in delivering these incredible achievements over the last five years and who give me confidence and pride as we look to the next regulatory period, and the step change we will deliver in AMP8 and beyond.

Louise Beardmore
Chief Executive Officer

14 May 2025