United Utilities Group PLC
24 September 2020

UNITED UTILITIES TRADING UPDATE

United Utilities announces the following trading update ahead of its half year results on 25 November 2020.

Current trading is in line with the group's expectations for the six months ending 30 September 2020.

COVID-19

Our focus throughout the COVID-19 pandemic continues to be on supporting customers in the provision of essential services whilst protecting our colleagues. Throughout the pandemic, we have continued to supply drinking water, take away wastewater and carry out essential repairs for over 3 million households in the North West. We have also acted swiftly to support customers who are struggling to pay their bills through our extensive financial assistance schemes. Increasing numbers of vulnerable customers are being supported through our Priority Services scheme.

Operational performance

Operational performance in the first half of the year is on track against our AMP7 plan, notwithstanding the pandemic, and we continue to target net outcome delivery incentive (ODI) outperformance for the full year 2020/21.

We have been able to accelerate our capital expenditure profile for AMP7 (compared with the assumed profile in the final determination) to deliver benefits earlier than would otherwise be the case, as was successfully achieved in AMP6.

Strong environment, social and governance (ESG) credentials

Earlier in September, we were pleased to be recognised for our approach to sustainability: we are one of only eight UK listed companies to be included in the Global Challenges Index (GCX) that recognises the top 50 companies worldwide for their approach to sustainability; and we achieved 11th position in EcoAct's FTSE100 leaderboard for how we report our sustainability performance. Also in the month, we launched an investor guide[1] to our long-standing commitment to ESG, detailing key achievements to date and our ambitions for the future.

Financials

Cash collection from our household customer base has been consistent with the targets that we set before the COVID-19 pandemic. Although we anticipate bad debt may increase as government support schemes come to an end, we secured early agreement during the pandemic to extend our social tariff and this, combined with our extensive range of financial assistance schemes, underpins our confidence in the adequacy of the provision we made at the March 2020 year end.

Group revenue is expected to be lower than the first half of last year, largely reflecting our allowed regulatory revenue changes and lower consumption from businesses as a result of COVID-19, partly offset by higher consumption from households. Overall, the net reduction in revenue in the first half of the year is expected to be around 5 per cent.

Underlying operating profit for the first half of 2020/21 is expected to be lower than the first half of 2019/20 largely reflecting the lower revenue and an anticipated moderate increase in infrastructure renewals expenditure (IRE).

The rate of inflation that is applied to the group's index-linked debt is lower for the first half of the year and we therefore expect the underlying net finance expense for the first half of 2020/21 to be around £30 million lower than the first half of last year.

As the company continues to invest in its asset base we expect a small increase in group net debt at 30 September 2020 compared with the position as at 31 March 2020.

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

[1] https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-esg-booklet-2020.pdf

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LEI 2138002IEYQAOC88ZJ59
Classification – Trading update