

# 2021/22 highlights

## Financial highlights

We have delivered a solid set of financial results in a volatile market over the year to 31 March 2022, helped by our prudent financial risk management and efficient operational performance.

### Our financial KPIs

#### Underlying operating profit\*

# £610m

## Reported: £610m

#### Our target

No externally disclosed target (see note 1)

#### Our progress this year

- Underlying operating profit increased by £8 million, as a 3 per cent increase in revenue was largely offset by inflationary pressures increasing our underlying cost base, predominantly in respect of power, materials and labour.
- There were no adjusting items therefore underlying was the same as reported operating profit this year.

#### Definition

This measure excludes from reported operating profit any significant non-recurring items. We determine adjusted items in the calculation of underlying operating profit by reference to 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 recurrence, and its volatility, which is either outside of the control of management and/or not representative of the current year performance. A reconciliation is shown on pages 82 and 83.

#### Our performance

● Met expectation/target

#### Link to remuneration

- Underlying operating profit is one of the measures for the annual bonus. It is indirectly linked to the Long Term Plan as financial performance impacts relative total shareholder return

#### Underlying earnings per share (EPS)\*

# 53.8p

## Reported: (8.3)p

#### Our target

No externally disclosed target (see note 1)

#### Our progress this year

- Underlying EPS decreased by 4 per cent, primarily due to the impact of higher inflation on our index-linked debt. This was partially offset by a net tax credit of £66 million due to capital allowance super deductions and a review of innovation-related expenditure in prior years.
- Reported EPS was (8.3) pence, with the main adjusted items being deferred tax and net fair value gains on debt and derivative instruments.

#### Definition

This measure 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 to reported net finance expense, 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 from reported taxation. Reconciliations to the underlying measures are shown on pages 82 and 83.

#### Our performance

● Met expectation/target

#### Link to remuneration

- Underlying earnings per share is indirectly linked to the Long Term Plan as financial performance impacts relative total shareholder return

#### Dividend per share

# 43.5p

#### Our target

## CPIH inflation

growth per annum over AMP7 (2020–25)

#### Our progress this year

- The board has proposed a final dividend of 29 pence per ordinary share, taking the total dividend for 2021/22 to 43.5 pence per ordinary share. This is an increase of 0.6 per cent, in line with our policy in this regulatory period of targeting an annual growth rate of CPIH inflation through to 2025.

#### Definition

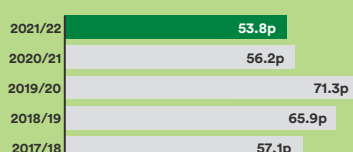
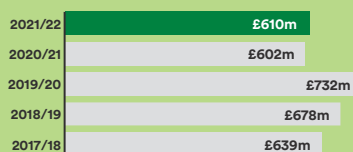
This measure divides total dividends declared by the average number of shares in issue during the year.

#### Our performance

● Met expectation/target

#### Link to remuneration

- Delivery of our dividend policy is an underpin that applies to the Long Term Plan outcomes



A guide to alternative performance measures (APMs) and a reconciliation between underlying profit and reported profit is shown on pages 82 to 83.

\* Underlying profit measures have been re-presented for prior years so they are presented on a consistent basis to the years ended 31 March 2021 and 31 March 2022.

**Many of our operational KPIs are considered in executive remuneration through the annual bonus and/or Long Term Plan**

➔ Read our [remuneration report](#) on pages 160 to 191

**KPI status key**

- Met expectation/target
- Close to meeting expectation/target
- Behind expectation/target

**Gearing: net debt to RCV**

**61%**

**Our target**

**55–65%**

gearing range

**Our progress this year**

- Gearing at 61 per cent remains comfortably within our target range, supporting an A3 credit rating with Moody's and giving us financial flexibility and resilience.

**Definition**

This measure divides group net debt by United Utilities Water Limited's (UW) shadow (adjusted for actual spend and timing difference) regulatory capital value (RCV).

**Our performance**

● Met expectation/target

**Link to remuneration**

- n/a

**Total shareholder return**

**+27%**

**Our target**

We assess our performance each year against listed peers in the utility sector and against the FTSE 100

**Our progress this year**

- Total shareholder return for the year to 31 March 2022 was 27 per cent positive. This was higher than the average return for the FTSE 100, but was not as high as some listed peers in the utility sector.

**Definition**

This measure calculates the return to shareholders based on the movement in share price plus dividends over each financial year.

**Our performance**

● Close to meeting expectation/target

**Link to remuneration**

- Relative total shareholder return is a measure applying to Long Term Plan awards vesting this year

**Low dependency pension scheme**

**£nil**

**deficit repair contributions**

**Our target**

Maintaining low dependency pension schemes, meaning no deficit repair payments are needed

**Our progress this year**

- Our defined benefit pension schemes are fully funded on a low dependency basis. This means we do not need to make deficit repair contributions, and it means our employees and shareholders are protected from a worsening position that would otherwise have likely been felt as a result of recent high levels of inflation.

**Definition**

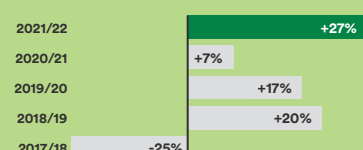
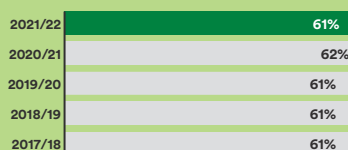
This measure considers The Pensions Regulator's definition of low dependency being "where a scheme's funding and investment strategies are such that there is a low chance of requiring further employer support and, to the extent that such support is required, the amount of support is low relative to the size of the scheme".

**Our performance**

● Met expectation/target

**Link to remuneration**

- n/a



**Notes:**

Note 1: For both our operational and financial KPIs, where we have declared external targets we assess our performance against the most recent public targets. Where there are no externally declared targets we assess our performance against our internal budget; however, our internal budget is not disclosed.

Note 2: In some instances, the remuneration committee has used metrics with similar names but calculation methodologies which they consider more appropriate for executive remuneration, as set out in the remuneration report on pages 160 to 191.