Highlights for 2022/23 – Our financial key performance indicators

Strong financial performance facilitates delivery of our purpose. Our financial key performance indicators (KPIs) include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our performance for the year.

Read more about our **financial performance** on pages 112 to 119

Providing great water

A robust and resilient financial position, and ability to raise efficient financing, is essential to ensure our ability to fund the long-term infrastructure projects that are needed so we can continue providing great water now and in the future.

...for a stronger, greener and healthier North West

We are investing to accelerate improvements for customers and the environment in the North West, and our work supports thousands of jobs, both directly and through our supply chain. Maintaining a responsible level of gearing helps us fund this investment efficiently and effectively. Return on regulated equity (RoRE) measures how we have delivered against regulatory allowances and targets for operational and financing performance, and the dividends we pay provide a reliable income for many pension funds and charities among our shareholder base.

(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 118 and 119.

Underlying operating profit

See note 1

Our target
Not externally disclosed

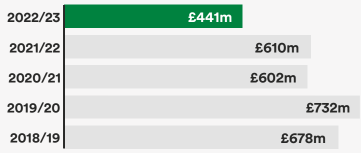
KPI performance

£441 million

Reported operating profit: £441 million

Behind expectation/target

Our progress this year
Operating profit has fallen £169 million compared with last year, primarily driven by lower consumption reducing revenue, and the impact of inflation on our core costs, particularly power and chemicals.



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

Underlying earnings per share (EPS)

See note 1

Our target
Not externally disclosed

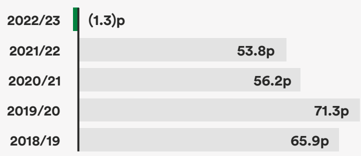
KPI performance

-1.3 pence

Reported EPS: 30.1 pence

Behind expectation/target

Our progress this year
Underlying loss per share is primarily driven by the movement in operating profit and a higher underlying finance expense. Reported EPS is higher due to fair value gains, profit on disposal of a subsidiary, and a reduction in deferred tax due to a one-off charge in the prior year to restate at the new future headline rate.



Link to remuneration
Underlying EPS is indirectly linked to the LTP as financial performance impacts relative TSR

KPI status key

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

Gearing

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

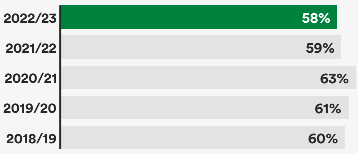
Our target
55–65%

KPI performance

58%

Met expectation/target

Our progress this year
Gearing has fallen slightly compared with 59 per cent last year due to the increase on our RCV, driven mostly by inflation, being proportionally higher than the increase in our net debt.



Link to remuneration
n/a

Dividend per share (EPS)

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

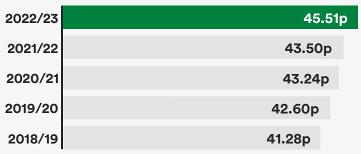
Our target
Annual growth in line with CPIH inflation to 2025

KPI performance

45.51 pence

Met expectation/target

Our progress this year
Board has proposed a final dividend of 30.34 pence which takes the total dividend to 45.51 pence per share for 2022/23. This is an increase of 4.6 per cent, in line with our policy of targeting an annual growth rate of CPIH inflation through to 2025.



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

Return on regulated equity (RoRE)

Base allowed return plus or minus any out or underperformance.

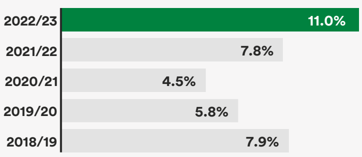
Our target
Not externally disclosed

KPI performance

11.0%

Met expectation/target

Our progress this year
We delivered our best ever RoRE performance with financing outperformance (net of tax) of 4.7 per cent, tax outperformance of 2.5 per cent, and customer ODI outperformance of 0.5 per cent, partially offset by the totex impact of -0.8 per cent.



Link to remuneration
RoRE is a performance measure in the LTP, and is indirectly linked to the bonus as it is influenced by two bonusable measures: C-MeX and ODIs

Total shareholder return (TSR)

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

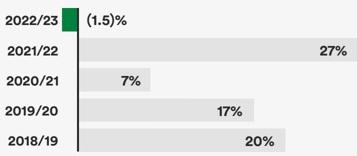
Our target
We assess our performance each year against listed peers in the utility sector and against the FTSE 100

KPI performance

-1.5%

Close to meeting expectation/target

Our progress this year
TSR was a slight negative in the year to 31 March 2023, which was behind the FTSE 100 return of 5.4 per cent and some other utility peers, but ahead of our listed water company peers.



Link to remuneration
Relative TSR is a measure applying to LTP awards vesting this year but is assessed over a three-year period