



Notice of Annual General Meeting 2016

Financial highlights

Revenue

£1,730m

2015: £1,720.2m

Underlying
operating profit

£604.1m

2015: £664.3m

Total dividend
per share

38.45p

2015: 37.70p

From the Chairman and Chief Executive Officer



Steve Mogford
Chief Executive Officer

Dr John McAdam
Chairman

We are pleased to report a continuing improvement in underlying performance and customer satisfaction, in a year that presented some difficult operational challenges.

This is the first year of the new 2015–20 regulatory period and one in which, notwithstanding several challenges, we took another step towards our vision of becoming the UK's best water and wastewater company, providing customers with great service.

Financial performance

We improved performance for shareholders and customers over the last regulatory period providing a strong platform for us to deliver further value across the 2015–20 period, including sustainable dividends.

Group revenue was slightly higher than last year, up £10 million at £1,730 million, as the impact of lower allowed regulated revenue for 2015/16 was more than offset by higher than assumed volumes and an increase in sales in our non-regulated business. Underlying operating profit, at £604 million, was in line with management expectations, albeit £60 million lower than 2014/15, following the new regulated

price controls and impacted by the planned acceleration in our investment programme. Underlying profit before tax, at £408 million, was down by £39 million, as we benefitted from a £21 million reduction in underlying net finance expense. Underlying earnings per share was 47.7 pence, more than covering the dividend. The board is proposing a final dividend of 25.64 pence per ordinary share, making a total of 38.45 pence per ordinary share for the 2015/16 financial year. This represents an increase of 2.0 per cent, in line with our policy of targeting an annual growth rate of at least RPI inflation through to 2020.

To support the retention of a robust capital structure, we aim to maintain efficient access to debt capital markets throughout the economic cycle. We have debt costs locked-in at attractive rates and are on track to beat Ofwat's allowed cost of debt for the 2015–20 period. The board believes it is appropriate to keep gearing, measured as net debt to regulatory capital value, within our existing target range of 55 to 65 per cent. We aim to maintain, as a minimum, our existing credit ratings of A3 with Moody's and BBB+ with Standard & Poor's for United Utilities Water Limited.

Customers

In recent years, we have made great strides in improving customer satisfaction, underpinned by better operational performance. We are pleased to report another year in which underlying customer satisfaction has again improved. However, the last 12 months presented a number of very significant operational challenges and we feel it is appropriate to note the enormous effort by the company's employees, its partners and other stakeholders to sustain water and wastewater services to customers.

Water quality incident

On 5 August 2015, routine sampling identified contamination by cryptosporidium of water leaving our treatment works at Franklaw, affecting over 300,000 homes and businesses in Lancashire. With public health our first priority, we quickly moved to issue an advice notice to

affected customers advising they boil their water before drinking it, whilst we sought to identify and eliminate the source of contamination. Having made so much progress in recent years, we were disappointed to have inconvenienced customers and we are enormously appreciative of their patience and understanding whilst we worked to address the incident.

We have already acted on lessons learned from the incident and we have worked closely with our water quality regulator, the Drinking Water Inspectorate, on a lengthy and complex investigation into its cause. We await the Inspectorate's report on the matter. We would like to thank all those who gave their support and assistance during the incident.

Flooding

December 2015 will be remembered as an awful time for many customers in Cumbria, Lancashire and Greater Manchester when communities were inundated by flooding caused by unprecedented rainfall. The storms at the beginning of December affected over 85 of our wastewater treatment works and a number of other facilities. Dealing with the earlier water quality incident had heightened our readiness. Once again, our appreciation goes to our employees, suppliers and partners who worked tirelessly to maintain the supply of water and return wastewater treatment facilities to service, giving up their Christmas to help families and businesses affected by the floods.

Underlying improvement

Notwithstanding the impact on our customers of the water quality incident and the severe flooding events, we were pleased to see a further improvement in customer satisfaction with an increase in our score on Ofwat's service incentive mechanism (SIM) compared with last year. Considering the challenges associated with the storms, we were particularly pleased that customers rated us 'very highly' for wastewater services where we achieved first place among the 10 water and sewerage companies for the winter period and second place over the full year. We recognise that we have more to do, particularly in respect of our water services.

Whilst we are one of the water and wastewater companies with the fewest customer complaints, we are no better than average in how well customers feel we address their complaint. This is an area of particular focus for us and we are revising our training, policies, processes and systems to drive improvement. In addition, we are implementing a new customer relationship management (CRM) system aimed at offering an improved customer experience, as well as delivering further efficiencies in our customer-facing operations. The incidents we experienced last year showed us there is more we can do to help customers at such times and we launched our new 'Priority Services' offer in May 2016. With the help of third sector groups and other stakeholders, we developed an approach to provide targeted support to customers who are experiencing short or long term difficulties and we are working hard to encourage customers to register with the scheme.

Systems thinking

We have coined the phrase 'systems thinking' to capture the key themes of our new operating model, aimed principally at improving the operational efficiency and effectiveness of our wholesale business. We are investing in our new operating model over this five-year regulatory period with efficiency savings contributing to achievement of our totex targets. Those key themes are:

The reliable and efficient operation of our assets. This is critical to both customer service and our environmental performance and we are driving a shift from a reactive to proactive mind-set, seeking, where possible, to address problems before they affect customer service. We are in the final stages of commissioning our new asset management system to deliver much improved preventative and 'on condition' maintenance scheduling and control. We are progressively deploying engineering teams in the field to ensure best performance of our assets throughout their expected life-span – often saving capital expenditure through more effective operational interventions.

From the Chairman and Chief Executive Officer

Better use of data to monitor, control and optimise asset performance. Our new integrated control centre (ICC) acts as the data hub where we plan, monitor and increasingly control assets. We are close to completing installation of our new telemetry backbone, which acts as the 'data highway' between our assets and the ICC. Under this programme, production sites are being equipped to monitor and optimise site performance.

Think system. Our 91 water treatment works form part of an integrated water supply network and our new production planning system provides real time modelling capability to optimise the cost of total production. It provides us with the capability to re-plan as events occur and this proved invaluable in addressing the considerable water quality challenges created by the storms last year. On wastewater, we are piloting whole drainage area system management, fusing weather and asset data to predict problem 'hotspots' and act to optimise drainage system performance for the benefit of customers and the environment.

Organisation and empowerment. We have shifted away from the typical functional organisation in the water sector to a 'production line' model where multi-disciplinary teams are aligned to water or wastewater production sites and networks. This is delivering much higher levels of performance through increased end-to-end ownership of our assets.

Operational performance

Targeted investment in our assets, processes and the people who operate them has supported sustained improvement in recent years in our environmental performance, as measured by the Environment Agency (EA). We have again been assessed by the EA as one of the best performers in our sector. Performance of our water business scored average or above on four out of six metrics used by the Drinking Water Inspectorate to assess our performance in 2015. However, over the same period, we saw a disappointing growth in the number of water quality events across the business,

positioning us in the lower quartile for the sector. We have grasped this issue and set about a number of improvements in training, processes and asset standards. Early results are encouraging and this area will remain a focus of management attention until we are satisfied that the improvement is sustainable.

Performance against our final determination

In setting pricing, we are very conscious of the need to balance investment requirements against the impact on customer bills, particularly given the high levels of economic deprivation in the communities we serve. Our price review settlement includes some challenging total expenditure targets to help deliver this balance. We have worked hard to find ways to make these savings and are pleased to report that we are implementing a range of initiatives to deliver over £400 million of savings to meet our total expenditure allowance, as set by Ofwat. This will still enable us to invest substantially in our assets for the benefit of our customers and the environment. A key feature will be improving resilience, the importance of which was emphasised by the operational incidents we faced this year.

Our economic regulator, Ofwat, has introduced a new set of incentives for this five-year regulatory period called outcome delivery incentives, or ODIs. Each carries a potential for penalty or reward based on the company's performance in achieving the operational targets, which generally become tougher over the five-year period. Consultation with customers ahead of submission of our five-year business plan indicated that they were generally content with the level of service provided and so there was little support for rewards attached to ODI performance. As a consequence, our cumulative ODIs are skewed toward penalty with very few areas in which we can earn a substantive reward. At the beginning of last year, we set out a soft target range for our cumulative ODI performance between a £100 million net penalty and a £50 million net reward. We are pleased to report a better

than expected performance over the last year resulting in a £2.5 million net reward and we have revised our target range to between £70 million net penalty and £30 million net reward over the five years.

ODIs and the serviceability they represent will benefit from our investment programme in this regulatory period and we have accelerated our £3.5 billion investment programme to deliver improvements as early as possible. During the year we invested £799 million in our assets and systems, around one-third more than the first year of the last regulatory period, and our time, cost and quality index, which measures how effectively we are making that investment, has once again scored highly at around 90 per cent. We expect this front-end loading of investment to continue into the second year of this regulatory period.

Economic environment

Although unemployment in the North West has reduced over the last 12 months, our region continues to have the highest proportion of economically deprived households in England. We have more customers who struggle to pay, with customer indebtedness continuing to be a significant challenge for us.

We place significant focus on helping customers who are struggling to pay and continue to offer a wide range of ways to help them back into regular payment. This includes a new social tariff and an independently administered trust fund for which we increased our annual contribution following a cash tax refund from HMRC. Our new Priority Services scheme supports those customers who may be suffering physical or mental illness as well as those in financial difficulty.

Our debt management processes have been independently assessed as being of a very high standard. We recently implemented a data sharing process with the credit reference agency 'Equifax' and this is helping to distinguish between those customers who are facing genuine hardship and those who try to avoid paying their bill for other reasons.

Non-household retail

We secured our Scottish retail licence in 2012 and have since been a leading competitor in the Scottish non-household (business) retail market. We now have approximately 300 customers, covering around 3,500 sites. Overall, our business retail operation has achieved a net increase in annualised revenue of £18 million. During this period, we have seen a significant increase in the number of active market participants in Scotland and the Water Act 2014 has confirmed plans to open the English business retail market for water and wastewater services in 2017.

We are well advanced in our preparations for full English market opening, having implemented a new customer relationship management system at the end of 2014. However, recognising the relationship between scale and cost to serve for a retail organisation, we saw the benefit of combining our business retail operation with that of another company to create a competitive proposition for the English and Scottish market. We were delighted to find similar thinking in Severn Trent and on 1 March 2016 we announced that we had entered into a joint venture (JV) to combine the two companies' non-household water and wastewater retail businesses, principally comprising billing and customer service activities, to be centrally located in Stoke-on-Trent.

This new company, 'Water Plus', will combine the complementary skills of both companies, including business strategy, sales, customer service and credit management, to deliver an attractive and competitive choice for large and small business customers across England and Scotland. Bringing the businesses together will create a joint venture with the synergies to provide an efficient and cost-effective operation focused on improved customer service and growth.

We are delighted that the JV has received the approval of the Competition and Markets Authority and we are in the process of progressively transferring operations to the new location.

Long-term planning

Our Strategic Direction Statement, 'Playing our part to support the North West', reflects extensive consultation with customers and other stakeholders to create our best view of what the next 25 years holds for our region. This includes economic, social and environmental developments such as the predicted impact of climate change.

Our Water Resources Management Plan, which describes the projected pattern of water resource activity in our region until 2040, projects that the majority of the North West will be in surplus. Customers benefit from an integrated network that supports movement of water around the region to accommodate its changing supply and demand balance. Our plan includes a new Thirlmere pipeline to extend our integrated network to encompass West Cumbria.

As a lone agent, United Utilities could not deliver the scale of required environmental improvement at an acceptable level of cost. Instead we are committed to partnering with others who can support the achievement of our required outcomes – such as our 'Turning tides' partnership with the EA, local authorities, the Marine Conservation Society and other interested parties to improve bathing waters in the North West.

Water 2020

Ofwat is assessing a range of options for the next price review, including competition in the areas of water resources and sludge processing, along with the possible transition from RPI to CPI inflation. We have been actively involved in discussions with the industry and regulators and have submitted comprehensive responses to Ofwat's various consultation papers. Ofwat has recently published its views on a range of options for Water 2020 and we are currently undertaking a detailed review of these documents. We will respond in due course, with customers and shareholders at the heart of our thinking.

Responsible business

We aim to build on our notable achievements across the 2010–15 regulatory period and remain highly focused on delivering the best service to customers, at the lowest sustainable cost, while acting in a responsible manner.

Our environmental and sustainability performance has received external recognition. We retained our 'World Class' rating as measured by the Dow Jones Sustainability Index and again achieved industry leading status in the multi-utility/water sector. In addition, at the PwC 2015 Building Public Trust Awards, United Utilities was selected as joint winner for 'Excellence in reporting in the FTSE 100'.

We continue to support partnerships, both financially and in terms of employee time through volunteering, with other organisations across the North West. We recently set up 'Catchment Wise', our new approach to tackling water quality issues in lakes, rivers and coastal waters across the North West.

Our employees

We would not have been able to deliver the significant improvements for customers over recent years without the enthusiasm and commitment of our employees. We are proud of their unrelenting dedication and of our sub-contracting partners who have worked very hard all year round in supporting customers and the environment and we would like to thank them for their significant contribution.

The company has seen significant change over the last few years and we continue to move through a period of transformation, as we respond to the demands of the new regulatory price control. We remain focused on maintaining high levels of employee engagement. Although it has fallen slightly this year at 75 per cent, this continues to demonstrate that our employees have a strong capability to adapt. We have been successful in attracting and retaining good people and have continued to expand our apprentice and graduate programmes, with many now having secured permanent roles across our business. We have received external recognition for our apprentice and graduate schemes.

Health and safety will always be a key focus area and, as part of our health and safety improvement programme, we have implemented a number of initiatives which helped reduce the employee accident frequency rate further in 2015/16. However, we recognise that we still have more to do, as we strive for continuous improvement.

Our board

We aim to operate in a manner that reflects the highest standards of corporate governance. Our company structure and governance standards are designed to ensure that our board continues to provide sound and prudent governance in compliance with the principles of the UK Corporate Governance Code.

We would like to say thank you and farewell to Catherine Bell who will be standing down at the company's general meeting in July, after nine years on the board. Catherine is chair of the corporate responsibility committee and a member of the nomination, audit and remuneration committees and has provided invaluable guidance to United Utilities throughout her time on the board.

We are pleased to welcome Alison Goligher to the board with effect from 1 August 2016. Alison's industrial and engineering background from her roles with Royal Dutch Shell and Schlumberger will be a great asset to the board.

Outlook

We are confident that we can build on our strong operational and environmental performance and improve further as we progress through this new regulatory period, supported by our 'systems thinking' approach to operating the business. We are accelerating our 2015–20 capex programme and substantial investment in our assets will continue, driving benefits for our customers and the environment. Our progress over the first year of this new regulatory period underpins our confidence in delivering our targets. For shareholders, we are targeting dividend growth of at least RPI inflation each year through to 2020, all underpinned by a robust capital structure.



Dr John McAdam
Chairman

Steve Mogford
Chief Executive Officer

Annual report and financial statements

Our 2016 annual report and financial statements can be accessed directly at corporate.unitedutilities.com.

Notice of Annual General Meeting

This document is important and requires your immediate attention

If you are in doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 or an appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom. If you have sold or otherwise transferred all your shares in United Utilities Group PLC, you should pass this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The directors look forward to welcoming shareholders to the meeting.

If you are not able to attend, please remember you can always cast your votes either by completing and returning the enclosed proxy form or by going online at sharevote.co.uk and voting electronically. To do this, you will need the three numbers (voting ID, task ID and shareholder reference number) that are quoted on your proxy form. Alternatively, if you have registered with Equiniti's online portfolio service, Shareview, you can appoint your proxy at shareview.co.uk. Full details and instructions are given on the website.

Notice of annual general meeting (AGM)

Notice is given that the AGM of United Utilities Group PLC (the company) will be held at 11.00 am on Friday 22 July 2016 at the **Lowry Hotel, 50 Dearmans Place, Chapel Wharf, Manchester, M3 5LH** to transact the business set out below.

Resolutions 1 to 13 and 17 will be proposed as ordinary resolutions and resolutions 14 to 16 will be proposed as special resolutions.

Resolution 1: annual report and financial statements

That the financial statements and the reports for the year ended 31 March 2016 be received.

Resolution 2: declaration of dividend

That the final dividend of 25.64 pence per ordinary share be declared.

Resolution 3: to approve the directors' remuneration report

To approve the directors' remuneration report (other than the part containing the abridged directors' remuneration policy) for the year ended 31 March 2016.

Resolution 4: reappointment of a director

That Dr John McAdam be reappointed as a director.

Resolution 5: reappointment of a director

That Steve Mogford be reappointed as a director.

Resolution 6: reappointment of a director

That Stephen Carter be reappointed as a director.

Resolution 7: reappointment of a director

That Mark Clare be reappointed as a director.

Resolution 8: reappointment of a director

That Russ Houlden be reappointed as a director.

Resolution 9: reappointment of a director

That Brian May be reappointed as a director.

Resolution 10: reappointment of a director

That Sara Weller be reappointed as a director.

Resolution 11: reappointment of auditor

That KPMG LLP be reappointed as auditor of the company.

Resolution 12: remuneration of auditor

That the audit committee of the board be authorised to set the auditor's remuneration.

Resolution 13: authorising the directors to allot shares

That the board be generally and unconditionally authorised to allot ordinary shares pursuant to section 551 of the Companies Act 2006 (the Act) in the company and to grant rights to subscribe for or convert any security into ordinary shares in the company:

- (A) up to an aggregate nominal amount of £11,364,806 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (B) below in excess of such sum); and
- (B) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £22,729,613 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the board otherwise considers necessary;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the 2017 annual general meeting of the company. During this period the company may make offers and enter into agreements which would, or might, require shares to be allotted

or rights to subscribe for or convert securities into shares to be granted after the authority ends, and the board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended. All authorities vested in the board on the date of the notice of this meeting to allot shares or grant rights that remain unexercised at the commencement of this meeting are revoked.

Resolution 14: disapplying statutory pre-emption rights

That, if resolution 13 is passed, the board be given power to allot equity securities (as defined in the Companies Act 2006 (the Act)) for cash under the authority given by that resolution and/or to sell ordinary shares of 5 pence each held by the company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- (A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 13, by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities, as required by the rights of those securities or, as the board otherwise considers necessary,

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

Notice of Annual General Meeting

(B) in the case of the authority granted under paragraph (A) of resolution 13 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (A) above) of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,704,721, such power to apply until the end of the 2017 annual general meeting of the company. During this period the company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Resolution 15: authorising the company to make market purchases of its own shares

That the company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the Act) to make one or more market purchases (as defined in section 693(4) of the Act) of its ordinary shares of 5 pence each, such power to be limited:

- (A) to a maximum aggregate number of 68,188,841 ordinary shares;
 - (B) by the condition that the minimum price which may be paid for an ordinary share is the nominal amount of that share and the maximum price which may be paid for an ordinary share is the higher of:
 - (i) an amount equal to 5 per cent above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,
- in each case, exclusive of expenses.

Such power to apply until the end of the 2017 annual general meeting of the company. The company may enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after the power ends and the company may purchase ordinary shares pursuant to any such contract as if the power had not ended.

Resolution 16: notice of general meeting

That a general meeting other than an annual general meeting may be called on not less than 14 working days' notice.

Resolution 17: authorising political donations and political expenditure

That, in accordance with Part 14 of the Companies Act 2006 (the Act), the company and each company which is or becomes a subsidiary of the company at any time during the period for which this resolution has effect be, and are hereby authorised:

- (A) to make political donations to political parties and/or independent election candidates to which Part 14 of the Act applies;
- (B) to make political donations to political organisations other than political parties; and
- (C) to incur political expenditure;

in each case during the period beginning with the date of the passing of this resolution and ending on the conclusion of the 2017 annual general meeting of the company. In any event, the aggregate amount of political donations and political expenditure made or incurred by the company and its subsidiaries pursuant to this resolution shall not exceed £50,000.

By order of the board:
Simon Gardiner
Company Secretary
25 May 2016

Registered office:
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

Explanatory notes of resolutions

Resolution 1: annual report and financial statements

The directors are required to lay before the meeting the annual report and financial statements of the company for the year ended 31 March 2016, the strategic report, the directors' report, the remuneration report and the audited parts thereof, and the auditor's report on the financial statements.

Resolution 2: declaration of dividend

The board is recommending a final dividend of 25.64 pence per ordinary share. If approved, it will be paid on 1 August 2016 to shareholders on the register at the close of business on 24 June 2016.

Resolution 3: directors' remuneration report

In accordance with the Companies Act 2006, the company proposes an ordinary resolution to approve the directors' remuneration report for the financial year ended 31 March 2016. The directors' remuneration report can be found on pages 82 to 101 of the annual report and financial statements 2016 and, for the purposes of this resolution, does not include the parts of the directors' remuneration report containing the abridged directors' remuneration policy which is set out on pages 86 to 90. The vote on this resolution is advisory only and the directors' entitlement to remuneration is not conditional on its being passed.

Resolutions 4 to 10: reappointment of directors

The board is mindful of the recommendation contained within the Financial Reporting Council's UK Corporate Governance Code (the code) that all directors of FTSE 350 companies should be subject to annual appointment by shareholders. As in recent years, all directors therefore will retire at the 2016 AGM.

With the exception of the Chairman, for whom under the code the test is not applicable, all of our non-executive directors are determined to be independent in accordance with the code and free from any business or other relationship which could compromise their independent judgement. Should they need it, the non-executive directors are supported in their role by the ability to seek independent specialist advice.

All directors (other than Dr Catherine Bell) will be offering themselves for reappointment at the 2016 AGM. As confirmed by the board evaluation exercise, the board fully endorses the reappointment of the board members at the AGM, all of whom are considered to be making a valuable and effective contribution to the board. The board recommends that shareholders vote all the directors back into office at the 2016 AGM. Biographical details of the directors can be found on pages 12–15 of this document.

Explanatory notes of resolutions

Executive and non-executive directors offering themselves for reappointment



Dr John McAdam (68)

Chairman



Steve Mogford (59)

Chief Executive Officer

Responsibilities: Responsible for the leadership of the board, setting its agenda and ensuring its effectiveness on all aspects of its role.

Qualifications: BSc (Hons) Chemical Physics, Diploma Advanced Studies in Science, PhD.

Appointment to the board: Appointed as a non-executive director in February 2008 and as Chairman in July 2008.

Committee membership: Nomination (chair).

Skills and experience: With over 17 years' service as a board director in a wide range of companies, and as a current non-executive director serving on a number of other boards, John has a wealth of experience on which to draw in his role as Chairman and leader of the board.

Career experience: Appointed to the board of ICI plc in 1999 and became chief executive in 2003, a position held until ICI's takeover by Akzo Nobel.

Current directorships/business interests:

Chairman of Rentokil Initial plc, senior independent director of J Sainsbury plc (stepping down at the AGM to be held on 6 July 2016) and a non-executive director of Rolls-Royce Holdings plc. He is also Chairman of United Utilities Water Limited.

Independence: John met the Code's independence criteria at the time of his initial appointment as Chairman.

Responsibilities: To manage the group's business and to implement the strategy and policies approved by the board.

Qualifications: BSc (Hons) Astrophysics/Maths/Physics.

Appointment to the board: January 2011.

Committee membership: Corporate responsibility.

Skills and experience: Steve's experience of the highly competitive defence market and complex design, manufacturing and support programmes has brought renewed focus to customer service and operational performance at United Utilities, and his perspective of the construction and infrastructure sector provides valuable experience relating to United Utilities' capital investment programme.

Career experience: Previously chief executive of SELEX Galileo, the defence electronics company owned by Italian aerospace and defence organisation Finmeccanica and chief operating officer at BAE Systems PLC, and a member of its PLC board, he spent his earlier career with British Aerospace PLC. He stepped down as senior independent director at Carillion PLC in September 2015 and from the board in December 2015.

Current directorships/business interests:

Appointed as senior independent director of G4S PLC in May 2016. He is also chief executive officer of United Utilities Water Limited.



Russ Houlden (57)
Chief Financial Officer

Responsibilities: To manage the group's financial affairs and to contribute to the management of the group's business.

Qualifications: BSc (Hons) Management Sciences, Fellow of the Chartered Institute of Management Accountants, Chartered Global Management Accountant and a Fellow of the Association of Corporate Treasurers.

Appointment to the board: October 2010.

Committee membership: Treasury.

Skills and experience: Russ's skills and experience in accounting, treasury, tax, M&A and investor relations in other commercial and regulated companies, along with his extensive experience of driving performance improvement and managing large capital investment programmes, provides the group with valuable expertise with regard to its drive for improvements in customer service, business development, operations, capital investment and financing.

Career experience: Chief financial officer at Telecom New Zealand. Previously finance director of Lovells, BT Wholesale, BT Networks and Information Services, ICI Polyurethanes and ICI Japan.

Current directorships/business interests:

Member of the supervisory board and chairman of the audit committee of Orange Polska SA, the largest listed telecommunications company in Poland. He is a member of the main committee and chairman of the financial reporting committee of the 100 Group. He is also chief financial officer of United Utilities Water Limited.



Stephen Carter (52)
Independent
non-executive director

Responsibilities: To challenge constructively the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board.

Qualifications: Bachelor of Law.

Appointment to the board: September 2014.

Committee membership: Nomination, audit and corporate responsibility.

Skills and experience: As the CEO of a FTSE listed company, Stephen brings current operational experience to the board. His time spent in public service provides additional insights to the board regarding regulation and government relations, and his experience in the media and technology industries provides a new perspective for the board's discussions.

Career experience: Prior to his appointment as group chief executive at Informa plc on 1 January 2014, he was appointed CEO designate on 1 September 2013, having previously served on its board as an independent non-executive director and member of the audit committee. He has also held non-executive director positions at Travis Perkins plc and Royal Mail Holdings plc. Previous roles include president/managing director, Europe, Middle East & Africa, and a member of the executive management board at Alcatel Lucent Inc. Stephen has also held a number of public service roles, serving a term as the founding chief executive of Ofcom. He was formerly chairman of the board at Ashridge Business School. He is a Life Peer.

Current directorships/business interests:

Group chief executive at Informa plc and a governor of the Royal Shakespeare Company. He is also an independent non-executive director of United Utilities Water Limited.

Explanatory notes of resolutions

Executive and non-executive directors offering themselves for reappointment



Mark Clare (58)

Senior Independent
non-executive director



Brian May (52)

Independent
non-executive director

Responsibilities: Is responsible, in addition to his role as an independent non-executive director, for discussing any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chairman or Chief Executive Officer.

Qualifications: Chartered Management Accountant (FCMA).

Appointment to the board: November 2013.

Committee membership: Nomination, remuneration.

Skills and experience: As a former CEO of a FTSE100 company Mark brings recent current operational experience to the board. His time at British Gas and BAA means he has a strong background operating in a regulated environment and his extensive knowledge of customer-facing businesses is particularly valuable as the industry prepares for increased competition and pursues its continuous drive to improve customer service.

Career experience: Mark retired from his position as group chief executive at Barratt Developments plc in July 2015, a role he had held for nine years. He is a former trustee of the Building Research Establishment and the UK Green Building Council. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles within both Centrica plc and British Gas. Mark has also been a non-executive director of BAA plc, the airports operator.

Current directorships/business interests: He is also an independent non-executive director of United Utilities Water Limited.

Responsibilities: To challenge constructively the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board to lead the audit committee.

Qualifications: BSc (Hons) Actuarial Science, Chartered Accountant FCA.

Appointment to the board: September 2012.

Committee membership: Nomination, audit (chair), treasury (chair).

Skills and experience: Brian joined Bunzl plc in 1993 as head of internal audit before becoming group treasurer, then finance director (Europe and Australasia), and is currently finance director. Brian's background and the various finance roles that he has held are major assets to the board in chairing both the audit and the treasury committees.

Career experience: Brian has been finance director at Bunzl plc since 2006 and prior to that held a number of senior finance roles within the company. Prior to joining Bunzl, Brian qualified as a chartered accountant with KPMG.

Current directorships/business interests: Finance director at Bunzl plc. He is also an independent non-executive director of United Utilities Water Limited.



Sara Weller (54)

Independent
non-executive director

Responsibilities: To challenge constructively the executive directors and monitor the delivery of the strategy within the risk and control framework set by the board and to lead the board's activities concerning directors' remuneration.

Qualifications: MA Chemistry.

Appointment to the board: March 2012.

Committee membership: Nomination and remuneration (chair).

Skills and experience: Sara's experience of customer-facing businesses, together with her knowledge of operating within a regulated environment is a major asset to the board as the water industry prepares for the opening up of the sector to more competition and in improving customer service.

Career experience: Sara has wide-ranging business experience having worked for Mars, Abbey National and J Sainsbury plc and latterly as managing director of Argos from 2004 to 2011. She served as the senior independent director at Mitchells and Butlers plc from 2003 to 2006 and also chaired its remuneration committee from 2003 to 2010.

Current directorships/business interests:

Non-executive director of Lloyds Banking Group plc and former lead non-executive director for the Department for Communities and Local Government. Sara is chair of the Planning Inspectorate (an executive agency of the Department of Communities and Local Government), a board member at the Higher Education Funding Council for England and a council member at Cambridge University. She is also an independent non-executive director of United Utilities Water Limited.

Explanatory notes of resolutions

Resolutions 11 and 12: reappointment and remuneration of auditor

The board is recommending the reappointment of KPMG LLP as external auditor to the company. An authority for the audit committee of the board to set the remuneration of the auditor will also be sought. The audit was last tendered in 2011 when KPMG replaced Deloitte as statutory auditor to the group.

Resolution 13: authorising the directors to allot shares

Paragraph (A) of this resolution 13 would give the directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £11,364,806 (representing 227,296,120 ordinary shares of 5 pence each). This amount represents approximately one-third of the issued ordinary share capital of the company as at 25 May 2016, the latest practicable date prior to publication of this notice.

In line with the Share Capital Management Guidelines issued by the Investment Association, paragraph (B) of this resolution would give the directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £22,729,613 (representing 454,592,260 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the company as at 25 May 2016, the latest practicable date prior to publication of this notice.

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the conclusion of the annual general meeting of the company held in 2017.

The directors have no present intention to exercise the authorities sought under paragraph (B) of this resolution. As at the date of this notice, no ordinary shares are held by the company in treasury.

Resolution 14: disapplying statutory pre-emption rights will be proposed as a special resolution

Resolution 14 seeks to give the directors the authority to allot ordinary shares (or sell any ordinary shares which the company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, as in previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,704,721 (representing 34,094,420 ordinary shares). This aggregate nominal amount represents approximately 5 per cent of the issued ordinary share capital of the company as at 25 May 2016, the latest practicable date prior to publication of this notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles (the Principles) regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5 per cent should not take place without prior consultation with shareholders. The authority will expire at the conclusion of the annual general meeting of the company held in 2017.

Resolution 15: authorising the company to make market purchases of its own shares will be proposed as a special resolution

Authority is sought for the company to purchase up to 10 per cent of its issued ordinary shares (excluding any treasury shares), renewing the authority granted by the shareholders at previous annual general meetings. The directors have no present intention of exercising the authority to make market purchases however, the authority provides the flexibility to allow them to do so in the future. The directors will exercise this authority only when to do so would be in the best interests of the company, and of its shareholders generally, and could be expected to result in an increase in the earnings per share of the company. The authority will expire at the conclusion of the annual general meeting of the company held in 2017.

Ordinary shares purchased by the company pursuant to this authority may be held in treasury or may be cancelled. The directors would consider holding any ordinary shares the company may purchase as treasury shares. The company currently has no ordinary shares in treasury. The minimum price, exclusive of expenses, which may be paid for an ordinary share is its nominal value. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the higher of:

- (i) an amount equal to 105 per cent of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

There are share options outstanding over 1,750,193 ordinary shares, representing 0.26 per cent of the company's ordinary issued share capital as at 25 May 2016. If the authority to

purchase ordinary shares was exercised in full and those shares were subsequently cancelled, these share options would represent 0.26 per cent of the company's ordinary issued share capital.

Resolution 16: notice of general meeting will be proposed as a special resolution

The Companies Act 2006 requires the notice period for general meetings of the company to be at least 21 days. Under its articles of association, the company is currently able to call general meetings (other than an AGM) on not less than 14 days' notice and would like to preserve this ability. In order to do so, shareholders must first approve the calling of meetings on 14 days' notice. In accordance with the 2014 version of the UK Corporate Governance Code, the recommendation is that the 14 days are specified as 'working days'. Resolution 16 seeks such approval. The shorter notice period would not be used as a matter of routine, but only when the flexibility was merited by the business of the meeting and the circumstances requiring the business. The approval will be effective until the 2017 annual general meeting, when it is intended that a similar resolution will be proposed.

Resolution 17: authorising political donations and political expenditure

Shareholder approval is required for donations to political parties, independent election candidates and other political organisations, and for other political expenditure. The company does not make, and does not intend to make, donations to political parties. However, the definition of political donations is very broad and includes expenses incurred as part of the process of having dialogue with members of parliament and opinion formers to ensure that the issues and concerns of United Utilities are considered and addressed. The resolution seeks to ensure that the company and its subsidiaries remain within the law in carrying out these activities.

General information

Questions to the meeting

Shareholders have a statutory right in accordance with section 319A of the Companies Act 2006 to ask and to receive an answer to a question relating to the business of the meeting, although an answer need not be given if in doing so, amongst other things, it was considered undesirable in the interests of the company or the good order of the meeting or if it involved the disclosure of confidential information.

Website

A copy of this notice of meeting and details of the company's share capital in accordance with section 311A of the Companies Act 2006 are available on the company's website at corporate.unitedutilities.com

Attending and admission to the meeting

Please bring your admission card with you to the meeting. It contains your unique shareholder number and will speed up the registration process.

It also serves as your poll card. This helps the votes to be counted more quickly and accurately after the meeting. If you don't bring your admission card, you will need proof of identity before you can be admitted. Security checks will be made and we reserve the right to search bags before allowing entry. The doors will open at 10.00 am and the meeting starts at 11.00 am.

Documents you can look at

Copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection by shareholders prior to the AGM until the close of the meeting. Similarly, copies of the current articles of association will also be available for inspection at the meeting, for at least 15 minutes prior to, and until the close of the meeting and at our registered office.

Voting at the meeting

The record date for entry on the register of members in order to have the right to attend and vote at the meeting is 6.30 pm on Wednesday 20 July 2016 (or, if the meeting is adjourned, 6.30 pm on the day two days before the date fixed for the reconvened meeting). A poll vote will be held on each resolution and scrutinised by representatives of Equiniti present at the meeting, thereby ensuring the votes cast are correctly recorded, and enabling shareholders who have appointed a proxy to vote on their behalf to have their votes fully taken into account. One vote can be cast for each ordinary share held.

Appointing one or more proxy

Every shareholder who is entitled to attend and vote has the right to appoint one or more persons as their proxy to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights in respect of a different share or shares held by the shareholder. You may appoint your proxy or proxies electronically or by completing, detaching and returning the proxy form attached to your admission card and enclosed with this notice. To be valid, completed proxy forms must be received by the company's registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, United Kingdom, BN99 6DA by no later than 11.00 am on Wednesday 20 July 2016. Even if you have lodged a proxy form you may still attend and vote at the meeting, in doing so, the original proxy vote would be disregarded. To appoint more than one proxy, you may photocopy the form of proxy or request additional forms from the company's registrar, Equiniti, by telephone on 0371 384 2041. Lines are open 8.30 am to 5.30 pm Monday to Friday excluding UK public holidays or for overseas shareholders +44 121 415 7048, or by writing to them at the above address. Multiple proxy appointments should be returned together in the same envelope.

Persons nominated to enjoy information rights

If you are not a shareholder, but enjoy information rights under the Companies Act 2006, you are not entitled to appoint a proxy. However, there may be an agreement between you and your nominating shareholder which entitles you to be appointed, or to have someone else appointed, as their proxy. If you don't have this right, or don't wish to exercise it, you may still be entitled under such an agreement to give instructions to that shareholder as to how you would like them to vote.

Electronic proxy voting

Shareholders can register the appointment of a proxy for this meeting at sharevote.co.uk which is run by Equiniti. To do this, you'll need the three numbers (voting ID, task ID and shareholder reference number) that are quoted on your proxy form. Then follow the instructions on the website. The appointment of a proxy must be received by Equiniti no later than 11.00 am on Wednesday 20 July 2016.

Please read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may be viewed on the website. You may not use any electronic address provided in this notice to communicate with the company for any other purpose other than those stated. Any electronic communication sent by a shareholder that is found to contain a virus will not be accepted.

General information

CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to act on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to an instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by no later than 11.00 am on Wednesday 20 July 2016 (or not less than 48 hours before any adjourned meeting).

For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to

retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representative

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Issued share capital

As at 25 May 2016 (being the latest practicable date prior to the publication of this document):

- (i) the company's issued share capital consisted of 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each; and
- (ii) the total voting rights in the company were 681,888,418.

Shareholder requests

Under section 527 of the Companies Act 2006 (the Act), members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to:

- (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or

- (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the company has been required under section 527 of the Act to publish on a website.

Under sections 338 and 338A of the Act, shareholders may request the company to give notice of a resolution which is intended to be moved at an AGM, or to include in the business of an AGM other business which may properly be so included, provided that the resolution or other business would not be defamatory, frivolous or vexatious, and in the case of a proposed resolution, provided that the resolution would not be ineffective. The company will give notice of such a resolution or of such other business if sufficient requests have been received in accordance with sections 338(3) and 338A(3) of the Act.

Shareholder information

Key dates

- **23 June 2016**
Ex-dividend date for 2015/16 final dividend
- **24 June 2016**
Record date for 2015/16 final dividend
- **22 July 2016**
Annual general meeting
- **1 August 2016**
Payment of 2015/16 final dividend to shareholders
- **23 November 2016**
Announcement of half year results for the six months ending 30 September 2016
- **15 December 2016**
Ex-dividend date for 2016/17 interim dividend
- **16 December 2016**
Record date for 2016/17 interim dividend
- **1 February 2017**
Payment of 2016/17 interim dividend to shareholders
- **May 2017**
Announce the final results for the 2016/17 financial year
- **June 2017**
Publish the annual report and financial statements for the 2016/17 financial year

Electronic communications

We're encouraging our shareholders to receive their shareholder information by email and via our website. Not only is this a quicker way for you to receive information, it helps us to be more sustainable by reducing paper and printing materials and lowering postage costs.

Registering for electronic shareholder communications is very straightforward, and is done online via **shareview.co.uk** which is a website provided by our registrar, Equiniti.

Log on to **shareview.co.uk** and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your address details if you change your address; and
- get your dividends paid directly into your bank account.

Please do not use any electronic address provided in this notice or in any related document to communicate with the company for any purposes other than those expressly stated.

Dividends paid direct to your bank account

Why not make life easy and have your dividends paid straight into your bank account?

- The dividend goes directly into your bank account and is available straight away
- No need to pay dividend cheques into your bank account
- No risk of losing cheques in the post
- No risk of having to replace spoiled or out-of-date cheques
- It's cost-effective for your company

To take advantage of this, please contact Equiniti via **shareview.co.uk** or complete the dividend mandate form that you receive with your next dividend cheque.

If you choose to have your dividend paid directly into your bank account you'll receive one tax voucher each year. This will be issued with the interim dividend normally paid in February and will contain details of all the dividends paid in that tax year. If you'd like to receive a tax voucher with each dividend payment, please contact Equiniti.

Registrar's details

Our registrar, Equiniti, can be contacted on **0371 384 2041**, or textphone for those with hearing difficulties: **0371 384 2255**. Lines are open 8.30 am to 5.30 pm, Monday to Friday excluding UK public holidays.

The address is:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Overseas shareholders may contact them on:

+44 (0)121 415 7048

Equiniti offers a share dealing service

by telephone: **0345 603 7037**

and online: shareview.co.uk/dealing

Equiniti also offers a stocks and shares ISA for United Utilities shares.

For more information, call **0345 300 0430** or go to shareview.co.uk/dealing

Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: corporate.unitedutilities.com. Here the annual report and financial statements, corporate responsibility report, other reports, company announcements, the half year and final announcements and associated presentations are published. View or download the full annual report and financial statements from corporate.unitedutilities.com

Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at:

fca.org.uk/consumers/protect-yourself/unauthorised-firms

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Looking after your investment

We are delighted that our approach to responsible business has again helped us retain a Dow Jones Sustainability Index world-class rating for the eighth consecutive year, and achieve industry leader status for the second time. We also performed strongly in the Carbon Disclosure Project, scoring over 97 per cent for the quality of our disclosure, and secured 90 per cent in BitC's CR index. We have maintained the Carbon Trust Water Standard for our efforts to reduce water use in West Cumbria.



Registered office:

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Registered number 6559020

Stock Code: UU.

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