

**SUPPLEMENTARY OFFERING CIRCULAR DATED 10 APRIL 2015**



**UNITED UTILITIES PLC**  
(incorporated with limited liability in England)

**UNITED UTILITIES WATER FINANCE PLC**  
(incorporated with limited liability in England)

**with obligations under Notes issued by United Utilities Water Finance PLC to be unconditionally and irrevocably guaranteed by**

**UNITED UTILITIES WATER LIMITED**  
(incorporated with limited liability in England)

**EUR 7,000,000,000**  
**Euro Medium Term Note Programme**

This Supplementary Offering Circular (the "**Supplement**") to the Offering Circular dated 19 November 2014 (the "**Offering Circular**"), which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"), constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and is prepared in connection with the EUR 7,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by United Utilities PLC ("**UU**") and United Utilities Water Finance PLC ("**UUWF**") (each an "**Issuer**" and together the "**Issuers**"). The payments of all amounts due in respect of Notes issued by UUWF will be unconditionally and irrevocably guaranteed by United Utilities Water Limited ("**UJW**" or the "**Guarantor**").

Terms defined in the Offering Circular have the same meaning when used in the Supplement.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in the Supplement. To the best of the knowledge and belief of each of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in the Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Supplement is supplemental to, updates, must be read in conjunction with, and forms part of, the Offering Circular. To the extent that there is any inconsistency between (a) any statement in the Supplement and (b) any other statement in or incorporated into the Offering Circular, the statements in (a) above will prevail.

Neither the Supplement nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers, the

Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The Supplement has been approved by the United Kingdom Financial Conduct Authority (the “FCA”) under Part VI of the FSMA.

### **Purpose**

The purpose of the Supplement is to update the “The Regulatory Environment” subsection contained in the section headed “RISK FACTORS”, the “Group capital structure target credit rating for UUW and credit ratings for UU and UUW” subsection in the section headed “INFORMATION ON UNITED UTILITIES GROUP PLC”, and the “Price control 2015-2020” and the “Restructuring” subsections in the section headed “DESCRIPTION OF THE GUARANTOR - UNITED UTILITIES WATER LIMITED” in the Offering Circular.

### **Update of “The Regulatory Environment” subsection**

The subsection entitled “The Regulatory Environment” on page 9 of the Offering Circular is supplemented with the following:

“On 12 December 2014, Ofwat published its final determination of price controls covering the period 1 April 2015 to 31 March 2020, which was accepted by UUW on 27 January 2015. For further information see the subsection “Price control 2015-2020” in the section headed “DESCRIPTION OF THE GUARANTOR - UNITED UTILITIES WATER LIMITED” in the Offering Circular.”

### **Update of “Price control 2015-2020” subsection**

The subsection entitled “Price control 2015-2020” on page 79 of the Offering Circular is supplemented with the following:

“On 12 December 2014, Ofwat published its final determination of price controls covering the period 1 April 2015 to 31 March 2020<sup>1</sup>, which was accepted by UUW on 27 January 2015.

The board of UUW considers that the final determination delivers customer benefits, including reduced bills in 2015/16 and below inflation growth in average bills through to 2020, alongside continued high levels of investment which will provide further environmental benefits and a significant contribution to the North West of England regional economy.

The allowed wholesale revenue of £7,285m (at 2012/13 prices), split between £3,331m for water and £3,954m for wastewater, was based on:

- (a) allowed total expenditure (“**totex**”) of £5,296m (2012/13 prices) (and excluding pension deficit repair allowances), split between £2,356m for water and £2,940m for wastewater, which is higher than Ofwat’s draft determination due to the acceptance by Ofwat of a

---

<sup>1</sup> See <http://www.ofwat.gov.uk/pricereview/pr14/finaldet/>

significant portion of UUG's special cost factor claims, primarily in wholesale wastewater relating to environmental enhancement programmes;

- (b) 'pay as you go' ratios of 66% for water and 50% for wastewater, in line with allowed totex;
- (c) a single industry notional weighted average cost of capital ("**WACC**") for wholesale water and wastewater of 3.6% vanilla real (pre-tax debt, post-tax equity), which is lower than the 3.7% originally expected due to the cost of debt falling since Ofwat published guidance on the WACC in January 2014; and
- (d) real growth in the Regulatory Capital Value ("**RCV**") of approximately £0.2bn across 2015-20.

The allowed revenue for household retail is £616m (including the impact of an adjustment reflecting extreme levels of deprivation in the North West of England) and £186m for non-household retail (both nominal prices). Net margins for household and non-household retail remain unchanged compared with the draft determination at 1% and 2.5% respectively."

#### **Update of "Group capital structure target credit rating for UUG and credit ratings for UU and UUG" subsection**

The subsection entitled "Group capital structure target credit rating for UU and UUG" on page 69 of the Offering Circular is supplemented with the following:

"On 27 January 2015, UUG announced, via the Regulatory News Service of the London Stock Exchange, UUG's acceptance of Ofwat's final determination of the price control covering the period 1 April 2015 to 31 March 2020 (see subsection "Price control 2015-2020" in the section headed "DESCRIPTION OF THE GUARANTOR- UNITED UTILITIES WATER LIMITED" in the Offering Circular). UUG also announced details of the group's dividend policy, along with the UUG board's group capital structure and credit ratings targets for UUG, for the 2015-2020 price control period. The UUG board aims to keep gearing, measured as net debt to regulatory capital value, within its existing target range of 55% to 65%. On credit ratings, assuming no significant changes to existing ratings agencies' methodologies or sector risk assessments, the group aims to maintain, as a minimum, its existing credit ratings of A3 with Moody's and BBB+ with Standard & Poor's for UUG and debt issued by its financing subsidiary, UUGF."

#### **Update of "Restructuring" subsection**

The subsection entitled "Restructuring" on page 82 of the Offering Circular is supplemented with the following:

"On 27 January 2015, UUG effected the reduction of its share capital in order to strengthen its distributable reserves alongside adopting IFRS for future financial reporting with immediate effect."

#### **Other information**

The hyperlinks included in the Supplement are included for information purposes only and the websites and their content are not incorporated into, and do not form part of, the Supplement or the Offering Circular.

Save as disclosed in the Supplement no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular has arisen or been noted, as the case may be, since the publication of the Offering Circular.