

SUPPLEMENTARY OFFERING CIRCULAR DATED 28 AUGUST 2014



UNITED UTILITIES PLC

(incorporated with limited liability in England)

UNITED UTILITIES WATER PLC

(incorporated with limited liability in England)

EUR 7,000,000,000

Euro Medium Term Note Programme

This supplement (the **"Supplement"**, which definition shall also include all information incorporated by reference herein) to the offering circular dated 21 November 2013 (the **"Offering Circular"**, which definition includes the Offering Circular as supplemented, amended or updated from time to time and includes all information incorporated by reference therein), which comprises a base prospectus for each of United Utilities PLC (**"UU"**) and United Utilities Water PLC (**"UW"**) (each an **"Issuer"** and together, the **"Issuers"**), constitutes a supplementary prospectus in respect of the Offering Circular for the purposes of Section 87G of the Financial Services and Markets Act 2000 (**"FSMA"**). This Supplement is prepared in connection with the Euro Medium Term Note Programme (the **"Programme"**) established by the Issuers.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuers. Except as otherwise provided in this Supplement, terms and expressions defined in the Offering Circular shall have the same meaning when used herein.

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

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the **"FCA"**), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the **"Prospectus Directive"**) and relevant implementing measures in the United Kingdom, as a supplement to the Offering Circular. The Offering Circular constitutes a base prospectus prepared in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Notes under the Programme.

The purpose of this Supplement is to:

- (A) incorporate by reference pages 23 to 84 of UU's Annual Report and Accounts (as defined below);
- (B) incorporate by reference pages 57 to 97 of UUW's Annual Report and Accounts (as defined below); and
- (C) supplement the section entitled "Risk Factors" of the Offering Circular by supplementing the risk factors entitled "Government market reform agenda", "Future price limits and the price control review 2014", and "Material litigation" with new developments the Issuers consider to be significant, as set out at paragraph 2 of this Supplement.

1. Documents Incorporated by Reference

- 1.1 On 24 June 2014, UU published its annual report and accounts for the financial year ended 31 March 2014 ("**UU's Annual Report and Accounts**"). By virtue of this Supplement, the audited financial statements of UU for the year ended 31 March 2014 (together with the audit report prepared in connection therewith), which appear on pages 23 to 84 of UU's Annual Report and Accounts, are hereby incorporated in and form part of this Supplement, and are thereby incorporated in and form part of the Offering Circular.
- 1.2 On 24 June 2014, UUW published its annual report and accounts for the financial year ended 31 March 2014 ("**UUW's Annual Report and Accounts**" and, together with UU's Annual Report and Accounts, the "**Annual Reports and Accounts**"). By virtue of this Supplement, the audited financial statements of UUW for the year ended 31 March 2014 (together with the audit report prepared in connection therewith), which appear on pages 57 to 97 of UUW's Annual Report and Accounts, are hereby incorporated in and form part of this Supplement, and are thereby incorporated in and form part of the Offering Circular.

2. Risk Factors

- 2.1 The risk factor entitled "Government market reform agenda", appearing on page 11 of the Offering Circular, is hereby supplemented with the following:

"Market Reforms and the Water Act 2014

The Water Act 2014 (the "**Act**") received Royal Assent on 14 May 2014. The Act includes a number of provisions designed to introduce competition and reduce barriers to entry in the sector (both in the upstream part of the supply chain and in downstream supply to non-domestic customers). The scale and impact of these measures will depend on a number of factors, including how the new competition provisions are applied by Ofwat in practice and, as to other areas, by the relevant regulator. As a result, there is significant uncertainty about their potential impact. Their effects could, however, include increased costs, reduced income and reduced confidence in the

regulatory capital value (“**RCV**”) mechanism in terms of revenue recovery and containment of borrowing costs.”

- 2.2 The risk factor entitled “Future price limits and the price control review 2014”, appearing on page 11 of the Offering Circular, is hereby supplemented with the following:

“In July 2013 Ofwat published guidance on its approach to setting price controls for 2015-20. Proposed changes to its approach included that Ofwat will for the first time set two separate retail price controls (one for household and one for non-household) and two new wholesale controls (one for water and one for wastewater). The introduction of these separate price controls gives rise to some additional complexity in terms of compliance and some greater financial uncertainty.

UW submitted its proposed business plan for the 2015-20 period to Ofwat in December 2013 and, a revised plan in June 2014 following Ofwat’s request for significant further evidence and adjustment. Ofwat’s final determination for UW will be published on 12 December 2014 and will be implemented subject to any appeal by UW to the Competition and Markets Authority.

There is no certainty that Ofwat will accept UW’s proposed business plan and there is a risk that UW may fail to achieve a satisfactory final determination. The results of an unsatisfactory outcome could include loss of income and profit, significant cost recovery shortfall, a reduction in allowed expenditure (both capital and operating expenditure) and diminished ability to outperform the settlement.”

- 2.3 The second paragraph of the risk factor entitled “Material litigation”, appearing on page 12 of the Offering Circular, is hereby supplemented with the following:

“The Supreme Court hearing took place in May 2014 and judgement was handed down on 2 July 2014. UW succeeded in its substantial case that pre privatisation discharges to the canal may continue without charge.”

3. General

Copies of this Supplement and all information incorporated by reference in this Supplement and the Offering Circular can be obtained from the Issuers as described in the Offering Circular.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in, or incorporated by reference in, the Offering Circular, the statements in this Supplement will prevail.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference to this Supplement or where this Supplement is specifically defined as including such information. Any information contained in a document incorporated by reference in this Supplement which is not incorporated in, and does not

form part of, this Supplement is not relevant for investors or is contained elsewhere in this Supplement.

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

No person is or has been authorised by the Issuers to give any information or to make any representation not contained in or not consistent with the Offering Circular or this Supplement or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers or the Trustee.

Neither the delivery of the Offering Circular and/or this Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

Copies of the Annual Reports and Accounts, each of which are incorporated by reference into, and form part of, this Supplement are available for viewing at www.Hemscott.com/nsm.do.