

FINAL TERMS

28 September 2016

UNITED UTILITIES WATER FINANCE PLC

**Issue of GBP 26,500,000 0.01 per cent. Index Linked Notes due 30 September 2036
unconditionally and irrevocably guaranteed by UNITED UTILITIES WATER LIMITED
under the EUR 7,000,000,000
Euro Medium Term Note Programme**

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 17 November 2015 and the supplement to it dated 1 July 2016 which together constitute a base prospectus for the purposes of the Prospectus Directive (the "Offering Circular"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

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| 1. | (a) | Issuer: | United Utilities Water Finance PLC |
| | (b) | Guarantor | United Utilities Water Limited |
| 2. | (a) | Series Number: | 54 |
| | (b) | Tranche Number: | 1 |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable |
| 3. | | Specified Currency or Currencies: | Pounds sterling ("GBP") |
| 4. | | Aggregate Nominal Amount: | |
| | (a) | Series: | GBP 26,500,000 |
| | (b) | Tranche: | GBP 26,500,000 |
| 5. | | Issue Price: | 116.947 per cent. of the Aggregate Nominal Amount |
| 6. | (a) | Specified Denominations: | GBP 100,000 and integral multiples of GBP 1,000 in excess thereof up to and including GBP 199,000. No Notes in definitive form will be issued with a denomination above GBP 199,000. |

	(b)	Calculation Amount:	GBP 1,000
7.	(a)	Issue Date:	30 September 2016
	(b)	Interest Commencement Date:	Issue Date
8.		Maturity Date:	30 September 2036
9.		Interest Basis:	RPI Linked Interest (see paragraph 18 below)
10.		Redemption/Payment Basis:	RPI Linked Redemption
11.		Change of Interest Basis:	Not Applicable
12.		Put/Call Options:	Not Applicable
13.	(a)	Status of the Notes:	Senior, unsecured
	(b)	Date approval for issuance obtained:	31 August 2016
14.		Method of Distribution	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	Not Applicable
16.	Floating Rate Note Provisions	Not Applicable
17.	Zero Coupon Note Provisions	Not Applicable

18.	RPI Linked Note Provisions	Applicable – Conditions 5 and 6 apply
	(a) Rate of Interest:	0.01 per cent. per annum multiplied by the Index Ratio (in accordance with Condition 5.3)
	(b) Name and address of Calculation Agent:	Citibank, N.A., London Branch
	(c) Specified Period(s)/Specified Interest Payment Dates:	Semi-annually in arrears on 30 March and 30 September in each year, commencing on 30 March 2017 and up to and including the Maturity Date
	(d) Business Day Convention:	Following Business Day Convention
	(e) Additional Business Centre(s)	Not Applicable
	(f) Day Count Fraction:	Actual/Actual (ICMA)
	(g) Base Index Figure:	263.39
	(h) Index Figure applicable to:	3 month lag applies
	(i) Reference Gilt:	0.125 per cent. Index-Linked Treasury Stock due 22 November 2036
	(j) Minimum Rate of Interest:	Not Applicable
	(k) Maximum Rate of Interest:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

19.	Notice periods for Condition 8.2	Not Applicable
20.	Issuer Call:	Not Applicable
21.	Investor Put:	Not Applicable
22.	Final Redemption Amount:	Nominal Amount, subject in the case of Condition 8.1 to indexation as provided in Condition 6.2
	(i) Minimum Final Redemption Amount:	Not Applicable
	(ii) Maximum Final Redemption Amount:	Not Applicable

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| 23. | Early Redemption Amount payable on redemption for taxation reasons, indexation reasons or on event of default: | Nominal Amount, subject in the case of Condition 8.2 and Condition 11 to indexation as provided in Condition 6.2 |
| | (i) Minimum Early Redemption Amount: | Not Applicable |
| | (ii) Maximum Early Redemption Amount: | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 24. | Form of Notes: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event. |
| 25. | New Global Notes: | Yes |
| 26. | Additional Financial Centre(s): | Not Applicable |
| 27. | Talons for future Coupons to be attached to Definitive Notes: | Yes |
| 28. | Redenomination applicable: | Redenomination not applicable |

DISTRIBUTION

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| 29. | (a) If syndicated, names of Managers: | Not Applicable |
| | (b) Date of Subscription Agreement: | Not Applicable |
| 30. | If non-syndicated, name of relevant Manager: | RBC Europe Limited |
| 31. | Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA D applicable
Regulation S |

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 7,000,000,000 Euro Medium Term Note Programme established by United Utilities PLC and United Utilities Water Finance PLC, with obligations under Notes issued by United Utilities Water Finance PLC unconditionally and irrevocably guaranteed by United Utilities Water Limited.

Signed on behalf of the Issuer:

By: *BT Murphy*

Duly authorised

Signed on behalf of the Guarantor:

By: *BT Murphy*

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- (a) Listing: London
- (b) Admission to trading: Application has been made for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market with effect from the Issue Date.
- (c) Estimate of total expenses related to admission to trading: £300 (excluding VAT)

2. RATINGS

- Ratings: The Notes to be issued are expected to be rated:
- "A3" by Moody's Investors Services Ltd
- "BBB+" by Standard and Poor's Credit Market Services Europe Limited
- Each of Moody's Investors Services Ltd and Standard and Poor's Credit Market Services Europe Ltd is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation).

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Manager, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers, the Guarantor and their affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (a) Reasons for the offer See "Use of Proceeds" section of the Offering Circular.

5. YIELD

Indication of yield: -0.77 per cent. per annum.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES

Not Applicable.

7. **OPERATIONAL INFORMATION**

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| (a) | ISIN: | XS1497735099 |
| (b) | Common Code: | 149773509 |
| (c) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| (d) | Delivery: | Delivery against payment |
| (e) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |