

Dŵr Cymru (Financing) UK Plc

(incorporated with limited liability in England and Wales with registered number 11949988)

(Legal Entity Identifier: 213800GDOFO2ED5PNC85)

Multicurrency programme for the issuance of up to

£4,000,000,000 Asset-Backed Bonds

and up to

£4,000,000,000 Guaranteed Asset-Backed Bonds

financing Dŵr Cymru Cyfyngedig

(incorporated with limited liability in England and Wales with registered number 2366777)

This supplement (the "**Supplement**") to the prospectus dated 11 November 2019 (the "**Prospectus**") (which comprises a base prospectus) constitutes a supplement to the Prospectus for the purposes of Article 23(1) of Regulation (EU) 2017/1129 of the European Parliament and of the Council, as amended (the "**Prospectus Regulation**") and is prepared in connection with the multicurrency programme for the issuance of up to £4,000,000,000 Asset-Backed Bonds and up to £4,000,000,000 Guaranteed Asset-Backed Bonds (the "**Programme**") established by Dŵr Cymru (Financing) UK plc (the "**Issuer**").

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus. Unless otherwise defined in this Supplement, terms defined in the Prospectus shall have the same meaning when used in this Supplement. Unless otherwise stated, page numbers referred to in this Supplement refer to page numbers in the Prospectus.

The purpose of this Supplement is to:

- (i) incorporate by reference the interim financial statements of the Issuer, Dŵr Cymru Cyfyngedig ("**DCC**") and Glas Cymru Anghyfyngedig ("**Glas**") for the six months ended 30 September 2019. The Issuer, DCC and Glas, being the persons responsible for the information included in the interim financial statements, approve such interim financial statements;
- (ii) supplement Chapter 2 (*Risk Factors*) and Chapter 5 (*Water Regulation*) of the Prospectus to reflect publication by the Water Services Regulation Authority (the "**WSRA**") of its final determination for the 2019 price review which applies from 1 April 2020;
- (iii) update the Prospectus to reflect certain changes to the Board of Directors of the Issuer, DCC and Glas Cymru Holdings Cyfyngedig ("**Glas Holdings**"); and
- (iv) make certain other legislative updates to the Prospectus,

each as described further below.

(i) **Interim Financial Statements**

On 14 November 2019, DCC and the Issuer published their interim financial statements, and Glas published its consolidated interim financial statements, for the six months ended 30 September 2019. A copy of those interim financial statements has been filed with the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg law on Prospectuses for securities of 16 July 2019 and, by virtue of this Supplement, those interim financial statements are incorporated by reference in, and form part of, the Prospectus.

The documents incorporated by reference in this Supplement are available on DCC's website at the hyperlinks set out below.

- Glas Cymru Anghyfyngedig Interim report and accounts for the six months ended 30 September 2019 (<https://www.dwrcymru.com/-/media/Files/Library/Group-Annual-Report-and-Accounts/Glas-Cymru/2019->

[20/Interim-Report-and-Accounts---Glas-Cymru-Anghyfyngedig-30-September-2019.pdf?la=en&hash=D330DE90C249827E49A09FAB708FDE1C238BD649](https://www.dwrcymru.com/-/media/Files/Library/Group-Annual-Report-and-Accounts/Dwr-Cymru-Cyfyngedig/2019-20/Interim-Report-and-Accounts---Glas-Cymru-Anghyfyngedig-30-September-2019.pdf?la=en&hash=D330DE90C249827E49A09FAB708FDE1C238BD649)).

- Dŵr Cymru Cyfyngedig Interim report and accounts for the six months ended 30 September 2019 (<https://www.dwrcymru.com/-/media/Files/Library/Group-Annual-Report-and-Accounts/Dwr-Cymru-Cyfyngedig/2019-20/Interim-Report-and-Accounts---Dwr-Cymru-Cyfyngedig---30-September-2019.pdf?la=en&hash=20E49B1C0D3CDC65BA0858245B99C0A6617BD07D>).
- Dŵr Cymru (Financing) UK plc Interim report and accounts for the six months ended 30 September 2019 (<https://www.dwrcymru.com/-/media/Files/Library/Group-Annual-Report-and-Accounts/Dwr-Cymru-Financing-UK-PLC/2019-20/Interim-Report-and-Accounts---Dwr-Cymru-Financing-Ltd-UK-Plc---30-September-2019.pdf?la=en&hash=69708E410826AA0BB37144CEC171A34E5610F6DC>).

The tables below set out the relevant page references for each of the following documents incorporated by reference in this Supplement. Any information not listed in the tables below but included in the documents incorporated by reference is given for information purposes only.

(a) Consolidated interim financial statements of Glas for the six months ended 30 September 2019

Glas Cymru Anghyfyngedig Interim report and accounts for the six months ended 30 September 2019

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(b) Interim financial statements of DCC for the six months ended 30 September 2019

Dŵr Cymru Cyfyngedig Interim report and accounts for the six months ended 30 September 2019

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(c) Interim financial statements of the Issuer for the period ended 30 September 2019

Dŵr Cymru (Financing) UK plc Interim report and accounts for the six months ended 30 September 2019

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(ii) **PR19 Final Determination**

On 16 December 2019, the WSRA published its final determination of price controls for DCC for the five year period commencing on 1 April 2020.

As a result of this publication, certain amendments are required to Chapter 2 (*Risk Factors*) and Chapter 5 (*Water Regulation*) of the Prospectus.

- The Risk Factor on page 24 of the Prospectus entitled “1.7 Operation and Capital Cost Considerations” is supplemented by adding the following after the sentence “DCC has made representations to the effect that this reduction is excessive”:

“The Final Determination published by the WSRA on 16 December 2019 (the “**FD**”) for the forthcoming price control period (2020-2025) reflects a cost challenge of around 6% as compared with DCC’s business plan submission dated 30 August 2019.”

In the Prospectus, the corresponding figure at the DD stage was 16% as compared with DCC’s business plan submission.

- The following paragraph shall be included on page 76 of the Prospectus, after the paragraph entitled “*PR19 Draft Determination*” in Chapter 5 “*Water Regulation – Economic Regulation*”:

“PR19 Final Determination

On 16 December 2019, the WSRA published its Final Determination of price controls for DCC for the five year period commencing on 1 April 2020 (the “**FD**”). Notable changes for DCC from the Draft Determination published by the WSRA on 18 July 2019 (the “**DD**”) include the following:

- the total wholesale revenue allowed in the FD is £3,515.6 million compared with £3,193.6 million in the DD, an increase of £322 million and £66.8 million better than DCC’s business plan submission dated 30 August 2019;
- the underlying allowed rate of return is 2.92 per cent. on the CPIH-indexed portion of the RAV, and 1.92 per cent. on the RPI-indexed portion of the RAV, representing a reduction on the figures used in the DD of 0.16 per cent;
- the FD reflects a cost challenge of around 6 per cent. as compared with DCC’s business plan submission dated 30 August 2019. The corresponding figure at the DD stage was 16 per cent as compared with DCC’s business plan submission;
- the WSRA has modified some of its proposed performance targets so that they are less demanding. However, they are still more stretching than those proposed by DCC;
- some of the potential financial penalties and rewards have been scaled back. However, following the FD the maximum financial penalties to which DCC could be subject is still in excess of £50 million per annum;
- as a result, taken as a package, the ODIs put forward in the FD would be expected to deliver a RoRE range of minus 1.03 per cent. to plus 0.61 per cent. compared with minus 1.50 per cent. to plus 0.42 per cent at the DD stage.

DCC has until 15 February 2020 to ask the WSRA to refer the FD to the CMA for re-determination. However, in January 2020 the board of DCC has formally made the decision not to exercise this option.”

(iii) **Changes to the Board of the Issuer, DCC and Glas Holdings**

On 31 December 2019, Peter Bridgewater stepped down as Group Finance Director and from the board of the Issuer, DCC and Glas Holdings, and was succeeded by Mike Davis as Chief Financial Officer and a director of the Issuer, DCC and Glas Holdings on 1 January 2020. Also, on 1 January 2020 Debra Bowen Rees joined the board of DCC and Glas Holdings as a non-executive director.

As a result of these changes, certain amendments are required to Chapter 4 (*DCC, the Issuer, the Glas Group and Glas Holdings*) of the Prospectus:

- The first paragraph of the section entitled “*Management of Glas Holdings, DCC and the Issuer*” on page 65 of the Prospectus is deleted and replaced with the following:

“Christopher Jones, Chief Executive, announced on 5 July 2019 his decision to retire at the end of March 2020. Peter Perry, currently Managing Director, will take over as Chief Executive from 1 April 2020.”

- The following paragraph shall be included on page 66 of the Prospectus, after the paragraph entitled “*Thomas Crick MBE*”:

“Debra Bowen Rees

Debra, the Chief Executive of Cardiff Airport, has a wealth of experience in leadership and management, including managing safety-critical, regulated infrastructure. After a successful career and a number of senior positions in the military, Debra joined Cardiff Airport in 2012 as Operations Director, before being appointed Managing Director in 2014. She became the Chief Executive of the Welsh Government-owned airport in 2017 and has been responsible for leading the airport through a period of transformational change. Debra’s non-executive roles include being a Board Member for the Airport Operators Association, Vice Chair of the Regional and Business Airports Group, Council Member at CBI Cymru and Trustee and Board Member at Hijinx Theatre Company.”

- The first paragraph of the section entitled “*Executive Directors of Glas Holdings and DCC*” on 66 of the Prospectus is deleted and replaced with the following:

“The executive directors of both Glas Holdings and DCC are Christopher Jones, Mike Davis and Peter Perry. The company secretary for both companies is Nicola Williams. The business address of each of the non-executive directors, executive directors and the company secretary is the registered office of Glas Holdings, Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY Wales, UK.”

- The first paragraph of the section entitled “*Directors of the Issuer*” on 66 of the Prospectus is deleted and replaced with the following:

“The directors of the Issuer are Christopher Jones, Mike Davis and Peter Perry. The Issuer’s company secretary is Nicola Williams.”

- The paragraph entitled “Peter Bridgewater” on page 67 of the Prospectus is deleted and replaced with the following:

“Mike Davis

Mike Davis was appointed Chief Financial Officer on 1 January 2020. Mike graduated as a chemical engineer and qualified as a chartered accountant with PwC. He has previous experience in the media, information and communications technology (ICT) and mining industries, including a role as Finance Director for two private equity start-up businesses. During 2010-2014, he was a non-executive director at RCT Homes, a registered social landlord, chairing its Asset Management Committee and Treasury Committee. He was also a director of UK Water Industry Research. Mike previously held the positions of Director of Strategy and Regulation and Financial Controller at Welsh Water, with a focus on regulatory price reviews and competition.”

(iv) **Other Legislative Updates**

In the first paragraph of the section entitled “*Prospectus Supplement*” on page 42 of the Prospectus, the following phrase shall be deleted in each place it occurs: “implementing into Luxembourg law the Prospectus Regulation”.

IMPORTANT NOTICES

The Issuer and DCC accept responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and DCC (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.

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

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

If documents incorporated by reference to this Supplement 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 Regulation except where such information or other documents are specifically incorporated by reference or where this Supplement is specifically defined as including such information.

Copies of this Supplement and all documents incorporated by reference in the Base Prospectus are available on the Luxembourg Stock Exchange's website (<https://www.bourse.lu/cssf-approvals>). Copies of this Supplement are also available on DCC's website (<https://www.dwrcymru.com/en/Investors/Prospectus.aspx>).

This Supplement has been approved by the Commission de Surveillance du Secteur Financier, which is the Luxembourg competent authority for the purposes of the Prospectus Regulation, as a supplement issued in compliance with the Prospectus Regulation.