

To: Deutsche Trustee Company Limited
21 Moorfields, London
United Kingdom, EC2Y 9DB
(the “**Security Trustee**”)

Attention: The Managing Director

From: Thames Water Utilities Limited (the “**Proposer**” and “**TWUL**”)

Date: 24 January 2025

Re: STID Proposal in respect of the Class A RP Launch Consent and Waiver

In accordance with Clause 9.1 (*Instigation of STID Proposal*) of the security trust and intercreditor deed dated 30 August 2007 between, among others, the Proposer and the Security Trustee (as amended and restated on 16 September 2013, 1 July 2014 and 31 August 2018) (the “**STID**”), please find below a request to the Security Trustee to concur with a consent and waiver request in relation to the Finance Documents detailed in paragraph 2 (*Requested Consent and Waiver; Detail of the STID Proposal*) below, in accordance with and subject to the votes of the Majority Creditors under Clause 8.2.2 (*Procedure for Modifications, Consents and Waivers*) of the STID (the “**STID Proposal**”).

Capitalised terms used but not defined in this STID Proposal have the meanings ascribed to them in the STID or the master definitions agreement (the “**MDA**”) dated 30 August 2007 (as amended and restated on 25 July 2008, 9 December 2011, 16 September 2013, 1 July 2014, 15 May 2015, 31 August 2018, 26 April 2019 and 26 June 2020).

The Obligors hereby confirm their acknowledgement and acceptance of the proposal set out in the STID Proposal.

1 Reasons for the STID Proposal

1.1 Company Interim Recapitalisation Transaction

1.1.1 As at 30 June 2024, the TWU Financing Group had total liquidity of £1,809 million, comprising available cash of £1,513 million and undrawn committed bank facilities of £296 million.

1.1.2 The Proposer announced that Trigger Events had occurred on 9 July 2024 and, as a result of the continuation of these Trigger Events, the TWU Financing Group is not permitted to incur Financial Indebtedness under limb (j) of the definition of Permitted Financial Indebtedness, other than Qualifying Indebtedness (which, in summary, is limited to drawdowns, extensions and rollovers under existing Authorised Credit Facilities). As a result, the TWU Financing Group is currently significantly constrained in its ability to raise Financial Indebtedness.

1.1.3 As previously announced, the Proposer has been engaging with its creditors to seek to extend its liquidity runway and has identified a potential solution to extend its liquidity runway through raising Financial Indebtedness under super senior financing and extending maturity and amortisation dates under the Senior Debt (the “**Company Interim Recapitalisation Transaction**”).

- 1.1.4 As at the date hereof, Secured Creditors representing in excess of 90 per cent. by value of the secured debt of the TWU Financing Group have entered into a transaction support agreement dated 25 October 2024 (as amended, supplemented and/or restated from time to time) in relation to the Company Interim Recapitalisation Transaction (the "**Company TSA**").
- 1.1.5 The Proposer launched four STID Proposals on 25 October 2024 in relation to certain Events of Default which would otherwise have occurred in connection with the Company Interim Recapitalisation Transaction (the "**25 October STID Proposals**"). Consent in respect of the 25 October STID Proposals was obtained on 18 November 2024.
- 1.1.6 Following receipt of consent to the 25 October STID Proposals, on 22 November 2024 TWH executed and published a practice statement letter dated 22 November 2024 in connection with implementing the Company Interim Recapitalisation Transaction via a restructuring plan under Part 26A of the UK Companies Act 2006 (the "**Company RP**") and on 10 December 2024 TWH filed a claim form in respect of the Company RP with the Court ahead of a convening hearing in relation to the Company RP on 17 December 2024.
- 1.1.7 On 21 January 2025 five of the classes of creditors approved the Company RP at the plan meetings convened to consider the Company RP, whilst the Class B Creditor class and the Subordinated Creditor class voted against the Company RP.
- 1.1.8 The Company RP is scheduled to be considered by the Court at the sanction hearing scheduled for 3 - 6 February 2025.

1.2 Class B Interim Recapitalisation Transaction

- 1.2.1 Certain of the TWU Financing Group's Class B Creditors (the "**Relevant Class B Creditors**") have identified a potential alternative solution to extend the Proposer's liquidity runway, which also involves raising Financial Indebtedness under super senior financing and extending maturity and amortisation dates under the Senior Debt albeit on alternative terms (the "**Class B Interim Recapitalisation Transaction**").
- 1.2.2 Quinn Emanuel, as legal advisors to the Relevant Class B Creditors, have indicated to the Proposer's legal advisors, and in documents filed at Court in connection with the Company RP, that one or more of the Relevant Class B Creditors may seek to implement the Class B Interim Recapitalisation Transaction via a restructuring plan under Part 26A of the UK Companies Act 2006 in respect of any of the Obligors (the "**Class B RP**") and that this Class B RP would be launched in parallel to the Company RP.
- 1.2.3 In order to provide as much stability to the TWU Financing Group as possible, the Proposer launched a STID Proposal on 20 December 2024 in relation to certain Events of Default which would otherwise have occurred in connection with the Class B Interim Recapitalisation Transaction and any other potential alternative solution to extend the Proposer's liquidity runway from any other creditor groups (an "**Other Interim Recapitalisation Transaction**") (the "**20 December STID Proposal**"). The Proposer noted that: "*This waiver should not be taken as the Proposer's agreement or endorsement of the Class B RP or any potential Other Creditor RP, and the waiver is being pursued solely for the purposes of continuing to facilitate the Company RP.*"

Consent in respect of the 20 December STID Proposal was obtained on 10 January 2025. In addition, the waivers under the 20 December STID Proposal will lapse and be void *ab initio* if, among other things, the Company RP is not sanctioned on or before the “Sanction Long-Stop Date” specified in the 20 December STID Proposal.

- 1.2.4 On 7 January 2025 a practice statement letter (the "**Class B PSL**") was issued by an unnamed Class B Creditor in connection with implementing the Class B RP. On the same date both TWUL and TWUF issued RNS Announcements in relation to the publication of the Class B PSL, noting that the "*Class B PSL is not approved or authorised by TWUL or TWUHL. The Board and leadership team remain focused on implementing the Company Plan, stabilising the business and seeking the best financial and operational outcome for customers, the environment, UK taxpayers and the UK economy*".
- 1.2.5 The Relevant Class B Creditors continue to advance their proposed Class B RP but without the support of the TWU Financing Group.

1.3 Class A Interim Recapitalisation Transaction

- 1.3.1 The TWU Financing Group's view remains that the relevant alternative to the Company RP is special administration, and that there is presently no alternative implementable transaction for the Proposer to avoid special administration if the Company RP is not sanctioned.
- 1.3.2 However, the Proposer is aware from correspondence received from the advisers to the ad hoc committee of Class A Creditors holding approximately 75% of the total outstanding amount of Class A Debt as advised by Jefferies International Limited and Akin Gump LLP (the "**Class A AHG**") that, in the scenario that the Court were to disagree and find that special administration is not the relevant alternative to the Company RP and were to decline to sanction the Company RP on that basis:
- (i) the Class A AHG does not intend to terminate the Company TSA and will instead require the Company to continue to pursue the Company Interim Recapitalisation Transaction; and
 - (ii) the Class A AHG would take steps to pursue the implementation of the Company Interim Recapitalisation Transaction, including the filing of a claim form with respect to the proposal of a restructuring plan under Part 26A of the Companies Act 2006 (the "**Class A RP**") on the same terms as the Company RP.
- 1.3.3 To this end, the Company is aware that certain members of the Class A AHG have issued a practice statement letter in connection with the Class A RP to effect a transaction substantially on the same terms of the existing Company RP (the "**Class A Interim Recapitalisation Transaction**"). The Company is aware that the Class A AHG consider the Class A RP would only be applicable in the scenario of the Court refusing to sanction the Company RP on the grounds set out above, and in these circumstances the intention would be for the Class A RP to be run in parallel to the Class B RP.
- 1.3.4 In connection with the Class A RP, the Proposer expects that certain steps and actions (the "**Potential Steps**") would be taken by one or more members of the Class A AHG (the "**Relevant Class A Creditor(s)**") and/or with the assistance of relevant

member(s) of the TWU Financing Group. The Potential Steps include one or more of the following:

- (i) the Relevant Class A Creditor(s) proposing the Class A RP in order to implement the required amendments, waivers and consents under the Finance Documents for the Class A Interim Recapitalisation Transaction (without limitation, this step includes filing a claim form with the Court in respect of the Class A RP);
- (ii) if the Class A RP is approved in accordance with its terms by the required majorities of creditors, implementing the Class A RP in order to implement the required amendments, waivers and consents under the Finance Documents for the Class A Interim Recapitalisation Transaction;
- (iii) relying on the deed of contribution entered into by TWH on 10 December 2024 in favour of TWUL and TWUF (the “**Deed of Contribution**”), pursuant to which TWH has undertaken to pay TWUL and TWUF (by way of contribution) an amount equal to its share of any payment made by TWUL or TWUF in respect of any liability under the Senior Debt and Subordinated Debt. TWH, while already a guarantor of the relevant liabilities will in substance, become a primary obligor, as a result of the Deed of Contribution; and
- (iv) the continuation of the Company TSA (subject to any relevant agreed amendments), to evidence the ongoing support of Secured Creditors for the Company Interim Recapitalisation Transaction on the terms specified therein by implementation of the Class A Interim Recapitalisation Transaction.

1.4 Rationale for the Requested Consent and Waiver

- 1.4.1 The 20 December STID Proposal provided a waiver in relation to certain Events of Default which would otherwise have occurred in connection with the Class A Interim Recapitalisation Transaction and the Potential Steps, as the Class A Interim Recapitalisation Transaction is an “Other Interim Recapitalisation Transaction” as defined in the 20 December STID Proposal.
- 1.4.2 However, the Potential Steps may involve Relevant Class A Creditor(s) who are Secured Creditors “*initiat[ing] or join[ing] any person in initiating an Insolvency Event in relation to an Obligor*”, which is not permitted pursuant to Clause 11.3 of the STID unless the Majority Creditors otherwise agree in writing.
- 1.4.3 The Proposer intends to seek the consent of the Majority Creditors to the Potential Steps being taken by the Relevant Class A Creditor(s) and to the waiver of any Default or Event of Default on the terms of this STID Proposal which would occur directly as a consequence of the Potential Steps being taken by the Relevant Class A Creditor(s) and/or the TWU Financing Group.
- 1.4.4 The Proposer believes that this consent and waiver would facilitate the implementation of the Company Interim Recapitalisation Transaction in an equivalent manner in the event that the Court refused to sanction the Company RP for the reasons stated above. The Company Interim Recapitalisation Transaction has the support of Secured Creditors representing in excess of 90 per cent. by value of the secured debt of the TWU Financing Group and, as noted above, was approved

by five classes of creditors at the plan meetings convened to consider the Company RP.

1.4.5 For the avoidance of doubt:

- (i) the view of the TWU Financing Group remains that the relevant alternative to the Company RP is special administration; and
- (ii) approval of the consents and waivers proposed in this STID Proposal shall in no way constitute an approval of the terms and conditions of the Class A Interim Recapitalisation Transaction, which approval will be separately sought in accordance with their terms.

2 Requested Consent and Waiver; Detail of the STID Proposal

2.1 This paragraph 2 sets out in full the requested consent and waiver under the STID and waiver to the CTA (the “**Consent and Waiver**” or “**Class A RP Launch Consent and Waiver**”).

2.2 As explained in paragraph 1.4, above, the Proposer requests the consent of the Majority Creditors under Clause 11.3 (*No Enforcement Proceedings or Proceedings against the Obligors*) of the STID to the Potential Steps being taken by the Relevant Class A Creditor(s).

2.3 As explained in paragraph 1.4, above, the Proposer requests a waiver of any Default or Event of Default which would occur under Schedule 6 (*Events of Default*) to the CTA directly as a consequence of the Potential Steps being taken by the Relevant Class A Creditor(s) and/or the TWU Financing Group, other than where it would relate to the waiver of or have the effect of changing:

2.3.1 any Event of Default under Paragraph 1 (*Non-payment*) of Part 1 (*Events of Default (TWH)*) of Schedule 6 (*Events of Default*) to the CTA;

2.3.2 any Event of Default under Paragraph 1 (*Non-payment*) of Part 2 (*Events of Default (TWUL, TWUF and the Issuer)*) of Schedule 6 (*Events of Default*) to the CTA;

2.3.3 any Event of Default under Paragraph 17 (*Ratios*) of Part 2 (*Events of Default (TWUL, TWUF and the Issuer)*) of Schedule 6 (*Events of Default*) to the CTA;

2.3.4 any of the Trigger Events contained in Paragraph 1 (*Financial Ratios*) of Part 1 of Schedule 5 (*Trigger Events*) to the CTA; and

2.3.5 any of the provisions contained in Paragraph 37 (*Restricted Payments*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

3 Certification by the Proposer

3.1 Pursuant to and in accordance with Clause 9.2 (*Minimum Content of STID Proposal*) of the STID, the Proposer hereby certifies to the Security Trustee that in its opinion, in relation to the STID Proposal:

- (i) only the consent of the Majority Creditors under Clause 9.2.1 (*Minimum Content of STID Proposal*) of the STID (such consent must be received by 7 February 2025 (the “**STID Voting Date**”)) is required to implement the STID Proposal in accordance with the terms of the Consent and Waiver Letter; and

- (ii) no Entrenched Right or Reserved Matter applies in respect of the STID Proposal in the manner prescribed above and, as such, the consent of no other Secured Creditor (or where applicable, their Secured Creditor Representative(s)) is required pursuant to the Entrenched Rights and Reserved Matters in the STID.

3.2 The Proposer also certifies that the STID Proposal will not impose any additional obligations or liabilities on the Security Trustee.

3.3 The Proposer notes that pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the STID Proposal following the earlier of:

3.3.1 the date on which the Security Trustee has received votes in favour of the STID Proposal from DIG Representatives representing more than 50 per cent. of the Outstanding Principal Amount of the Qualifying Class A Debt; and

3.3.2 the STID Voting Date if the Majority Creditors have voted in favour of the STID Proposal,

by entering into a consent and waiver letter with the Obligors in the form appended to this STID Proposal (the “**Consent and Waiver Letter**”).

4 Implementation of the STID Proposal

4.1 Subject to Clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee shall notify each Secured Creditor (or, where applicable, its Secured Creditor Representative) and each Secondary Market Guarantor of the decision of the Majority Creditors on the STID Proposal promptly following the STID Voting Date (or such earlier date in accordance with the STID) and, provided that the Majority Creditors approve the STID Proposal, the Consent and Waiver will be effective pursuant to and in accordance with the Consent and Waiver Letter on the date of such notice and pursuant to Clause 9.7 (*Binding Decisions of Majority Creditors*) of the STID such Consent and Waiver will bind the Secured Creditors and the Secondary Market Guarantors.

4.2 This STID Proposal constitutes a certificate for the purposes of Clause 8.16 (*Certificates Conclusively*) and Clause 15.4.3 (*Protections*) of the STID.

4.3 Contemporaneously with the implementation of the STID Proposal, the Proposer agrees to deliver a certificate to the Security Trustee certifying that: (a) all information provided to Secured Creditors in connection with this STID Proposal is true, accurate and not misleading in any material respect; and (b) the Finance Documents shall remain in full force and effect (subject to the terms of the Consent and Waiver Letter executed in accordance with this STID Proposal).

Yours faithfully

THE PROPOSER

THAMES WATER UTILITIES LIMITED



.....
By: Adrian Montague



.....
By: Christopher Weston

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC



.....
By: Adrian Montague



.....
By: Christopher Weston

THAMES WATER UTILITIES HOLDINGS LIMITED



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By: Adrian Montague



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By: Christopher Weston

Appendix 1
Form of Consent and Waiver Letter

CONSENT AND WAIVER LETTER

Deutsche Trustee Company Limited
21 Moorfields
London EC2Y 9DB

To: Thames Water Utilities Limited (the “**Proposer**”)

Dear Sir or Madam

- 1** We refer to (i) the STID Proposal dated 24 January 2025 (the “**STID Proposal**”) delivered pursuant to Clause 9.1 (*Instigation of STID Proposal*) of the Security Trust and Intercreditor Deed dated 30 August 2007 (as amended from time to time) made between, inter alios, the Proposer and Deutsche Trustee Company Limited (the “**Security Trustee**”) (the “**STID**”) and (ii) the notice of the decision of the Majority Creditors in respect of the STID Proposal dated on or around the date hereof (the “**Notice of Approval**”).
- 2** Terms defined in the STID Proposal have the same meaning when used in this letter unless otherwise expressly defined herein.
- 3** As set out in the Notice of Approval, the Security Trustee has received sufficient votes in favour of the Consent and Waiver (the “**Approved STID Proposal**”) from the Majority Creditors.
- 4** Pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the Approved STID Proposal following the STID Voting Date where the Majority Creditors have voted in favour of the Approved STID Proposal.
- 5** Pursuant to Clause 9.7 (*Binding Decisions of Majority Creditors*) and Clause 9.8 (*Binding Vote of DIG Representatives*), consent in paragraph 4 above is binding on all parties to the STID.
- 6** For the purposes Clause 9.1 (*Instigation of STID Proposal*) of the STID, and in order to implement the Approved STID Proposal, the Security Trustee (acting as instructed by the Majority Creditors) consents to the Consent and Waiver as set out in, and subject to the conditions in, the STID Proposal.
- 7** This letter and all non-contractual or other obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law. Clause 21.1 (*Jurisdiction*) of the Common Terms Agreement applies to this letter and is binding on the Security Trustee and the Proposer as if set out in full in this letter.

Yours faithfully

Deutsche Trustee Company Limited (as Security Trustee)

By: _____

By: _____

We acknowledge receipt of the Consent and Waiver Letter.
THE PROPOSER

THAMES WATER UTILITIES LIMITED

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By:

.....
By:

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC

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By:

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By:

THAMES WATER UTILITIES HOLDINGS LIMITED

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By:

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By: