



Thames Water Utilities Limited Including Kemble Water Finance Investor Report

30 September 2018

Important Notice

This report is being distributed in fulfilment of a document, the Common Terms Agreement (the “CTA”), which governs the Company’s obligations to its bondholders and other financial creditors. It is directed to, and intended for, existing investors in the Company. No other persons should act or rely on it. The Company makes no representation as to the accuracy of forecast information (or any other information in this report, other than set out in the CTA). These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts. This report should not be relied on as a guide to future performance, and should not be relied on in deciding whether to undertake future investment in the Company. It should be noted that the Company’s auditors have not reviewed the information in this report. For the purposes of the financial promotions regime under the Financial Services and Markets Act 2000, this report is given on the basis of the exemption provided in article 69 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as it relates to bonds which are already admitted to trading on a relevant market).

This report should be read in conjunction with, and as a supplement to, the Thames Water Utilities Limited financial statements for the period ended 30 September 2018. Please refer to the Thames Water website www.thameswater.co.uk for this document in full.

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1. Highlights for the period ended 30 September 2018

- On 6 December 2018, Thames Water Utilities Limited presented results for the 6-month period up to 30 September 2018. Recent severe weather events (the 'Beast from the East' and prolonged summer heatwave) have delayed our progress on leakage and other performance measures, however we remain focused on building a better future for our customers and the environment. Our profit decreased over the period as we brought forward regulatory penalties and hired more employees to improve customer service and tackle leakage. Our capital investment increased, with £554 million spent on improving our water and waste networks.
- On 3 September 2018, we also submitted our Business Plan for 2020-2025, including a strategy to enhance the financial resilience of the company and reduce gearing to 76.2% by the end of AMP7.
- The full interim results and Business Plan can be accessed via the Thames Water website.*

1.1. Doing more for customers

- Increased water production by 450 MI/d, or 17%, and managed high demand through direct text message engagement with customers in hotspots to prevent restrictions during summer heatwave
- Increased support for customers in vulnerable circumstances
 - Homes on social tariff at 53,671, up 10%
 - 62,671 customers on priority services register, up 4.4%
 - 3,353 customers supported through customer assistance fund
- 200,000th Smarter Home Visit completed, helping customers reduce water usage and keep household bills down
- £30 million, 20km water pipeline providing a more reliable water supply for thousands of customers in North Oxfordshire
- Over 8,000 lead water pipes rehabilitated since April 2018

1.2. Extreme weather delays progress

- 'Beast from the East' (freeze thaw) and prolonged summer heatwave has enduring impact on leakage, despite best repair performance in 10 years
- Leakage performance 683 MI/d (Sept 2017: 665 MI/d)
- 1,431 leaks fixed per week, best performance since 2008/9, and up 37% year-on-year
- 26,987 leak-detecting acoustic loggers installed to date
- Installed further 44,105 smart enabled water meters, with total of 265,000 transmitting data to help pinpoint leaks
- Supply interruptions and complaint volumes also affected by climate events. Household written complaints at 11,083 (Sept 2017: 8,242)

* <https://corporate.thameswater.co.uk/Media/News-releases/Interim-results-2018>

* <https://www.thameswater.co.uk/sitecore/content/Corporate/Corporate/About-us/our-strategies-and-plans/our-5-year-plan-for-2020-to-2025>

1.3. Operational performance in other key areas

- Water quality compliance at 99.96% (2017: 99.96%)
- Pollutions incidents at 217 (Sept 2017: 202)
 - 10% year-on-year reduction in incidents from wastewater pipes
 - 301km of proactive sewer maintenance
 - 762 sewer sensors installed since January 2018 as part of plans to digitise sewer network

1.4. Building a better future

- On track to migrate first small tranche of customers to new billing system from December 2018
- Major review, to demonstrate cross-sector leadership in governance, near completion
 - Cayman Islands entities are no longer subsidiaries of Thames Water Utilities Limited and are in final stages of closure
 - Appointment of three new Independent Non-Executive Directors: Alistair Buchanan, Jill Shedden and Catherine Lynn
 - New dividend policy in place
 - No dividends to external shareholders until 2020/21
- Investing £60 million in IT systems to improve performance and customer service
- Submitted ambitious plan for 2020-25 based on feedback from 1 million customers
 - £11.7 billion spend including extra £2.1 billion to improve resilience
 - Plan to drive 15% reduction in leakage, 18% reduction in pollution incidents and increased support for customers in vulnerable circumstances
 - Modest shareholder distributions of c.£20 million per year between 2020 and 2025
- New Net Promoter System to launch in second half of financial year

1.5. Financial overview

The interim report and consolidated financial statements present the combined results of Thames Water Utilities Limited and its sole subsidiary Thames Water Utilities Finance plc (“the TWUL Group”) as if it were a single economic entity. This provides all interested parties with a complete overview of the operating company and the finances in place to support its operations and enhance understanding, presenting the results of operations, financing and financial position in one place.

- Signed £1.4 billion, five year Revolving Credit Facility with interest rate tied to sustainability performance. Outperforming the ESG benchmark will result in a lower interest rate, with any financial gains boosting Thames Water’s charitable fund

Financial overview (continued)

- £649.8 million of Hold-Co financing raised to refinance £400.0 million bond, with incremental proceeds to be used to de-gear Thames Water

	Six months ended	
	30 Sep 2018 (£m)	30 Sep 2017 (£m)
Revenue	1,025.6	1,042.8
Capital expenditure excluding intangibles	554.3	532.7
Operating profit	246.8	288.4
Profit before tax (excluding NHH*)	67.7	129.0
Profit before tax	67.7	218.5
Sale of NHH	-	89.5
Dividends paid by TWUL to other group companies	-	26.0
Dividends paid by ultimate parent company to external shareholders	-	-

*Underlying profit before tax excludes gain on the sale of our non-household retail business to Castle Water in 2017

1.6. Ofwat change of control consultation

In May 2018, Ofwat released its consultation titled *Change of control – general policy and its application to Thames Water*. The Change of Control Consultation related to Ofwat’s approach to a change of control of a water and wastewater company and proposed a number of licence changes in respect of TWUL. Following this consultation a number of changes to TWUL’s licence came into effect on 21 November 2018 and the details can be accessed via the Ofwat website.*

2. Financing

TWUL raises debt either directly or through its wholly owned financing subsidiary, Thames Water Utilities Finance plc (“TWUF”) which was re-registered as a public limited liability company on 31 August 2018.

During 2017/18, TWUL announced its decision to close down its Cayman Islands financing subsidiary, Thames Water Utilities Cayman Finance Limited (“TWUCF”). In order to facilitate the closure, the assets and liabilities (including borrowings, derivatives and intercompany loans receivable/payable) of TWUCF were transferred to TWUF on 31 August 2018. As at 30 September 2018, TWUCF is no longer a subsidiary of TWUL but still exists as a non-active company within the Kemble Group. The liquidation process is ongoing and TWUCF is expected to be formally dissolved in early 2019.

Table 1 Current credit ratings

Company	Moody’s	Standard & Poor’s
TWUL – Corporate Family Rating	Baa1 (negative)	N/A
TWUF – Class A Issuer Rating	A3 (negative)	BBB+ (negative)
TWUF – Class B Issuer Rating	Baa3 (negative)	BBB- (negative)

* <https://www.ofwat.gov.uk/wp-content/uploads/2018/05/Thames-Water-Conclusions-on-Change-of-Control-and-Modification-of-Instrument-of-Appointment-final.pdf>

On 25 July 2018 Standard & Poor's (S&P) affirmed its BBB+ rating on Class A debt and BBB- rating on our Class B debt but revised the outlook on both to negative from stable.

On 29 May 2018 Moody's affirmed its Baa1 Corporate Family Rating (CFR) and its A3 rating on our Class A debt and Baa3 rating on our Class B debt but revised the outlook on both to negative from stable.

i) Recent financing activity

During the period ended 30 September 2018, no long term financing activity was undertaken. As at 30 September a total of £185.0m was drawn under the Group's £950.0m revolving credit facility (RCF). In August 2018, the 364-day liquidity facilities were increased from a total size of £500.0m (split: £370.0m debt service reserve and £130.0m operations and capital maintenance reserve) to £550.0m (split: £400.0m debt service reserve and £150.0m operations and capital maintenance reserve).

In anticipation of the AMP7 investment programme and being financially prudent, TWUF increased the size of its RCF from £950.0m to £1,386.8m in November 2018, with a five year term (and two one-year extension options). Of the £1,386.8m, £1,201.0m is designated as a Class A facility and £185.8m as Class B. The interest rate on the facilities, where drawn, includes an element linked to annual performance against Environmental, Social and Governance metrics.

In October 2018 TWUF published its updated prospectus with respect to its £10,000,000,000 multicurrency programme for Guaranteed Wrapped Bonds and Guaranteed Unwrapped Bonds.

ii) Bonds outstanding at 30 September 2018

Table 2 Class A and B bonds outstanding at 30 September 2018

Issuer	Currency	Face Value (currency m)	Coupon %	Maturity Date	Class	Description	Face Value incl. Accretion at 30 Sep 18 (£m)
TWUF	GBP	200	5.05%	30/06/2020	A	Fixed Rate Bond	200.0
TWUF	GBP	225	6.59%	20/04/2021	A	Fixed Rate Bond	225.0
TWUF	GBP	175	3.38%	21/07/2021	A	RPI Linked Bond	276.9
TWUF	EUR	113	2.30%	18/07/2022	A	CPI Linked Bond	108.1
TWUF	GBP	300	2.38%	03/05/2023	B	Fixed Rate Bond	300.0
TWUF	GBP	250	1.88%	24/01/2024	A	Fixed Rate Bond	250.0
TWUF	CAD	250	2.88%	12/12/2024	A	Fixed Rate Bond	148.1
TWUF	GBP	500	4.00%	19/06/2025	A	Fixed Rate Bond	500.0
TWUF	GBP	250	2.88%	03/05/2027	B	Fixed Rate Bond	250.0
TWUF	GBP	45	0.72%	21/12/2027	A	RPI Linked Bond	48.8
TWUF	GBP	300	3.50%	25/02/2028	A	Fixed Rate Bond	300.0
TWUF	GBP	330	6.75%	16/11/2028	A	Fixed Rate Bond	330.0
TWUF	GBP	300	5.75%	13/09/2030	B	Fixed Rate Bond	300.0
TWUF	GBP	250	2.63%	24/01/2032	A	Fixed Rate Bond	250.0
TWUF	GBP	200	6.50%	09/02/2032	A	Fixed Rate Bond	200.0
TWUF	GBP	300	4.38%	03/07/2034	A	Fixed Rate Bond	300.0
TWUF	GBP	40	0.75%	18/12/2034	A	RPI Linked Bond	43.4
TWUF	GBP	600	5.13%	28/09/2037	A	Fixed Rate Bond	600.0
TWUF	JPY	20,000	3.28%	20/08/2038	A	Fixed Rate Bond	135.0
TWUF	GBP	50	3.85%	15/12/2040	A	LPI Linked Bond	64.6
TWUF	GBP	500	5.50%	11/02/2041	A	Fixed Rate Bond	500.0
TWUF	GBP	50	1.98%	28/08/2042	A	RPI Linked Bond	67.9
TWUF	GBP	55	2.09%	06/10/2042	A	RPI Linked Bond	72.5
TWUF	GBP	40	1.97%	12/10/2045	A	RPI Linked Bond	46.8
TWUF	GBP	300	4.63%	04/06/2046	A	Fixed Rate Bond	300.0
TWUF	GBP	100	1.85%	28/08/2047	A	RPI Linked Bond	135.8
TWUF	GBP	200	1.82%	28/08/2049	A	RPI Linked Bond	271.7
TWUF	GBP	300	1.68%	11/07/2053	A	RPI Linked Bond	427.7
TWUF	GBP	300	1.68%	11/07/2055	A	RPI Linked Bond	427.7
TWUF	GBP	200	1.77%	28/08/2057	A	RPI Linked Bond	271.7
TWUF	GBP	400	7.74%	09/04/2058	A	Fixed Rate Bond	400.0
TWUF	GBP	350	1.76%	28/08/2062	A	RPI Linked Bond	475.4
Total							8,227.1

The face value of Index Linked Bonds as at 30 September 2018 includes accretion of £733.5m.

iii) TWUL net debt reconciliation

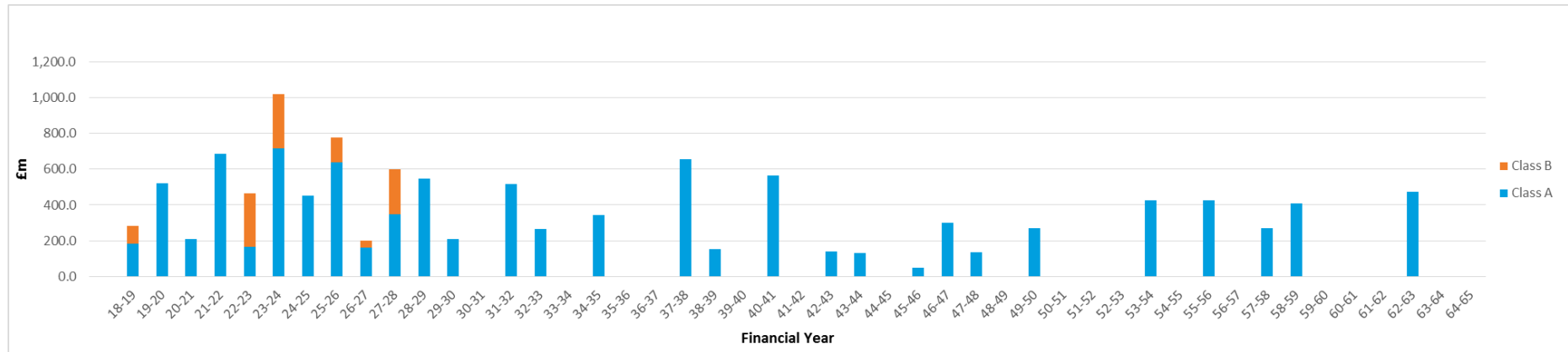
Table 3 TWUL net debt reconciliation – 30 September 2018

	£m
Face Value Bonds including accretion Class A	7,377.1
Face Value Bonds including accretion Class B	850.0
Total Face Value Bonds including accretion	8,227.1
Class A USPP Notes	1,186.4
Class B USPP Notes	115.0
Class A RPI linked loans including accretion of £196.0m	1,326.0
Accretion on Index Linked Swaps	288.2
Class A Floating Rate Loans	285.0
Class A Cross-currency swaps	(81.7)
Class B Cross-currency swaps	(18.4)
Class B Loans	179.0
Less TWUL Cash Investments	(64.4)
TWUL Net Debt as per Compliance Certificate	11,442.2
Fees and Discounts	(77.2)
Derivative financial liabilities	(188.1)
Interest payable on borrowings	122.6
IFRS 9 transition adjustment	26.5
TWUL Net Debt as per accounts	11,326.0

iv) Maturity profile and headroom analysis

Graph 1 Debt maturity profile

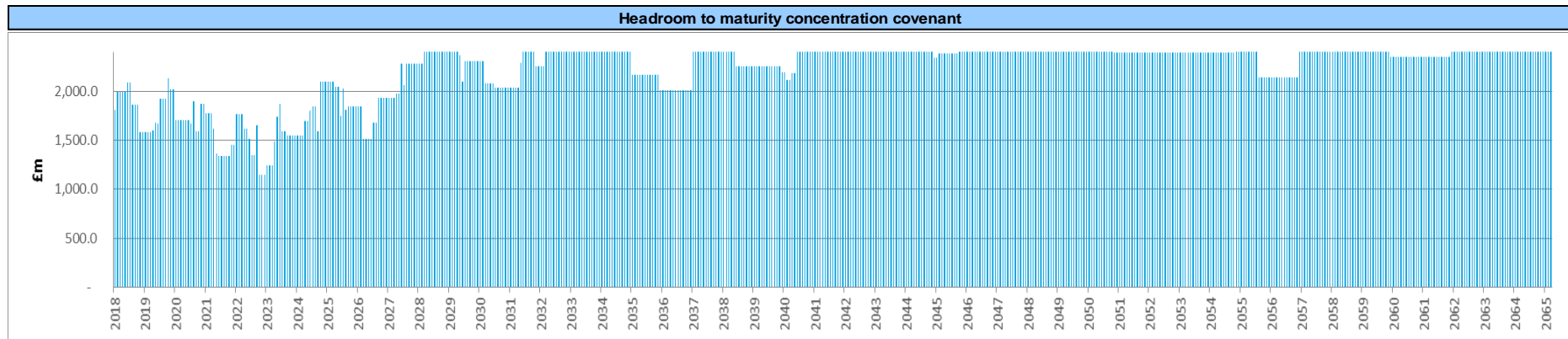
As at 30 September 2018



Graph 2 Covenant headroom analysis

Growth in RCV ensures significant headroom available across all maturities.

There is a covenant in place which dictates that additional debt issuance shall not cause maturities to exceed 20% of RCV in any 24 month period or 40% of RCV within any AMP.



v) Derivative transactions

All hedging agreements are entered into under the terms of the Hedging Policy and the CTA. TWUL and TWUF have entered into ISDA documents with various counterparties.

On 31 August 2018, all the assets and liabilities of TWUCF, including all derivative contracts and ISDA documents, were transferred to TWUF.

Table 4 Group & TWUL Derivative summary valuations

Derivative type	Group MtM as at 30 Sep 2018 (£m)	TWUL MtM as at 30 Sep 2018 (£m)
Cross currency swaps	13.0	(37.8)
Interest rate swaps	(201.2)	(201.2)
Index - linked swaps	(864.6)	(479.5)
Total	(1,052.8)	(718.5)

Foreign currency debt instruments are converted to Sterling liabilities with cross currency swaps as illustrated below. Swaps with breaks amount to 1.1% at 30 September 2018 (versus a limit 5% of RCV).

Table 5 Cross currency swaps

Issuer	Foreign Currency	Currency Amount (m)	£m	Maturity Date	Notes	MtM as at 30 Sep 2018 (£m)
TWUF	USD	150	96.6	27/02/2019	Class B	17.5
TWUF	USD	150	96.6	28/02/2022		11.9
TWUF	EUR	113	100	18/07/2022		0.5
TWUL	USD	55	38.7	22/03/2023		2.9
TWUF	USD	200	128.8	27/02/2024		12.3
TWUF	CAD	250	143.6	12/12/2024		(1.0)
TWUL	USD	285	200.4	22/03/2025		14.8
TWUF	USD	250	161.0	01/03/2027		9.7
TWUL	JPY	20,000	153.6	20/08/2038		(55.6)
Total			1,119.3			13.0

In mid-2014 TWUL entered into £2.25bn of forward starting fixed rate interest rate swaps (FSSs) to fix interest costs for debt expected raised during AMP6. Due to a slight increase in short term interest rates and pull to par effect (as maturities are shortened) the mark to market liability related to the FSSs has decreased to £176.5m (31 March 2018: £199.2m).

Table 6 Interest rate swaps

Issuer	Notional £m	Start Date	Maturity Date	MtM as at 30 Sep 2018 (£m)
Forward starting interest rate swaps (pay fixed)				
TWUL	500*	13/09/2016	13/09/2021	(23.4)
TWUL	500*	16/07/2017	18/07/2022	(36.7)
TWUL	300	14/03/2019	14/03/2024	(23.7)
TWUL	400*	16/03/2017	16/03/2024	(38.2)
TWUL	250	14/09/2019	14/09/2024	(19.7)
TWUL	300*	16/03/2018	16/03/2025	(34.8)
	2,250.0			(176.5)
Interest rate swaps (receive fixed)				
TWUL	500	24/01/2017	13/09/2021	(6.3)
TWUL	300	17/07/2017	16/07/2022	(6.0)
TWUL	200	22/03/2018	16/07/2022	(0.9)
TWUL	250	03/05/2017	16/03/2024	(7.2)
TWUL	143.5	12/12/2017	18/03/2024	(1.9)
TWUL	300	22/03/2018	17/03/2025	(2.4)
	1,693.5			(24.7)
Total	3,943.5			(201.1)

*These FSSs have already commenced.

Table 7 Index linked swaps

The following RPI linked swaps have been entered into to convert the coupon on various bonds.

Issuer	Notional £m	Base RPI	Next Accretion Payment Date	Maturity Date	Further Payments Profile	MtM as at 30 Sep 2018 (£m)
TWUL	200	210.9	At maturity	09/02/2032	-	(85.8)
TWUL	150	206.1	At maturity	28/09/2037	-	(97.6)
TWUL	250	206.1	28/09/2023	28/09/2037	12 years, maturity	(160.4)
TWUL	200	206.1	28/09/2022	28/09/2037	Every 5 years	(78.6)
TWUL	94.1	215.1	20/08/2023	20/08/2038	Every 5 years	(20.3)
TWUL	10	258.8	At maturity	31/03/2026	-	(1.6)
TWUL	10	258.8	At maturity	31/03/2026	-	(1.6)
TWUL	114.9	264.8	At maturity	09/04/2058	-	(33.6)
TWUF	100	215.3	30/06/2020	31/12/2029	Every 5 years	(56.5)
TWUF	200	215.3	31/12/2019	31/12/2039	Every 5 years	(174.0)
TWUF	100	218	17/02/2020	17/02/2060	Every 5 years	(138.4)
TWUF	100	235.2	At maturity	11/07/2022	-	(32.3)
	1,529.0					(880.7)

The following CPI linked swap has been entered into to convert the coupon on July 2022 EUR bond.

Issuer	Notional €m	Base CPI	Next Accretion Payment Date	Maturity Date	Further Payments Profile	MtM as at 30 Sep 2018 (£m)
TWUF	113.0	96.3	At maturity	18/07/2022	-	16.1
	113.0					16.1

None of the index linked swaps contain breaks. Accretion as a percentage of Class A net indebtedness is 2.79% (versus a limit of 8% of Class A net indebtedness).

vi) Available facilities

As at 30 September 2018, TWUL had committed facilities of £1,500.0m (£1,315.0m undrawn) in place. These facilities provide the necessary liquidity to fund the operations of the business for a minimum of twelve months. The committed facilities consisted of the following:

- £950.0m (£765.0m undrawn) revolving credit facility (RCF) expiring November 2022. As previously noted, in November 2018, the RCF was increased from £950.0 million to £1,387m.
- £550.0m 364-day undrawn liquidity facilities (split: £400.0m debt service reserve and £150.0m operations and capital maintenance reserve).

vii) Counterparty rating requirements

There are minimum credit ratings requirement for TWUL bank counterparties. Minimum short term ratings from S&P of A-1 and from Moody's of P-1 are required for: money market deposit banks, Account Bank, Standstill Cash Manager and Liquidity Facility Provider. Counterparties losing the minimum rating requirement should be replaced.

Hedge Counterparties are additionally required to hold a minimum long term rating from Moody's of A3. Hedge Counterparties losing the minimum rating requirement must post collateral to TWUL or replace themselves as counterparty.

NatWest currently remains as Account Bank and Standstill Cash Manager despite falling below the minimum rating requirement. Following a competitive tender for a new banking service contract, TWUL has identified a preferred bidder and the planning process for the transition of Account Bank and Standstill Cash Manager has commenced.

viii) Accretion charge

The income statement charge for the 6 months to 30 September 2018 relating to accreted interest expense and the total cumulative accretion held on the balance sheet on index-linked debt and derivative instruments is detailed below.

Table 8 Accretion charge

Instrument	6 Months to Sep 2018 (£m)	Accretion Paydowns 6 Months to Sep 2018 (£m)	Total Cumulative Accretion (£m)
Index-linked Bonds	34.4		733.5
Index-linked Loans	19.2		196.0
Index-linked Swaps	19.9		235.3
Index-linked Swaps with 5 year accretion paydowns	14.3	13.4	52.8
Total	87.8		1,217.6

ix) Cash and Authorised Investments

As at 30 September 2018, the following cash and cash equivalent investments were held. All bank deposits are held with counterparties that hold a short-term rating of A1/P-1 or higher.

Table 9 Cash and Authorised Investments

Counterparty type	TWUL (£m)	TWUF (£m)	Total (£m)
Cash and Cash Equivalents (AAA Money Market Funds)	58.1	3.3	61.4
Short Term Investments (Bank Deposits)	3.0	-	3.0
Total cash and investments	61.1	3.3	64.4

3. Dividends

No dividends, to external shareholders or to other group companies, were paid during the six month period ended 30 September 2018 (30 September 2017: £26.0 million). Whilst no dividends were paid during this period, the working capital requirements and interest on external debt of TWUL's parent companies were serviced using the resources of those companies and distributions from other companies within the wider group.

4. Outsourcing

TWUL continues to monitor and comply with the Outsourcing Policy as detailed under the Common Terms Agreement. This includes acting as a reasonably prudent water and sewerage undertaker and in accordance with Good Industry Practice.

5. Financial ratios

The number of Test Periods and forward looking test dates varies dependent on the particular Calculation Date and certain periods may not be required for certain Calculation Dates.

We have made adjustments to amounts referred to in the 30 September 2018 TWUL financial statements in order to arrive at the ratios below in accordance with the terms of the Common Terms Agreement.

Forward looking ratios for March 2019 to March 2020 and an information sheet on additional conformed interest cover ratio calculation are included in Appendices 1 and 2 respectively.

Table 10 Senior and Class A net debt – breakdown of calculation for the six months to 30 September 2018

Senior net debt		Class A net debt	
30 September 2018 (£m)		30 September 2018 (£m)	
Senior net debt per accounts	11,326.0	Senior net debt per accounts	11,326.0
Less accrued interest	(122.6)	Less Class B debt	(1,125.6)
Add unamortised debt fees	77.2	Less accrued interest	(122.6)
Add derivative financial liabilities	188.1	Add unamortised debt fees	77.2
Less IFRS 9 transition adjustment	(26.5)	Add derivative financial liabilities	188.1
		Less IFRS 9 transition adjustment	(26.5)
Senior net debt per compliance certificate	11,442.2	Class A net debt per compliance certificate	10,316.6

Table 11 Conformed net cashflow

	31 March 2019 (£m)
Cashflow from operations	1,058.1
Reversal of capex creditor	-
Add back Impact of IP revenues and payments	-
Add Deferral of K	40.3
Net cashflow	1,098.4

TWUL receives interest on its £1,974.7m (31 March 2018: £1,974.7m) intra-group loan to TWUH. Within the calculation of net interest paid, TWUL excludes the interest it receives on this loan. For the purpose of this calculation the tax effect of eliminating the inter-company loan interest is also excluded from the Net Cash Flow.

Following a STID Proposal in April 2015, additional Adjusted Interest Cover Ratios were introduced to introduce depreciation as a replacement for CCD and IRC from the start of AMP 6. Included in Appendix 1 are the Senior PMICR (additional conformed) calculations as per the information covenant obligation referenced in the above STID Proposal.

Table 12 Depreciation

Depreciation – as used in additional conformed interest cover ratios

	31 March 2019 (£m)
Water and wastewater depreciation (12/13 prices)	(465.7)
Factor to convert from 12/13 to outturn prices	1.1599
Depreciation (Outturn prices)	(540.1)

We confirm that in respect of the Calculation Date on 30 September 2018, by reference to the most recent financial statements in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement that the ratios are as detailed in the table below.

Please refer to Appendix 1 Financial ratio calculations for the detailed calculation of each ratio.

Table 13 The ratios – TWUL

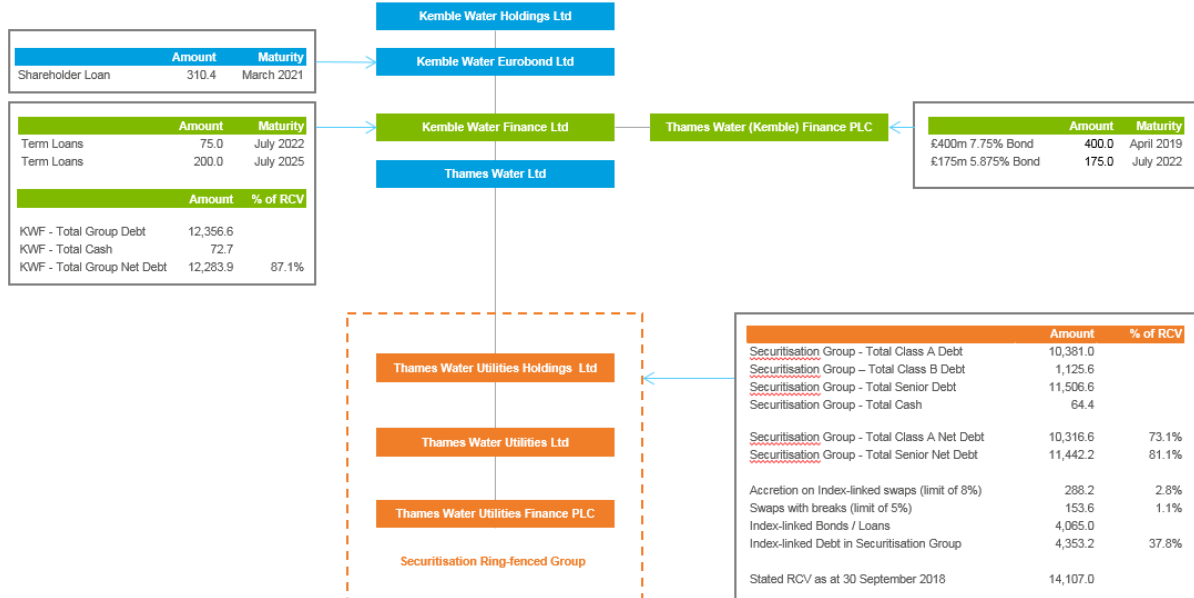
Test date	30 September 2018	31 March 2019
Class A RAR	73.1%	73.7%
Conformed Senior RAR	81.1%	81.9%

Test date	31 March 2019
Conformed Class A ICR	3.4
Additional Conformed Class A Adjusted ICR	1.7
Additional Conformed Senior Adjusted ICR	1.5
Additional Conformed Class A Average Adjusted ICR	1.8
Additional Conformed Senior Average Adjusted ICR	1.6

We confirm that each of the ratios has been calculated in respect of the relevant period(s) for which it is required to be calculated under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (Ratios) of Part 2 (Events of Default (TWUL and the Issuer)) of Schedule 6 to be breached.

6. Group debt structure

All amounts in £ millions



Class A	Amount (£m)	Maturity
Thames Water Utilities Finance Plc		
£200m 5.050% Bond, Ser. 40	200.0	Jun-20
£225m 6.590% Bond, Ser. 41	225.0	Apr-21
£175m 3.375% RPI Bond, Ser. 37	276.9	Jul-21
USPP \$150m Note	115.0	Feb-22
Series 13 €113m 2.30% CPI Bond	108.1	Jul-22
Series 21 £250m 1.875% Bond	250.0	Jan-24
USPP \$200m Note	153.3	Feb-24
CAD 250m 2.875% Bond	148.1	Dec-24
Series 16 €500m 4% Bond	500.0	Jun-25
USPP \$250m Note	191.6	Mar-27
Series 18 €45m 0.721% RPI Bond	48.8	Dec-27
Series 19 €300m 3.5% Bond	300.0	Feb-28
£330m 6.750% Bond, Ser. 11	330.0	Nov-28
Series 22 £250m 2.625% Bond	250.0	Jan-32
£200m 6.500% Bond, Ser. 22	200.0	Feb-32
Series 14 €300m 4.375% Bond	300.0	Jul-34
Series 17 €40m 0.75% RPI Bond	43.4	Dec-34
£600m 5.125% Bond, Ser. 44	600.0	Sep-37
Series 3 JPY20bn 3.28% Bond	135.0	Aug-38
Series 4 €50m 3.853% LPI Bond	64.6	Dec-40
Series 12 €500m 5.50% Bond	500.0	Feb-41
Series 1 A5 €50m 1.980% RPI Bond	67.9	Aug-42
Series 6 €55m 2.091% RPI Bond	72.5	Oct-42
Series 10 €40m 1.974% RPI Bond	46.8	Oct-45
Series 15 €300m 4.625% Bond	300.0	Jun-46
Series 1 A4 €100m 1.846% RPI Bond	135.8	Aug-47
Series 1 A3 €200m 1.819% RPI Bond	271.7	Aug-49
£300m 1.6802% RPI Bond, Ser. 43	427.7	Jul-53
£300m 1.681% RPI Bond, Ser. 42	427.7	Jul-55
Series 1 A2 €200m 1.771% RPI Bond	271.7	Aug-57
Series 20 €400m 7.738% Bond	400.0	Apr-58
Series 1 A1 €350m 1.760% RPI Bond	475.4	Aug-62
Revolving Credit Facility £950m	185.0	Oct-18
Accretion on RPI swaps	56.3	2022-2060
Cross currency swaps	(78.8)	2022-2027

Thames Water Utilities Limited	Amount (£m)	Maturity
£60m RPI Term Loan	78.4	Dec-19
£60m RPI Term Loan	78.2	Jan-20
£60m RPI Term Loan	77.6	Feb-20
£60m RPI Term Loan	77.5	Mar-20
£100m Floating rate Term Loan	100.0	Mar-20
£60m RPI Term Loan	77.6	Mar-20
£75m RPI Term Loan	88.8	Dec-21
USPP \$55m Note	42.1	Mar-23
£215m RPI Term Loan	247.1	Dec-23

Class A (continued)	Amount (£m)	Maturity
Thames Water Utilities Limited (continued)		
£100m RPI Term Loan	109.4	Feb-25
USPP \$285m Note	218.4	Mar-25
£125m RPI Term Loan	136.1	Mar-26
USPP £216m Note	216.0	Apr-28
USPP £210m Note	210.0	Mar-30
£215m RPI Term Loan	225.7	Nov-32
USPP £40m Note	40.0	Mar-33
£100m RPI Term Loan	129.6	Nov-43
Accretion on RPI swaps	231.9	2026-2058
Cross currency swaps	(2.9)	2023-2038
Total Class A	10,381.0	

Class B	Amount (£m)	Maturity
Thames Water Utilities Finance Plc		
USPP \$150m Note (Class B)	115.0	Feb-19
Series 22 €300m 2.375% Bond	300.0	May-23
Series 23 €250m 2.875% Bond	250.0	May-27
Series 9 €300m 5.75% bond	300.0	Sep-30
Cross currency swaps	(18.4)	Feb-19
Thames Water Utilities Limited		
£50m 3.867% Term Loan	50.0	Mar-26
£70m 3.867% Term Loan	70.0	Mar-26
£20m Floating rate Term Loan	20.0	Mar-26
£39m 3.918% Term Loan	39.0	May-26
Total Class B	1,125.6	
Total Senior Debt	11,506.6	

Yours faithfully,

BRANDON RENNET

Chief Financial Officer and Director

For and on behalf of

THAMES WATER UTILITIES LIMITED

STEPHEN WHEELER

Director

For and on behalf of

THAMES WATER UTILITIES FINANCE PLC

Appendix 1 Financial Ratio Calculations

Forward looking ratios for March 2019, March 2020 and an information sheet on additional conformed interest cover ratio calculation have been provided to Security Trustee and the Facility Agent as required by the CTA. This information is not however included in the published Investor Report. Secured creditors may register their interest in receiving a full version of the investor report by contacting the Security Trustee, the Facility Agent and Thames Water as appropriate.

Appendix 2 PMICR covenant information sheet

Forward looking ratios for March 2019, March 2020 and an information sheet on additional conformed interest cover ratio calculation have been provided to Security Trustee and the Facility Agent as required by the CTA. This information is not however included in the published Investor Report. Secured creditors may register their interest in receiving a full version of the investor report by contacting the Security Trustee, the Facility Agent and Thames Water as appropriate.

Appendix 3 Thames Tideway Tunnel

During the six months to 30 September 2018, TWUL continued to bill revenue for the construction of the Thames Tideway Tunnel (TTT). £24.5 million was recognised in the period, which is, when collected, passed on to Bazalgette Tunnel Limited (BTL).

As a result of the arrangements in place for the delivery of TTT and related accounting treatment, during the period while the TTT is being built our revenue will increase but there will be no associated costs, except potentially for bad debt expenses, reflected in our income statement while the TTT is built. This will increase our profits but not our cashflows during the construction phase, therefore the Directors have excluded the monies from our underlying results. The cash collected and paid over to BTL during construction represents a prepayment for the use of the TTT once the project is complete.

We have been progressing well with the programme of Enabling Works and handing worksites over to BTL and its contractors, and have now handed over 21 sites to the TTT delivery team. The remaining 2 sites are System Works, which are on track for delivery in year 5.

BTL and their contractors have made good progress over the last 6 months. They have mobilised on 20 of their 21 sites (with the final one due to start in 2019), taken delivery of three of the total six Tunnel Boring Machines (TBM's) and tunnelling operations have now commenced.

Thames Tideway Tunnel Price Controls

On 6 July 2018, Ofwat published a consultation on its plans to modify condition B of TWUL's licence in order to allow Ofwat to set a separate price control for the period 2020-2025 for TTT activities. A continuing separate control will allow Ofwat to provide a tailored uncertainty mechanism that would not otherwise be possible. This will provide TWUL an appropriate level of risk for the project during its construction phase, and customers will therefore pay an appropriate amount for TWUL's investment. Extending the separate price control for a further five years will also enable the disposals of land, purchased by TWUL to facilitate the project, to be dealt with in a separate price control. On 24 September 2018, Ofwat confirmed that the change to condition B of TWUL's licence has been made.

Appendix 4 KWF

Consolidated net debt reconciliation 30 September 2018

	£m
TWUL Group Face Value Bonds including accretion Class A	7,377.1
TWUL Group Face Value Bonds including accretion Class B	850.0
TWKF Face Value Bonds	575.0
Total Face Value Bonds including accretion	8,802.1
Class A USPP Notes	1,186.4
Class B USPP Notes	115.0
Class A RPI linked loans including accretion of £196.0m	1,326.0
Accretion on Index Linked Swaps	288.2
Class A Floating Rate Loans	285.0
Class A Cross-currency swaps	(81.6)
Class B Cross-currency swaps	(18.4)
Class B Loans	179.0
KWF Floating Rate Loans	275.0
Less Cash Investments	(109.1)
Cash Held by Non Covenant Entities	36.4
KWF Net Debt as per Compliance Certificate	12,284.0
Subordinated Loan from Kemble Water Eurobond Plc (Parent)	3,100.6
Fees and Discounts	(82.7)
Fair Value Adjustment on acquisition to loans	184.0
Cash Held by Non Covenant Entities	(36.4)
Derivative financial liabilities	(188.1)
Interest payable on amounts owed to group undertakings	2,790.2
Interest payable on secured bank loans	145.0
IFRS 9 transition adjustment	26.4
KWF Net Debt as per accounts	18,223.0

Appendix 4 KWF (continued)

Financing

- During the period since 30 September 2018, Kemble Water Finance Limited (KWF) completed £649.8m of new financing across 5 and 7-year tenors. Proceeds will be drawn-down between November 2018 and April 2019 and be used to refinance a £400.0m Thames Water (Kemble) Finance plc (TWKF) bond maturing in April 2019, with incremental proceeds being used to repay debt at TWUL, in line with the group's de-gearing plans as outlined in more detail in Thames Water's Business Plan for AMP7, submitted to Ofwat in September of this year.
- KWF signed £190.0m of term loans maturing in April 2024 and £459.8m of note purchase agreements maturing between November 2025 and April 2026, at an average weighted cost of 5.16% on a fixed equivalent basis. The financing follows on from the signing of KWF's new £110.0m 5-year working capital facility in October, replacing the previous £65.0m facility. The £110.0m facility is undrawn.
- All bonds issued by the TWKF are rated B1 by Moody's with a negative outlook (31 March 2018: B1 with stable outlook) and BB- by Fitch with a negative outlook (31 March 2018: BB with stable outlook).

Dividends

KWF did not pay any dividends in the period.

The ratios

	Default Level	31 March 2019
Cash Flow less Capital Maintenance Expenditure		577.4
Total Interest Service		425.4
Group PMICR	1.05	1.36

	Default Level	31 March 2019
Total Net Debt		12,609.5
RCV		14,373.7
RAR	95.0%	87.7%

Contact details

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