

**SUPPLEMENT DATED 06 JANUARY 2023 TO THE PROSPECTUS DATED 4
OCTOBER 2022**



THAMES WATER UTILITIES FINANCE PLC

(incorporated with limited liability in England and Wales with registered number 02403744)

(Legal Entity Identifier: 213800ESMPQ4RQ7G8351)

**£10,000,000,000 Multicurrency programme for the issuance of
Guaranteed Bonds
financing**

Thames Water Utilities Limited

(incorporated with limited liability in England and Wales with registered number 2366661)

This supplement ("this **Supplement**") is prepared as a supplement to, and must be read in conjunction with the base prospectus dated 4 October 2022 (the "**Prospectus**", which definition includes the Prospectus and all information incorporated by reference therein) relating to the £10,000,000,000 multicurrency programme for the issuance of up to £10,000,000,000 Guaranteed Bonds (the "**Programme**") established by Thames Water Utilities Finance plc (the "**Issuer**"). This Supplement together with the Prospectus constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). This Supplement constitutes a supplementary prospectus for the purposes of Article 23 of the UK Prospectus Regulation.

Unless otherwise defined in this Supplement, terms defined in the Prospectus have the same meaning when used in this Supplement. Unless stated otherwise, page numbers referred to in this Supplement refer to pages in the Prospectus.

This Supplement has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under the UK Prospectus Regulation, as a supplement to the Prospectus in compliance with the UK Prospectus Regulation. The FCA only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Bonds that are the subject of this Supplement and the Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

Each of the Issuer and the other Obligor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer and each of the other Obligor the information contained in this Supplement is in accordance with the facts and this Supplement makes no omission likely to affect its import.

The purpose of this Supplement is to:

- (i) incorporate by reference into the Prospectus the unaudited interim financial report of the Issuer and TWUL for the six month period ended 30 September 2022;
- (ii) update the sub-section entitled "*Periodic Review*" in the section headed "*Compliance risks*" in Chapter 2 (Risk Factors) in the Prospectus to reflect the final PR24 methodology published by Ofwat on 13 December 2022;

- (iii) update the sub-section entitled “*Performance, commitments and incentives*” in the section headed “*Compliance risks*” in Chapter 2 (Risk Factors) in the Prospectus to reflect a risk that TWUL may breach its leakage target for 2022/2023;
- (iv) update the section headed “*Fix the basics*” in Chapter 5 (Description of the TWU Financing Group) in the Prospectus to reflect a risk that TWUL may breach its leakage target for 2022/2023;
- (v) update the section headed “*Water distribution*” in Chapter 5 (Description of the TWU Financing Group) in the Prospectus to reflect a risk that TWUL may breach its leakage target for 2022/2023; and
- (vi) update the section headed “*PR24 Price Control*” in Chapter 6 (Regulation of the Water and Wastewater Industry in England and Wales) in respect of the publication of the PR24 Methodology, each as described further below.

1 DOCUMENTS INCORPORATED BY REFERENCE

The unaudited interim financial report of the Issuer and TWUL for the six month period ended 30 September 2022 (available at: <https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/interim-2022-23/FY23-TWUL-Interim-Report.pdf>) shall, by virtue of this Supplement, be incorporated in, and form part of, the Prospectus.

2 RISK FACTORS

- 2.1 The sub-section headed “*Periodic Review*” in the section headed “*Strategic risks*” on page 32 in the Prospectus shall be supplemented with the following:

“On 13 December 2022, Ofwat published its final methodology for PR24 (the “**PR24 Methodology**”), emphasising that the water sector faces significant challenges, including that significantly better outcomes for the environment are required. On 16 December 2022, DEFRA published legally binding targets to protect the environment pursuant to the Environment Act 2021, these targets include cutting water pollution and are the latest of a series of environment measures reflecting increasing social and political concern about the environment.

TWUL operates within an economic regulatory framework whereby Ofwat sets price controls on the revenues that TWUL can raise and, together with the Drinking Water Inspectorate and Environment Agency (each sponsored by DEFRA), monitors and enforces compliance with TWUL’s Licence, service and environmental obligations. For more information on the regulatory framework please see Chapter 6 “*Regulation of the Water and Wastewater Industry in England and Wales – Water and Wastewater Regulation Generally*”.

In order for TWUL to continue to deliver its services in compliance with existing and future environmental measures, targets, legislation and regulation, TWUL’s management has assessed that very significant additional capital and operating expenditure is required over the remainder of AMP7, AMP8 and successive AMPs.

TWUL’s financial ability to undertake investments to fulfil its regulatory obligations (including by successfully attracting further equity investment beyond that already committed by its shareholders) is dependent on the regulatory process including the PR24 draft and Final Determination and, in turn, future price reviews.

If TWUL is not able to finance the required expenditure and investment programmes (whether through insufficient revenues and/or the linked ability to raise equity), TWUL may face challenges in meeting its compliance obligations over successive AMPs and is therefore likely to incur

reputational damage, economic penalties and/or fines which would of themselves further adversely affect TWUL's ability to raise the revenue and investment required to meet its compliance obligations. This could in turn lead to enforcement action being taken against TWUL (see Chapter 6 – “*Regulation of the Water and Wastewater Industry in England and Wales - Licences - Enforcement Powers*”).”

- 2.2 The sub-section headed “*Performance, commitments and incentives*” in the section headed “*Compliance risks*” on page 44 in the Prospectus shall be updated by replacing the paragraph starting “During 2021/22” with the following:

“During 2021/22, TWUL has delivered improvements in key operational performance metrics, including leakage and supply interruptions, with 60% of annual performance commitments met this year. TWUL is not currently fully compliant with the Ofwat common methodology for leakage, per capita consumption and supply interruptions. TWUL is taking steps to become compliant, including but not limited to regular monitoring and reporting to senior management, increasing the installation of smart meters and analysing the data generated, and moving to new household billing systems, and currently expects to be largely compliant by 2023/2024. Due to the exceptionally hot and dry summer in 2022, TWUL has seen significant increases in burst water mains and associated leakage during 2022/23. As a consequence, TWUL has signalled to Ofwat that it is behind on its 2022/23 leakage performance and its leakage target for 2022/2023 will be very challenging to achieve. TWUL remain committed to its leakage target of reducing leakage by 20.4% over the course of AMP 7 and has put in place additional resource and implemented heightened governance around leakage management to oversee its ambitious and substantial recovery plan. Additionally TWUL is waiting for the EA's final approval for some schemes against environmental measures delivered (“ES02”). TWUL's 2021/22 year end position on ES02 includes 103 schemes which have been internally verified as ‘complete’ and which have been submitted to the EA for final approval. In the unlikely event that these 103 schemes are not approved, TWUL would expect a ODI penalty of c.£6m.”

3 DESCRIPTION OF THE TWU FINANCING GROUP

- 3.1 The third bullet point of the section entitled “*Fix the basics*” on page 81 in the Prospectus shall be replaced with the following:

“Meet TWUL's leakage target for the fourth year in a row (although given the exceptionally hot and dry summer in 2022 TWUL has signalled to Ofwat that it is behind on its 2022/23 leakage performance and its leakage target for 2022/2023 will be very challenging to achieve) and deliver further improvements in other key performance metrics, such as pollutions”

- 3.2 The section headed “*Water distribution*” on page 84 in the Prospectus shall be updated by adding the following at the end of the paragraph starting “*The water distribution strategy is*”:

“Due to the exceptionally hot and dry summer in 2022, TWUL has seen significant increases in burst water mains and associated leakage during 2022/23. As a consequence, TWUL has signalled to Ofwat that it is behind on its 2022/23 leakage performance and its leakage target for 2022/2023 will be very challenging to achieve. TWUL remain committed to its leakage target of reducing leakage by 20.4% over the course of AMP 7 and has put in place additional resource and implemented heightened governance around leakage management to oversee its ambitious and substantial recovery plan.”

4 PR24 PRICE CONTROL

The section headed “*PR24 Price Control*” on page 133 of the Prospectus shall be supplemented by the inclusion of the following paragraph:

“On 13 December 2022, Ofwat published the PR24 Methodology. As at the date of this Prospectus, TWUL’s management are evaluating the implications the PR24 Methodology. The PR24 Methodology can be found on Ofwat’s website here: <https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review/final-methodology/>. For the avoidance of doubt the PR24 Methodology is not incorporated into, and does not form part of, this Prospectus.”

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

Save as disclosed in this Supplement, no 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. An investor should be aware of its rights arising pursuant to Section 87Q(4) of the FSMA.

If documents which are 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 UK 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.

The date of this Supplement is 06 January 2023.