



Thames Water Utilities Limited Investor Report

31 March 2021

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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 (“TWUL”) financial statements for the year ended 31 March 2021. Please refer to the Thames Water website www.thameswater.co.uk for this document in full.

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1. Overview for the year ended 31 March 2021

1.1. Robust response to the impact of Covid-19

- We have been ensuring resilient supplies and extra support for customers and communities.
- Covid-19 has had material impacts on our business, and while the full extent of continued disruption remains unknown, we are confident in the mitigations already in place and our risk assessment process of possible scenarios.
- The pandemic has shifted how we live and work, which has changed traditional water demand patterns and peak use times. It's changed the way we operate, requiring home-working and social distancing on sites. It's also affected some of our customers' ability to pay their bills.
- We launched a new flexible payment scheme to support customers affected by Covid-19. The scheme allows customers to take a three-month payment break.
- The key areas of the business where there has been significant financial impact this reporting period include:
 - a reduction in current year cash collection rates and cash received from household customers who have found themselves increasingly vulnerable to financial circumstances due to the pandemic;
 - a reduction in revenue from non-household customers of £83.9 million, which is due to a combination of increased property vacancy rates and lower consumption from these users more broadly;
 - reduced consumption and the ability of retailers in the competitive retail water market to pay;
 - a fluctuating demand in our services from household customers as more time is spent at home through flexible working arrangements, which has led to an increase in subsequent revenue from these customers of £28.8 million;
 - an increase in operating costs of approximately £7.7 million arising predominantly from reduced power generation as we noted change in waste flows across London and Thames Valley, additional consumables to heighten health and safety measures across the sites, change in job mix and additional temporary plant hire;
 - a reduction in total expenditure arising from capital programmes disruption, access restrictions and fewer activities that would otherwise rely on physical exposure to customers; and
 - an increased proactive focus on our liquidity position and covenant headroom due to the above fluctuations.
- In response to the pandemic, we have continued to invest in our workforce resilience and IT infrastructure. Any revenue shortfalls can be recovered using the well-established regulatory mechanisms that allow for this to be recovered in future periods and we have actively engaged with Ofwat to assess the impact of Covid-19 on our ability to deliver our performance commitments.
- In addition to an increase in the level of debt provisioning (a further £9.0 million being provided for Covid-19 impacts covering the year ended 31 March 2021), we have proactively performed further due diligence on our ability to recover revenue and our provisioning for bad debt.
- We will continue to proactively monitor the situation around Covid-19 and the expected impact on our assumptions used within the business. This outlook is discussed within the going concern statement of the Director's Report and our Long-Term Viability Statement, presented in Thames Water Utilities Limited's financial statements for the year ended 31 March 2021 - for more details use the following link:

<https://www.thameswater.co.uk/about-us/investors/our-results>

1.2. Mixed performance in key operational metrics, with clear areas for improvement

- We met 26 of 49 performance commitments, resulting in a net penalty of around £50 million; supply interruptions, sewer flooding, blockages, mains bursts and C-MeX were below target
- Pollutions reduced by 10 per cent during 2020, with a fresh approach to protecting rivers and the environment
- Achieved the leakage reduction target for the second year in a row

1.3. Launched Thames Water's performance turnaround plan

- We have a new Executive leadership team with 'frontline first' focus on improving service to customers and reducing complaints
- Sarah Bentley, Thames Water CEO, said:

"I'm incredibly proud of how our key workers stepped up to keep our essential service running during a year like no other in living memory. As the pandemic hit our region, our priorities became clear – to focus on keeping water flowing and supporting our customers as much as possible.

"Despite these brilliant efforts, our broader business performance against some of our key commitments has been unacceptable and we are behind expectations causing an increase in customer complaints. We're absolutely determined to learn from our mistakes and to improve.

"I was brought in during the year to turn Thames Water around. To do this properly and in the right way for our customers, communities and the environment is going to be a massive undertaking and there are no quick fixes. Our priority is to transform critical areas of the business and we're investing in customer service and operations so we can make real progress. We're in this for the long-term and are absolutely determined to put things right so that we deliver for customers and improve our environment now and for future generations."

1.4. Force for good

- We helped more than 210,000 customers with cheaper bills through social tariffs and increased the number of customers supported through our Priority Services Register to 3.5% of homes
- We published a roadmap to achieving net zero carbon emissions by 2030, having reduced emissions by 68% since 1990 and with the aim to be carbon negative by 2040
- We were accredited by the Living Wage Foundation that sets fair minimum hourly rates above the National Minimum Wage
- We recruited 1,200 people across a wide range of disciplines, from customer service to engineering and digital
- We were named by Business in the Community as a top 50 employer for women, the first cohort of 'Kickstarters' joined in April 2021 as part of the Government's Kickstart scheme, and we signed up to the 10,000 Black Interns programme

1.5. Company performance

- The key focus of our performance turnaround plan is to reduce customer complaints, as written complaints increase to 39,530 (March 20: 33,728)
- We reduced category 1-3 pollution incidents by 10 per cent to 292 and cleared 76,223 blockages (target 72,500). Treatment works compliance was at 99.74%, against a target of 100% compliance
- Leakage reduced to 635.6 MI/d (three-year rolling average - March 20: 671.8MI/d) to achieve the target for a second year in a row
- New measure for water quality – we achieved 2.42 on the water quality compliance risk index, behind target

- We installed 90,000 smart meters to help reduce water consumption and find leaks. More than 500,000 have been installed in total.

1.6. Financial overview

- £198.5 million total loss after tax (March 20: £244.6 million profit) driven primarily by a non-cash loss on financial instruments. Total revenue £2.1 billion (March 20: £2.2 billion)
- Capital investment of £1.1 billion in network and other assets (March 20: £1.2 billion), with around £20 billion invested over the last 20 years
- £32.9 million paid to immediate parent company to service group interest obligations and working capital requirements (March 20: £56.5 million); no distributions to external shareholders for fourth year in a row
- Paid over £229 million in business rates, national insurance contributions, PAYE and other taxes (March 20: £196 million)

1.7. Revenue and Bad Debts

- The bills we send our customers for the essential water and wastewater services we provide make up our revenue. Our economic regulator, Ofwat, determines the amounts we charge in our bills every five years through a price review process, which is driven by the costs we expect to incur to invest in and operate our business over that five-year regulatory period. Our current regulatory period covers 1 April 2020 to 31 March 2025 (“AMP7”).
- Our total revenue for the year ended 31 March 2021 decreased by £66.1 million to £2,106.7 million (31 March 2020: £2,172.8 million). The decrease was driven by the combination of lower allowed revenue set by Ofwat in AMP7, the adverse impact of Covid-19 on the non-household market with many business premises being empty or at reduced capacity throughout the period and the impact of Covid-19 on household bad debt (see below note).
- Decreases in non-household revenue have been partly offset by an increase in household water consumption due to warm weather and home working. Bazalgette Tunnel Limited (“BTL”) revenue increased £9.5 million to £73.8 million (31 March 2020: £64.3 million) due to the phasing of construction works.
- Bad debt arises predominantly from those who choose not to pay their bill, despite being financially able to, as opposed to those who cannot pay. We offer a range of support for people in financially vulnerable circumstances. We are working hard to reduce bad debt and we have started to see the impact of a number of new initiatives implemented during the prior year. However, the impact of these initiatives may be reduced by the difficulties for customers caused by Covid-19.
- During the year ended 31 March 2021, we have seen an increase in our overall bad debt cost of £12.7 million to £86.6 million (31 March 2020: £73.9 million). The increase, including the additional management provision, is primarily due to the impact of Covid-19 on our current year cash collections, offset by the initiatives implemented in the prior year to reduce the bad debt. The current year charge is split between bad debt relating to current year bills (amounts that are not expected to be collected when invoiced) of £49.9 million (31 March 2020: £33.1 million), which is shown as a deduction in revenue, and bad debt relating to bills from prior years of £36.7 million (31 March 2020: £40.8 million), which is shown within operating expenses. Our total bad debt charge equates to 4.1% (31 March 2020: 3.4%) of total gross revenue.

1.8. Financial covenants

- We continue to comply with the financial covenants despite the impact of Covid-19.
- The post-maintenance interest cover ratio (PMICR) at 31 March 2021 was 1.7x (31 March 2020: 1.8x), above the minimum covenant requirement of 1.1x (Additional Conformed Senior Adjusted ICR). This includes the impact of the movement in working capital and the recognition of around £28 million of rental income relating to previous years which was previously held on the Balance Sheet.

- During the year ended 31 March 2021, an additional pension deficit repair payment of £69.7 million was made, representing payments that otherwise would have been made during the remainder of AMP7. Due to its exceptional nature, this additional payment and £16.3 million of exceptional transformation expenditure were excluded from the PMICR calculation
- As we continue to invest in the business, significantly beyond the Final Determination (“FD”) allowances, covenant net debt (Senior) increased to £12,497.1 million as at 31 March 2021. The impact of the additional pension deficit repair payment was offset by an £80 million cash injection into TWUL during the year, funded from incremental debt at a holding company and following a £249.8 million cash injection made in 2019.
- During the remainder of AMP7, we expect approximately £380 million of cash injections to be made into TWUL to repay debt, funded by incremental holding company debt.
- The increase in net debt was accompanied by an increase in the Regulatory Capital Value (“RCV”), as published by Ofwat, of £296.0 million to £15,025.3 million (31 March 2020: £14,729.3 million), meaning that overall gearing (Senior) as at 31 March 2021 was 83.2% (31 March 2020: 82.3%), below the Trigger Event threshold of 90.0%.
- Following evaluation of the methodology used to calculate RCV at 31 March 2021, we are of the position that an element of the calculation does not reflect full RPI indexation of the RPI-linked part of RCV and therefore the RCV number at this date should be a higher value by around £27m. We are currently in discussions with Ofwat on this matter.
- The increase in gearing reflects a number of factors including the end of AMP6 adjustment to RCV (applied on 1 April 2020), the inflation assumptions used in the FD, and lower inflation than would have been expected prior to Covid-19.
- The net downward adjustment to RCV on 1 April 2020 was £201.5 million (based on March 2020 prices), with the largest component being a sector-wide RCV reduction relating to an inflation mismatch within the 2010 to 2015 regulatory period Capital Incentive Scheme. Due to the lower than expected outturn for inflation, gearing is higher than would otherwise have been the case however this was partly offset by lower accretion on RPI-linked debt and swaps
- Due to the continuing economic impact of Covid-19 we expect operational cashflows for the year to 31 March 2022 to be lower than otherwise would have been the case, but expect the impact to be less severe than for the year ended 31 March 2021. Under a base case scenario, we expect financial covenants to remain compliant and estimate the 2021/22 Additional Conformed Class A Adjusted ICR and Additional Conformed Senior Adjusted ICR will be 1.9x and 1.6x respectively, above the Trigger Event thresholds of 1.3x and 1.1x. We estimate gearing at 31 March 2022 will be 72.3% and 82.8% for Class A and Senior respectively, below the Trigger Event thresholds of 75.0% and 90.0%.
- As part of the most recent going concern analysis, various scenarios, including a severe but plausible scenario, were assessed, all of which show TWUL having significant liquidity headroom and compliant with covenants for 2021/22

1.9. Key personnel changes

- We’ve recently announced some new appointments. Cathryn Ross, former Group Director of Regulatory Affairs at BT has joined as Strategy and Regulatory Affairs Director, Warren Buckley, former HSBC Global Contact Centre Lead has joined as Retail Director and Francis Paonessa, who was previously Managing Director of Infrastructure projects at Network Rail, has joined as Capital Delivery Director. They have all joined the Executive team in the last few months and they’re absolutely ready for the challenge ahead. We’ll also be welcoming Alastair Cochran as our new Chief Financial Officer, in a planned handover from Brandon Rennet who, after four years, has decided to pursue new career opportunities. In addition, Caroline Sheridan will join us as our new Engineering and Asset Director, Tony Vasishta will head up our Ventures division and Nevil Muncaster will become our new Strategic Resources Director later in the year.

2. Regulatory and legal update

Regulatory appeals

Since we received our PR19 Final Determination in December 2019, which we accepted, four companies in the sector appealed their respective PR19 Final Determinations to the Competition and Markets Authority (“CMA”) for a redetermination. The CMA published its Final Determination in March 2021 which saw a generally favourable outcome for the appellant companies, including with respect to the allowed rate of return, gearing outperformance sharing mechanism and totex allowances. Whilst the CMA Final Determination does not amend the terms of TWUL’s PR19 Final Determination, aspects may be considered supportive for the future outlook. It is worth noting the majority of energy companies regulated by Ofgem has also appealed their RII0-2 Final Determinations to the CMA, and the CMA’s eventual Final Determination may also provide precedential value for PR24.

Price Review 2024

The PR24 regulatory cycle has commenced with Ofwat publishing its initial views on the framework for PR24 and future price reviews in May 2021. This document sets out possible high-level design options and questions for the purpose of consulting with the industry in an iterative process up to the Final Determination expected around December 2024. Responses are due in late July and TWUL intends on submitting a comprehensive response alongside wider constructive engagement with Ofwat on the development of the PR24 framework.

Competition Act

On 8 July 2019, Ofwat announced that it was investigating whether TWUL may have contravened the prohibition in Chapter II of the Competition Act 1998 by abusing a dominant position. The allegations relate to:

- the approach that TWUL has taken when installing digital smart meters and the impact that this has had on providers of data logging services and their customers;
- the accuracy of the data about customers that TWUL made available to retailers at the time of the opening of the business retail market; and
- the fairness of certain contractual credit terms that TWUL applies to retailers.

TWUL has responded to a number of Ofwat information requests and questions. In late 2020, Ofwat’s investigation was split into two - one covering competition issues and the other covering regulatory/licence issues. As regards the competition elements of the investigation, Ofwat consulted until 22 June 2021 on certain proposed binding commitments from TWUL. Ofwat is now finalising the commitments, taking into account any comments received. As regards the regulatory part of the investigation (to do with data accuracy), TWUL is currently in the latter stages of discussions with Ofwat.

Leakage regulatory update

In 2017, Ofwat commenced an investigation in relation to TWUL’s leakage performance, following it failing to meet its performance commitment on leakage in 2016/17. In August 2018, at the conclusion of the investigation, TWUL entered into binding undertakings to improve its leakage performance and accepted that it had breached section 37 of the Water Industry Act (failure to maintain an efficient and economical system of water supply in its area) and Condition F6A of its Instrument of Appointment (failure to ensure sufficient financial and management resources and systems of planning and control, in order to carry out its regulated activities).

TWUL agreed to pay £65 million back to customers on top of £55 million in automatic penalties incurred for missing commitments to reduce leakage, making a total of £120 million returned to customers. This money came solely from Thames’ shareholders and was reflected in customer bills for 2019/20. TWUL has been publishing its performance each month in tackling leaks and

has appointed an independent monitor to certify the information in its monthly leakage reports. TWUL has also committed to increasing its customer engagement initiatives on leakage.

The undertakings also included a commitment to provide six-monthly reports to Ofwat on compliance with the undertakings. To date, six reports have been submitted, in November 2018, May 2019, November 2019, May 2020, November 2020 and May 2021. The undertaking to achieve a leakage level of 606Ml/d in 2019/20 was complied with, with leakage reported at 595Ml/d.

Following the identification of a data issue related to the application of smart meter data, TWUL has recently commissioned an external firm of forensic accountants to look at its leakage calculation and reporting processes as well as the internal governance and assurance surrounding such processes. The findings are being used to help strengthen the approach in light of the very significant volume of valuable new data available from the smart metering programme and we are engaged with Ofwat in progressing this.

Legal proceedings update

The Group is subject to commercial and legal claims that are incidental to the day-to-day operation of its business. These include contractual, employment and environmental matters which are defended and managed in the ordinary course of business.

The Group needs to determine the merits/strength of any litigation against it and the chances of a claim being successful, the likelihood of an outflow of economic benefits occurring and whether there is a need to disclose a contingent liability or whether a provision is required based on this assessment.

There are claims against the Group arising in the normal course of business, which are subject to early stage correspondence between the parties and/or litigation. Judgement is required in measuring and recognising provisions related to pending litigation or other outstanding claims that are subject to negotiated settlement or Court assessment. This includes evaluating the likelihood that an outstanding claim will succeed and to quantify the possible range of any financial settlement and outflow of economic benefits. There is an inherent risk that the final outcome of legal claims will be different to amounts provided.

TWUL is currently defending five sets of court proceedings (served in 2020 and 2021) commenced by different groups of Property Search Companies ("PSCs") seeking refunds of fees paid for property search data, including CON29DW searches, from December 2013 to date. The PSCs allege that they have been overcharged for drainage and water searches and that information should have been made available to them pursuant to the Environmental Information Regulations 2004, at a lower cost than that charged. The position is replicated across all other Water & Sewerage Companies in England and Wales and the claims are a collective action brought by those different groups of PSCs against the industry. We are defending these claims, as are all the other water and sewage companies in England and Wales, who are aligned with our position. Whilst proceedings in this matter are live, the claims are at an early stage making it difficult to provide further commentary on the merits or otherwise of them or any effect on the financial position of TWUL.

An out of court settlement was reached between the Group and Castle Water Limited which was partially provided for in the previous period, which has been utilised in the current period. In February 2021, TWUL was fined £2.3m for a pollution incident at Henley sewage treatment works ("STW") which occurred in April 2016. In May 2021, TWUL was fined £4m for pollution incidents at Hogsmill STW which occurred between February 2016 and September 2019.

The Environment Agency is currently prosecuting TWUL in relation to a pollution incident at Hinksey Stream in July 2016. TWUL has entered a guilty plea and the sentencing hearing is scheduled to take place in November 2021.

In May 2021, TWUL received a request from the Environment Agency to share event monitoring and flow data/ inlet flow data, as well as block process diagrams and operating manuals, in relation to 11 TWUL STWs (Clanfield, Witney, Chinnor, Fairford, Marlborough, East Shefford, Stanton Harcourt, Oxford, Princes Risborough, Standlake and Hampstead Norreys). This material and data is required as part of an on-going compliance assessment by the EA in relation to discharges from storm infrastructure. The periods of time for which the data is required differ from site to site with the earliest data requested being from October 2019. TWUL has until mid-August 2021 to provide the data and materials.

3. 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.

Table 1 Current credit ratings

| Company | Moody's | Standard & Poor's |
|---------------------------------------|------------------|--------------------|
| TWUL – Corporate Family Rating | Baa2 (stable) | N/A |
| TWUF – Class A Issuer Rating | Baa1 (stable) | BBB+ (negative) |
| TWUF – Class B Issuer Rating | Ba1 (stable) | BBB- (negative) |

We retain investment grade credit ratings for TWUL Group, that allow us to access efficiently priced debt to fund our investment programme, whilst keeping bills affordable for our customers. In April 2021, Moody's reaffirmed the Corporate Family Rating (“CFR”) for TWUL as Baa2 with a stable outlook (2020: Baa2 with stable outlook). Moody's also reaffirmed our securitisation group companies' senior secured (Class A) debt rating as Baa1 with stable outlook (2020: Baa1 with stable outlook) and subordinated (Class B) debt rating as Ba1 with stable outlook (2020: Ba1 with stable outlook). In January 2021, S&P reaffirmed our securitisation group companies' credit ratings of BBB+ and BBB- (2020: BBB+ & BBB-) in relation to our senior secured (Class A) debt and our subordinated (Class B) debt respectively, both with negative outlook (2020: negative outlook).

i) Recent financing activity

In April 2020 TWUF issued a £350 million bond due 2040.

In May 2020 TWUF issued a £40 million bond due 2050 and entered into a £110 million term loan facility maturing in 2023, which was subsequently cancelled in line with other financing initiatives.

In August 2020, TWUL's 364-day liquidity facilities totalling £550.0 million were renewed until August 2021 (split: £370.0 million debt service reserve and £180.0 million operations and capital maintenance reserve).

In September 2020, TWUF drew the remaining £150.0 million of the £300.0 million 3.5-year Class B term loan facility signed in December 2019.

Between October and December 2020, TWUF issued £612 million equivalent of debt through a series of bond transactions (£84.7 million due 2023; €500m due 2023; \$57 million due 2030 and \$40 million due 2027).

In November 2020 TWUF entered into a £75 million Class B revolving credit facility commencing in April 2021 and maturing in April 2024.

In November 2020, TWUF also extended £1,437.1 million of its £1,646.4 million, main Revolving Credit Facility "RCF" by one year to 30 November 2025. The RCF includes £1,432.1 million designated as a Class A facility (£1,251.4 million extended to 30 November 2025) and £214.3 million designated as a Class B facility (£185.7 million extended to 30 November 2025), a total of £1,646.4 million. The margin on the facilities, where drawn, includes an element linked to our annual performance against an external Environmental, Social and Governance score, as assessed by our participation in the Global Real Estate Sustainability Benchmark (GRESB) for Infrastructure survey score. In 2020 we achieved a score of 89 out of 100, resulting in a reduction in the margin payable on drawdowns from the RCF and, any savings will be put towards a charitable fund.

In June 2021, TWUF entered into a £180 million Class B loan facility due June 2026, which is currently undrawn, and repaid a £300m Class B term loan due June 2023.

Note: Kemble Water Finance Limited ("KWF") issued £50.0 million through a note purchase agreement in July 2020, maturing in July 2027, and issued a further £50.0 million through a note purchase agreement in August 2020, maturing in August 2028. Out of the £100.0 million proceeds, £80.0 million were lent internally and used to repay intercompany borrowings owed to TWUL¹. In November 2020, Thames Water (Kemble) Finance plc, KWF's financing subsidiary, issued £250 million bond due 2016 which was increased by £150 million to £400 million in February 2021. The proceeds were used by the issuer in November 2020 to repurchase £60 million of bond debt due 2022, and in December 2020 for the early repayment by KWF of a £75 million loan due 2022.

¹ This was effected via a £58.8 million principal repayment of the intercompany loan due to Thames Water Utilities Limited by Thames Water Utilities Holdings Limited, with the remainder used to pay the accrued interest associated with that intercompany loan.

ii) Bonds outstanding at 31 March 2021

Table 2 Class A and B bonds outstanding at 31 March 2021

| Issuer | Currency | Face Value (currency m) | Coupon % | Maturity Date | Class | Description | Face Value incl. Accretion at 31 March 2021 (£m) ² |
|--------------|----------|-------------------------|----------|---------------|-------|-----------------|---|
| 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 | 295.2 |
| TWUF | EUR | 113 | 2.30% | 18/07/2022 | A | CPI Linked Bond | 104.7 |
| TWUF | GBP | 300 | 2.38% | 03/05/2023 | B | Fixed Rate Bond | 300.0 |
| TWUF | GBP | 84.7 | 0.88% | 19/10/2023 | A | Fixed Rate Bond | 84.7 |
| TWUF | EUR | 500 | 0.19% | 23/10/2023 | A | Fixed Rate Bond | 425.7 |
| 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 | 144.3 |
| 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 | 51.1 |
| TWUF | USD | 40 | 1.60% | 23/12/2027 | A | Fixed Rate Bond | 29.0 |
| 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 | USD | 57 | 2.06% | 12/11/2030 | A | Fixed Rate Bond | 41.4 |
| 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 | 45.4 |
| 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 | 131.2 |
| TWUF | GBP | 350 | 2.38% | 22/04/2040 | A | Fixed Rate Bond | 350.0 |
| TWUF | GBP | 50 | 3.85% | 15/12/2040 | A | LPI Linked Bond | 67.5 |
| 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 | 71.3 |
| TWUF | GBP | 55 | 2.09% | 06/10/2042 | A | RPI Linked Bond | 75.9 |
| TWUF | GBP | 40 | 1.97% | 12/10/2045 | A | RPI Linked Bond | 45.3 |
| 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 | 142.5 |
| TWUF | GBP | 200 | 1.82% | 28/08/2049 | A | RPI Linked Bond | 285.1 |
| TWUF | GBP | 40 | 2.44% | 12/05/2050 | A | Fixed Rate Bond | 40.0 |
| TWUF | GBP | 300 | 1.68% | 11/07/2053 | A | RPI Linked Bond | 455.9 |
| TWUF | GBP | 300 | 1.68% | 11/07/2055 | A | RPI Linked Bond | 455.9 |
| TWUF | GBP | 200 | 1.77% | 28/08/2057 | A | RPI Linked Bond | 285.1 |
| 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 | 498.9 |
| Total | | | | | | | 9,131.1 |

The face value of Index Linked Bonds as at 31 March 2021 included accretion of £884.2 million.

² The face value of non-GBP debt has been translated to GBP at spot rate

iii) Net debt reconciliation

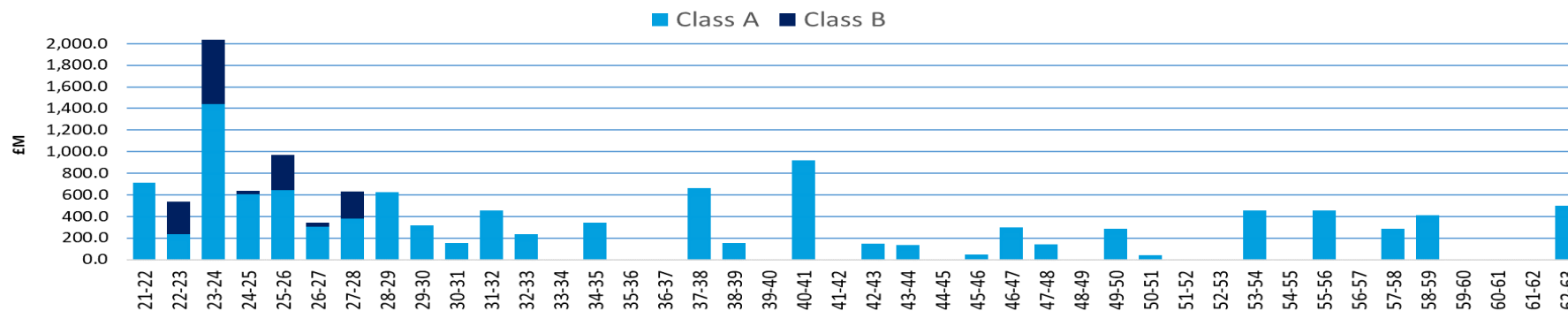
Table 3 Net debt reconciliation – 31 March 2021

| | £m |
|---|-----------------|
| Face Value of Bonds including accretion Class A | 8,281.1 |
| Face Value of Bonds including accretion Class B | 850.0 |
| Total Face Value of Bonds including accretion | 9,131.1 |
| Class A USPP Notes | 1,362.8 |
| Class A RPI linked loans (including accretion of £157.2 million) | 938.6 |
| Accretion on Index Linked Swaps | 281.0 |
| Class A Floating Rate Loans | 514.2 |
| Class A Cross-currency swaps | 12.3 |
| Class B Loans | 693.3 |
| Cash and cash equivalents ³ | (496.6) |
| IFRS 16 Lease liability | 60.4 |
| Net Debt as per Compliance Certificate 31 March 2021 | 12,497.1 |
| Unamortised debt issuance costs and discount | (72.9) |
| Amounts owed to group undertakings | 5.5 |
| Relevant derivative financial liabilities (Accretion and FX) | (293.3) |
| Interest payable on borrowings | 171.1 |
| Unamortised IFRS 9 transition adjustment | 24.5 |
| Cash relevant for covenant | 2.1 |
| Net Debt (statutory basis) as per annual report 31 March 2021 | 12,334.1 |

³ Includes £494.5 million cash and cash equivalents as per annual report adjusted for £2.1 million cash relevant for covenant.

iv) Maturity profile and headroom analysis

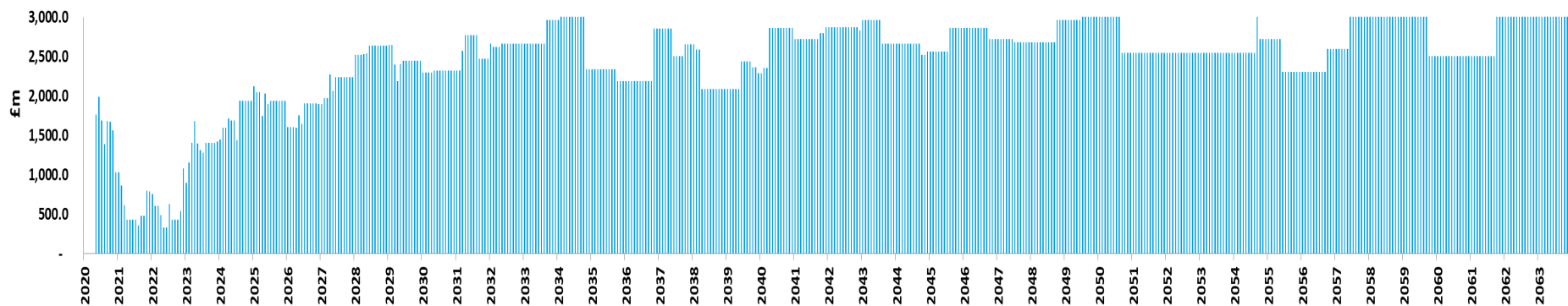
Graph 1 Debt maturity profile



At 31 March 2021, the £1,432.1 million Class A RCF was fully undrawn. The £214.3 million Class B RCF was fully drawn, with £28.6 million of the facility maturing in 2024-25 and £185.7 million in 2025-26. The £214.3 million Class B drawdown was fully repaid during April 2021.

Graph 2 Covenant headroom analysis

The Securitisation Ring-fenced Group is prohibited from incurring new debt which would result in i) debt equivalent to >20% of RCV with a maturity in any 24 month period and ii) debt equivalent to >40% of RCV with a maturity in any AMP. Following a STID proposal in June 2020, RCF drawdowns are reflected according to the facility maturity of November 2024 and November 2025.



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.

Table 4 Group & TWUL Derivative summary valuations

| Derivative type | TWUL Group MtM as at 31 March 2021 (£m) | TWUL MtM as at 31 March 2021 (£m) |
|-----------------------------|---|-----------------------------------|
| Cross currency swaps | (50.1) | (51.8) |
| Interest rate swaps | (150.4) | (150.4) |
| Index - linked swaps | (1,106.0) | (632.5) |
| Total | (1,306.5) | (834.7) |

Note: MtM = Mark to market

Foreign currency debt instruments are converted to Sterling liabilities with cross currency swaps as included below. Swaps with mutual break clauses amount to 1.0% of RCV at 31 March 2021 (versus a limit 5% of RCV).

Table 5 Cross currency swaps

| Issuer | Foreign Currency | Currency Amount (m) | £m | Maturity Date | MtM as at 31 March 2021 (£m) |
|--------------|------------------|---------------------|----------------|---------------|------------------------------|
| TWUF | USD | 150 | 96.6 | 28/02/2022 | 12.3 |
| TWUF | EUR | 113 | 100 | 18/07/2022 | (4.2) |
| TWUL | USD | 55 | 38.7 | 22/03/2023 | 2.3 |
| TWUF | EUR | 500 | 453.2 | 23/10/2023 | (27.9) |
| TWUF | USD | 200 | 128.8 | 27/02/2024 | 16.5 |
| TWUF | CAD | 250 | 143.6 | 12/12/2024 | 1.9 |
| TWUL | USD | 285 | 200.4 | 22/03/2025 | 14.8 |
| TWUF | USD | 106 | 82.0 | 13/04/2026 | (2.5) |
| TWUF | USD | 250 | 161.0 | 01/03/2027 | 15.7 |
| TWUF | USD | 40 | 29.6 | 23/12/2027 | (0.9) |
| TWUF | USD | 131 | 101.3 | 13/04/2029 | (4.0) |
| TWUF | EUR | 50 | 44.1 | 13/04/2030 | (1.3) |
| TWUF | USD | 57 | 44.2 | 12/11/2030 | (3.9) |
| TWUL | JPY | 20,000 | 153.6 | 20/08/2038 | (68.9) |
| Total | | | 1,777.1 | | (50.1) |

Table 6 Interest rate swaps

| Issuer | Notional £m | Start Date | Maturity Date | MtM as at 31 March 2021 (£m) |
|--|----------------|------------|---------------|------------------------------|
| Interest rate swaps (pay fixed) | | | | |
| TWUL | 150.0 | 16/03/2018 | 17/03/2025 | (17.0) |
| TWUL | 500.0 | 13/09/2016 | 14/03/2030 | (16.7) |
| TWUL | 300.0 | 14/07/2017 | 14/03/2030 | (17.9) |
| TWUL | 150.0 | 16/03/2018 | 14/03/2030 | (17.2) |
| TWUL | 300.0 | 14/03/2019 | 14/03/2030 | (25.9) |
| TWUL | 250.0 | 13/09/2019 | 14/03/2030 | (24.9) |
| TWUL | 400.0 | 16/03/2017 | 16/03/2030 | (37.1) |
| TWUL | 200.0 | 14/07/2017 | 16/03/2030 | (9.0) |
| | 2,250.0 | | | (165.7) |
| Interest rate swaps (receive fixed) | | | | |
| TWUL | 500.0 | 24/01/2017 | 14/03/2030 | 0.7 |
| TWUL | 250.0 | 03/05/2017 | 14/03/2030 | 0.0 |
| TWUL | 200.0 | 17/07/2017 | 14/03/2030 | (0.5) |
| TWUL | 143.6 | 12/12/2017 | 14/03/2030 | 1.4 |
| TWUL | 350.0 | 22/03/2018 | 14/03/2030 | 5.1 |
| TWUL | 227.3 | 14/03/2019 | 14/03/2030 | 4.7 |
| TWUL | 100.0 | 17/07/2017 | 16/03/2030 | 0.2 |
| TWUL | 150.0 | 22/03/2018 | 16/03/2030 | 3.7 |
| | 1,920.9 | | | 15.3 |
| Total | 4,170.9 | | | (150.4) |

Table 7 Index linked swaps

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

| Issuer | Notional £m | Base RPI | Next Accretion Payment Date | Maturity Date | Further Payments Profile | MtM as at 31 March 2021 (£m) |
|--------|----------------|----------|-----------------------------|---------------|--------------------------|------------------------------|
| TWUL | 300 | 289.5 | At maturity | 25/10/2024 | - | (5.0) |
| TWUL | 200 | 289.5 | At maturity | 29/10/2024 | - | (4.1) |
| TWUL | 250 | 289.5 | At maturity | 31/10/2024 | - | (5.0) |
| TWUL | 190 | 291.0 | At maturity | 02/12/2024 | - | (3.9) |
| TWUL | 20 | 258.8 | At maturity | 31/03/2026 | - | (4.9) |
| TWUL | 50 | 289.5 | At maturity | 24/01/2029 | - | (2.0) |
| TWUL | 500 | 289.5 | At maturity | 11/02/2029 | - | (20.4) |
| TWUL | 100 | 289.5 | At maturity | 22/03/2029 | - | (4.0) |
| TWUL | 200 | 289.5 | At maturity | 31/10/2029 | - | (8.8) |
| TWUL | 100 | 291.7 | At maturity | 01/11/2029 | - | (4.3) |
| TWUL | 100 | 291.7 | At maturity | 13/11/2029 | - | (1.9) |
| TWUL | 100 | 291.7 | At maturity | 19/11/2029 | - | (2.4) |
| TWUL | 150 | 206.1 | At maturity | 28/09/2037 | - | (118.0) |
| TWUL | 250 | 206.1 | 28/09/2023 | 29/09/2037 | 12 years, maturity | (186.7) |
| TWUL | 200 | 206.1 | 28/09/2022 | 30/09/2037 | Every 5 years | (96.2) |
| TWUL | 200 | 210.9 | 09/02/2032 | 09/02/2038 | Maturity | (95.8) |
| TWUL | 94.1 | 215.1 | 21/08/2023 | 20/08/2038 | Every 5 years | (31.5) |
| TWUF | 100 | 235.2 | 18/07/2022 | 18/07/2039 | 10 years, maturity | (75.9) |
| TWUF* | 100 | 215.3 | 31/12/2024 | 31/12/2039 | 2029, maturity | (85.1) |
| TWUF | 200 | 215.3 | 31/12/2024 | 31/12/2039 | Every 5 years | (172.1) |
| TWUL | 114.8 | 264.8 | At maturity | 09/04/2058 | - | (37.6) |
| TWUF | 100 | 218 | 17/02/2025 | 17/02/2060 | Every 5 years | (154.8) |
| | 3,618.9 | | | | | (1,120.4) |

* The notional amount of this swap reduces from £100 million to £35m on 31/12/2029.

The following EUR CPI linked swap was entered into on 11 July 2011 to convert the coupon on a EUR bond maturing in July 2022 to EUR CPI.

| Issuer | Notional €m | Base CPI | Next Accretion Payment Date | Maturity Date | Further Payments Profile | MtM as at 31 March 2021 (£m) |
|--------|--------------|----------|-----------------------------|---------------|--------------------------|------------------------------|
| TWUF | 113.0 | 96.3 | At maturity | 18/07/2022 | - | 14.4 |
| | 113.0 | | | | | 14.4 |

None of the index linked swaps contain break clauses. Accretion as a percentage of Class A net indebtedness is 2.58% (versus a limit of 8% of Class A net indebtedness).

vi) Available facilities

As at 31 March 2021, TWUL had committed facilities of £2,196.4 million (£1,982.1 million 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:

- £1,646.4 million RCF consisting of Class A £1,432.1 million (fully undrawn as at 31 March 2021) and Class B £214.3 million (fully drawn as at 31 March 2021). The Class B amount drawn was fully repaid during April 2021.
- £550.0 million 364-day undrawn liquidity facilities (split: £370.0 million debt service reserve and £180.0 million operations and capital maintenance reserve) renewed in August annually.

In November 2020, TWUF extended £1,437.1 million of its £1,646.4 million, RCF by one year to 30 November 2025. See recent financing activities section for more details.

Separately, in November 2020 TWUF entered into a £75 million Class B revolving credit facility commencing in April 2021 and maturing in April 2024.

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 A2. 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 and meets the minimum rating requirement.

viii) Accretion charge

The income statement charge for the 12 months to 31 March 2021 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 | 12 Months to 31 March 2021 (£m) | Accretion Paydowns 12 Months to 31 March 2021 (£m) | Total Cumulative Accretion (£m) |
|--|---------------------------------|--|---------------------------------|
| Index-linked Bonds | 38.4 | 0.3 | 884.2 |
| Index-linked Loans | 11.7 | 2.3 | 157.2 |
| Index-linked Swaps | 41.7 | 15.3 | 248.2 |
| Index-linked Swaps with 5 year accretion paydowns | 10.5 | - | 32.8 |
| Total | 102.3 | 17.9 | 1,322.4 |

ix) Cash and Authorised Investments

As at 31 March 2021, the following cash and cash equivalent investments were held.

Table 9 Cash and Authorised Investments

| Counterparty type | TWUL (£m) | TWUF (£m) | Total (£m) |
|---|--------------|------------|--------------|
| Cash and Cash Equivalents (Including AAA Money Market Funds) | 494.2 | 2.4 | 496.6 |
| Short Term Investments (Bank Deposits) | - | - | - |
| Total cash and investments⁴ | 494.2 | 2.4 | 496.6 |

4. Dividends

No distributions were made to external shareholders (31 March 2020: £nil). During the year, dividends of £32.9 million (31 March 2020: £56.5 million) were paid to TWUL's immediate parent company, Thames Water Utilities Holdings Limited ("TWUHL"), with all of the current year dividends being applied to servicing debt obligations and working capital requirements of other companies within the Kemble Water Group.

5. 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.

We are currently reviewing arrangements for both our Water and Waste field operations activity with our Waste repair and maintenance contracts (approx. £90m per annum) currently out to competitive bid. Responses to this activity are due back in August 2021.

We expect further significant market exercises to take place over the next 12 months on our Metering arrangements (Install and Meter Read) and in our wider customer engagement contracts (Debt Management, Customer Contact).

6. 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 the amounts referred to in the 31 March 2021 TWUL financial statements in order to arrive at the ratios below in accordance with the terms of the Common Terms Agreement.

Calculations for 31 March 2021 and forward looking ratios for 31 March 2022 to 31 March 2025 and an information sheet on the additional conformed interest cover ratio calculations are included in Appendices 1 and 2 respectively.

⁴ Includes £494.5 million cash and cash equivalents as per financial statements, adjusted upwards by £2.1m for cash relevant to covenant.

Table 10 Senior and Class A net debt – breakdown of calculation as at 31 March 2021

| Senior net debt | | Class A net debt | |
|--|-----------------|--|-----------------|
| 31 March 2021 (£m) | | 31 March 2021 (£m) | |
| Senior net debt per accounts | 12,334.1 | Senior net debt per accounts | 12,334.1 |
| | | Less Class B debt | (1,543.3) |
| | | Less Lease Liability | (60.4) |
| Less Amounts owed to group undertakings | (5.5) | Less Amounts owed to group undertakings | (5.5) |
| Less accrued interest | (171.1) | Less accrued interest | (171.1) |
| Add back unamortised debt issuance costs | 72.9 | Add back unamortised debt issuance costs | 72.9 |
| Add relevant derivative financial liabilities (Accretion and FX) | 293.3 | Add relevant derivative financial liabilities (Accretion and FX) | 293.3 |
| Less IFRS 9 transition Adjustment | (24.5) | Less IFRS 9 transition Adjustment | (24.5) |
| Less cash relevant for covenant | (2.1) | Less cash relevant for covenant | (2.1) |
| Senior net debt per compliance certificate | 12,497.1 | Class A net debt per compliance certificate | 10,893.4 |

Table 11a Conformed Net Cash Flow

| 31 March 2021 (£m) | |
|---|----------------|
| Cashflow from operations | 932.2 |
| Exceptional items | 86.0 |
| Reversal of capex creditor | - |
| Add back Impact of IP revenues and payments | - |
| Add Deferral of K | - |
| Conformed Net Cash Flow | 1,018.2 |

Table 11b Net interest paid - breakdown of calculation for the year to 31 March 2021

| 31 March 2021 (£m) | |
|---------------------------------------|--------------|
| Interest paid per accounts | 321.3 |
| Interest received per accounts | (199.9) |
| Net interest paid per accounts | 121.4 |
| Capitalised borrowing costs | 69.7 |
| Facility fees paid | 5.7 |
| Intercompany interest received | 21.2 |
| Net interest paid per covenant | 218.0 |

TWUL receives interest on its £1,693.4 million (31 March 2020: £1,752.2 million) intra-group loan to TWUHL. During the year ended 31 March 2021 £21.2 million interest was received from TWUHL (31

March 2020: £37.5 million). For the calculation of covenant interest cover ratios, TWUL excludes the interest it receives on this loan from the calculation of net interest paid.

For the purpose of this calculation the tax effect of eliminating the intercompany 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

| Test date | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 |
|--|---------------|---------------|---------------|---------------|---------------|
| Water and wastewater depreciation | (611.1) | (639.2) | (661.0) | (708.5) | (720.1) |
| Factor to convert to outturn prices | 1.0469 | 1.0665 | 1.0854 | 1.1049 | 1.1251 |
| Depreciation (Outturn prices) | (639.8) | (681.7) | (717.4) | (782.8) | (810.2) |

We confirm that in respect of the Calculation Date on 31 March 2021, 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 | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Class A RAR* | 72.5% | 72.3% | 72.0% | 72.4% | 73.2% |
| Conformed Senior RAR* | 83.2% | 82.8% | 81.3% | 82.4% | 83.0% |

| Test date | 31 March 2021 | 31 March 2022 | 31 March 2023 | 31 March 2024 | 31 March 2025 |
|--|---------------|---------------|---------------|---------------|---------------|
| Conformed Class A ICR | 5.85 | 4.72 | 6.03 | 5.89 | 6.49 |
| Additional Conformed Class A Adjusted ICR | 2.17 | 1.87 | 2.94 | 2.76 | 3.11 |
| Additional Conformed Senior Adjusted ICR | 1.74 | 1.58 | 2.38 | 2.32 | 2.58 |
| Additional Conformed Class A Average Adjusted ICR | 2.33 | 2.52 | 2.94 | 2.94 | 2.94 |
| Additional Conformed Senior Average Adjusted ICR | 1.90 | 2.09 | 2.43 | 2.43 | 2.43 |

*The RCV number used to calculate RAR for the year end position at 31 March 2021 was published by Ofwat in June 2021. However, following evaluation of this methodology we are of the position that an element of the calculation does not reflect full RPI indexation of the RPI linked part of RCV and therefore the RCV number at this date should be a higher value by around £27m. We are currently in discussions with Ofwat on this matter.

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.

Accounting Change

On 14 July 2020 we notified the Security Trustee of an Accounting Change as, under the Common Terms Agreement, there was a material change to the basis on which TWUL's audited financial statements are prepared.

Leak detection is an activity conducted to proactively identify improvements to our water network through pipe repair or replacement. Since the transition to IFRS in 2015/16, 100% of our leak detection costs have been classified as operating expenditure.

Following a detailed review of cost classification by management during 2019/20, it has been determined that certain elements of our leak detection activity are enabling works for our water network capital programme and therefore meet the criteria for capitalisation.

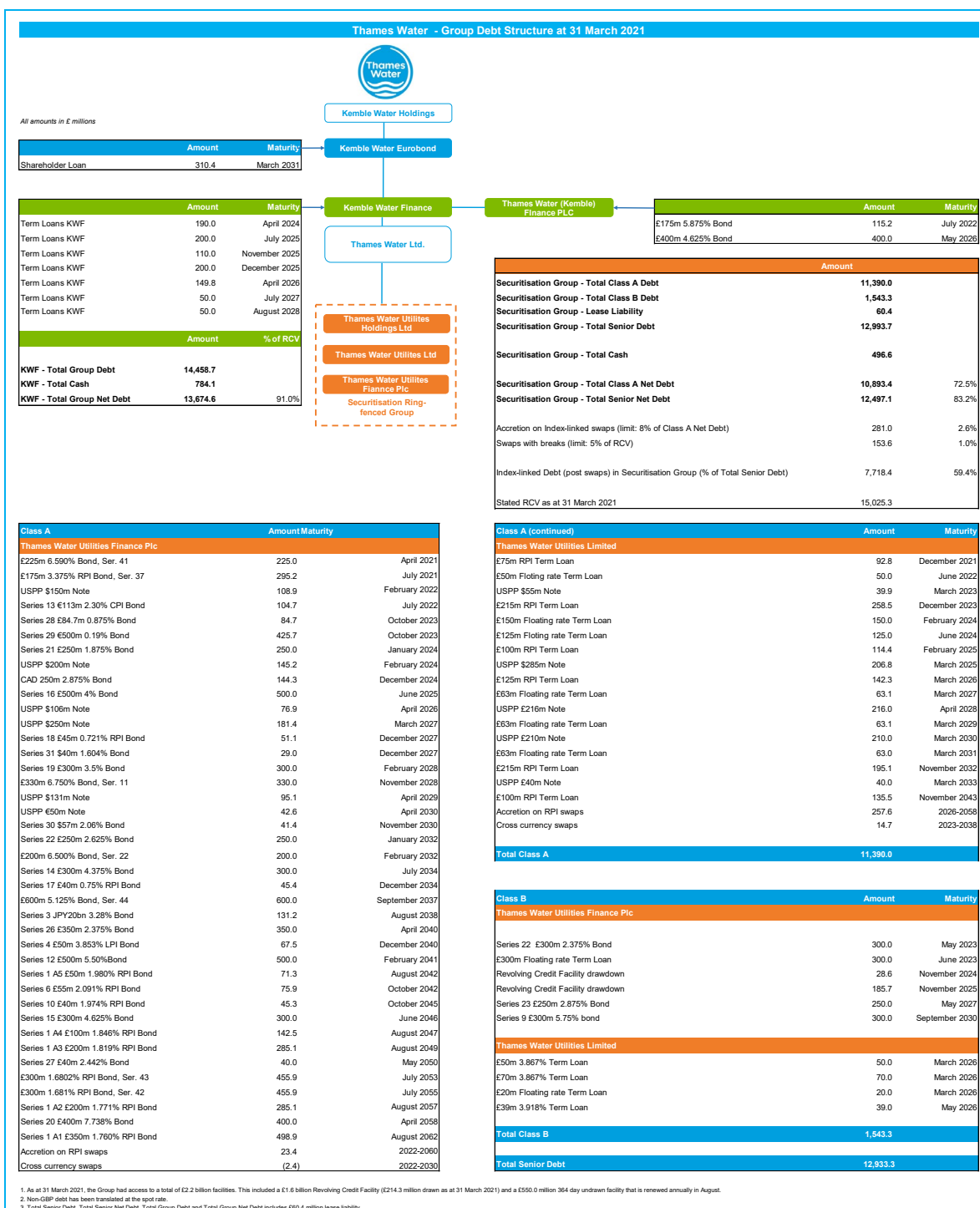
This has resulted in a change of accounting policy and therefore a restatement of our 2018/19 comparative figures within the 2019/20 financial statements has been presented to allow meaningful year-on-year comparison. See Investor report for the year ended 31 March 2020 for the effect of the accounting change on 31 March 2020 ratios.

Following discussions with the Security Trustee, no amendments to the CTA are required as a result of the Accounting Change.

IFRS 16 - Leases

Following a STID Proposal in March 2019 which was approved by the majority creditors, the definition of "Permitted Financial Indebtedness" was amended to include lease arrangements that would not have been treated as "Financial Indebtedness" prior to the adoption of IFRS 16. It is noted that the amount of Financial Indebtedness, including that under such operating leases, is subject to restriction through the Senior RAR covenant and, in addition, there is a new sub-cap for operating leases (included as part of the consent process) of 2% of RCV. At 31 March 2021 the lease liability was 0.4% of RCV.

7. Group debt structure (as at 31 March 2021)



We also confirm that:

- (a) No Default or Potential Trigger Event is outstanding; and
- (b) that TWUL's insurances are being maintained in accordance with the Common Terms Agreement.

Yours faithfully,



BRANDON RENNET

Chief Financial Officer and Director

For and on behalf of

THAMES WATER UTILITIES LIMITED



TOM BOLTON

Director

For and on behalf of

THAMES WATER UTILITIES FINANCE PLC

Appendix 1 Financial Ratio Calculations

Calculations for forward looking ratios for March 2022 to March 2025 have been provided to the 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

Calculations for forward looking ratios for March 2022 to March 2025 have been provided to the 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 2020-21 financial year TWUL continued to include costs within its bills to wastewater customers for the construction of the Thames Tideway Tunnel (TTT). £73.8 million of revenue 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, our revenue will increase but there will be no associated costs during the construction phase (except for potential bad debt expenses). This will increase the profits during the construction phase but not the cashflows, therefore the Directors have excluded the monies from the 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.

Progress continues in support of the Tideway construction works, with the key focus being developing the plan for the commissioning of the tunnel system including how the sites will be activated and tested at the end of 2023. In the period we completed our initial assessment of the changes required to existing assets when the tunnel system is placed into service, the programme has now been developed and modifications will occur over the next two and half years. Lastly we have commenced works on site at the necessary modifications to the inlet works structure at Beckton Sewage Treatment Works. This project will deliver the required extension works by early 2023 to ensure readiness for the activation of the London Tideway Tunnel system.

BTL, which trades as Tideway, is a separate privately financed company appointed in 2015 under a separate regulatory regime and is responsible for building, commissioning, financing and maintaining the Thames Tideway Tunnel. BTL has announced that Handover is expected by end of calendar Q1 2025. The project was 63 per cent complete with 21km of tunnel constructed at the end of financial year 2020/21. Two more tunnel sections were completed during the year, taking the total to three (of five) and the permanent structures that will form the new riverside public realm, started to take shape.

Contact details

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