



Thames Water Utilities Limited Investor Report

31 March 2023

Important Notice

This report is being distributed in fulfilment of the requirements 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 as 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”) annual report for the period ended 31 March 2023. 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 2023

1.1 Thames Water Utilities Limited (“TWUL”) Annual Results for the year ended 31 March 2023

Record investment and new operational model supporting the turnaround of Thames Water

- Record £1.8 billion investment in our assets, a 60% increase in two years
- Restructured the business to a regional operating model
- Insourced repair and maintenance of water network and on shored customer-facing care teams

Operational performance impacted by extreme weather and ageing assets

- 55% of annual performance commitments met
- Complaints fell by 28%, the second consecutive significant year-on-year reduction
- Improvements in several key performance commitments including a reduction in sewage discharges, internal sewer flooding, and sewer blockages
- Record summer drought had significant impact on leakage and pollutions performance

Increased support for customers and focus on environmental transparency

- Supported over 300,000 customers, increasing social tariff support to £50 million in the year
- Taking leadership stance on river health and transparency - the first company to publish a live map of sewage discharges

Financial performance impacted by high inflation and investment in leakage

- Revenue increased 4% to £2.3 billion largely reflecting tariff growth
- EBITDA down 3% to £1.1 billion, reflecting higher operating costs
- Gearing fell 3.2 ppts to 77.4%, its lowest level in 10 years

Strong liquidity and ongoing shareholder support underpin a transition to a more focused turnaround plan

- Strong liquidity position of £4.4 billion as at 31 March 2023
- An initial £500 million of shareholder funding was drawn on 30 March 2023
- Shareholders have agreed to provide a further £750 million of equity funding in AMP7, subject to satisfaction of certain conditions¹
- Shareholders have also acknowledged that delivery of the Turnaround Plan is likely to require the provision of further equity support in AMP8 (2025-30), significantly in excess of their current AMP7 commitment and indicatively is expected to be in the region of £2.5 billion²

Cathryn Ross and Alastair Cochran, Interim Co-CEOs of Thames Water said: “It was an extremely challenging year for Thames Water and the water industry. Our network came under unprecedented pressure from record temperatures, a drought and a freeze / thaw event. At the same time, economic factors also impacted our financial results with high inflation

¹ This further funding is subject to satisfaction of certain conditions, including the preparation and production of a business plan that underpins a more focused turnaround that delivers targeted performance improvements for customers, the environment and other stakeholders over the next three years and is supported by appropriate regulatory arrangements

² The nature and level of such medium-term support will depend on the finalisation of the business plan

driven by a surge in energy and chemical prices. In short, our performance was not as we – or our customers – wanted it to be.

“Despite this, we are in a robust financial position. We had £4.4bn liquidity as at 31 March 2023 and are extremely fortunate to have such supportive shareholders. Their commitment to delivering Thames’ turnaround and life’s essential service is reflected in the largest equity support package ever seen in the UK water sector, whilst taking no dividends out.

“Given our performance, we launched a review of our turnaround two and a half months ago to identify what needs to change to deliver better performance, quicker. As a result, we are transitioning to a more focused Turnaround Plan – this targeted approach focuses expenditure on a smaller number of initiatives that will deliver substantial and sustainable improvements in key performance metrics over the next three years.

“This plan builds on the foundations that have been put in place over the last two years and progress made this year. We have brought customer-facing teams back into our region and insourced the repair and maintenance of our water network. We’re fixing more leaks and customer complaints have continued to fall significantly. We have also increased investment in our networks and assets to record levels as we undertake a detailed review of our ageing Victorian asset infrastructure to determine what needs to be done to improve operational resilience and performance over the long-term.

“Our balance sheet remains robust and, while change will not happen overnight, we are confident we have the right strategy, team and support in place to deliver for our customers, communities and the environment in London and the Thames Valley.”

Financial performance

Year ended	31 March 2023			31 March 2022		
	Underlying	BTL ¹	Total	Underlying	BTL ¹	Total
Revenue (£m)	2,180.7	84.5	2,265.2	2,092.0	84.9	2,176.9
Operating expenses (£m)	(2,016.7)	(0.1)	(2,016.8)	(1,843.3)	(0.1)	(1,843.4)
Operating profit (£m) ²	271.6	84.4	356.0	344.4	84.8	429.2
EBITDA (£m) ³	1,001.8	84.4	1,086.2	1,039.4	84.8	1,124.2
Net finance expense (£m)	(476.5)	–	(476.5)	(384.5)	–	(384.5)
Net gain/(loss) on financial instruments (£m)	122.3	–	122.3	(895.5)	–	(895.5)
(Loss)/Profit before tax (£m)	(82.6)	84.4	1.8	(935.6)	84.8	(850.8)
Profit/ (Loss) after tax (£m)	(132.3)	102.2	(30.1)	(1,042.0)	68.7	(973.3)
Capital expenditure including intangibles (£m)	1,769.7	–	1,769.7	1,344.0	–	1,344.0
Operating cash flow (£m)	1,114.4	1.8	1,116.2	1,191.4	1.6	1,193.0
Net debt (statutory) (£m)	13,958.6	–	13,958.6	12,935.0	–	12,935.0
Dividends paid to immediate parent company (£m)	45.2	–	45.2	37.1	–	37.1
Distributions paid to external shareholders (£m)	–	–	–	–	–	–
Gearing (%) ⁴	77.4	–	–	80.6	–	–
Credit Rating	Baa2 stable/BBB stable ⁵			Baa2 stable/ BBB+ watch negative		

¹ Refer to page 127 for information about the Bazalgette Tunnel Limited (“BTL”) arrangement

² Operating profit includes revenue and other operating income (disclosed in note 2), offset by operating expenses

³ EBITDA in the prior period has been revised to take impairment of property, plant and equipment into account

⁴ Ratio of covenant net debt to Regulatory Capital Value (“RCV”), defined on page 132

⁵ S&P Class A debt rating placed on Watch Negative on 30 June 2023

Refer to our Annual Report 2022/23 as well as our Annual Performance Report 2022/23 available on our website: <https://www.thameswater.co.uk/about-us/investors/our-results>

1.2 Revised business plan, 2020-25

Since June 2022 the TWUL executive team has developed a revised internal business plan for the remainder of this AMP, which has been approved by the Board for the purposes of year-end reporting. The TWUL executive team is progressing a further iteration of the business plan for the period to 2030, including additional diligence and modelling in relation to asset health within the business which is expected to be a material factor in finalising the business plan.

TWUL's internal business plan reflects rephrasing and other initiatives which offset inflation in the period such that total expenditure is in line with the June 2022 business plan, with TWUL prioritising expenditure in areas that deliver most benefit for customers, communities and the environment. The priorities have been shaped by TWUL's engineering and design capacity, the maturity of available technology and overarching financial discipline.

In order to implement its current business plan, TWUL has assumed £750 million of shareholder funding (in addition to the £500 million already provided by the Shareholders in March 2023) to, amongst other things, accelerate compliance spending, invest in improving operational performance and increase financial resilience.

This assumption is made on the following basis:

- To support Thames Water in the delivery of its turnaround plan, its shareholders have evidenced their support for TWUL through a Support Letter in July 2023 (which replaces that from June 2022) where the shareholders have committed to fund the £750 million which is assumed in TWUL's current business plan if certain conditions are met (and have undertaken to hold investment committee meetings in respect of such funding if certain milestone conditions are met and subject to approval, to negotiate in good faith commitment letters).
- Whilst this is subject to conditions and is dependent on governance arrangements between shareholders, given that TWUL and its shareholders are currently engaged in a collaborative process to agree on and to facilitate the making of such additional commitments in respect of such shareholder funding and TWUL (with shareholder input) is in discussions with Ofwat regarding TWUL's regulatory arrangements, the Board believes it is reasonable to incorporate this additional £750 million of funding in its assessment.

The £500 million already provided in March 2023, the Support Letter, discussions between Ofwat and TWUL in connection with TWUL's engagement with its shareholders during March to July 2023, a letter from Kemble Water Holdings Limited to the Board in July 2023 and the process which is ongoing to facilitate commitment letters in respect of the additional £750m in funding, provides sufficient comfort at this time for the Board to consider that sufficient resources are or would be available to progress its business plan.

The shareholders have also acknowledged that the development and delivery of the turnaround plan will require the provision for further equity support in AMP8 significantly in excess of the current shareholder commitment. Indicatively, the AMP 8 equity support is expected to be in the region of £2.5 billion, but the nature and amount of such medium term support will depend on finalisation of the business plan and the regulatory framework that will apply to the AMP8 period.

The TWUL Board will carefully monitor on a regular basis progress towards achieving funding of the assumed £750 million and satisfaction of the conditions for this and keep under review pathways to ensure TWUL's continued financial resilience. In the scenario where the funding was not forthcoming, TWUL would consider all options available at that time and could revise its business plan to fit with then available funding, and adjust total expenditure down accordingly.

2. Regulatory and legal update

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 related 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 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 publicly consulted on the draft Competition Act commitments which TWUL put forward. Ofwat closed the investigation on 31 March 2022 and did not impose any penalties or make any findings against TWUL. As regards the data accuracy elements of the investigation, on 6 December 2021 Ofwat confirmed that it had closed the investigation. In its decision document, Ofwat found TWUL to have contravened Conditions F, P and R2 of its licence and in its penalty notice, Ofwat imposed a nominal penalty of £1 in view of the undertakings offered by TWUL and compensation amounting to £11.2 million which TWUL has agreed to pay. Both elements of the investigation have been closed.

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.

Ofwat confirmed in January 2021 that 17 of the 34 original undertakings had been addressed. TWUL continues to provide six-monthly reports to Ofwat on compliance with the remaining

undertakings. To date, ten reports have been submitted six monthly from November 2018 to May 2023.

During 2021/22 TWUL created a Leakage Reporting and Insight Improvement Programme (LRIP) which was designed to improve confidence in data and processes, improve resilience, provide greater accuracy, and apply consistency of reporting through assurance. In February 2023, TWUL successfully completed all 21 key deliverables that it set out to deliver.

TWUL has been having regular meetings with Ofwat on its leakage performance and continues to publish quarterly updates on its website. Whilst TWUL met its leakage target in 2019/20, 2020/21 and 2021/22, it has missed the target for 2022/23. The underperformance was driven by last summer's drought which created elevated demand and ground movement, as the soil dried out, placing additional strain on the network with an associated rise in leakage, followed by December's freeze/thaw event, which resulted in a spike in leakage as pipes were affected by the sudden change in temperature.

While TWUL is committed to its target to reduce leakage over the course of this AMP (compared to the 2019/20 baseline), it recognises that it has a lot to do to improve performance and has recently launched a Leakage Transformation Programme which sets out to enhance its ability to tackle leakage and bring leakage performance back on track.

[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 reports, known as a Con29DW report, and the commercial property equivalent, 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, free of charge or for a small fee. The position is replicated across other Water & Sewerage Companies in England and the claims are a collective action brought by those different groups of PSCs against the industry. We are defending these claims, as are the other water and sewerage companies in England, who are

aligned with our position. These claims are considered still at too early a stage to provide further commentary on the merits or otherwise of them or any effect on the financial position of TWUL.

In December 2022, the Environment Agency (“EA”) initiated a prosecution against TWUL for four environmental offences following a pollution incident at its Crawley Sewage Treatment works in October 2017. On 4 July 2023 TWUL was fined £3,334,000 at Lewes Crown Court. TWUL will assess the sentencing remarks of the Judge when these are available along with the wider implications for TWUL.

In November 2021, the EA launched “Operation Standard”, which is a criminal investigation examining all water companies’ compliance with permit conditions relating to storm sewage discharges. The EA has made a number of formal requests for data (sometimes under s.108 of the Environment Act 1995) across the vast majority of TWUL’s sites including event duration monitoring, flow data/inlet flow and materials relating to the governance and management of this issue. TWUL continues to provide the EA with the information requested and awaits further communications from the EA which has also now indicated its intention to visit a number of TWUL sewage treatment works over the Summer up to October as part of its investigation.

On 18 November 2021, Ofwat’s Acting Chief Executive published an open letter to all water and sewerage company CEO’s regarding compliance with environmental permits. This letter made a number of requests for information (which TWUL complied with) and stated that Ofwat would consider enforcement action for failure to comply with permit conditions, specifically by reference to the Water Industry Act 1991 drainage duties and the requirement in licences to have sufficient financial resources, management resources and systems of planning and internal control (including management oversight) to carry out regulated activities.

On 8 March 2022, Ofwat formally opened its investigation into TWUL by serving TWUL with a notice under section 203 of the Water Industry Act 1991. This notice contained a number of questions regarding the operation of TWUL’s sewage treatment sites. TWUL responded to these questions in April 2022. According to Ofwat’s press release PN 24/22 dated 28 June 2022, TWUL is one of six companies under investigation by Ofwat in relation to wastewater treatment works.

TWUL has engaged constructively with Ofwat and provided substantive responses to further requests for information throughout 2022 and early 2023. The company has not received any further questions from Ofwat since 2 February 2023 and it is believed that Ofwat may be nearing the end of its investigation.

TWUL has received a letter before action dated 10 February 2023 from Leigh Day who is instructed by Professor Carolyn Roberts to bring collective proceedings against TWUL in the Competition Appeal Tribunal. Professor Roberts intends to act as class representative for a proposed class of consumers of TWUL for the period 1 April 2020 to present. It is currently alleged that TWUL has abused its dominant position by (a) misleading regulators as to the actual number of pollution incidents that have occurred and continue to occur from wastewater treatment works and other locations in TWUL’s sewerage network and (b) charging unfair prices (essentially prices beyond those which TWUL would have been permitted to charge had the true extent of its alleged under-reporting of pollution incidents from its network been known). Leigh Day has outlined a minimum estimation of £110m in damages for the period of 1 April 2020 to 31 March 2022. Leigh Day also proposed that Kemble Water Holdings Limited (“KWHL”) may be added as a defendant to the claim.

We are engaged in pre-action correspondence, arguing that the claim is unsound and, in light of the ongoing Ofwat and Environment Agency investigations, premature. It is not yet clear when (or if) Leigh Day will formally issue the claim against TWUL (and KWHL if applicable).

3. Financing

TWUL raises debt either directly or through its wholly owned financing subsidiary, Thames Water Utilities Finance plc (“TWUF”).

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 (CreditWatch negative)
TWUF – Class B Issuer Rating	Ba1 (stable)	BB+ (CreditWatch negative)

Under the terms of our licence, we are required to maintain investment grade credit ratings (Moody's CFR and S&P Class A), as assigned by external rating agencies. Maintaining investment grade ratings supports our ability to access efficiently priced debt across a range of markets to fund our investment programmes, whilst keeping bills affordable for our customers.

In December 2022, Moody's completed a periodic review of TWUL Group ratings, with the Corporate Family Rating (“CFR”) for TWUL continuing as Baa2 with a stable outlook (31 March 2022: Baa2 with stable outlook) and our securitisation group companies' senior secured (Class A) debt rating continuing as Baa1 with stable outlook (31 March 2022: Baa1 with stable outlook) and subordinated (Class B) debt rating continuing as Ba1 with stable outlook (31 March 2022: Ba1 with stable outlook). Moody's published an Issuer Comment on 29 June 2023, with no change to the ratings.

In September 2022, S&P lowered the ratings of the Company's Class A debt to BBB (31 March 2022: BBB+) and Class B debt to BB+ (31 March 2022: BBB-), with stable outlook (31 March 2022: CreditWatch negative). On 30 June 2023, S&P placed those ratings on CreditWatch negative.

Recent financing activity

In the year, we secured £3,548.8 million equivalent in new debt issuance and facilities (Table 2) and £563.7 million was repaid (Table 3). Both amounts exclude revolving credit facilities drawdowns and repayments.

Table 2 Financing

Month	Entity	Type	Class	Amount (£m)	Further details
April 2022	TWUL	Loan facility	B	150.0	Fully drawn, expiry April 2029
May 2022	TWUL	Loan facility	A	100.0	Fully drawn, expiry May 2029
May 2022	TWUL	Loan facility	B	50.0	Fully drawn, expiry August 2025
August 2022	TWUL	Private placements	A	622.7 ¹	\$95.0 million, due November 2029; \$256.0 million due November 2032; \$81.0 million due November 2037; £18.0 million due November 2029; £150.0 million due November 2037 and £90.0 million due November 2042
November 2022	TWUL	Revolving credit facility	A	900.0	Fully undrawn, expiry May 2026
November 2022	TWUL	Loan facility	A	100.0	Fully undrawn, expiry May 2026
December 2022	TWUL	Loan facility	A	98.5	Fully undrawn, expiry December 2029
December 2022	TWUL	Loan facility	B	65.0	Fully undrawn, expiry December 2027
January 2023	TWUF	Bond	A	1,462.6	€650 million due April 2027 and €1,000 million due January 2031

£550.0 million liquidity facilities (£310.0 million debt service reserve and £240.0 million operations and capital maintenance reserve) were renewed in August 2022 and were fully undrawn as at 31 March 2023.

Table 3 Repayments

Month	Entity	Type	Class	Amount (£m)	Further details
April 2022	TWUL	Term loan	A	63.1	Early repayment of term loan, due March 2027
April 2022	TWUL	Term loan	A	11.9	Early part repayment of £63.1 million term loan, due March 2029
May 2022	TWUL	Term loan	A	50.0	Maturity
July 2022	TWUF	EUR CPI Linked Bond	A	100.0	Maturity, €135.2 million including €113.0 million principal and €22.2 million accretion. £100.0 million post cross currency swap.
September 2022	TWUF	Bond	B	300.0	Early repayment through call option, due September 2030
March 2023	TWUL	Private Placements	A	38.7	Maturity, \$55 million post cross currency swap
May 2023	TWUF	Bond	B	300.0	Maturity

¹ £622.7 million equivalent proceeds were received in November 2022.

Bonds outstanding at 31 March 2023

Table 4 Class A and B bonds outstanding at 31 March 2023

Issuer	Currency	Face Value (currency m)	Coupon %	Maturity Date	Class	Description	Face Value incl. Accretion at 31 March 2023 (£m) ¹
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	439.6
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	149.5
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	62.5
TWUF	USD	40	1.60%	23/12/2027	A	Fixed Rate Bond	32.4
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	USD	57	2.06%	12/11/2030	A	Fixed Rate Bond	46.1
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	55.5
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	121.8
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	76.8
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	87.0
TWUF	GBP	55	2.09%	06/10/2042	A	RPI Linked Bond	92.8
TWUF	GBP	40	1.97%	12/10/2045	A	RPI Linked Bond	51.9
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	173.9
TWUF	GBP	200	1.82%	28/08/2049	A	RPI Linked Bond	347.8
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	531.8
TWUF	GBP	300	1.68%	11/07/2055	A	RPI Linked Bond	531.8
TWUF	GBP	200	1.77%	28/08/2057	A	RPI Linked Bond	347.8
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	608.7
TWUF	EUR	575	0.88%	31/01/2028	A	Fixed Rate Bond	505.5
TWUF	EUR	575	1.25%	31/01/2032	A	Fixed Rate Bond	505.6
TWUF	EUR	650	4.00%	18/04/2027	A	Fixed Rate Bond	571.5
TWUF	EUR	1000	4.38%	18/01/2031	A	Fixed Rate Bond	879.2
Total							11,174.2

The face value of Index Linked Bonds as at 31 March 2023 included accretion of £1,246.1 million.

¹ The face value of non-GBP debt has been translated to GBP at spot rate

Net debt reconciliation

Table 5 Net debt reconciliation – 31 March 2023

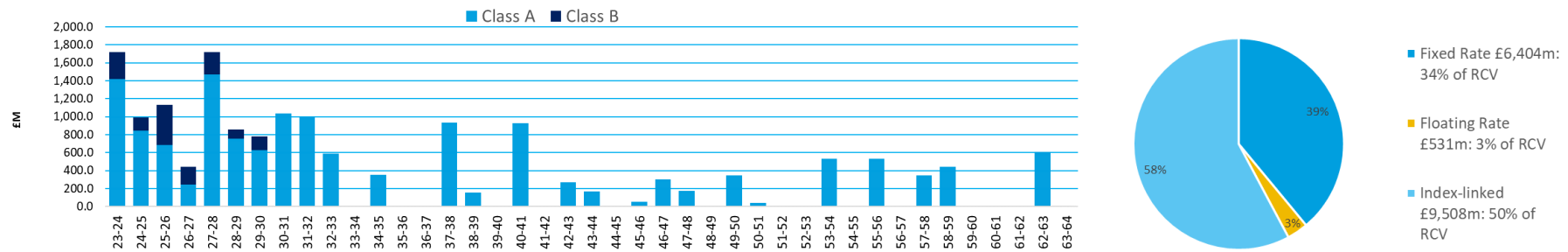
	£m
Face Value of Bonds including accretion Class A	10,624.2
Face Value of Bonds including accretion Class B	550.0
Total Face Value of Bonds including accretion	11,174.2
Class A USPP Notes	1,903.9
Class A RPI linked loans (including accretion of £315.9 million)	994.6
Accretion on Index Linked Swaps	926.4
Class A Floating Rate Loans	489.2
Class A Cross-currency swaps	(94.7)
Class B Loans	1,049.7
Cash and cash equivalents ¹	(1,836.1)
IFRS 16 Lease liability	57.0
Net Debt as per Compliance Certificate 31 March 2023	14,664.2
Unamortised debt issuance costs and discount	(85.0)
Subordinated amounts owed to group undertakings	5.5
Relevant derivative financial liabilities (Accretion and FX)	(831.7)
Interest payable on borrowings	182.7
Unamortised IFRS 9 transition adjustment	23.1
Cash not relevant for covenant	(0.2)
Net Debt (statutory basis) as per annual report 31 March 2023	13,958.60

¹ Includes £1,836.3million cash and cash equivalents as per annual report adjusted for £0.2 million cash not relevant for covenant.

Maturity profile and headroom analysis

Graph 1 Debt profile – Maturity and Type (post swaps)

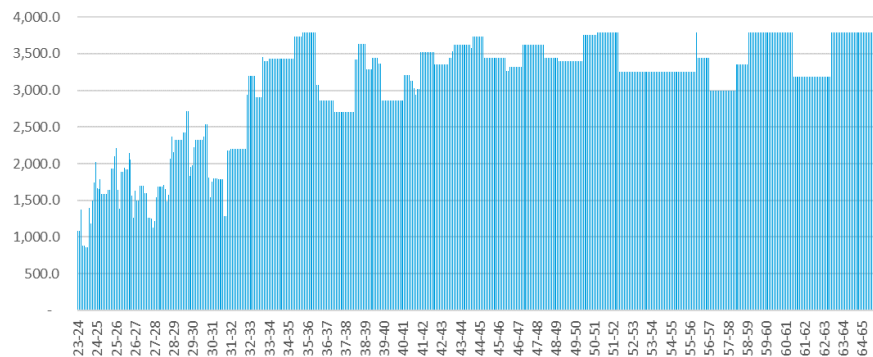
At 31 March 2023, £2,325.8 million Class A RCFs were fully undrawn and £370.7 million Class B RCFs were fully drawn, with £150.0 million maturing in 2024/25 and £220.7 million in 2025/26. £198.5 million Class A and £65.0 million Class B term facilities were undrawn. The £370.7 million Class B RCF drawdowns were fully repaid during April 2023.



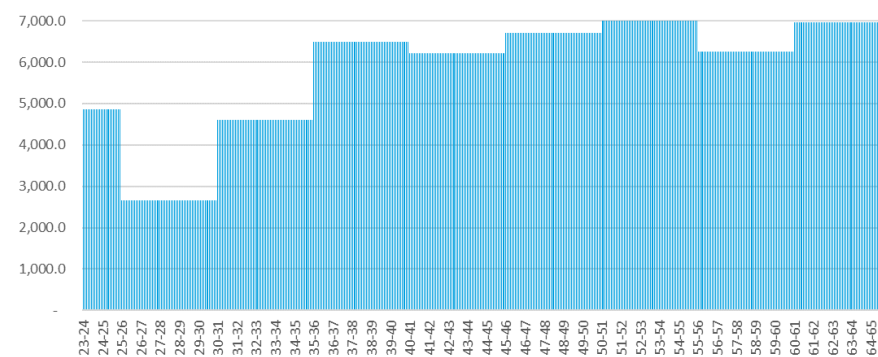
Graph 2 Covenant headroom analysis

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 as at 31 March 2023 are reflected according to the facility maturity April 2024 (£75.0 million), March 2025 (£75.0 million) and November 2025 (£220.7 million). The following charts show headroom (£ million) for both covenants.

£ million headroom for 24-month period



£ million headroom within AMP



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 6 Group & TWUL Derivative summary valuations

Derivative type	TWUL Group MtM as at 31 March 2023 (£m)	TWUL MtM as at 31 March 2023 (£m)
Cross currency swaps	55.4	(10.1)
Interest rate swaps	(58.9)	(58.9)
Index - linked swaps	(1,539.2)	(1,147.5)
Total	(1,542.7)	(1,216.5)

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 0.8% of RCV at 31 March 2023 (versus a limit 5% of RCV).

Table 7 Cross currency swaps

Issuer	Foreign Currency	Currency Amount (m)	£m	Maturity Date	MtM as at 31 March 2023 (£m)
TWUF	EUR	500	453.2	23/10/2023	(13.7)
TWUF	USD	200	128.8	27/02/2024	31.9
TWUF	CAD	250	143.6	12/12/2024	8.2
TWUL	USD	285	200.4	22/03/2025	34.4
TWUF	USD	106	82	13/04/2026	7.2
TWUF	USD	250	161	01/03/2027	40.1
TWUF	EUR	650	576	18/04/2027	(11.4)
TWUF	USD	40	29.6	23/12/2027	3.3
TWUF	EUR	575	483.6	31/01/2028	10.6
TWUF	USD	131	101.3	13/04/2029	11.7
TWUL	USD	95	80.2	16/11/2029	(2.6)
TWUF	EUR	50	44.1	13/04/2030	(0.8)
TWUF	USD	57	44.2	12/11/2030	3.4
TWUF	EUR	1000	886.6	18/01/2031	(24.5)
TWUF	EUR	575	483.7	31/01/2032	(0.6)
TWUL	USD	256	216.1	16/11/2032	(5.9)
TWUL	USD	81	68.4	16/11/2037	(1.3)
TWUL	JPY	20,000	153.6	20/08/2038	(34.6)
Total			4,336.4		55.4

Table 8 Interest rate swaps

Issuer	Notional £m	Start Date	Maturity Date	MtM as at 31 March 2023 (£m)
Interest rate swaps (pay fixed)				
TWUL	150.0	16/03/2018	17/03/2025	3.1
TWUL	500.0	13/09/2016	14/03/2030	73.6
TWUL	300.0	14/07/2017	14/03/2030	40.1
TWUL	150.0	16/03/2018	14/03/2030	13.2
TWUL	300.0	14/03/2019	14/03/2030	32.5
TWUL	250.0	13/09/2019	14/03/2030	24.9
TWUL	400.0	16/03/2017	16/03/2030	41.6
TWUL	200.0	14/07/2017	16/03/2030	28.4
	2,250.0			257.4
Interest rate swaps (receive fixed)				
TWUL	500.0	24/01/2017	14/03/2030	(84.2)
TWUL	250.0	03/05/2017	14/03/2030	(42.3)
TWUL	200.0	17/07/2017	14/03/2030	(35.3)
TWUL	143.6	12/12/2017	14/03/2030	(23.1)
TWUL	350.0	22/03/2018	14/03/2030	(56.6)
TWUL	227.3	14/03/2019	14/03/2030	(35.3)
TWUL	100.0	17/07/2017	16/03/2030	(16.8)
TWUL	150.0	22/03/2018	16/03/2030	(22.7)
	1,920.9			(316.3)
Total	4,170.9			(58.9)

Table 9 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 2023 (£m)
TWUL*	300	289.5	At maturity	25/10/2024	-	(8.4)
TWUL*	200	289.5	At maturity	29/10/2024	-	(5.4)
TWUL	250	289.5	At maturity	31/10/2024	-	(63.5)
TWUL	190	291.0	At maturity	02/12/2024	-	(48.8)
TWUL	20	258.8	At maturity	31/03/2026	-	(7.1)
TWUL	50	289.5	At maturity	24/01/2029	-	(13.5)
TWUL	500	289.5	At maturity	11/02/2029	-	(150)
TWUL	100	289.5	At maturity	22/03/2029	-	(26.1)
TWUL	200	289.5	At maturity	31/10/2029	-	(53.2)
TWUL	100	291.7	At maturity	01/11/2029	-	(27.2)
TWUL	100	291.7	At maturity	13/11/2029	-	(26)
TWUL	100	291.7	At maturity	19/11/2029	-	(27.4)
TWUL	150	206.1	At maturity	28/09/2037	-	(134.8)
TWUL*	250	206.1	28/09/2023	28/09/2037	12 years, maturity	(80.8)
TWUL	200	206.1	28/09/2027	28/09/2037	Every 5 years	(100.2)
TWUL	200	210.9	09/02/2032	09/02/2038	Maturity	(158.7)
TWUL	94.1	215.1	21/08/2023	20/08/2038	Every 5 years	(61)
TWUF	100	235.2	18/07/2032	18/07/2039	10 years, maturity	(28.8)
TWUF**	100	215.3	31/12/2024	31/12/2039	2029, maturity	(78)
TWUF	200	215.3	31/12/2024	31/12/2039	Every 5 years	(160.2)
TWUL	114.8	264.8	At maturity	09/04/2058	-	(70.6)
TWUF	100	218	17/02/2025	17/02/2060	Every 5 years	(124.8)
TWUL	250	320.2	At maturity	15/11/2032	-	(13.7)
TWUL	200	320.2	At maturity	17/11/2032	-	(18.3)
TWUL	100	320.2	At maturity	21/11/2032	-	(9.1)
TWUL	50	320.2	At maturity	22/11/2032	-	(4.5)
TWUL	50	320.2	At maturity	22/11/2032	-	(4.9)
TWUL	50	320.2	At maturity	23/11/2032	-	(4.9)
TWUL	300	320.2	At maturity	29/11/2032	-	(29.3)
	3,618.9					(1,539.2)

* Accretion to 31 March 2023 has been paid down.

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

None of the index linked swaps contain break clauses. Accretion as a percentage of Class A net indebtedness is 7.1% (versus a limit of 8% of Class A net indebtedness).

Available facilities

As at 31 March 2023, TWUL had committed facilities of £3,509.9 million (£3,139.2 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 £1,425.7 million (fully undrawn as at 31 March 2023) and Class B £220.7 million (fully drawn as at 31 March 2023). The Class B amount drawn was fully repaid during April 2023.
- £75.0 million Class B RCF (fully drawn as at 31 March 2023 and fully repaid during April 2023).
- £75.0 million Class B RCF (fully drawn as at 31 March 2023 and fully repaid during April 2023).
- £900.0 million Class A RCF (fully undrawn as at 31 March 2023).
- £100.0 million Class B term loan facility (fully undrawn as at 31 March 2023).
- £98.5 million Class A term loan facility (fully undrawn as at 31 March 2023).
- £65.0 million Class B term loan facility (fully undrawn as at 31 March 2023).
- £550.0 million 364-day undrawn liquidity facilities (split: £310.0 million debt service reserve and £240.0 million operations and capital maintenance reserve) renewed in August annually.

Counterparty rating requirements

There are minimum credit ratings requirements 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 required to have (i) from S&P a short-term rating of A-1, or if no short-term rating, a long-term rating of A+; and (ii) from Moody's a short term rating of P-1 and a long term rating of A2, or if no short term rating, a long term rating of A1. Hedge Counterparties losing the minimum rating requirement must post collateral to TWUL or replace themselves as counterparty.

National Westminster Bank plc currently remains as Account Bank and Standstill Cash Manager and meets the minimum rating requirement.

Accretion charge

The income statement charge for the 12 months to 31 March 2023 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 10 Accretion charge

Instrument	12 months to 31 March 2023 (£m)*	Accretion Paydowns 12 Months to 31 March 2023 (£m)*	Total Cumulative Accretion as at 31 March 2023 (£m)
Index-linked Bonds	342.4	19.4	1,246.1
Index-linked Loans	118.5	4.6	315.9
Index-linked Swaps with 5 year accretion paydowns	139.0	68.2	178.8
Index-linked Swaps with less than 10 year original maturity	130.1	114.1	106.5
Index-linked Swaps other than included above	448.2	207.3	641.1
Total	1,178.2	413.6	2,488.4

* Net of £12.6 million discount for early accretion paydowns.

Cash and Authorised Investments

As at 31 March 2023, the following cash and cash equivalent investments were held.

Table 11 Cash and Authorised Investments

Counterparty type	TWUL (£m)	TWUF (£m)	Total (£m)
Cash and Cash Equivalents (Including AAA Money Market Funds)	1,229.9	1.2	1,231.1
Short Term Investments (Bank Deposits)	605.0	-	605.0
Total cash and investments¹	1,834.9	1.2	1,836.1

4. Dividends

For the sixth year in a row, no distribution was paid to the external shareholders of our ultimate parent company, Kemble Water Holdings Limited. During the year, TWUL distributed £45 million (31 March 2022: £37 million) to Thames Water Utilities Holdings Limited (“TWUHL”), its immediate parent company solely to service debt obligations and group related costs of other companies within the wider Kemble Water Group. In total, Kemble Water Finance Limited (“KWF”) together with its subsidiary Thames Water (Kemble) Finance plc paid a total of £70 million net financing costs on third party debt, which was funded by distributions from TWUL and cash reserves.

¹ Includes £1,836.3 million cash and cash equivalents as per the financial statements, adjusted downwards by £0.2m for cash not relevant to covenant.

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 have successfully mobilised our waste field operations activity and concluded our water network re-bid with a outsourced scope including Developer Services and Small to Medium capital delivery projects. We have awarded to 3 new providers under these contracts which are currently being mobilised. We finalised our BPO activity in our Retail division awarding to 3 new providers to support customer communications and engagement whilst moving the majority of our call handling back to the UK.

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 2023 TWUL financial statements in order to arrive at the ratios below in accordance with the terms of the Common Terms Agreement.

Calculations for forward looking ratios for 31 March 2024 to 31 March 2025 and an information sheet on the additional conformed interest cover ratio calculations are included in Appendices 1 and 2 respectively.

Table 12 Senior and Class A net debt – breakdown of calculation as at 31 March 2023

Senior net debt		Class A net debt	
31 March 2023 (£m)		31 March 2023 (£m)	
Senior net debt per accounts	13,958.6	Senior net debt per accounts	13,958.6
		Less Class B debt	(1,599.7)
		Less Lease Liability	(57.0)
Less Subordinated Amounts owed to group undertakings	(5.5)	Less Subordinated Amounts owed to group undertakings	(5.5)
Less accrued interest	(182.7)	Less accrued interest	(182.7)
Add back unamortised debt issuance costs and discount	85.0	Add back unamortised debt issuance costs and discount	85.0
Add relevant derivative financial liabilities (Accretion and FX)	831.7	Add relevant derivative financial liabilities (Accretion and FX)	831.7
Less IFRS 9 transition Adjustment	(23.1)	Less IFRS 9 transition Adjustment	(23.1)
Less cash relevant for covenant	0.2	Less cash relevant for covenant	0.2
Senior net debt per compliance certificate	14,664.2	Class A net debt per compliance certificate	13,007.5

Table 13a Conformed Net Cash Flow

	31 March 2022 (£m)
Cashflow from operations	1,116.2
Exceptional items	-
Reversal of capex creditor	-
Add back Impact of IP revenues and payments	-
Add Deferral of K	-
Conformed Net Cash Flow	1,116.2

Table 13b Net interest paid - breakdown of calculation for the year to 31 March 2023

	31 March 2023 (£m)
Interest paid per accounts	186.8
Interest received per accounts	(229.6)
Net interest paid per accounts	(42.8)
Capitalised borrowing costs	215.2
Facility fees paid	7.2
Intercompany interest received	55.7
Net interest paid per covenant	235.3

TWUL receives interest on its £1,249.1 million (2022: £1,693.4 million) intra-group loan to TWUHL. During the year ended 31 March 2023 £55.7 million interest was received from TWUHL (2022: £3.6 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 current cost depreciation and infrastructure renewals charge 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 14 Depreciation

Depreciation – as used in additional conformed interest cover ratios

Test date	31 March 2023	31 March 2024	31 March 2025
Water and wastewater depreciation	(661.0)	(708.5)	(720.1)
Factor to convert to outturn prices	1.1208	1.2259	1.2789
Depreciation (Outturn prices)	(740.8)	(868.5)	(921.0)

We confirm that in respect of the Calculation Date on 31 March 2023, 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 15 The ratios – TWUL

Test date	31 March 2023	31 March 2024	31 March 2025
Class A RAR	68.7%	71.2%	72.2%
Conformed Senior RAR	77.4%	80.1%	84.4%

Test date	31 March 2023	31 March 2024	31 March 2025
Conformed Class A ICR	6.11	5.51	6.01
Additional Conformed Class A Adjusted ICR	2.05	2.06	1.80
Additional Conformed Senior Adjusted ICR	1.60	1.61	1.29
Additional Conformed Class A Average Adjusted ICR	1.97	1.97	1.97
Additional Conformed Senior Average Adjusted ICR	1.50	1.50	1.50


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.

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 2023 the lease liability was 0.3% of RCV.

7. Group debt structure (as at 31 March 2023)

Thames Water - Group Debt Structure at 31 March 2023



All amounts in £ millions

	Amount	Maturity
Shareholder Loan	552.8	March 2031
Shareholder Loan	515.2	March 2028

Kemble Water Holdings

Kemble Water Eurobond

Kemble Water Finance

Thames Water Ltd.

Thames Water Utilities Holdings Ltd

Thames Water Utilities Ltd

Thames Water Utilities Finance Plc

Securitisation Ring-fenced Group

	Amount	Maturity
Term Loans KWF	190.0	April 2024
Term Loans KWF	200.0	July 2025
Term Loans KWF	110.0	November 2025
Term Loans KWF	200.0	December 2025
Term Loans KWF	149.8	April 2026
Term Loans KWF	50.0	July 2027
Term Loans KWF	50.0	August 2028

	Amount	% of RCV
KWF - Total Group Debt	17,865.1	
KWF - Total Cash	1,886.1	
KWF - Total Group Net Debt	15,979.0	84.3%

	Amount	Maturity
£400m 4.625% Bond	400.0	May 2026

	Amount	Maturity
Securitisation Group - Total Class A Debt	14,843.6	
Securitisation Group - Total Class B Debt	1,599.7	
Securitisation Group - Lease Liability	57.0	
Securitisation Group - Total Senior Debt	16,500.3	
Securitisation Group - Total Cash	1,886.1	
Securitisation Group - Total Class A Net Debt	13,007.5	68.7%
Securitisation Group - Total Senior Net Debt	14,664.2	77.4%
Accretion on Index-linked swaps (limit: 8% of Class A Net Debt)	926.4	7.1%
Swaps with breaks (limit: 5% of RCV)	153.6	0.8%
Index-linked Debt (post swaps) in Securitisation Group (% of Total Senior Debt)	9,508.3	57.6%
Stated RCV as at 31 March 2023	18,945.1	

Class A	Amount	Maturity
Thames Water Utilities Finance Plc		
£84.7m 0.875% Bond	84.7	October 2023
£500m 0.19% Bond	439.6	October 2023
£250m 1.875% Bond	250.0	January 2024
USPP \$200m Note	161.8	February 2024
CAD 250m 2.875% Bond	149.5	December 2024
£500m 4% Bond	500.0	June 2025
USPP \$106m Note	85.8	April 2026
USPP \$250m Note	202.3	March 2027
£45m 0.721% RPI Bond	62.5	December 2027
£40m 1.604% Bond	32.4	December 2027
£300m 3.5% Bond	300.0	February 2028
£330m 6.750% Bond	330.0	November 2028
USPP \$131m Note	106.0	April 2029
USPP £50m Note	44.0	April 2030
£57m 2.06% Bond	46.1	November 2030
£250m 2.625% Bond	250.0	January 2032
£200m 6.500% Bond	200.0	February 2032
£300m 4.375% Bond	300.0	July 2034
£40m 0.75% RPI Bond	55.5	December 2034
£600m 5.125% Bond	600.0	September 2037
JPY20bn 3.28% Bond	121.8	August 2038
£350m 2.375% Bond	350.0	April 2040
£50m 3.853% LPI Bond	76.8	December 2040
£500m 5.50% Bond	500.0	February 2041
£50m 1.980% RPI Bond	87.0	August 2042
£55m 2.091% RPI Bond	92.8	October 2042
£40m 1.974% RPI Bond	51.9	October 2045
£300m 4.625% Bond	300.0	June 2046
£100m 1.846% RPI Bond	173.9	August 2047
£200m 1.819% RPI Bond	347.8	August 2049
£40m 2.442% Bond	40.0	May 2050
£300m 1.6802% RPI Bond	531.8	July 2053
£300m 1.681% RPI Bond	531.8	July 2055
£200m 1.771% RPI Bond	347.8	August 2057
£400m 7.738% Bond	400.0	April 2058
£350m 1.760% RPI Bond	608.7	August 2062
£650m 4.0% Bond	571.5	April 2027
£1,000m 4.375% Bond	879.2	January 2031
£575m 0.875% Bond	505.5	January 2028
£575m 1.25% Bond	505.5	January 2032
Accretion on RPI swaps	137.2	2029-2060
Cross currency swaps	(111.4)	2023-2032

Class A (continued)	Amount	Maturity
Thames Water Utilities Limited		
£215m RPI Term Loan	316.1	December 2023
£150m Floating rate Term Loan	150.0	February 2024
£125m Floating rate Term Loan	125.0	June 2024
£100m RPI Term Loan	139.9	February 2025
USPP \$285m Note	230.5	March 2025
£125m RPI Term Loan	174.0	March 2026
USPP £216m Note	216.0	April 2028
£63m Floating rate Term Loan	51.1	March 2029
USPP £210m Note	210.0	March 2030
£63m Floating rate Term Loan	63.1	March 2031
£215m RPI Term Loan	198.8	November 2032
USPP £40m Note	40.0	March 2033
£100m RPI Term Loan	165.8	November 2043
£100m Floating rate Term Loan	100.0	May 2029
USPP \$81m Note	65.5	November 2037
USPP \$95m Note	76.9	November 2029
USPP \$256m Note	207.1	November 2032
USPP £18m Note	18.0	November 2029
USPP £150m Note	150.0	November 2037
USPP £90m Note	90.0	November 2042
Accretion on RPI swaps	789.2	2024-2058
Cross currency swaps	16.7	2025-2038
Total Class A	14,843.6	

Class B	Amount	Maturity
Thames Water Utilities Finance Plc		
£300m 2.375% Bond	300.0	May 2023
Revolving Credit Facility drawdown	220.7	November 2025
Revolving Credit Facility drawdown	75.0	April 2024
£200m Floating rate Term Loan	200.0	June 2026
£250m 2.875% Bond	250.0	May 2027
Revolving Credit Facility drawdown	75.0	March 2025
Thames Water Utilities Limited		
£50m 3.867% Term Loan	50.0	March 2026
£70m 3.867% Term Loan	70.0	March 2026
£20m Floating rate Term Loan	20.0	March 2026
£39m 3.918% Term Loan	39.0	May 2026
£150m Floating rate Term Loan	150.0	April 2029
£100m Floating rate Term Loan	100.0	May 2029
£50m Floating rate Term Loan	50.0	August 2025
Total Class B	1,599.7	
Total Senior Debt	16,443.3	

1. As at 31 March 2023, the Group had access to a total of £3.5 billion facilities. This included £2.7 billion Revolving Credit Facilities (£370.7 million drawn as at 31 March 2023), £263.5 million fully undrawn term loan facilities and a £550.0 million 364 day undrawn facility that is renewed annually in August.

2. Non-GDP debt has been translated at the spot rate.

3. Total Senior Debt, Total Senior Net Debt, Total Group Debt and Total Group Net Debt includes £57 million lease liability.

4. KWF - Total Group Debt, KWF - Total Group Net Debt includes £15.0 million payable to Thames Water Investments Limited.

We also confirm that:

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

Yours faithfully,



ALASTAIR COCHRAN

Chief Financial Officer and Director
For and on behalf of
THAMES WATER UTILITIES LIMITED



DAVID GREGG

Director
For and on behalf of
THAMES WATER UTILITIES FINANCE PLC

Appendix 1 Financial Ratio Calculations

Calculations for forward looking ratios for March 2024 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 2024 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 12-month period ended 31 March 2023, TWUL continued to include costs within its bills to wastewater customers for the construction of the Thames Tideway Tunnel (TTT). £84.5 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 to a revised date of Summer 2024. In the period, work to deliver asset modifications necessary when the tunnel system is placed into service continued their construction phases. The programme will ensure control system readiness for the commissioning of the London Tideway Tunnels System. Works on site at the necessary modifications to the inlet works structure at Beckton Sewage Treatment Works are ongoing. This project will deliver the required extension works by the end 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 September 2025. At the end of May 2023, the project was 83 per cent complete with all primary tunnelling complete, and 22.2km (73%) of secondary lining also complete. The permanent structures that will form the new public realm, are continuing to take shape.

Contact details

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