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CREDIT OPINION
5 May 2022

Update

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RATINGS

Thames Water Utilities Ltd.

Domicile	United Kingdom
Long Term Rating	Baa2
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Thames Water Utilities Ltd.

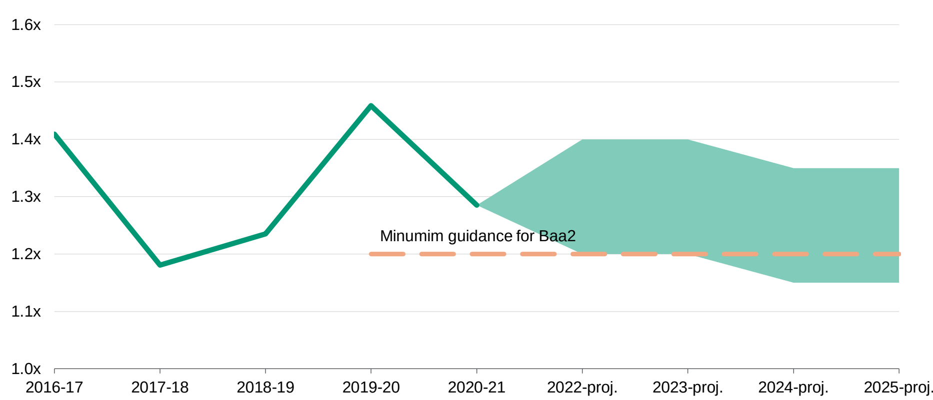
Regular update reflecting HY results and performance YTD 2021/22

Summary

The credit quality of Thames Water Utilities Ltd. (Thames Water, CFR Baa2 stable) is supported by its low business risk profile as the monopoly provider of essential water and sewerage services, its relatively stable and predictable cash flow generation under a well-established and transparent regulatory framework and the creditor protections incorporated within the company's financing structure. The company also benefits from a relatively low cost of debt.

Credit quality is constrained by relatively high gearing, with net debt to regulatory capital value (RCV) currently above 80%. In addition, Ofwat's final determination for the five-year regulatory period that started in April 2020 (AMP7) included a significant cut in allowed returns, material revenue reductions as a result of operational underperformance in AMP6 and difficult performance targets that we expect to result in further financial penalties. High leverage and weak performance will continue to weigh on credit quality.

Exhibit 1
Interest coverage is likely to be in line with guidance over AMP7 but weak performance could increase pressure in later years
Adjusted Interest Coverage Ratio



Moody's forecast is Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

Credit strengths

» Stable cash flow from the provision of monopoly water and wastewater services under a well-established, transparent and predictable regulatory regime

» Debt structural features, including distribution lock-up covenants, dedicated liquidity, and intercreditor and security arrangements, which provide additional creditor protection for event risk and enhance recovery prospects in an event of default

» A lower average cost of debt than highly-leveraged peers and smaller risk from derivative contracts

Credit challenges

» Track record of weak operating performance

» Relatively high financial leverage, which constrains financial flexibility

» Lower allowed return and more demanding efficiency and performance targets in AMP7, which will likely increase cash flow volatility

» Changes to regulation, aimed at increasing competition in certain parts of the value chain, may reduce cash flow stability and create financial pressure for the sector

Rating outlook

The stable outlook reflects our expectation that, despite operational underperformance and expenditure above regulatory allowances, Thames Water will achieve an Adjusted Interest Coverage Ratio (AICR) of around 1.3x, on average, over AMP7 and maintain net debt/RCV of 80-85%, including Moody's adjustments.

Factors that could lead to an upgrade

Thames Water's ratings could be upgraded if the company were to significantly improve operational performance, supporting an AICR sustainably above 1.4x with net debt/RCV below 80%.

Factors that could lead to a downgrade

The ratings could be downgraded if (1) Thames Water failed to maintain progress in improving operational performance and addressing past issues, or (2) there was a weakening of the financial profile such that AICR was expected to fall below 1.2x or net debt/RCV appeared likely to rise above 85%.

In addition, downward rating pressure could result from (1) adoption of more aggressive financial policies, (2) a significant increase in business risk for the sector as a result of legal and/or regulatory changes leading to a reduction in the stability and predictability of regulatory earnings, which in each case are not offset by other credit-strengthening measures or (3) unforeseen funding difficulties.

Key indicators

Exhibit 2

Thames Water's key metrics is a function of its comparably high gearing

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22 E
Adjusted Interest Coverage Ratio	1.4x	1.2x	1.2x	1.5x	1.3x	1.2x-1.5x
Net Debt / Regulated Asset Base	83.2%	82.4%	83.8%	86.3%	83.7%	80%-83%
FFO / Net Debt	6.7%	5.2%	5.1%	6.0%	6.1%	5%-7%
RCF / Net Debt	5.3%	4.7%	4.6%	5.6%	5.9%	5%-7%

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. We note that the company includes income from grants and contributions to support new network connections within revenues and operating cash flow. We estimate that the company's AICR would be up to 0.2x lower when this income was not included. Moody's projections are Moody's opinion and do not represent the views of the issuer. For definitions of Moody's most common ratio terms, please see the accompanying User's Guide.

Source: Moody's Financial Metrics™

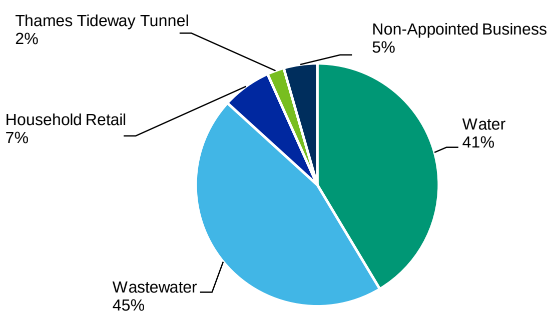
Profile

Thames Water Utilities Ltd (Thames Water) is the largest of the 10 water and sewerage companies in England and Wales by both RCV and number of customers served. The company provides drinking water to around nine million customers and sewerage services to around 15 million customers in London and the Thames Valley. It is the primary operating subsidiary of Thames Water Limited, which is in turn owned by Kemble Water Finance Limited (the financing subsidiary of which is Thames Water (Kemble) Finance PLC, senior secured B1 stable). Since May 2017, the largest shareholders of Kemble are the Ontario Municipal Employees Retirement System (31.8%) and the Universities Superannuation Scheme (19.7%).

Exhibit 3

Thames Water's £2.1 billion revenue is primarily generated from water and wastewater wholesale activities

Revenue split for FY 2020/21

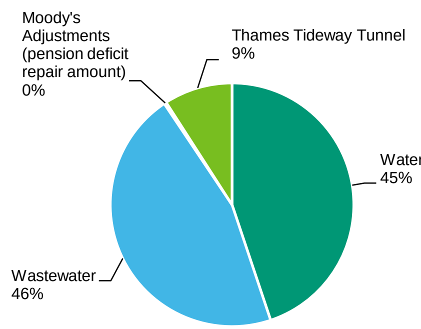


The Tideway segment includes revenue that is collected by Thames Water through customer bills on behalf of Bazalgette Tunnel Limited, the Tideway infrastructure provider. We adjust Thames Water's financial statement to remove the Tideway-related items for the purpose of calculating key credit metrics.
Source: Company reports, Moody's Investors Service

Exhibit 4

Thames Water's RCV was ca. £15 billion at March 2021

RCV split at March 2021



The RCV associated with Tideway is the element of the tunnel infrastructure investment that is carried out by Thames Water itself, in addition to any investment undertaken by Bazalgette Tunnel Limited, the Tideway infrastructure provider.
Source: Ofwat, Company reports, Moody's Investors Service

Detailed credit considerations

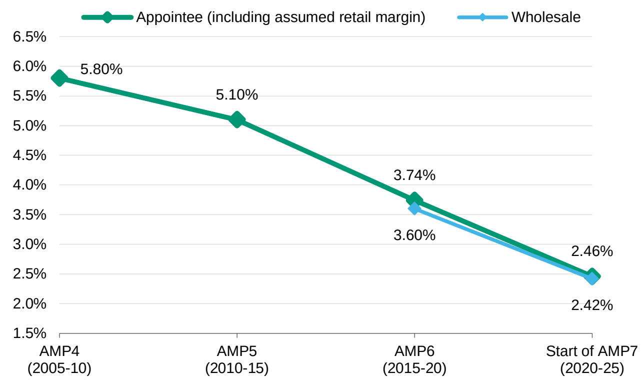
Transparent regulatory regime, but falling returns pressure companies' financial flexibility

The UK water sector benefits from a transparent, stable and predictable regulatory regime, which is based on clearly defined risk allocation principles and their consistent application in setting water tariffs by an independent regulatory body, the Water Services Regulation Authority (Ofwat).

Ofwat has, to date, reset price limits every five years and published its final determination for the 2020-25 period, known as AMP7, in December 2019.

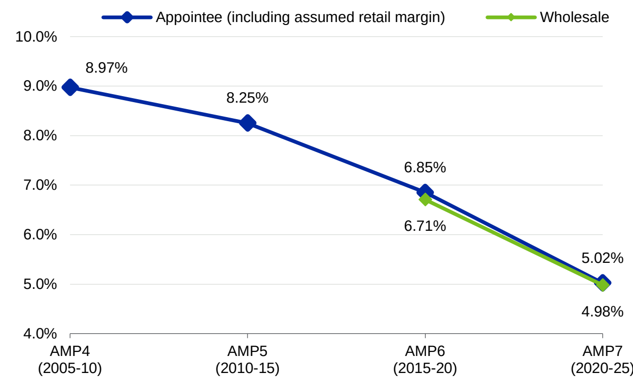
As previously flagged by the regulator, the determination included a significant cut in allowed cash returns to ca. 2.42% for the wholesale activities at the start of the current period, which incorporates the regulator's decision to only link half of the existing regulatory assets as at March 2020 to the Retail Prices Index (RPI), with the remainder and any new additions linked to the Consumer Prices Index adjusted for housing costs (CPIH). As the share of regulatory assets linked to CPIH grows over time, we estimate that most companies will have an average allowed cash return of around 2.5% over AMP7. For comparison and on a like-for-like RPI-stripped basis, allowed returns will fall by close to 50% to 1.92% (1.96% including retail margin) in AMP7 from 3.6% (3.74% including the retail margin) in AMP6 (April 2015 - March 2020).

Exhibit 5
Significant cut in allowed returns, despite lower inflation index
Real (cash) allowed returns



Since PR14, Ofwat has separated retail activities from the wholesale services.
Source: Ofwat

Exhibit 6
Unprecedented cut in nominal allowed returns
Nominal (total) returns including forecast inflation of RCV



Assuming ex ante expectation of 3% RPI inflation and 2% CPIH inflation.
Source: Ofwat, Moody's Investors Service estimates

The final determination incorporated increasing efficiency challenges for companies, including: (1) totex efficiency, with a frontier shift of 1.1%, set at the upper quartile level as opposed to the sector average level; and (2) an outcome delivery incentives mechanism calibrated so that only the top quartile performers can achieve a reward. Consequently, average as well as below average performers could be negatively affected, putting a further strain on companies' cash flows.

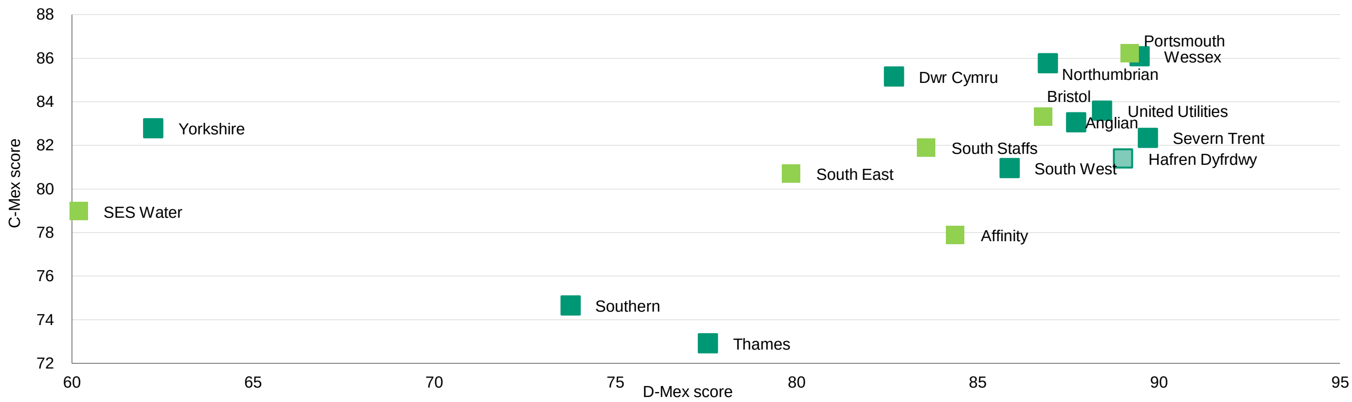
The final determination also confirmed companies' commitment to accept the regulator's proposals under the 'Putting the Sector Back in Balance' consultation, which included (1) a sharing mechanism of perceived financing outperformance from high gearing; and (2) increased transparency around dividend and executive pay policies.[1] After four of Thames Water's peers rejected their determination, the Competition and Markets Authority (CMA), the UK's regulatory appeals body, said in its summary final determination in March 2021 that there was insufficient evidence of a financial benefit from higher gearing and that it doubted that Ofwat's proposed mechanism was the right tool to address higher gearing within the sector. However, the CMA's ruling will not directly benefit any company that did not appeal Ofwat's determination for AMP7, and the regulator continues to consider potential future mechanisms to incentivise lower gearing as evidenced by its early thinking towards the 2024 price review.

Operational performance remains weak, with challenging AMP7 targets increasing the risk of further penalties

The AMP7 final determination included a net revenues reduction for Thames Water of around £67 million (reduced by around £31 million through the so-called blind-year adjustment). This included aggregate penalties of £148 million for operational underperformance during the 2015-20 period under outcome delivery incentives (ODIs), while a further £149 million of ODI penalties resulted in a reduction of the starting RCV (all numbers in 2017/18 prices). Around £130 million (in 2012/13 prices) of underperformance penalties reported in the last financial year of AMP6 relate to a single project, where the company found a simpler and cheaper method to reduce internal sewer flooding incidents than envisaged at the 2014 price review; therefore the penalty is mostly offset by the company not spending the full allowance for this project.[2] The remaining net penalties are primarily associated with the company's performance against leakage and supply interruptions targets as well as the asset health of its water infrastructure in general.

During the first year of AMP7, Thames Water continued to incur performance penalties, amounting to around £53 million, which will have to be returned to customers in 2022/23. This includes penalties of just over £10 million each for supply interruptions and internal sewer flooding as well as £19 million for weak customer service (all in 2017/18 prices). The leakage target, which has been a key weakness for a number of years, had been met.

Exhibit 7
Thames Water exhibited some of the weakest customer service scored among the sector for the first year of AMP7
FY 2020-21 C-MeX and D-MeX results



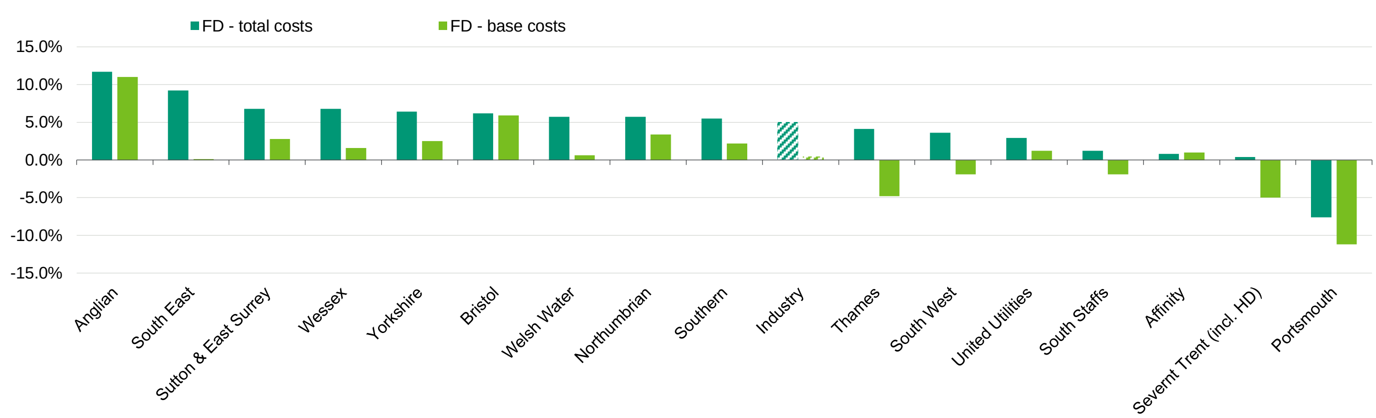
Dark green squares are WaSCs (Hafren Dyfrdwy being fully owned by Severn Trent Water) and light green squares are WoCs.
Source: Companies' annual performance reports

Based on the stretching performance targets for the current period, we had previously estimated that Thames Water faced aggregate net penalties of around £50 million over AMP7 for performance under common ODIs, with additional penalties for weak customer service. In its annual performance report for FYE March 2021, Thames Water indicates up to £60 million net aggregate penalties over the 2020-25 period, excluding customer service. This amount also assumes around £34 million of aggregate penalties against per capita consumption (PCC) targets. However, Ofwat decided to review performance against PCC targets at the end of the current regulatory period to assess the full impact of COVID-19. Subject to final assessment at the 2024 price review and a potential recalibration of targets, any deferred penalties (currently £2.6 million incurred by Thames Water in 2020/21) could be reflected as a legacy adjustment to revenue for the next regulatory period from 1 April 2025.

Thames Water faces totex efficiency challenge in AMP7

For AMP7, Ofwat's allowance for base operating and maintenance expenditure, excluding enhancement projects and costs associated with the Thames Tideway Tunnel but including retail costs, was £8.5 billion. This was roughly £400 million more than the company requested in its alternative, scaled-back investment plan following draft determinations but £600 million less than proposed in its April 2019 business plan (all amounts in 2017/18 prices).

Exhibit 8
While Thames Water's efficiency challenge is below the sector average this reflects the company's alternative low-investment plan
Cost efficiency challenge at final determination (FD)



FD efficiency challenge compares FD allowance against companies' response to draft determination (DD) from August 2019. Comparison of base cost efficiencies may be affected by re-classification from base to enhancement expenditure (and vice versa) between DD and FD.
Source: Ofwat

Under the totex sharing mechanism, only 25% of any overspend will be added to the RCV in 2025. Ofwat decided to apply the lower significant scrutiny cost sharing rate for any underperformance to protect customers. Conversely, 56-68% of any underspend would be subtracted from the RCV or repaid to customers over the 2025-30 period.

Relatively high leverage constrains credit quality

Thames Water's credit quality is constrained by its relatively high leverage. Management has, however, committed to reducing leverage at the operating company, in part because of Ofwat's PR19 high gearing penalty. Deleveraging Thames Water will be achieved through raising additional debt at Kemble and injecting the cash into the operating company as equity and by limiting distributions.

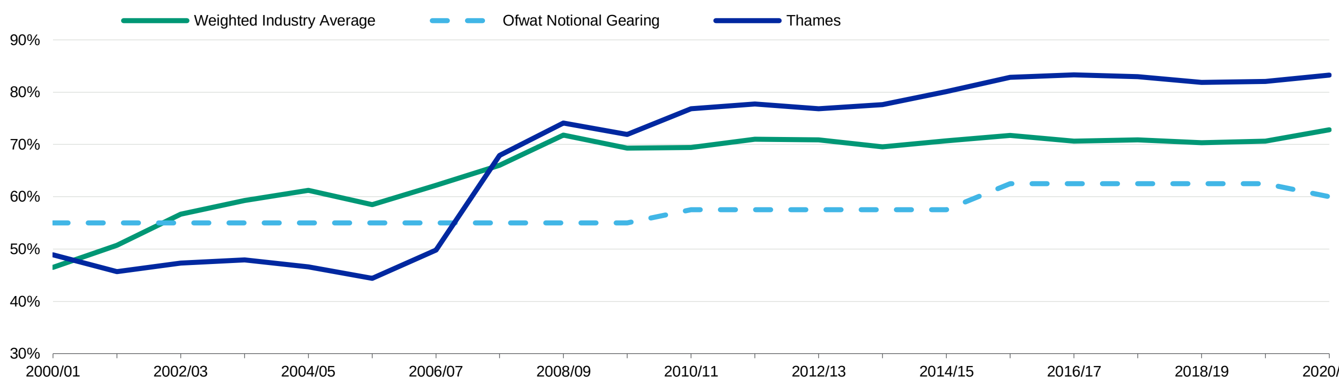
In its business plan, the group proposed £850 million of incremental debt at Kemble by the end of AMP7 to reduce the operating company's leverage, as measured by net debt/regulatory asset value, to below 78% of RCV from around 82%, excluding Moody's adjustments. Because of differences between the final determination and the company's business plan, the overall amount of the equity injection would have to increase slightly or the gearing reduction may be more muted. The first stage of the plan was completed in April 2019, when £250 million was injected into Thames Water, while a further £80 million was received in the first half of FY 2020/21.

Thames Water also plans to limit net cash dividends to £75 million from wholesale regulated activities, the minimum amount necessary to service debt and other costs at its holding companies, and approximately £20 million from other non-regulated activities. During 2020/21 distributions were further curtailed to £33 million as the company was collecting fewer cash flows during coronavirus restrictions, but the group also retained surplus liquidity at Kemble to support the holding company debt service.

Exhibit 9

Following the implementation of the highly covenanted financing structure in 2007, Thames Water's leverage increased to above 80% and remains the highest in the sector

Regulatory gearing ratios as reported by companies to Ofwat



Average gearing as reported by companies to Ofwat, and not reflective of Moody's standard adjustments, e.g. for pension obligations.
Source: Companies performance reports, Ofwat, Moody's Investors Service

Taking into account the fair value of existing borrowings and derivatives, we estimate that Thames Water had fair value gearing of around 115-120% of RCV as of September 2021. A visible erosion of the equity value could weaken incentives for shareholders to provide further funding.

Structural considerations

The Baa2 CFR is assigned to Thames Water as if it was a single consolidated legal entity with a single class of debt. It reflects an opinion on the expected loss associated with the financial obligations within the Thames Water group, and consolidates the legal and financial obligations of Thames Water, its financing subsidiary Thames Water Utilities Finance PLC (TWUF) and the intermediate holding company within the group, Thames Water Utilities Holdings Limited. The Baa2 CFR also factors in the credit enhancements of the financing structure.

Debt structural features provide a rating uplift for additional creditor protection

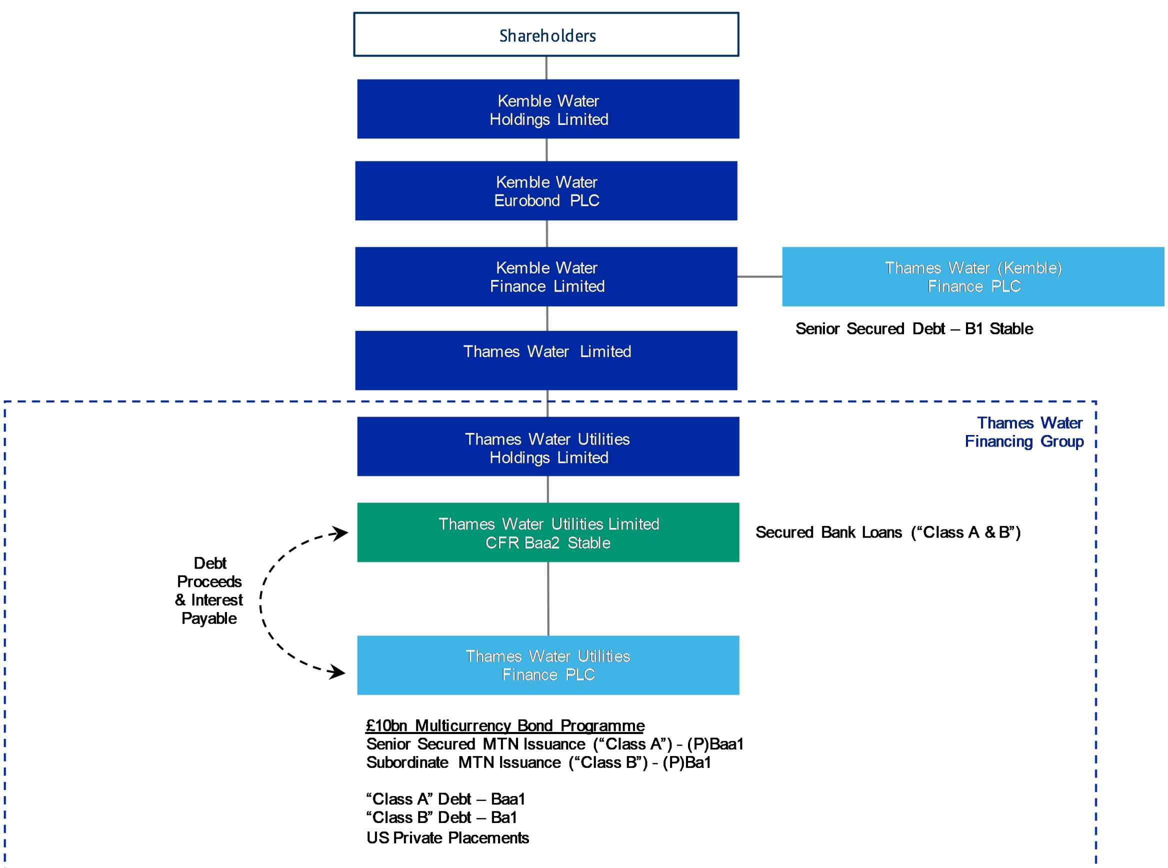
Thames Water's Baa2 CFR takes into account the covenant and security package agreed by the company, which is designed to insulate its creditworthiness from that of its ultimate shareholders and improve creditors' protection in a default scenario. The overall covenant and security package is similar to those for comparable highly leveraged financing transactions, and results in a rating uplift of around one notch for credit-enhancing features, embedded in the Baa2 CFR.

The terms and conditions of its financing arrangements allow Thames Water to increase its indebtedness (on the basis of net debt/ RCV) up to 85% before distribution lock-ups come into effect. Failure to maintain a level of adjusted interest cover of at least 1.1x in any single year (or 1.2x on a three-year rolling average) would also trigger the dividend lock-up mechanism. We note, however, that our calculation of both ratios differs from the definition of the financial covenants in the financing documents because of our specific adjustments, particularly following swap restructurings executed by the company in November 2019.

Additional event risk protection provided by the bond covenant and security package also include, inter alia, restrictions on acquisitions and disposals (subject to limited defined exceptions), maturity concentration limits and limitation on non-core activities. In addition, we consider creditor step-in rights if certain trigger events occur.

Recovery prospects in a default scenario can be improved by (1) a first-ranking fixed charge over the shares in the company, plus first-ranking fixed and floating charges over all the assets, rights and undertakings of Thames Water; and (2) the agreement by financial creditors to give up their individual rights to petition for insolvency proceedings. We recognise the fact that the benefit of the security provided to bondholders is limited because of the regulated and essential nature of the services provided by Thames Water, as governed by its licence and the Water Industry Act 1991.

Exhibit 10
Simplified organisational structure



Source: Moody's Investors Service

We also rate the bonds issued by TWUF under a £10 billion MTN programme (the Programme), guaranteed by Thames Water. The bonds are issued either as part of a senior tranche (Class A debt) or a junior tranche (Class B debt) and are rated Baa1 or Ba1, respectively.

The Baa1 rating of the Class A bonds issued under the Programme reflects the strength of the debt protection measures for this class of bonds and other pari passu indebtedness (together, the Class A debt), the senior position in the cash waterfall and after any enforcement of security. The rating also, however, factors in the subordinated Class B debt (Class B bonds and other pari passu debt), which — while contractually subordinated — serves to reduce the operating company's financial flexibility because Class B debt would continue to be served even in a trigger event as long as sufficient cash remains available. In addition, a downgrade or default of the Class B debt could have an impact on the viability of the company's funding model as a whole because the inability to raise additional Class B debt in the future could undermine the capital structure and, thus, affect the credit quality of the senior debt.

The Ba1 rating of the Class B bonds reflects the same default probability as factored into the Baa2 CFR, as well as our expectation of a heightened loss severity for the Class B debt following any default, given its subordinated position in the cash flow waterfall.

Liquidity analysis

Thames Water's solid liquidity will be sufficient to support the company's operating and capital spending over at least the next 12-18 months. It is underpinned by (1) the stable and predictable cash flow generated by its regulated activity; (2) cash balances and short-term investments of around £101 million as of 30 September 2021 (excluding cash associated with the Tideway contract); and (3) around £2.4 billion of committed revolving facilities comprising a £1.72 million Class A revolving credit facility, a £100 million Class B revolving credit facility, a £370 million debt service reserve facility and a £180 million O&M reserve facility, with a group of 16 relationship banks. At September 2021, £1.7 billion remained undrawn under these facilities.

ESG considerations

Thames Water's ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 11

ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

The ESG Credit Impact Score for Thames Water Utilities Limited is moderately negative (**CIS-3**), reflecting high environmental exposure and moderate social and governance risks. The overall credit impact score also recognises mitigating factors, in particular the regulated nature of water companies' activities and their investment requirements, including a forward-looking allowance for efficient cost. However, as investment needs continue to grow to tackle climate change and population growth, the resulting increase in regulated assets and their remuneration will have to continue to be supported by the regulatory tariff framework in order to avoid negative credit implications in the future.

Exhibit 12
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-4	S-3	G-3
Highly Negative	Moderately Negative	Moderately Negative

Source: Moody's Investors Service

Environmental

Thames Water's high environmental risk (**E-4** issuer profile score) primarily reflects the company's high risk exposure to water management and natural capital, which both take into account the effects of water pollution, and moderate exposure associated with physical climate risks, including climate change-related drought or flooding incidents. According to an analysis by the UK government's Environment Agency (EA), the southeast of England, which includes the service area of Thames Water, will require additional supply of 1,765 million litres a day by 2050, more than a third of current overall annual distribution input at just over 5,000 million litres per day for the region, to offset additional challenges from population growth and climate change as well as increase drought resilience. As a wastewater company, Thames Water is also exposed to the risk of pollution and associated fines. In November 2021, the UK government's Environment Agency and water regulator Ofwat launched investigations into wastewater treatment works, with companies more at risk of greater penalties than in the past. In addition, Ofwat announced in March 2022, that it had served five companies, including Thames Water, formal notices to gather further information for enforcement purposes. While all water and wastewater companies in England and Wales remain subject to investigation, the five were singled out for one of (a) a significant number of potentially non-complaint works, (b) concerns about company's management of compliance, or (c) poor data. Thames Water's previous water pollution incidents have resulted in significant cumulative environmental fines. As of December 2021, Thames Water accounted for 25% of the £145 million cumulative fines in the industry. In March 2017, the company received the largest ever fine for six separate, significant pollution incidents on the River Thames during 2012-14, with the penalty amounting to almost £20 million. The enforcement action took into account the company's weak track record when requiring a settlement amount well in excess of historical levels. While significantly higher than previous penalties, the fine was modest in the context of Thames Water's financial profile. The other major offender with respect to environmental discharges is Southern Water, which did not comply with its discharge permits over 2010-17 and also falsified associated reporting data. Southern Water received a significant penalty from Ofwat in this respect and was also fined an unprecedented £90 million in July 2021 by the Environment Agency. Given long lead times in the legal process, there is a risk that prior underperformance in this area could lead to further penalties in the future. Thames Water was most recently fined £4 million in November 2021 for a pollution incident from 2016.

Social

Thames Water's social risk is moderately negative (**S-3**), reflecting the risk, common to all regulated utilities, that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention. While water companies and regulators have sought to address criticism over operational performance, bills and dividend payments, the opposition UK Labour Party has argued for nationalisation. In addition, we see moderately negative risk exposure related to customer relationships, with Thames Water having among the weakest customer service scores in the sector. The risks associated with customer service, societal trends and responsible production are balanced by neutral effects from health and safety and human capital.

Governance

Governance risks are moderate (**G-3**). Regulatory requirements ensure that independent directors account for the largest single group on the company's board and the company's regulatory licence prescribes a minimum credit profile. While Thames Water maintains a highly-leveraged financing structure, financial covenants restrict distributions once certain metrics are breached. Nevertheless, we expect Thames Water to maintain a financial profile close to these covenants to maximise dividends payments because additional debt-funded holding companies rely on these to service their own obligation. The moderate risk score for compliance and reporting reflects an ongoing investigation by the regulator and the UK's Environment Agency into potentially illegal wastewater discharges into rivers by the wastewater companies in England and Wales.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Thames Water's Baa2 CFR reflects our [Regulated Water Utilities] rating methodology, published in June 2018. The methodology scorecard indicates an outcome of Baa2 on a forward-looking basis, in line with the assigned CFR.

Exhibit 13

Rating Methodology Scorecard

Thames Water Utilities Ltd.

Regulated Water Utilities Industry [1][2]	Current LTM 9/30/2021		Moody's 12-18 Month Forward View As of April 2022 [3]	
Factor 1 : Business Profile(50%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Environment	Aa	Aa	Aa	Aa
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Sufficiency & Timeliness)	A	A	A	A
d) Revenue Risk	Aa	Aa	Aa	Aa
e) Scale and Complexity of Capital Programme & Asset Condition Risk	A	A	A	A
Factor 2 : Financial Policy (10%)				
a) Financial Policy	B	B	B	B
Factor 3 : Leverage and Coverage (40%)				
a) Adjusted Interest Coverage Ratio (3 Year Avg)	1.4x	Ba	1.2x - 1.5x	Ba
b) Net Debt / Regulated Asset Base (3 Year Avg)	84.2%	Ba	80% - 83%	Ba
c) FFO / Net Debt (3 Year Avg)	6.0%	B	5% - 7%	Ba
d) RCF / Net Debt (3 Year Avg)	5.6%	Ba	5% - 7%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notch Lift		Ba1		Baa3
Notch Lift	1.5	1.5	1.5	1.5
a) Scorecard-Indicated Outcome		Baa3		Baa2
b) Actual Rating Assigned				Baa2

(1) All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. (2) As of 30/09/2021 (LTM). (3) This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate any significant acquisitions or divestitures.

Source: Moody's Financial Metrics™

Ratings

Exhibit 14

Category	Moody's Rating
THAMES WATER UTILITIES LTD.	
Outlook	Stable
Corporate Family Rating -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 15

Selected peer comparison

Thames Water Utilities Ltd.

	Thames Water Utilities Ltd. Baa2 Stable			Anglian Water Services Ltd. A3 Stable			Yorkshire Water Services Limited Baa2/Ba1 Stable*			Southern Water Services Limited Baa3 Stable *		
(in GBP million)	FYE Mar-19	FYE Mar-20	FYE Mar-21	FYE Mar-19	FYE Mar-20	FYE Mar-21	FYE Mar-19	FYE Mar-20	FYE Mar-21	FYE Mar-19	FYE Mar-20	FYE Mar-21
Revenue	2,037	2,109	2,047	1,355	1,420	1,352	1,059	1,063	1,101	876	878	820
EBITDA	1,059	1,125	1,053	651	738	722	435	564	568	536	536	462
Total Assets	18,545	20,231	19,933	11,216	12,110	11,336	9,333	9,661	10,010	7,004	7,096	7,389
Regulated Asset Base (RAB)	14,441	14,594	15,070	8,106	7,966	7,993	6,698	6,960	7,024	5,108	5,072	5,149
Total Debt	12,251	13,344	13,106	6,849	7,506	6,981	5,173	5,665	5,727	4,007	3,824	4,135
Net Debt	12,097	12,588	12,615	6,295	6,458	6,695	5,136	5,416	5,529	3,524	3,639	3,779
Net Debt / Regulated Asset Base	83.8%	86.3%	83.7%	77.7%	81.1%	83.8%	76.7%	77.8%	78.7%	69.0%	71.7%	73.4%
Adjusted Interest Coverage Ratio	1.2x	1.5x	1.3x	1.5x	1.7x	1.6x	1.5x	1.4x	1.1x	1.3x	1.1x	0.4x
FFO / Net Debt	5.1%	6.0%	6.1%	7.4%	7.7%	7.1%	6.8%	6.5%	6.9%	9.4%	8.1%	6.5%
RCF / Net Debt	4.6%	5.6%	5.9%	86.3%	86.5%	91.7%	6.1%	5.4%	6.8%	9.2%	7.9%	6.4%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR = Ratings under Review, where UPG = for upgrade and DNG = for downgrade. * Ratings represent senior secured and, where applicable junior debt ratings assigned at the issuing finance subsidiary level.
Source: Moody's Financial Metrics™

Exhibit 16

Moody's-adjusted debt breakdown

Thames Water Utilities Ltd.

(in GBP million)	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20	FYE Mar-21
As Reported Total Debt	10,807	11,089	11,854	13,196	12,829
Pensions	380	301	339	209	277
Leases	98	87	0	0	0
Non-Standard Adjustments	(275)	79	58	(61)	0
Moody's Adjusted Total Debt	11,009	11,556	12,251	13,344	13,106
Cash & Cash Equivalents	(54)	(104)	(154)	(756)	(491)
Moody's Adjusted Net Debt	10,956	11,451	12,097	12,588	12,615

All figures are calculated using Moody's estimates and standard adjustments. Non-standard adjustments remove accrued interest and add derivative accretion.
Source: Moody's Financial Metrics™

Exhibit 17

Moody's-adjusted funds from operations (FFO) breakdown

Thames Water Utilities Ltd.

(in GBP million)	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20	FYE Mar-21
As Reported Funds from Operations (FFO)	1,132	1,020	1,071	1,189	1,007
Pensions	45	19	0	21	96
Leases	13	7	0	0	0
Capitalized Interest	(76)	(101)	(109)	(98)	(70)
Alignment FFO	(160)	(234)	(146)	(192)	(148)
Unusual Items - Cash Flow	0	2	3	6	0
Cash Flow Presentation	0	0	0	(203)	(121)
Non-Standard Adjustments	(216)	(121)	(205)	32	10
Moody's Adjusted Funds from Operations (FFO)	737	593	613	755	774

All figures are calculated using Moody's estimates and standard adjustments. Non-standard adjustments relate primarily to the reclassification of interest paid and received to cash flow from operations and add back annual inflation accretion.
Source: Moody's Financial Metrics™

Exhibit 18

Selected historical Moody's-adjusted financial data

Thames Water Utilities Ltd.

(in GBP million)	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20	FYE Mar-21
INCOME STATEMENT					
Revenue	2,027	2,018	2,037	2,109	2,047
EBITDA	1,146	1,038	1,059	1,125	1,053
EBITDA margin %	56.5%	51.4%	52.0%	53.3%	51.4%
EBIT	616	505	505	536	434
EBIT margin %	30.4%	25.0%	24.8%	25.4%	21.2%
Interest Expense	518	608	561	526	349
Net income	161	(69)	(33)	(94)	66
BALANCE SHEET					
Net Property Plant and Equipment	14,116	14,662	15,234	15,818	16,324
Total Assets	17,082	17,711	18,545	20,231	19,933
Total Debt	11,009	11,556	12,251	13,344	13,106
Cash & Cash Equivalents	54	104	154	756	491
Net Debt	10,956	11,451	12,097	12,588	12,615
Total Liabilities	14,219	15,015	15,835	17,157	17,195
Total Equity	2,863	2,696	2,710	3,074	2,738
CASH FLOW					
Funds from Operations (FFO)	737	593	613	755	774
Cash Flow From Operations (CFO)	737	731	724	810	815
Dividends	157	55	60	57	33
Retained Cash Flow (RCF)	580	538	553	699	741
Capital Expenditures	(1,260)	(1,070)	(1,108)	(1,137)	(1,047)
Free Cash Flow (FCF)	(680)	(394)	(443)	(384)	(265)
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	2.4x	2.0x	2.1x	2.4x	3.2x
Adjusted Interest Coverage Ratio	1.4x	1.2x	1.2x	1.5x	1.3x
LEVERAGE					
FFO / Net Debt	6.7%	5.2%	5.1%	6.0%	6.1%
RCF / Net Debt	5.3%	4.7%	4.6%	5.6%	5.9%
Regulated Asset Base (RAB)	13,162	13,895	14,441	14,594	15,070
Net Debt / Regulated Asset Base	83.2%	82.4%	83.8%	86.3%	83.7%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Endnotes

1 The 'Putting the sector back in balance' measures marked a change in direction for the regulator, in our view, in response to political and public pressure and evidenced a modest deterioration in the stability and predictability of the regime. The regulator has long maintained that capital structure is a matter for shareholders but, with the new measures, will exert greater influence. Accordingly, in May 2018, we revised the scoring for the stability and predictability of the regulatory regime under our rating methodology for Regulated Water Utilities to Aa from Aaa. At the same time we modestly tightened our ratio guidance.

2 At the 2014 price review, Thames Water was allowed £227 million to construct a new sewer. The £130 million underperformance penalty relates to the cancellation of the original project, and the reduction has been applied to the opening RCV for the AMP7 period.

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