

To: Deutsche Trustee Company Limited
 21 Moorfields, London
 United Kingdom, EC2Y 9DB
 (the “**Security Trustee**”)

Attention: The Managing Director

From: Thames Water Utilities Limited (the “**Proposer**” and “**TWUL**”)

Date: 20 December 2024

Re: STID Proposal in respect of the Alternative Interim RP Launch Waiver.

In accordance with Clause 9.1 (*Instigation of STID Proposal*) of the security trust and intercreditor deed dated 30 August 2007 between, among others, the Proposer and the Security Trustee (as amended and restated on 16 September 2013, 1 July 2014 and 31 August 2018) (the “**STID**”), please find below a request to the Security Trustee to concur with a waiver to the Finance Documents detailed in paragraph 2 (*Requested Waiver; Detail of STID Proposal*) below, in accordance with and subject to the votes of the Majority Creditors under Clause 8.2.2 (*Procedure for Modifications, Consents and Waivers*) of the STID (the “**STID Proposal**”).

Capitalised terms used but not defined in this STID Proposal have the meanings ascribed to them in the STID or the master definitions agreement (the “**MDA**”) dated 30 August 2007 (as amended and restated on 25 July 2008, 9 December 2011, 16 September 2013, 1 July 2014, 15 May 2015, 31 August 2018, 26 April 2019 and 26 June 2020).

The Obligors hereby confirm their acknowledgement and acceptance of the proposal set out in the STID Proposal.

1 Reasons for the STID Proposal

1.1 Company Interim Recapitalisation Transaction

- 1.1.1 As at 30 June 2024, the TWU Financing Group had total liquidity of £1,809 million, comprising available cash of £1,513 million and undrawn committed bank facilities of £296 million.
- 1.1.2 The Proposer announced that Trigger Events had occurred on 9 July 2024 and, as a result of the continuation of these Trigger Events, the TWU Financing Group is not permitted to incur Financial Indebtedness under limb (j) of the definition of Permitted Financial Indebtedness, other than Qualifying Indebtedness (which, in summary, is limited to drawdowns, extensions and rollovers under existing Authorised Credit Facilities). As a result, the TWU Financing Group is currently significantly constrained in its ability to raise Financial Indebtedness.
- 1.1.3 As previously announced, the Proposer has been engaging with its creditors to seek to extend its liquidity runway and has identified a potential solution to extend its liquidity runway through raising Financial Indebtedness under super senior financing and extending maturity and amortisation dates under the Senior Debt (the “**Company Interim Recapitalisation Transaction**”).

- 1.1.4 As at the date hereof, secured creditors representing approximately 86 per cent. by value of the secured debt of the TWU Financing Group have entered into a transaction support agreement dated 25 October 2024 (as amended, supplemented and/or restated from time to time) in relation to the Company Interim Recapitalisation Transaction (the "**Company TSA**").
- 1.1.5 The Proposer launched four STID Proposals on 25 October 2024 in relation to certain Events of Default which would otherwise have occurred in connection with the Company Interim Recapitalisation Transaction (the "**25 October STID Proposals**"). Consent in respect of the 25 October STID Proposals was obtained on 18 November 2024.
- 1.1.6 Following receipt of consent to the 25 October STID Proposals, on 22 November 2024 TWH executed and published a practice statement letter dated 22 November 2024 (the "**Company Practice Statement Letter**") in connection with implementing the Company Interim Recapitalisation Transaction via a restructuring plan under Part 26A of the UK Companies Act 2006 (the "**Company RP**") and on 10 December 2024 TWH filed a claim form in respect of the Company RP with the Courts ahead of a convening hearing in relation to the Company RP on 17 December 2024.

1.2 Alternative Interim Recapitalisation Transaction

- 1.2.1 Certain of the TWU Financing Group's Class B Creditors (the "**Relevant Class B Creditors**") have identified a potential alternative solution to extend the Proposer's liquidity runway, which also involves raising Financial Indebtedness under super senior financing and extending maturity and amortisation dates under the Senior Debt albeit on alternative terms (the "**Class B Alternative Interim Recapitalisation Transaction**").
- 1.2.2 Quinn Emanuel, as legal advisors to the Relevant Class B Creditors, have recently indicated to the Proposer's legal advisors, and in documents filed at Court in connection with the Company RP, that one or more of the Relevant Class B Creditors may seek to implement the Class B Alternative Interim Recapitalisation Transaction via a restructuring plan under Part 26A of the UK Companies Act 2006 in respect of any of the Obligors (the "**Class B RP**") and that this Class B RP would be launched in parallel to the Company RP. It is not yet confirmed if or when the Class B RP would be initiated.
- 1.2.3 Furthermore, while the Proposer is not currently aware, and has received no indication to the contrary, of other creditor groups ("**Other Creditor Group**") seeking to implement a potential alternative solution to extend the Proposer's liquidity runway ("**Other Interim Recapitalisation Transaction**") through a restructuring plan under Part 26A of the UK Companies Act 2006 other than the Company Interim Recapitalisation Transaction and the Class B Alternative Interim Recapitalisation Transaction, it is possible that any Other Creditor Group could seek to take such action in respect of any of the Obligors (the "**Other Creditor RP**").
- 1.2.4 For the purposes of this STID Proposal, an "**Alternative Interim RP**" is the Class B RP and / or Other Creditor RP and an "**Alternative Interim Recapitalisation Transaction**" is the Class B Alternative Interim Recapitalisation Transaction and Other Interim Recapitalisation Transaction.

1.2.5 In connection with any Alternative Interim RP, the Proposer expects that the Relevant Class B Creditors or any potential Other Creditor Group would be required to take certain actions (the “**Potential Steps**”). The Potential Steps are one or more of the following:

- (i) the Relevant Class B Creditors or any potential Other Creditor Group proposing (and, if approved in accordance with its terms by the required majorities of creditors, implementing) an Alternative Interim RP in order to implement the required amendments, waivers and consents under the Finance Documents for an Alternative Interim Recapitalisation Transaction (without limitation, this step includes filing a claim form with the Court in respect of an Alternative Interim RP);
- (ii) (if an Alternative Interim RP is proposed through TWH) relying on the deed of contribution entered into by TWH on 10 December 2024 in favour of TWUL and TWUF (the “**Deed of Contribution**”), pursuant to which TWH has undertaken to pay TWUL and TWUF (by way of contribution) an amount equal to its share of any payment made by TWUL or TWUF in respect of any liability under the Senior Debt and Subordinated Debt. TWH, while already a guarantor of the relevant liabilities will in substance, become a primary obligor, as a result of the Deed of Contribution; and
- (iii) the Relevant Class B Creditors or any potential Other Creditor Group (as applicable) potentially seeking to progress a transaction support agreement to evidence the support of Secured Creditors for an Alternative Interim Recapitalisation Transaction on the terms specified therein.

1.3 Rationale for the Requested Waiver

1.3.1 In order to provide as much stability to the TWU Financing Group as possible, the Proposer intends to seek a waiver of any Default or Event of Default which would occur directly as a consequence of the Potential Steps (subject to the Creditor Waiver Conditions as defined and described below) being initiated.

1.3.2 the Proposer believes that this waiver would be beneficial to Secured Creditors to ensure that no Default or Event of Default arises while the Company RP (which has the support of secured creditors representing approximately 86 per cent. by value of the secured debt of the TWU Financing Group) is being progressed, should an Alternative Interim RP be initiated and progressed in parallel.

1.3.3 For the avoidance of doubt:

- (i) approval of the consents and waivers proposed in this STID Proposal shall in no way constitute an approval of the terms and conditions of the Company Interim Recapitalisation Transaction, Company RP, an Alternative Interim Recapitalisation Transaction or an Alternative Interim RP which will be sought separately in accordance with their terms; and
- (ii) This waiver should not be taken as the Proposer’s agreement or endorsement of the Class B RP or any potential Other Creditor RP, and the waiver is being pursued solely for the purposes of continuing to facilitate the Company RP.

2 Requested Waiver; Detail of the STID Proposal

2.1 This paragraph 2 sets out in full the requested waiver to the CTA (the “**Waiver**” or “**Alternative Interim RP Launch Waiver**”).

2.2 As explained in paragraph 1.3, above, the Proposer requests, subject to paragraph 2.3 below, a waiver of any Default or Event of Default which occurs under Schedule 6 (*Events of Default*) to the CTA directly as a consequence of the Potential Steps, other than where it would relate to the waiver of or have the effect of changing:

2.2.1 any Event of Default under Paragraph 1 (*Non-payment*) of Part 1 (*Events of Default (TWH)*) of Schedule 6 (*Events of Default*) to the CTA;

2.2.2 any Event of Default under Paragraph 1 (*Non-payment*) of Part 2 (*Events of Default (TWUL, TWUF and the Issuer)*) of Schedule 6 (*Events of Default*) to the CTA;

2.2.3 any Event of Default under Paragraph 17 (*Ratios*) of Part 2 (*Events of Default (TWUL, TWUF and the Issuer)*) of Schedule 6 (*Events of Default*) to the CTA;

2.2.4 any of the Trigger Events contained in Paragraph 1 (*Financial Ratios*) of Part 1 of Schedule 5 (*Trigger Events*) to the CTA; and

2.2.5 any of the provisions contained in Paragraph 37 (*Restricted Payments*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

2.3 If approved pursuant to this STID Proposal, the Waiver shall apply on and from the date on which the Waiver Letter is executed, and the continued application of the approved Waiver is subject to the conditions specified below (if and from the date on which they are required to be satisfied):

2.3.1 the waivers granted under the 25 October STID Proposals continuing to apply;

2.3.2 the Company RP having been sanctioned on or before the Sanction Long-Stop Date;

2.3.3 if the Company RP has been sanctioned, any applicable appeal period in relation to the Company RP having expired on or before the Appeal Long-Stop Date (with no appeal subsisting at that time); and

2.3.4 if the Company RP has been sanctioned, the order sanctioning the Company RP has not subsequently been overturned on a successful appeal,

(the “**Creditor Waiver Conditions**” and each a “**Creditor Waiver Condition**”). Where:

“**Agreed Extended Appeal Long-Stop Date**” means the date which is certified by the Proposer to the Security Trustee (in a certificate signed by two directors of the Proposer, without personal liability, and delivered to the Security Trustee (an “**Appeal Long-Stop Date Extension Certificate**”)) as the extended Appeal Long-Stop Date agreed between the Approving Parties (as defined in the Company TSA) and the Proposer and which should apply for the purposes of the Waiver;

“**Agreed Extended Sanction Long-Stop Date**” means the date which is certified by the Proposer to the Security Trustee (in a certificate signed by two directors of the Proposer, without personal liability, and delivered to the Security Trustee (a “**Sanction Long-Stop Date Extension Certificate**”)) as the extended Sanction Long-Stop Date agreed between the Approving Parties (as defined in the Company TSA) and the Proposer and which should apply for the purposes of the Waiver;

“Appeal Long-Stop Date” means the later of (i) 18 February 2025 and (ii) any Agreed Extended Appeal Long-Stop Date;

“Appeal Waiver Certificate” means a certificate by the Proposer to the Security Trustee (signed by two directors of the Proposer, without personal liability) certifying that the Approving Parties (as defined in the Company TSA) have confirmed to the Company that the condition in paragraph 2.3.4 is not required to be satisfied in respect of the Waiver; and

“Sanction Long-Stop Date” means the later of (i) 11 February 2025 and (ii) any Agreed Extended Sanction Long-Stop Date.

- 2.4** If a Creditor Waiver Condition is not satisfied in respect of the Waiver at a time it is required to be satisfied the Waiver shall be treated as being void *ab initio*. The condition in paragraph 2.3.4 is not required to be satisfied in respect of the Waiver (or for any purpose under the STID) if the Company has delivered an Appeal Waiver Certificate to the Security Trustee. Further: (1) the condition in paragraph 2.3.2, is not required to be satisfied until the Sanction Long-Stop Date; and (2) the condition in paragraph 2.3.3, is not required to be satisfied until the Appeal Long-Stop Date.
- 2.5** A certificate from the Proposer (signed by two directors of the Proposer without personal liability) delivered to the Security Trustee on behalf of the Secured Creditors that a Creditor Waiver Condition is or has ceased to be satisfied shall, in the absence of manifest error, be conclusive evidence as to the matter so certified (a **“Creditor Waiver Condition Certificate”**). The Proposer shall promptly deliver a Creditor Waiver Condition Certificate to the Security Trustee on any Creditor Waiver Condition being or ceasing to be satisfied.
- 2.6** Without prejudice to the Proposer’s obligations under paragraph 2.5 above, at any time after the date on which the Waivers become effective, the Proposer may deliver to the Security Trustee a Creditor Waiver Condition Certificate as to the relevant Creditor Waiver Condition.
- 2.7** An Appeal Long-Stop Date Extension Certificate, a Sanction Long-Stop Date Extension Certificate and an Appeal Waiver Certificate shall, in the absence of manifest error, be conclusive evidence as to the matter so certified.
- 2.8** The Proposer acknowledges and agrees that the Security Trustee may rely upon the statements, certifications, confirmations, consents and acknowledgements by the Proposer contained in any Creditor Waiver Condition Certificate, any Appeal Waiver Certificate, any Sanction Long-Stop Date Extension Certificate or any Appeal Long-Stop Date Extension Certificate and the Security Trustee shall not be required to make any investigation in respect thereof. The Proposer further acknowledges and agrees that the Security Trustee shall have the benefit of the Proposer’s indemnity under Clause 16.4 of the STID.

3 Certification by the Proposer

- 3.1** Pursuant to and in accordance with Clause 9.2 (*Minimum Content of STID Proposal*) of the STID, the Proposer hereby certifies to the Security Trustee that in its opinion, in relation to the STID Proposal:
- (i) only the consent of the Majority Creditors under Clause 9.2.1 (*Minimum Content of STID Proposal*) of the STID (such consent must be received by 9 January 2025 (the **“STID Voting Date”**)) is required to implement the STID Proposal in accordance with the terms of the Waiver Letter; and

- (ii) no Entrenched Right or Reserved Matter applies in respect of the STID Proposal in the manner prescribed above and, as such, the consent of no other Secured Creditor (or where applicable, their Secured Creditor Representative(s)) is required pursuant to the Entrenched Rights and Reserved Matters in the STID.

3.2 The Proposer also certifies that the STID Proposal will not impose any additional obligations or liabilities on the Security Trustee.

3.3 The Proposer notes that pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the STID Proposal following the earlier of:

3.3.1 the date on which the Security Trustee has received votes in favour of the STID Proposal from DIG Representatives representing more than 50 per cent. of the Outstanding Principal Amount of the Qualifying Class A Debt; and

3.3.2 the STID Voting Date if the Majority Creditors have voted in favour of the STID Proposal,

by entering into a waiver letter with the Obligors in the form appended to this STID Proposal (the “**Waiver Letter**”).

4 Implementation of the STID Proposal

4.1 Subject to Clause 9.5 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee shall notify each Secured Creditor (or, where applicable, its Secured Creditor Representative) and each Secondary Market Guarantor of the decision of the Majority Creditors on the STID Proposal promptly following the STID Voting Date (or such earlier date in accordance with the STID) and, provided that the Majority Creditors approve the STID Proposal, the Waivers will be effective pursuant to and in accordance with the Waiver Letter on the date of such notice and pursuant to Clause 9.7 (*Binding Decisions of Majority Creditors*) of the STID such Waivers will bind the Secured Creditors and the Secondary Market Guarantors.

4.2 This STID Proposal constitutes a certificate for the purposes of Clause 8.16 (*Certificates Conclusive*) and Clause 15.4.3 (*Protections*) of the STID.

4.3 Contemporaneously with the implementation of the STID Proposal, the Proposer agrees to deliver a certificate to the Security Trustee certifying that: (a) all information provided to Secured Creditors in connection with this STID Proposal is true, accurate and not misleading in any material respect; and (b) the Finance Documents shall remain in full force and effect (subject to the terms of the Waiver Letter executed in accordance with this STID Proposal).

Yours faithfully

THE PROPOSER

THAMES WATER UTILITIES LIMITED



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By: Christopher Weston, Chief Executive, Thames Water

.....
By:

Yours faithfully

THE PROPOSER

THAMES WATER UTILITIES LIMITED



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By: Sir Adrian Montague, Chairman and Director, Thames Water

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By:

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC



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By: Christopher Weston, Chief Executive, Thames Water

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By:

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC



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By: Sir Adrian Montague, Chairman and Director, Thames Water

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By:

THAMES WATER UTILITIES HOLDINGS LIMITED



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By: Christopher Weston, Chief Executive, Thames Water

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By:

THAMES WATER UTILITIES HOLDINGS LIMITED



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By: Sir Adrian Montague, Chairman and Director, Thames Water

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By:

Appendix 1
Form of Waiver Letter

WAIVER LETTER

Deutsche Trustee Company Limited
21 Moorfields
London EC2Y 9DB

To: Thames Water Utilities Limited (the “**Proposer**”)

Dear Sir or Madam

- 1 We refer to (i) the STID Proposal dated 20 December 2024 (the “**STID Proposal**”) delivered pursuant to Clause 9.1 (*Instigation of STID Proposal*) of the Security Trust and Intercreditor Deed dated 30 August 2007 (as amended from time to time) made between, inter alios, the Proposer and Deutsche Trustee Company Limited (the “**Security Trustee**”) (the “**STID**”) and (ii) the notice of the decision of the Majority Creditors in respect of the STID Proposal dated on or around the date hereof (the “**Notice of Approval**”).
- 2 Terms defined in the STID Proposal have the same meaning when used in this letter unless otherwise expressly defined herein.
- 3 As set out in the Notice of Approval, the Security Trustee has received sufficient votes in favour of the Waiver (the “**Approved STID Proposal**”) from the Majority Creditors.
- 4 Pursuant to Clause 9.5.1 (*Effective Time of Majority Creditor Decisions on STID Proposal*) of the STID, the Security Trustee is duly authorised and must promptly implement the Approved STID Proposal following the STID Voting Date where the Majority Creditors have voted in favour of the Approved STID Proposal.
- 5 Pursuant to Clause 9.7 (*Binding Decisions of Majority Creditors*) and Clause 9.8 (*Binding Vote of DIG Representatives*), consent in paragraph 4 above is binding on all parties to the STID.
- 6 For the purposes Clause 9.1 (*Instigation of STID Proposal*) of the STID, and in order to implement the Approved STID Proposal, the Security Trustee consents to the Waiver as set out in, and subject to the conditions in, the STID Proposal.
- 7 This letter and all non-contractual or other obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law. Clause 21.1 (*Jurisdiction*) of the Common Terms Agreement applies to this letter and is binding on the Security Trustee and the Proposer as if set out in full in this letter.

Yours faithfully

Deutsche Trustee Company Limited (as Security Trustee)

By: _____

By: _____

We acknowledge receipt of the Waiver Letter.
THE PROPOSER

THAMES WATER UTILITIES LIMITED

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By:

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By:

OBLIGORS

THAMES WATER UTILITIES FINANCE PLC

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By:

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By:

THAMES WATER UTILITIES HOLDINGS LIMITED

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By:

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By: