Our 2023-24 Annual Results

July 2024

Disclaimer

IMPORTANT: This presentation, its contents and any oral information or accompanying materials provided in connection with it (this “Presentation”) are being provided to you solely for your information in connection with Thames Water Utilities Limited and its affiliates (the “Company”) and not for any other purpose or for any other person. This Presentation may not be reproduced, redistributed, forwarded or disclosed to any other person or published, in whole or in part, for any purpose. Failure to comply with this directive may result in a violation of applicable laws. Neither this Presentation nor any of its contents may be used for any purpose other than for the purposes described to you above without the prior written consent of the Company.

This Presentation has been made available to you on the basis that you are a person into whose possession this Presentation may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By viewing this Presentation, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of this Presentation, including by electronic transmission and (c) that you are a person into whose possession this Presentation may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. This Presentation is provided for informational purposes only and does not constitute or form part of, and should not be construed as, (i) an offer, solicitation or invitation to subscribe for, sell or issue, underwrite or otherwise acquire any securities, loans or other financing of the Company or any other person or entity, nor shall it, or the fact of its communication, form the basis of, or be relied upon in connection with, or act as any inducement to underwrite, arrange, sell, buy, participate in, syndicate or enter into any contract or commitment whatsoever with respect to any securities, loans or other financing of the Company (or any other person or entity), in each case in the United States or in any other jurisdiction; or (ii) any form of financial opinion, recommendation or investment advice with respect to any securities, loans or other financing of the Company (or any other person or entity) in the United States or in any other jurisdiction. This Presentation does not comprise a prospectus approved under the Prospectus Rules made under Part VI of the Financial Services and Markets Act 2000 of the United Kingdom. This document includes summary financial information and should not be considered a substitute for our full financial statements or reports. Any opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. It should be noted the auditors of the Company have not reviewed the information herein and the information has not been independently verified. No assurance can be or is given that the transactions in this Presentation would in fact be executed. No reliance should be placed upon the information contained in this presentation by prospective investors, as the accuracy cannot be guaranteed. The information contained in this presentation has no regard to the specific investment objectives, financial situation or particular needs of any person.

This presentation contains statements that are forward-looking statements with respect to the financial condition, results of operations and business and business strategy of the Company. Forward-looking statements typically use words such as “believes”, “anticipates”, "expects", “intends”, “plans”, “targets”, “projects”, “may”, “will”, “could”, “would” and “should” and words of similar import. Various known and unknown risks, uncertainties and other factors may cause the actual future results, financial situation, development, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Many of such factors involve assumptions and uncertainties that are beyond the Company’s ability to control or estimate precisely, such as changes in laws or regulations and decisions by governmental bodies or regulators, and there can be no assurance that any changes will not negatively impact the Company, its operations, its attractiveness to existing or future investors or lenders, or its ability to implement strategic objectives. None of the future projections, expectations, estimates or prospects in this presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the presentation. This presentation should not be relied on as a guide to future performance, and should not be relied on in making any investment decision with respect to any securities. Neither the Company nor any of its shareholders, affiliates, directors, officers or employees assumes any obligation to update any forward-looking statements or any other information contained in this presentation.

No representation or warranty, express or implied, is made or given, and no responsibility is accepted, by or on behalf of the Company or any of its shareholders, affiliates, directors, officers or employees or any other person as to the accuracy, adequacy, usefulness, completeness or fairness of the information or opinions contained in this presentation or as to the reasonableness of any assumptions on which any of the information herein is based. The Company shall have no liability to any party for the quality, accuracy, timeliness, continued availability, or completeness of any information contained in this presentation. The Company does not accept any liability whatsoever for any direct, indirect or consequential losses to any person in relation to the distribution, or possession or reliance on this Presentation and its contents in contract, tort or otherwise.

This Presentation does not constitute an offer of any securities for sale in the United States. No securities of the Company have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, this Presentation has been prepared on the basis that you are either (i) “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) or institutional “accredited investors” as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act (“IAIs”) or (ii) outside the United States (within the meaning of Regulation S under the Securities Act (“Regulation S”) and not a “U.S person” (as defined in Regulation S) (“U.S. Persons”). This Presentation is being sent at your request and, by accessing this Presentation, you represent to us that you are either (i) a QIB or an IAI; or (ii) outside the United States and not a U.S. Person.

Operational Performance

Chris Weston

Chief Executive Officer

FY24 headlines

Operational progress despite challenges

Improvements in operational and financial performance

Proposed ambitious PR24 plan

- To secure improvements for customers and the environment
- To help mitigate the impact of climate change and population growth

Remain focused on increasing financial resilience

Operational performance - our six core metrics

Significant progress in critical water metrics – lowest ever level of leakage; high rainfall impacted pollutions

	2024	2023	Change
LTIF	0.13	0.16	-19%

	2024	2023	Change
Leakage	570 Ml/d	613 Ml/d	-7%

	2024	2023	Change
Pollutions [1]	350	331	+6%

	2024	2023	Change
CRI	1.43	10.96	-87%

	2024	2023	Change
Complaints	83,146	75,768	+10%

	2024	2023	Change
SI	16m56s	19m54s	-15%

1. Calendar year metric

My first reflections

Thames Water's success matters

Determined to keep delivering for customers

- Deliver 2.5 billion litres of water every day
- Remove 5.1 billion litres of wastewater every day

Our assets are tired, suffering from years of underinvestment

- Disproportionate impact on performance
- Proposed £1.9 billion to start improving health of assets

Business can be turned around with:

- Stable and strong leadership
- Clear and consistent priorities
- Overhaul of asset life cycle management
- Time and resources

Our priorities

Turning our business around by focusing on our people, our customers, our assets and our performance

We are an infrastructure company

Our People

- Keeping everyone safe and well
- Developing ourselves, our leadership, and our culture

Our Customers

- Ensuring we're easy to deal with
- Supporting customers who need extra help

Our Performance

- Delivering operational excellence, particularly pollutions, leakage, water quality and supply interruptions
- Living within our means: securing the right settlement, being efficient and investable

Our Assets

- Investing to improve resilience and address population growth and climate change
- Overhauling and modernising our digital estate

PR24

Our ambitious plan for 2025 to 2030

- Record level of spend
  - £19.8bn plan (£21.7 bn including DAM[1])
- Increased investment requires bills to rise
- Balances affordability, deliverability, financeability and investability
- Starts to address asset health deficit
- Faces into the challenges of climate change and population growth
- Await Draft Determination on 11 July

Our proposed plan will deliver

A record level of investment

£19.8 billion
in total spend

£4.5 billion
in proposed enhancement spend

£608
average annual customer bills by 2030

522k households
to get support with their bills

75%
of eligible customers on the priority services register

500km
of water mains replacements

600
apprentices, graduate scheme applicants and summer interns on placements

£6.8 billion
to improve the environment

£440 million
investment to reduce storm overflows

30%
drop in pollution incidents

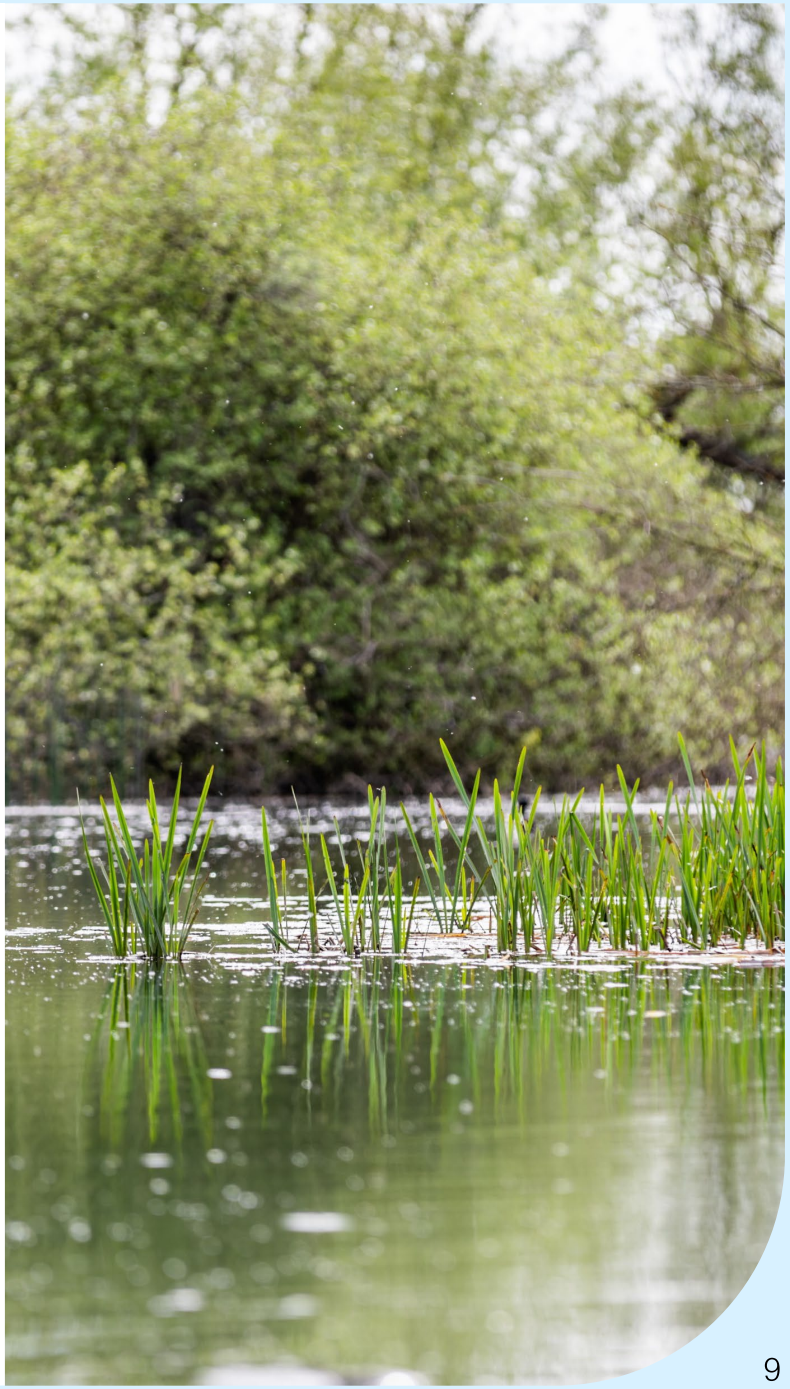
22% reduction
in leakage (AMP8 reduction based on 2019/20 baseline)

1. Delivery Assessment Mechanism

Navigating the path forward

Remain focused on increasing financial resilience

- Taking actions to extend liquidity runway
- Launching equity raise post receipt of PR24 Draft Determination
- Engaging with creditors as required post-Draft Determination and throughout the equity raise process



Financial Performance

Alastair Cochran

Chief Financial Officer

Financial highlights

Improved financial performance in 2023/24

Underlying Revenue[1]	Underlying EBITDA[1]	Underlying Profit After Tax[1]	Underlying Op. Cash Flow[1]
£2,401m +10%	**£1,208m** +21%	**£140m** +£272m	**£1,382m** +24%
Capex	RCV	Gearing[2]	Liquidity
£2,084m +18%	**£19,947m** +5%	**80.6%** +3.2ppts	**£2,456m** (44%)

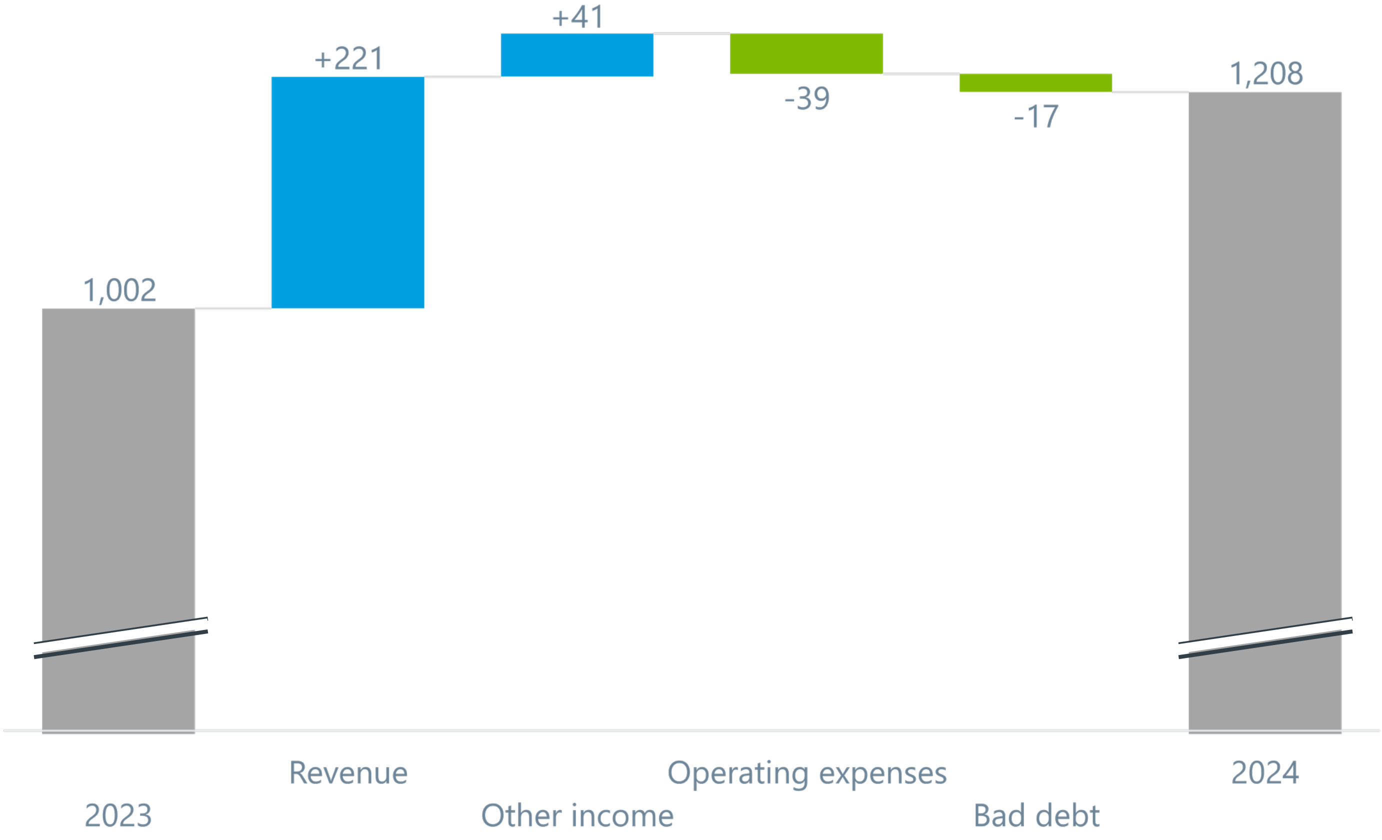
1. Excluding exceptional items and Bazalgette Tunnel Limited
2. Senior gearing: covenant net debt to Regulatory Capital Value ("RCV")

Underlying EBITDA

21% growth in underlying EBITDA

- 10% growth in revenue reflecting increase in tariffs
- Increase in other income driven by land sales & compensation for relocation of Guildford STW
- Below inflation growth in opex reflecting cost discipline
- Increase in prior year bad debt charge, but total bad debt declined by 2%

Underlying EBITDA (£m)



Note: underlying results exclude exceptional items and Bazalgette Tunnel Limited

Underlying Profit After Tax

£272 million improvement in underlying profit after tax

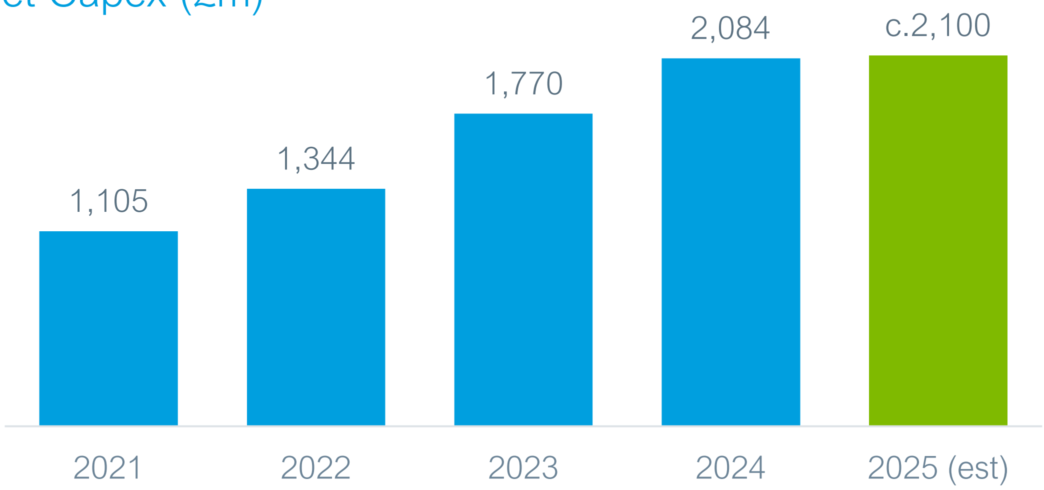
Year ended 31 March, £m	2024	2023	Variance
EBITDA	1,208	1,002	+206
Depreciation & amortisation	(763)	(730)	(33)
Operating profit	445	272	+173
Net finance expense	(393)	(477)	+84
Net gains on financial instruments	152	122	+30
Profit before tax	204	(83)	+287
Tax	(64)	(50)	(14)
Profit / (loss) after tax	140	(132)	+272

Note: underlying results exclude exceptional items and Bazalgette Tunnel Limited; table includes rounding differences

Investing to improve performance

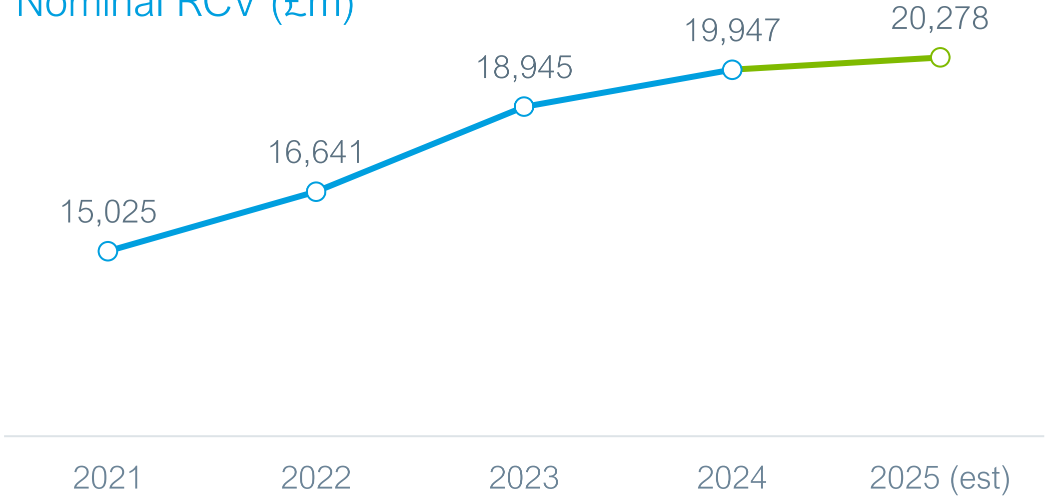
Record level of capital investment and sector leading growth in Regulatory Capital Value

Net Capex (£m) [1]



- Focusing on improving asset resilience, environmental performance & customer service
- 18% increase in capital investment in 2024
- PR24 Plan to grow capex by 96% in AMP8 [2]

Nominal RCV (£m)



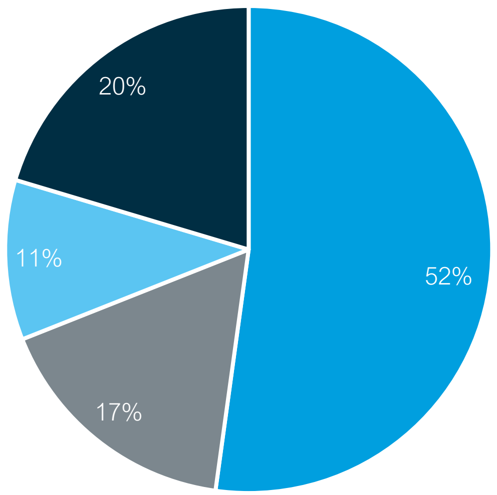
- 41% RCV increase in AMP7
- RCV log-up claim of £500 million [3]
- PR24 Plan to grow RCV by 51% in AMP8

1. Includes investment in property, plant, equipment, assets in development (intangible) and capitalised borrowing costs
2. Based on Company's PR24 business plan submission; allowed wholesale capex, including TTT land sales, excluding retail capex (outturn prices)
3. Based on Company's PR24 business plan submission, excluding regulatory easements

Financing our investment programme

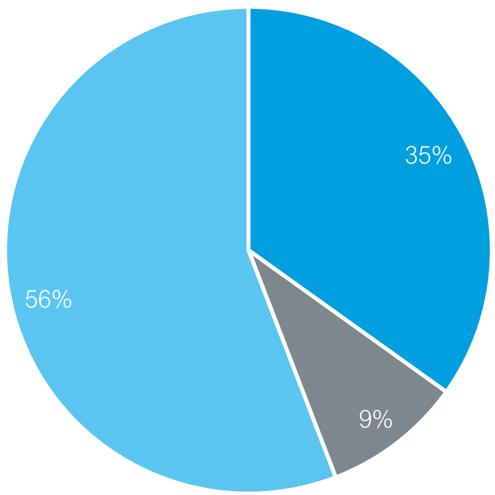
Focused on maintaining financial resilience

Gross debt profile [1,2]



- GBP bonds: £8,442m
- Foreign currency bonds: £2,720m
- United States Private Placements: £1,719m
- GBP loans: £3,298m

Interest rate profile [1,3]



- Fixed Rate £6,037m
- Floating Rate £1,604m
- Index-linked £9,661m

Funding & credit ratings

£1.5bn debt raised in 2023/24 [4]

5.8% effective cost of interest [5]

£2.5bn of liquidity (31-Mar-24)

12-year average debt tenure

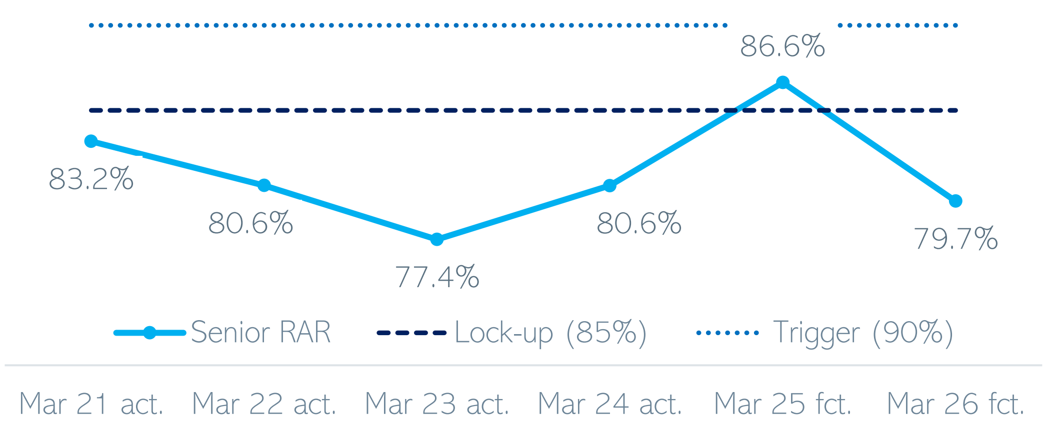
Ratings	CFR	Class A	Class B
S&P	-	BBB- (neg)	BB (neg)
Moody's	Baa3 (neg)	Baa2 (neg)	Ba3 (neg)

1. At 31 March 2024
2. Covenant basis: principal outstanding plus accretion
3. Covenant basis: post-swap principal outstanding plus accretion
4. New and extended borrowings
5. 2.0% effective cash cost of interest on debt

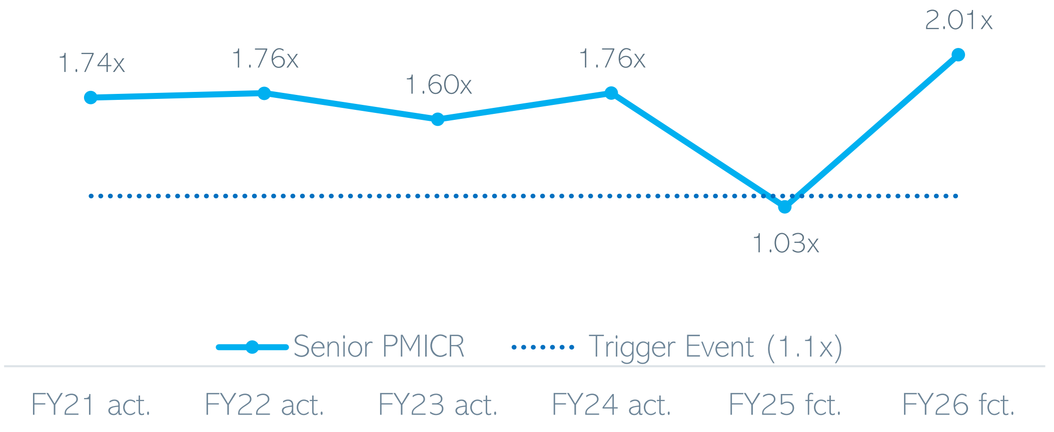
Financial Covenants

Trigger Events are projected in 2025

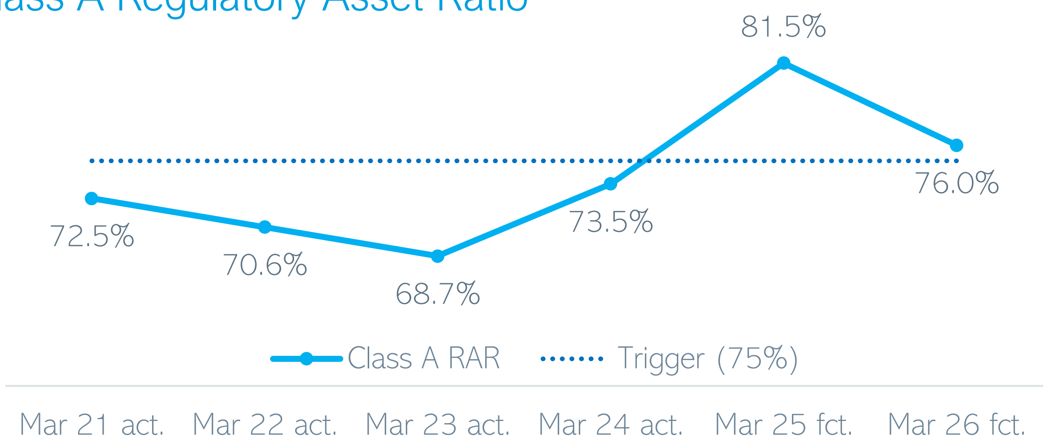
Senior Regulatory Asset Ratio



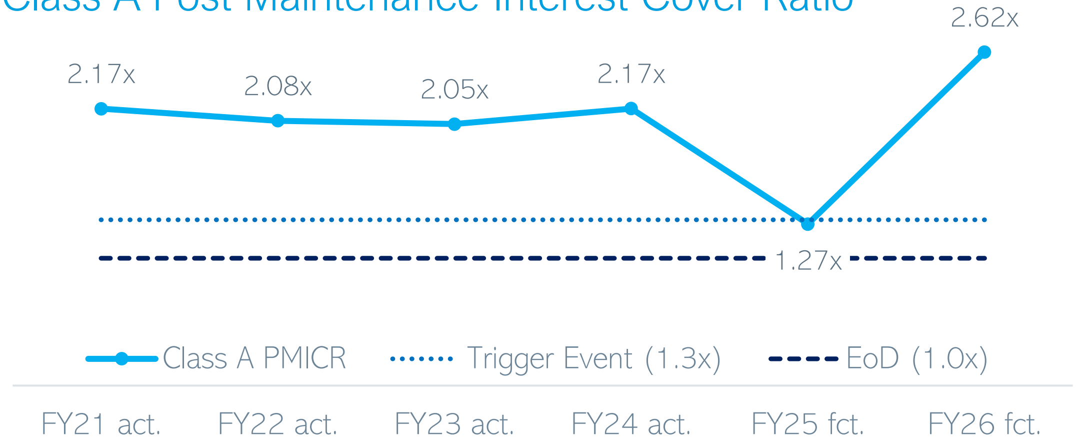
Senior Post Maintenance Interest Cover Ratio



Class A Regulatory Asset Ratio



Class A Post Maintenance Interest Cover Ratio



Securing new equity

Securing capital to fund our plan is dependent on an investable PR24 price determination

- Ambitious PR24 business plan
  - Proposes significant increase in investment
  - Targets long term Baa1 / BBB+ credit ratios
  - Requires additional debt & equity funding
- New equity requires a financeable & investable PR24 determination
  - Shareholders did not commit new equity in March 2024 following early feedback
  - Ongoing engagement with regulators and Government
- Plan to engage investors and creditors post receipt of the draft determination

Equity engagement plan

Draft Determination consultation
Jul-Aug'24

- Update business plan
- Commence pre-marketing

Pre-Final Determination
Sep-Dec'24

- Formal launch of equity raise
- Shortlist interested parties

Post Final Determination
Jan'25 -

- Accept FD / appeal to CMA
- Target final binding offers
- Complete equity raise

Closing Comments

Chris Weston

Chief Executive Officer

In summary

Despite the challenges, turnaround is achievable

- Improving operational and financial performance in 2024
- Turnaround achievable with stable leadership, consistent priorities, time and resources
- Thames and sector require huge step up in funding to reverse years of underinvestment and to address climate change & population growth
- We, Government and our regulators must work together to navigate the right path forward to ensure UK water can attract this capital
- Need to secure a financeable and investable PR24 determination
- A market-led solution is in the best interests of all stakeholders

Q&A

Chris Weston: CEO

Alastair Cochran: CFO

David Gregg: Director of Corporate Finance

Appendix: Financial Analysis

Underlying Income Statement

£272 million improvement in underlying profit after tax

Year ended 31 March, £m	2024	2023	Variance
Revenue	2,401	2,181	+10%
Operating expenses	(2,105)	(2,017)	+4%
Other operating income	149	108	+38%
Operating profit	445	272	+64%
Net finance expense	(393)	(477)	(17%)
Net gains on financial instruments	152	122	+25%
Profit before tax	204	(83)	n/a
Tax	(64)	(50)	+28%
Profit / (loss) after tax	140	(132)	n/a

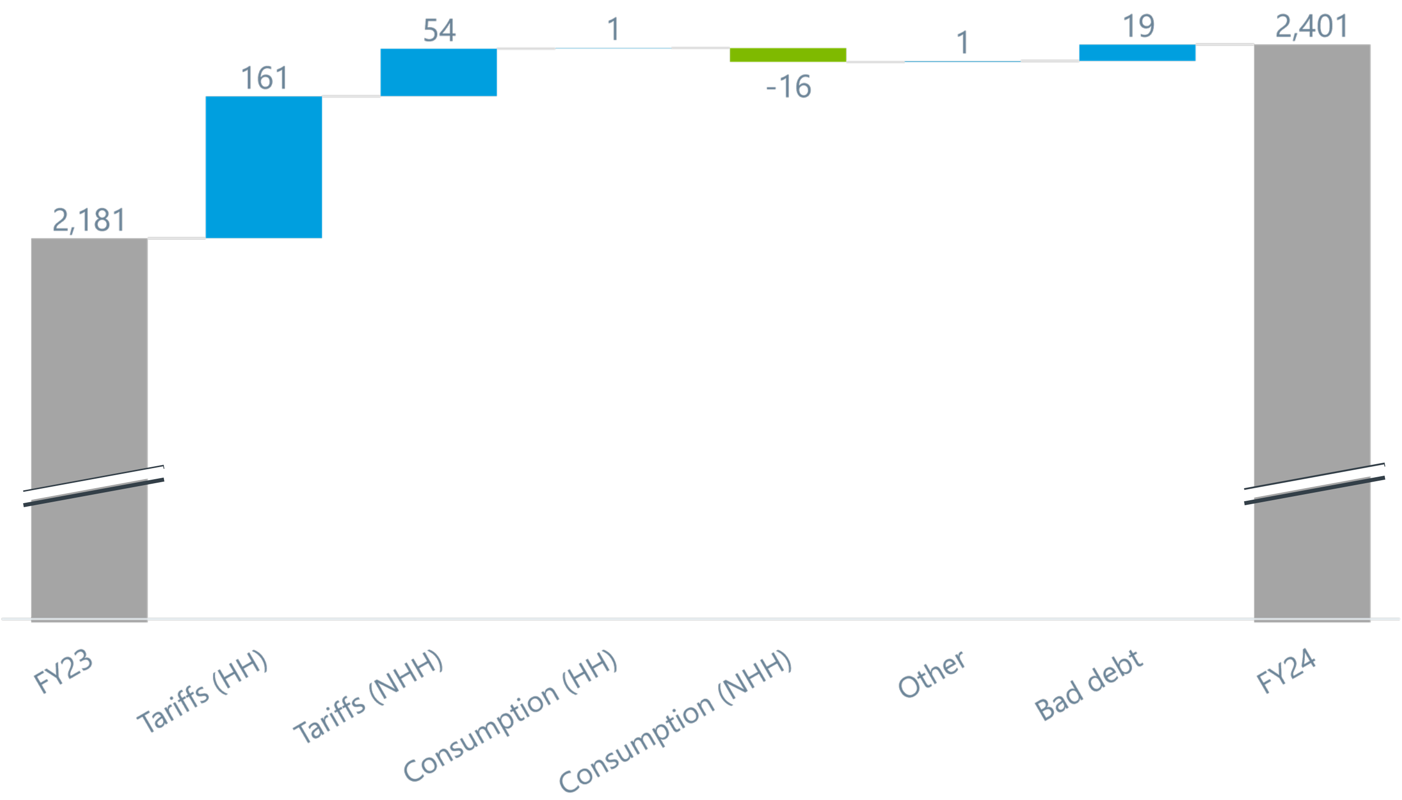
Note: Table may include rounding differences

Underlying Revenue

10% increase in revenue driven by higher tariffs

YE 31 March, £m	2024	2023
Household	1,962	1,801
Non-household	445	403
Other	21	22
Appointed revenue	2,428	2,226
Non-appointed	22	22
Gross revenue	2,450	2,248
Bad debt [1]	(49)	(68)
Underlying revenue	2,401	2,181

Underlying Revenue (£m)



1. Bad debt relating to current year bills. The total bad debt charge, including the cost relating to prior year bills that is shown within operating expenses, was £88 million.

Underlying EBITDA

21% increase driven largely by higher revenue, higher other operating income and cost discipline

Year ended 31 March, £m	2024	2023	Variance
Revenue	2,401	2,181	+10%
Operating expenses	(1,303)	(1,265)	+3%
Other operating income	149	108	+38%
Impairments on financial and contract assets	(39)	(22)	+77%
EBITDA	1,208	1,002	+21%
Depreciation, amortisation and asset impairment	(763)	(730)	+5%
Operating profit	445	272	+64%

Note: Table may include rounding differences

Underlying Net Finance Expense

17% decrease largely reflecting lower accretion & capitalised borrowing costs, offset by higher net interest

Year ended 31 March, £m	2024	2023	Variance
Interest income on deposits	50	13	+285%
Interest income on i/co loans	70	48	+46%
Interest income on swaps	156	162	(4%)
Other interest income	1	1	-
Finance income	277	224	+24%
Interest expense on debt	(576)	(444)	+30%
RPI accretion on debt	(240)	(461)	(48%)
Net interest expense on DB obligation	(8)	(7)	+14%
Interest on leases	(3)	(1)	+200%
Other finance fees & trading interest	(2)	(2)	-
Capitalised borrowing costs	159	215	(26%)
Finance expense	(670)	(700)	(4%)
Net finance expense	(393)	(477)	(17%)

Note: Table may include rounding differences

Effective Cost of Interest

Lower effective cost of interest reflecting lower accretion & net finance expense

Year ended 31 March, £m	2024	2023	Variance
Net finance expense	(393)	(477)	(17%)
Interest on inter-company loans	(70)	(48)	+46%
Capitalised borrowing costs	(159)	(215)	(26%)
Other adjustments	25	21	+19%
Swap accretion	(309)	(717)	(57%)
Adjusted net finance expense	(906)	(1,435)	(37%)
Average notional net debt[1]	15,549	14,279	+9%
Average effective cost of interest	5.8%	10.0%	(4.2 ppt)
Covenant cash interest	(312)	(235)	+33%
Average effective cash cost of interest	2.0%	1.6%	+0.4 ppt

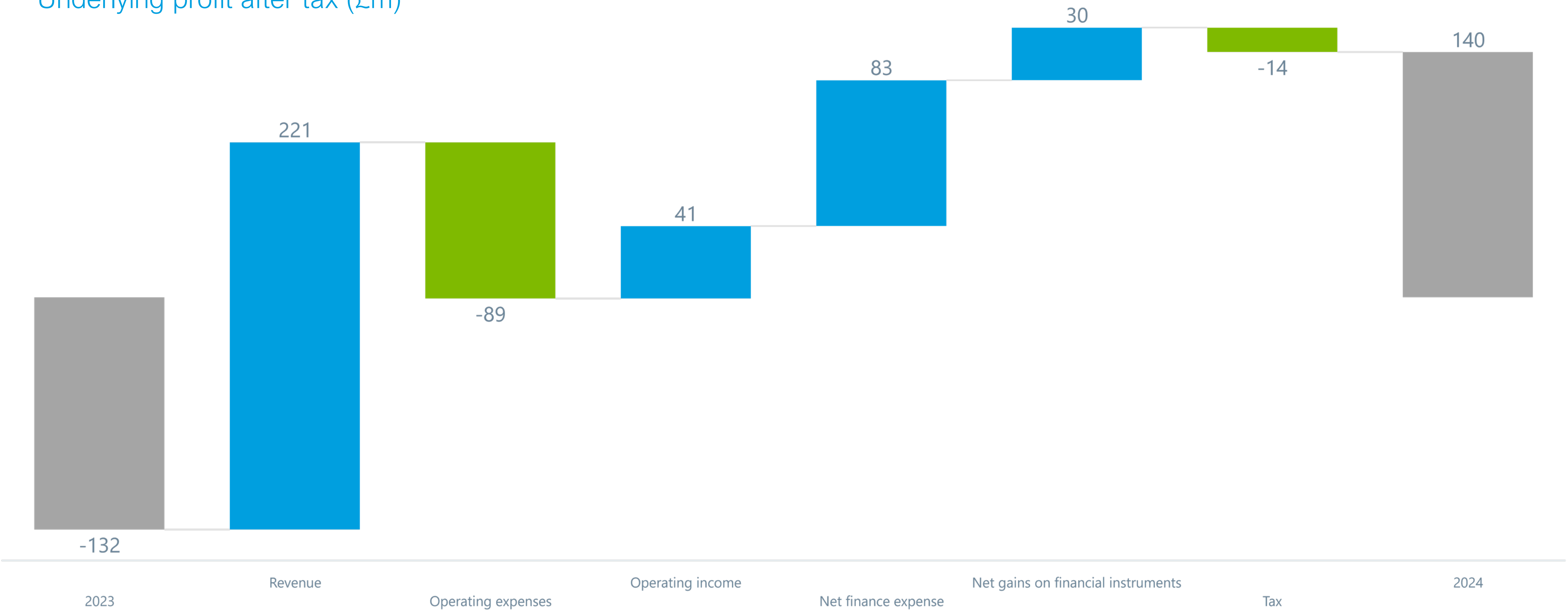
1. Post swap; excludes inter-company net debt

Note: Table may include rounding differences

Underlying Profit After Tax

£272 million improvement in underlying profit after tax

Underlying profit after tax (£m)



Underlying Cash Flow Statement

24% increase in underlying operating cash flow

Year ended 31 March, £m	2024	2023	Variance
Operating cash flow [1]	1,382	1,114	+268
Cash capex	(1,996)	(1,605)	(391)
Free cash flow	(614)	(491)	(123)
Net interest (paid) / received	(143)	43	(186)
Repayment of loans by parent	-	444	(444)
Cash inflow from financing activities	271	1,459	(1,188)
Dividends paid	(196)	(45)	(151)
Net cash inflow / (outflow) [1]	(681)	1,410	(2,091)
Opening cash (Group)	1,836	425	
Closing cash (Group) [2]	1,155	1,836	

1. Excludes BTL cash flow (2024: £1 million outflow; 2023: £2 million inflow)
2. Includes BTL cash and cash equivalents; 2024 is net of a bank overdraft of £127 million, reflecting the impact of £130m committed external payments which were cash settled on 2nd and 3rd April 2024

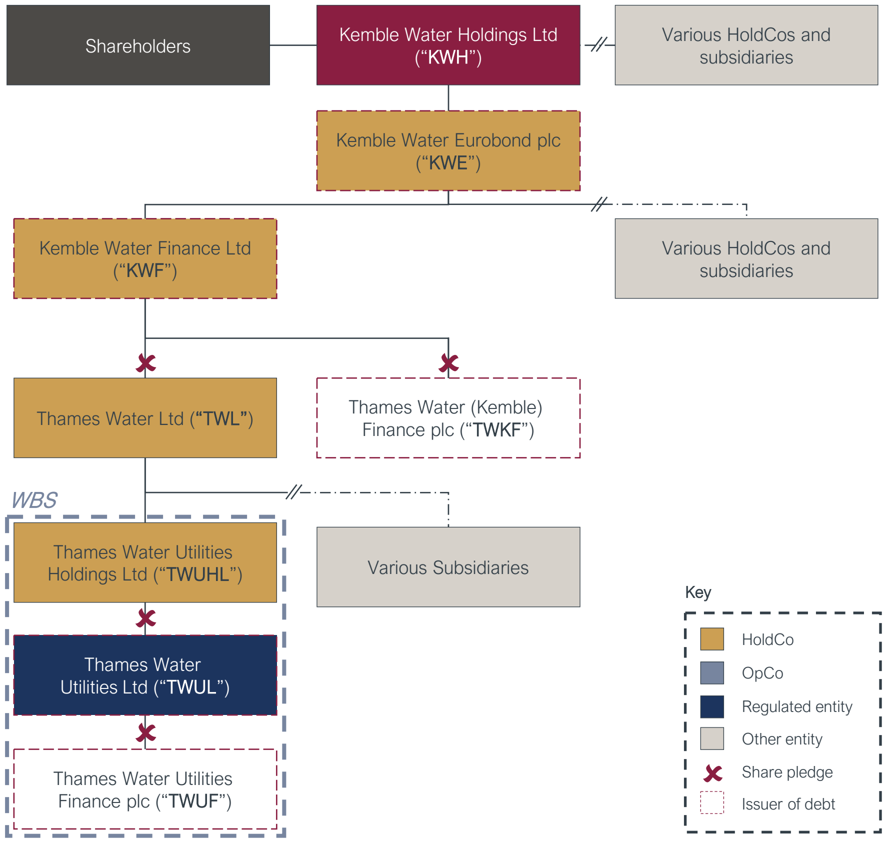
Capital & Corporate Structure

TWUL Group

TWUL Group capital structure [1]

At 31 March 2024, £m	TWUL	TWUF	Group
Secured bank loans	(1,118)	(1,060)	(2,178)
Private placements	(1,289)	(427)	(1,716)
Bonds	-	(10,852)	(10,852)
Class A	(2,407)	(12,339)	(14,746)
Secured bank loans	(541)	(570)	(1,111)
Bonds	-	(249)	(249)
Class B	(541)	(819)	(1,360)
Borrowings	(2,948)	(13,158)	(16,106)

Kemble Group corporate structure



1. Statutory borrowings as at 31 March 2024 excluding (i) interest payable on borrowings and (ii) fair value of derivative financial instruments (£1,348 million)

Net Debt

Statutory basis

As at 31 March, £m	2024	2023	Variance
Secured bank loans & private placements	(5,005)	(4,428)	(577)
Bonds	(11,101)	(11,122)	+21
Amounts owed to Group undertakings	-	(6)	+6
Borrowings	(16,106)	(15,555)	(551)
Interest payable	(243)	(183)	(60)
Total borrowings	(16,349)	(15,738)	(611)
Leases	(53)	(57)	+4
Bank overdraft [1]	(127)	-	(127)
Gross debt (principal, accretion and unamortised fees)	(16,528)	(15,795)	(733)
Cash & cash equivalents	1,281	1,836	(555)
Net debt (statutory basis)	(15,247)	(13,959)	(1,288)
Net debt (covenant basis) [2]	(16,071)	(14,664)	(1,407)

Note: Table may include rounding differences

1. Bank overdraft as at 31 March 2024 reflects the impact of £130 million committed external payments where cash settlement occurred on 2nd and 3rd April 2024
2. For reconciliation to statutory net debt, see note 20 of consolidated financial statements

Borrowings

Reconciliation between covenant and statutory basis

As at 31 March, £m	2024	2023	Variance
GBP bonds	(8,443)	(7,923)	(520)
Foreign currency bonds	(2,720)	(3,251)	531
United States Private Placements	(1,719)	(1,904)	185
GBP loans	(3,298)	(2,535)	(765)
Lease liability	(53)	(57)	4
Gross debt (covenant basis) [1]	(16,233)	(15,669)	(564)
Lease liability	53	57	(4)
Unamortised IFRS 9 adjustments	(18)	(23)	5
Unamortised debt issuance costs and discount	92	85	7
Amounts owed to group undertakings	-	(6)	6
Borrowings (statutory basis)	(16,106)	(15,555)	(551)
Post swap gross debt (covenant basis)	(17,356)	(16,500)	(856)

Note: Table may include rounding differences

1. Debt principal outstanding plus debt accretion (excludes swap accretion)
2. Debt principal outstanding plus debt and swap accretion and FX

Debt Maturity

Average debt maturity term of 12 years

Debt maturity profile at 31 March 2024: next 15 years (£m) [1]

1. Excluding future accretion

Financial Covenant Thresholds

Fully compliant with financial covenants in 2024

As at 31 March	2024	Lock-up	Trigger Event	Event of Default
PMICR – Senior	1.76x	-	1.10x	-
PMICR – Class A	2.17x	-	1.30x	1.00x
Gearing (RAR) – Senior	80.6%	85%	90%	95%
Gearing (RAR) – Class A	73.5%	-	75%	-

Pensions

£57 million decrease in IAS19 accounting pension deficit

- Current recovery plan targets eliminating deficit by 2027
- 2024 reduction in net deficit reflects £49m in Company contributions & changes in actuarial assumptions
- Latest triennial valuations as at 31 March 2022 prepared
  - TWMIPS agreed
  - TWPS under discussion

At 31 March, £m	2024	2023	Variance
TWPS	1,094	1,146	(52)
TWMIPS	523	538	(15)
Fair value of scheme assets	1,617	1,684	(67)
TWPS	(1,246)	(1,328)	+82
TWMIPS	(490)	(532)	+42
Present value of DB obligations	(1,736)	(1,860)	+124
TWPS	(152)	(182)	+30
TWMIPS	33	6	+27
Net pension surplus / (deficit)	(119)	(176)	+57

debt.investorrelations@thameswater.co.uk