

# Liquidity Extension Update

13 December 2024

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THIS SUMMARY SETS OUT A HIGH-LEVEL UPDATE OF THE PROPOSED AMENDMENTS  
TO THE LIQUIDITY EXTENSION TERMS

STAKEHOLDERS ARE ENCOURAGED TO REVIEW THE DOCUMENTS IN DETAIL  
THEMSELVES (COPIES OF WHICH ARE AVAILABLE AT  
[HTTPS://DEALS.IS.KROLL.COM/THAMESWATER](https://deals.is.kroll.com/thameswater)) AND SEEK THEIR OWN LEGAL AND  
FINANCIAL ADVICE<sup>1</sup> SHOULD THEY HAVE ANY QUERIES IN RELATION TO THEIR  
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1. Creditors can contact TWUL to receive details of existing creditor groups and their advisors

# Updated Liquidity Extension Transaction Terms

On 25 October 2024, Thames Water Utilities Limited (“TWUL”) launched a consent process for a transaction support agreement (“TSA”) in connection with a liquidity extension transaction (as set out in a term sheet appended to the TSA).

Following the launch of the TSA, TWUL has continued its discussions with committees of Secured Creditors together representing a substantial majority of TWUL’s Secured Debt and, following such discussions has today proposed an amendment to the TSA in relation to the treatment of certain hedging agreements (as set out on the next slide).

At the time of this announcement, creditors representing over 75% of the Class A Debt (Make-Whole) Providers, the Class A Debt (Non-Make-Whole) Providers and the Currency Hedging Providers have acceded to the TSA.

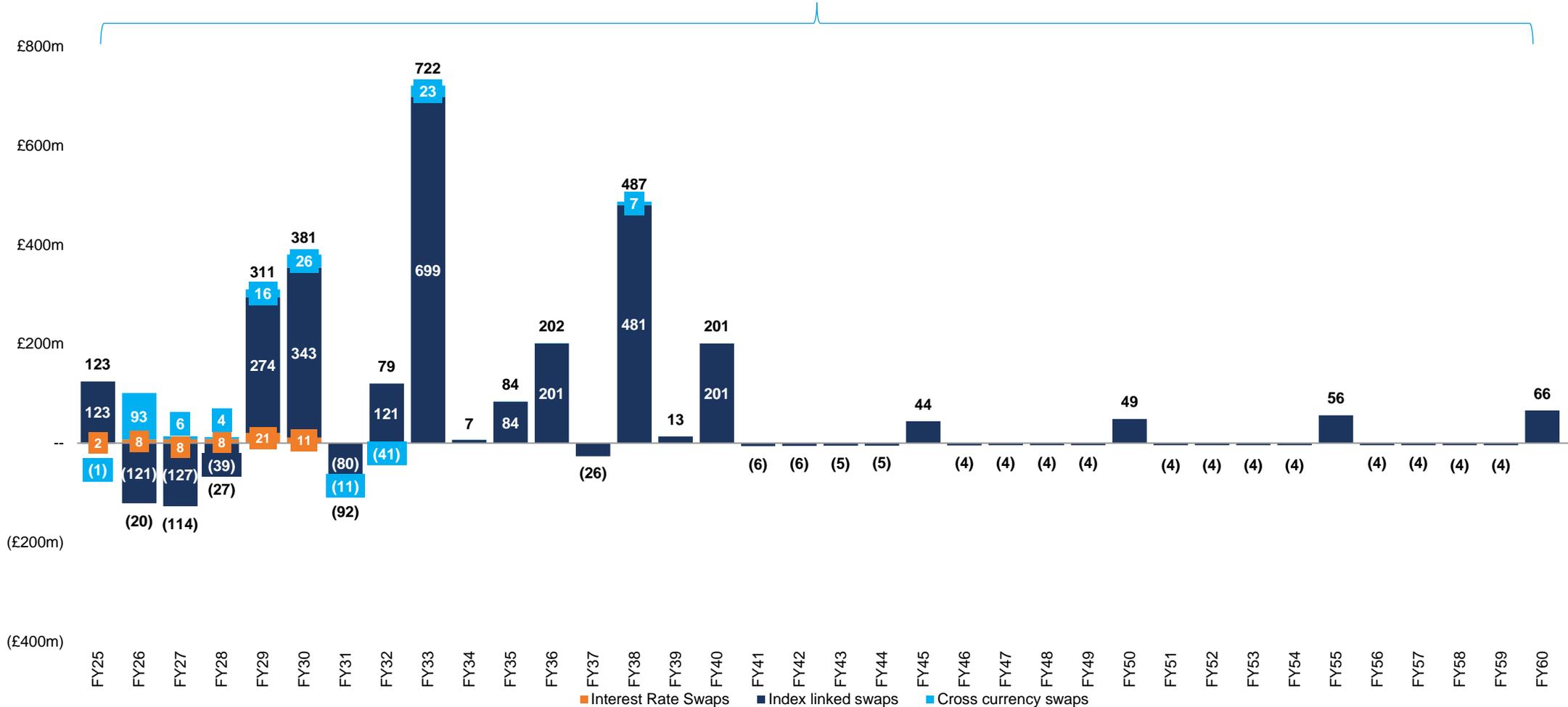
Based on the discussion to date and provided that the proposed amendments to the TSA are approved, TWUL expects that creditors representing over 75% of Interest Rate and Index Hedging Providers and the Liquidity Facility Providers would shortly thereafter accede into the TSA.

# Summary of proposed hedging amendments

Item	Key amendments
Fees	<ul style="list-style-type: none"> <li>• Consent fee - The consent fee in respect of the mark-to-market of the Interest Rate and Index Hedging Providers who accede to the TSA by the record date for the Restructuring Plan (the "Record Date") would be 0.75% (payable as CF debt as set out in the Term Sheet)</li> <li>• IG conditional fee - 1% fee per annum would accrue in respect of the Interest Rate and Index Hedging Agreements which are outstanding on the Record Date (calculated by reference to the mark-to-market on the Record Date and each anniversary thereafter). Initially the fee would accrue until the earlier of the completion of a Recapitalisation Transaction or the end of the stable platform period at which time the fee would be payable. Thereafter this fee would continue to accrue and be paid in cash semi-annually until the Investment Grade Condition (as defined below) is met</li> <li>• One-off fee - 3% in respect of the Record Date mark-to-market of the Interest Rate and Index Hedging Providers, of which 1.5% would be payable in cash following implementation of the Restructuring Plan (provided the relevant Interest and Index Hedging Provider is a Consenting Creditor under the TSA), and the remaining 1.5% would be payable in cash following the implementation of any more holistic recapitalisation transaction, unless (i) the transaction is implemented by way of restructuring plan and (if afforded the relevant vote) the relevant class of Interest Rate and Index Hedging Providers do not vote in favour of such restructuring plan (voting as a class); or (ii) that Interest and Index Hedging Provider exercises a termination or close out right which arises directly and only as a consequence of a restructuring plan required to implement such holistic recapitalisation transaction</li> </ul>
Breaks	<ul style="list-style-type: none"> <li>• If elected by an Interest Rate and Index Hedging Provider, a break would be included within the relevant Interest Rate and Index Hedging Agreements which is mandatory or exercisable (at the option of the relevant Interest Rate and Index Hedging Provider) on and from 31 December 2028 if TWUL and/or TWUF does not at that time or any time thereafter have an issuer credit rating, Class A debt rating or a corporate family rating from at least two Rating Agencies which is an investment grade rating (the "Investment Grade Condition")</li> <li>• TWUHL, TWUL and TWUF will agree to engage with Interest Rate and Index Hedging Providers in connection with any holistic recapitalisation transaction. If elected by an Interest Rate and Index Hedging Provider, a break would be included within the relevant Interest Rate and Index Hedging Agreements which is either mandatory or exercisable (at the option of the relevant Interest Rate and Index Hedging Provider) on 1 April 2030 if there is a holistic recapitalisation transaction unless (i) such transaction is implemented by way of a restructuring plan in which the Interest Rate and Index Hedging Providers are a separate voting class or classes of creditors (other than where all Class A Creditors do not have a right to vote on the restructuring plan), or (ii) the relevant Interest Rate and Index Hedging Provider provides its consent to such transaction</li> </ul>
Transferability	<ul style="list-style-type: none"> <li>• Interest Rate and Index Hedging Providers will have the ability to transfer their Hedging Agreements without the consent of TWUL (or, as applicable TWUF) following implementation of a more holistic recapitalisation transaction (subject to the transferee meeting minimum rating requirements of at least A-3 Moody's, A- Fitch or A- from S&amp;P)</li> </ul>

# Unadjusted hedging cash flows

Total unadjusted net hedging cash flows of £2.5bn



1. Hedging payment cashflows based on latest Company estimates as at 30-Sep-2024

# Update on latest MTM positions

TWUL Group (£m)

## Swap portfolio<sup>1</sup> summary – Unadjusted MTM

At 30-Sep-24, £m	TWUL	TWUF	Group
Cross-currency swaps	87.3	30.4	117.7
Index-linked swaps	1,239.8	394.2	1,634.0
Interest-rate swaps	51.5	-	51.5
<b>Total unadjusted MTM</b>	<b>1,378.6</b>	<b>424.6</b>	<b>1,803.2</b>
<b>Total notional outstanding<sup>3</sup></b>			<b>13,782.5</b>

## Swap portfolio<sup>1</sup> summary – Credit-adjusted<sup>2</sup> MTM

At 30-Sep-24, £m	TWUL	TWUF	Group
Cross-currency swaps	64.1	10.3	74.4
Index-linked swaps	880.1	281.7	1,161.8
Interest-rate swaps	30.4	-	30.4
<b>Total credit-adjusted MTM</b>	<b>974.6</b>	<b>292.0</b>	<b>1,266.6</b>

1. excludes two accretion agreements and one index-linked credit agreement, which are Class A debt
2. includes impact of £28.2 million other accounting adjustment
3. includes accrued accretion at 30 Sep 2024



It's everyone's water