



Thames Water Utilities Limited Investor Report

30 September 2024

Important Notice

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This report should be read in conjunction with, and as a supplement to, TWUL and Thames Water Utilities Finance plc (“TWUF”) (together “TWUL Group”) interim report for the six months ended 30 September 2024. Please refer to the Thames Water website www.thameswater.co.uk for these documents in full.

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1. Overview for the six months ended 30 September 2024

Chief Executive Officer, Chris Weston, said: “In the last six months we’ve made solid progress on the transformation and turnaround of Thames Water.

“After recognition from Ofwat with an improved performance ranking, we have continued to improve operational and underlying financial performance, with leakage at an all-time low and investment remaining at high levels in the first half of the year. After record rainfall and groundwater levels in our region, pollutions and spills are unfortunately up; however, we’ve been increasing pipe relining and cleaning, and the landmark Thames Tideway Tunnel, now in its testing phase, is already reducing overflows into the Tidal River Thames.

“At the same time, we’ve reached key milestones in establishing a more stable financial platform, agreeing a liquidity extension transaction proposal and progressing our equity raise process. The next critical step is receiving an investible Final Determination which is fundamental to our future.”

Financial performance

- 10% growth in underlying revenue¹ to £1.3 billion, reflecting an inflation linked increase in our charges for water and wastewater services
- Underlying EBITDA¹ of £715 million, up 14% reflecting higher revenue and operating cost discipline
- Underlying profit after tax of £187 million, an increase of £46 million
- Statutory loss after tax of £190 million includes post tax exceptional costs of £427 million and income related to Bazalgette Tunnel Limited
- Capital expenditure of £1.0 billion as we maintain high levels of investment in our ageing assets and to improve network resilience
- Underlying operating cash flow of £605 million, an increase of £26 million

Financial resilience

- Committed liquidity of £1.5 billion² as at 30 September 2024; STID proposal approved in November, supporting near-term liquidity by accessing reserved cash
- Launched Liquidity Extension Proposal
 - Up to £3.0 billion new super senior facility, the first £1.5 billion of which is backstopped by creditors
 - Two-year extension of all debt maturities, deferring £3.2 billion of maturities currently due by January 2027
 - More than 75% of Class A creditors signed up to Transaction Support Agreement ahead of a convening hearing on 17 December 2024

¹ Underlying figures exclude BTL and exceptional items

² Committed liquidity includes £1.1 billion cash and cash equivalents and £0.4 billion undrawn facilities. The undrawn facilities mainly consist of revolving credit facilities, and it is intended that these would be cancelled as part of the Liquidity Extension Transaction and whilst the Transaction Support Agreement (“TSA”) is in place the TWUL Group has agreed not to draw these without the consent of the relevant lenders ahead of the implementation of the Liquidity Extension Transaction.

- Next phase of equity raise process launched
- Julian Gething appointed as Chief Restructuring Officer

Operational and environmental performance

- 23% reduction in lost-time injuries (HY25: 20: HY24: 26)
- 19% reduction in total complaints (HY25: 31,600: HY24: 38,900)
- 1.86 Compliance Risk Index³ (HY24: 1.19)
- 4% reduction in leakage (HY25: 536.5 MI/d (annual average): HY24: 557.1 MI/d)
- 3 minutes 42 seconds in supply interruptions (HY24: 2 minutes 52 seconds)
- Record rainfall leads to 40% increase in total pollutions (category 1-3) (HY25: 359: HY24: 257)
- Improvement to 'average' in Ofwat's annual performance ranking

Sustainability highlights

- The Thames Tideway Tunnel and Lee Tunnel collectively captured 589 million litres of sewage in a single 24-hour period, as new super sewer enters testing phase
- £67 million in total financial help for customers in vulnerable circumstances

Key financials

Period ended	30 September 2024				30 September 2023				
£m	Underlying	Exceptional items ⁵	BTL ¹	Total	Underlying	Exceptional items ⁵	BTL ¹	Total	Total Movement
Revenue	1,326.2	-	66.8	1,393.0	1,210.9	-	58.8	1,269.7	+10%
EBITDA	715.1	(143.5)	66.5	638.1	627.1	(17.8)	58.5	667.8	(4%)
Profit / (loss) after tax	187.3	(426.8)	49.8	(189.7)	141.7	(13.3)	43.9	172.3	(210%)
Capital investment ³	1,033.3	-	-	1,033.3	1,049.0	-	-	1,049.0	(1%)
Operating cash flow	604.6	-	5.4	610.0	579.1	-	4.9	584.0	+4%
Free cash flow ⁶	(436.9)	-	5.4	(431.5)	(388.9)	-	4.9	(384.0)	(12%)
Net debt (statutory)	15,798.1	-	-	15,798.1	14,738.7	-	-	14,738.7	+7%
Senior gearing ⁴	84.2%				79.5%				

¹ Refer to page 37 of the TWUL Group interim financial statements 2024/25 for information about the Bazalgette Tunnel Limited ("BTL") arrangement

² Operating profit includes revenue and other operating income, offset by operating expenses

³ Capital expenditure including intangibles

⁴ Ratio of covenant senior net debt to Regulatory Capital Value ("RCV")

⁵ Exceptional items are those charges or credits, and their associated tax effects, that are considered to be outside of the ordinary course of business by the Directors, either by nature or by scale. Exceptional items have been split out from our underlying figures to support users of the financial statements to understand underlying performance of the business and separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements

⁶ Net cash generated by operating activities less cash flows used for capital expenditure

³ Compliance Risk Index measures risk to water quality with 0 being the target

2. Operational update, Price Review 2024 and Turnaround Plan

Our essential services

It has continued to be an incredibly busy time for the business as we navigate the right pathway forward for our customers, communities, stakeholders and the environment. Throughout this challenging period for the business, our 8,000 strong team has maintained focus on what matters most to our customers and the environment, working tirelessly to make improvements and deliver our essential services to 16 million customers across London, the Thames Valley and the Home Counties.

Navigating the path forward

Over the last six months, we've continued to invest heavily in our network, moved forward in our turnaround to support the delivery of our PR24 plan, and made solid progress to improve our financial resilience.

On 25 October 2024, we announced our proposed transaction to extend the Group's liquidity runway. This includes up to £3.0 billion of new money, debt extensions and access to cash reserves. With the support of our creditors, this will allow us to progress our equity raise process and a holistic recapitalisation transaction. It will also allow us to complete the Final Determination process, including a Competition and Markets Authority ("CMA") appeal if necessary, and deliver our ambitious PR24 plan for the benefit of our customers and the environment.

This Liquidity Extension Transaction and related Security Trustee Intercreditor Deed ("STID") Proposals will extend the Group's liquidity to October 2025, with the ability to extend further to May 2026 if the Board appeals the final determination to the CMA.

Since this announcement, we've continued to work closely with our creditors, confirming on 13 November 2024 that more than 75% of Class A creditors had signed up to the Transaction Support Agreement. On 18 November 2024 we also announced the approval of our STID proposal, to address near-term liquidity requirements. The next key milestone for our Liquidity Extension Transaction is the Convening Hearing of our restructuring plan proposal on 17 December 2024. In tandem, we launched our equity process in October 2024 after an extensive pre-marketing process.

We will continue to issue updates on both our creditor and equity engagement processes as appropriate.

The next critical step in enabling our ambitious PR24 business plan, improving operational performance and increasing financial resilience is securing an affordable, deliverable, financeable and investible PR24 final determination from Ofwat on 19 December 2024.

Our response to our Draft Determination

In October 2023, and the subsequent update in April 2024, we submitted a business plan to deliver record investment to turn around performance for customers, communities and the environment in AMP8. This ambitious plan delivers what our customers have told us are their top

priorities: maintain safe high quality drinking water; ensure security of water supplies across London and the Thames Valley now and in the future; and deliver further environmental improvements. It also promised to do more than ever to support customers by introducing an improved social tariff for those who struggle to pay their bills. However, in July 2024 we received a draft determination from Ofwat that both our own and independent analysis shows would be neither financeable, nor investible, nor deliverable.

We listened carefully to Ofwat's feedback and responded constructively, updating our plan in August 2024 to reflect stretching goals, while offering changes that would give us the opportunity to secure the necessary funding so that our plan can be delivered for our customers and the environment.

We need to significantly increase investment in our ageing infrastructure to deliver our ambitious objectives and, in our response to our draft determination, we put forward total expenditure of £23.7 billion. The increase compared to our previous business plan submissions reflects updated requirements since those submissions, and increased evidence to support the true costs relating to capital maintenance, as well as our Strategic Resource Options. These are infrastructure solutions to reduce water wastage and develop new water supply and storage resources, including a new reservoir for the South East and a new water recycling project for London. Together, they form part of our Water Resources Management Plan, which received Government approval in October 2024.

Our transformation

Since joining in January 2024, our CEO Chris Weston has been making changes to transform Thames Water. These changes recognise that we are a critical infrastructure business and resulted in a new operating model being launched combining our asset management, operations, and capital delivery divisions. This enables a more cohesive, coordinated, and effective operation focused on optimising value at each step of the asset lifecycle. Led by Esther Sharples in the new role of Chief Operating Officer, the team's structure is pivoting to align with the water and wastewater regulatory price controls, giving senior directors accountability for all spend and outcomes aligned with their respective price control.

This supports 'delivering within our means', another building block of our transformation, that will end the unsustainable cycle of overspending our regulatory allowances that has been prevalent in recent AMPs. To achieve this change by 2030 and support the new operating model, Chis has also put in place enhanced governance practices to increase oversight of business performance.

Together these strategic building blocks will underpin the delivery of Thames Water's transformation, turnaround plan and our PR24 business plan.

Operational performance

Our turnaround plan is specifically targeted on driving improvement in areas which matter most to our customers and the environment. Health and safety is our number one priority, followed by six further operational priorities: water quality; leakage; supply interruptions; pollutions; complaints; and bad debt.

We've made solid progress during the first half of the year, with year-on-year improvements in lost time injuries, leakage and customer complaints. And, for the first time this regulatory period, we moved up a performance rating in Ofwat's FY24 report on performance across the industry, which is testament to the hard work of our teams in turning around performance in critical areas. Notwithstanding the progress we've made over the last year, there's still a lot to do. In particular we need to do more to drive down the number of pollutions and make faster progress on the delivery of key environmental enhancement schemes.

The health, safety and wellbeing of our people and our customers is our greatest priority. At the end of the first half of the year, we recorded a 23% reduction in lost time injuries year-on-year and a 5% reduction in lost time illness. Our improved performance has been supported by targeted communication to highlight key risks leading up to and through risk periods; upskilling managers in how to support colleagues with their mental health; and increasing the visibility of senior management. We've also rectified manufacturing issues that were causing small and contained gas leaks, and we have increased 'safety critical' competencies on the front line. Insight from our first safety culture survey, completed in June 2024, along with an internal review and business-wide feedback has enabled the completion of a full health, safety and wellbeing strategy review to create our improvement plan.

Our key metric for water quality, called the compliance risk index (CRI), is a calendar year measure. CRI is susceptible to very small changes in risk at our large water treatment works and, while still a significant improvement on our September 2023 result, CRI went up to 1.86 during the first six months (HY24: 1.19) due to a number of microbiological sample failures. We continue to deliver our Public Health Transformation Plan and, in the last six months, have made significant progress on improving our competency through targeted training, coaching and assessment. Our detailed risk assessments, called 'enhanced hazard reviews' at our water treatment works and tank inspection programmes have helped us continue to adapt our plans to mitigate the root causes of failure. We've completed major work at Hampton and Coppermills, our large water treatment works in London, with further investment planned at both sites, as well as Ashford, to increase their resilience.

Our supply interruptions performance commitment measures the average time customers don't have water for three or more hours. Our supply interruptions performance for the first half of the year was 3 minutes and 42 seconds, with three large incidents accounting for 1 minute and 4 seconds of supply interruptions in Oxford, Royal Wootton Bassett and Eltham in South East London. Although we do not expect to meet our year-end regulatory target of five minutes, we are still on track to improve performance by the end of this financial year compared with last. As part of our turnaround, we are focused on prioritising maintaining water supply ahead of asset repair, increasing the speed and effectiveness of our response to incidents and reducing the number of trunk main bursts, which are the 'motorways' of our water network.

To increase our resilience to weather and the increasing effects of climate change, our wastewater assets require significant investment. February and September of 2024 were the wettest on record according to the Environment Agency, which had an impact on our pollution incidents. Total pollutions (category 1-3) increased from 257 at September 2023 to 359 at September 2024 (figures subject to Environment Agency review). Despite the impact of storm conditions and prolonged high groundwater levels, the number of pollutions from our network remained stable, with the deterioration in our performance predominantly due to pollutions from our sewage treatment works. Although it's been a challenging first half of the year, we're making

progress in our turnaround initiatives which will, in turn, support improved performance. We reduced blockages by 7% compared with last year, by cleaning and jetting more pipes on our network before issues arose. We also proactively relined 6.4km of pipes across 222 locations in the first half of the year, 28% above our target of 5km. Heading into the second half of the year, we're focused on mitigating the thirteen highest pollution risks at our sewage treatment works and increasing our sites' resilience to power outages by installing more generators and enabling auto-resets.

2024 saw the wettest Spring since 1986, according to the Met Office, with over 30 cm of rain in England. Rain or groundwater getting into our sewers is often the main cause of storm overflows, known as spills. In some areas, our system has been designed to operate in this way, though the circumstances of a spill may or may not be permitted. Spills are measured on a calendar-year basis and rose to 17,564 between January and September 2024, compared with 12,428 in the same period the previous year.

With building now complete, testing of the Thames Tideway Tunnel has begun and we will begin to operate the system as part of our London wastewater network in 2025. When the tunnel reaches full operating capacity next year, it will be critical not just to improving our network's resilience to rainfall, but improving the health of the River Thames throughout the next century. We are delighted that the first Thames Tideway Tunnel connections have now been switched on and, in combination with the Thames Water Lee Tunnel, the tunnel network collectively captured 589,000 cubic metres of sewage in a single 24-hour period. The Thames Tideway Tunnel, combined with the Lee Tunnel and previous upgrades to sewage treatment works, will capture 95 per cent. of the volume of untreated sewage currently entering the tidal Thames in a typical year.

Our annual average leakage position at the end of September 2024 was 536.5 Ml/d (subject to water balance reconciliation). This performance represents a 4% reduction compared to the same time last year and leakage continued to be at the lowest ever level on our network. Notwithstanding this, after seeing an increase in leaks in August and September, we're behind where we aimed to be at this time of the year. We continue to focus on improving leak detection, reducing outstanding repairs and speeding up the fixes of some of our largest leaks, driving our four-pronged strategy of 'prevent, mend, locate and aware'. The strategy includes increasing oversight of leakage detection, introducing new technology and processes, and collaborating more effectively across delivery streams. In the Thames Valley, we have increased leakage detection resources by 26% and have successfully achieved our long-term target of reducing leakage jobs (visible and invisible) to less than 1,000, down from 6,500 in April 2023.

We performed well in total complaints during the first half of the financial year, with a 19% reduction year-on-year. Our focus on getting things right first time has had a positive impact on our performance. The setup of escalation teams within our Billing and Operational departments has led to us resolving 94% of escalated customer calls the first time a customer contacts us, significantly contributing to the reduction in complaints. We've also improved our communication with customers, particularly during incidents.

Looking ahead

We welcome the Government's new, independent commission into the sector and its regulation, led by Sir Jon Cunliffe. It will consider the fundamental changes required to enable the sector to

meet public expectations and tackle the twin challenges of climate change and population growth and we look forward to playing an active role in supporting the Commission's work.

As well as on the sector as a whole, there will likely continue to be intense focus on Thames Water as we receive and consider our Final Determination, extend our liquidity and continue our equity raise process. And we look forward to engaging with all our stakeholders as we seek to stabilise the business and move forward with our transformation to deliver improved outcomes for customers and the environment.

Going concern

The Directors believe that it is reasonable to assume that actions can be taken such that the Company and Group have adequate resources, for a period of 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due.

However, there exists a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given the Company and Group do not have sufficient committed liquidity to meet their liabilities as they fall due for a period of at least 12 months from the approval of the financial statements.

The ability of the Group and Company to extend the liquidity runway is not wholly within their control and is dependent on the implementation of a Liquidity Extension Transaction. The implementation of the Liquidity Extension Transaction, and the subsequent securing of additional funding via a creditor led solution and / or equity, is dependent upon a number of matters which, individually and collectively, are outside of the Company's control; these are due to commence shortly after the approval of these interim financial statements. The convening hearing date for the Restructuring Plan took place on 17 December 2024 and, without a Restructuring Plan approved by the court (expected to be effective in mid February 2025), the liquidity runway ends during March 2025. The Liquidity Extension Transaction is intended to allow the Group to progress its current equity raise process and support a holistic recapitalisation transaction.

Gearing and interest cover

The net cash outflow for the first half, together with non-cash changes to the carrying value of borrowings and leases (consisting of accrued interest and debt accretion), increased statutory net debt to £15,798 million, representing an increase of £551 million since the year ended 31 March 2024 and a £1,059 million increase since the comparative period ended 30 September 2023. Net debt on a covenant basis was £16,997 million as at 30 September 2024.

The increase in net debt was accompanied by a £249 million increase in Regulatory Capital Value to £20,196 million as at 30 September 2024. This resulted in senior gearing increasing to 84.2%, below the covenant event of default threshold of 95.0%.

Under the terms of the Common Terms Agreement and as disclosed in the compliance certificate submitted to the Security Trustee in July 2024, Thames Water is forecasting non-compliance with certain forecast ratios for gearing and interest cover with Trigger Event thresholds. Class A gearing exceeds the Trigger Event threshold as at 30 September 2024. This places restrictions

on the Group's ability to incur debt, pay dividends, and make payments to associated companies, and required Thames Water to prepare a remedial plan for our lenders.

Subsequently, we announced our proposed transaction in October 2024 to extend the Group's liquidity runway by agreeing terms to defer debt maturities by two years, secure a backstopped new super senior debt facility with capacity to increase it further, and suspend financial covenants once the transaction is approved by creditor and the Court, and we have gained access to cash reserves. This package of measures will allow us to continue to progress our equity raise process and a holistic recapitalisation transaction to improve financial resilience post conclusion of the PR24 price review.

3. Regulatory, business and legal update

Changes to the Thames Water Utilities Limited Board ("TWUL")

On 1 September 2024, Aidan de Brunner was appointed to the Board as an Independent Non-Executive Director.

On 30 September 2024, Jill Shedden resigned from the Board as an Independent Non-Executive Director.

On 2 October 2024, Neil Robson was appointed to the Board as an Independent Non-Executive Director.

Changes to the Board of Thames Water Utilities Finance plc ("TWUF")

On 22 May 2024, Sir Adrian Montague, Chris Weston, Ian Pearson and Nick Land joined the board of TWUF

On 10 July 2024, David Gregg, Jonathan Read and Ian Dearnley resigned as Directors of TWUF.

On 14 November 2024, Aidan de Brunner and Neil Robson were appointed as directors of TWUF.

Changes to the Board of Thames Water Utilities Holdings Limited ("TWUHL")

On 20 May 2024, Jason Cogley, Steve Deeley, Jerry Divoky, Alastair Hall, Jenny Lyn Dela Cruz and Ying Deng resigned as directors of TWUHL.

On 18 June 2024, Gavin Merchant, Perry Noble, Henrik Onarheim, David Xie, Susannah Lowndes and Chenye Wang resigned as directors of TWUHL.

On 14 November 2024, Aidan de Brunner and Neil Robson were appointed as directors of TWUHL.

On 19 November 2024, Paul O'Donnell and Nicholas Pike resigned as directors of TWUHL.

Competition Act

On 8 July 2019, Ofwat announced that it was investigating whether TWUL may have contravened the prohibition on abusing a dominant position in Chapter II of the Competition Act 1998.

The allegations related to:

- the approach that TWUL had 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 had applied to retailers.

TWUL responded to several 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 £11.2m which TWUL agreed to pay.

On 16 May 2024, Ofwat published a consultation on its intention to release TWUL from the original commitments and undertakings based on the fact TWUL had complied with their requirements, and the consultation was open for comment until 31 May 2024.

On 7 August 2024 (and following its earlier consultation), Ofwat published its decision to release TWUL from the commitments and undertakings previously given and they are no longer binding and enforceable requirements on the Company. This matter has therefore successfully 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 in 2019/20, 2020/21 and 2021/22.

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 thirteen reports have been submitted, in November 2018 and each May and November up to November 2024. TWUL is in discussions with Ofwat on the future requirements of the remaining undertakings after March 2025.

TWUL has been having regular meetings with Ofwat on its leakage performance and continues to publish regular updates on its website. TWUL met its leakage target in 2019/20, 2020/21 and 2021/22, but weather events in 2022/23 (including the summer 2022 drought and December 2022 freeze-thaw event) led to TWUL missing its leakage reduction target. In 2022/23 the Company reported that it delivered a 10.7% reduction in leakage (assessed on a three-year rolling average basis) against a regulatory target of 14.1% despite delivering 25% more activity. As annual leakage targets are based on a three-year rolling average, TWUL's 2022/23 outturn has continued to impact its regulatory performance outturn for 2023/24 and 2024/25. Notwithstanding this, during 2023/24, TWUL delivered a 43 MI/d (7%) reduction in its annual average leakage position and has delivered a further 4% reduction in annual average leakage during the first half of 2024/25 (HY25: 536.5 MI/d (annual average): HY24: 557.1 MI/d). Leakage is now at its lowest ever reported level. However, due to the impact of weather events in 2022/23 and Ofwat's assessment of leakage target compliance on a three-year rolling average basis, TWUL is now adrift of its AMP7 regulatory three-year rolling average target.

Although improvements have been delivered in 2023/24, 36% of TWUL's mains network remains over 100 years old and performance remains highly sensitive to environmental factors such as prolonged periods of hot and cold weather. Reporting to a three-year average target makes recovery from major events difficult since the impact is felt for several years. TWUL also commented on its leakage target compliance in its 2023/24 Annual Performance Report.

Continual leakage reduction is a key priority for TWUL as part of its Turnaround Plan and leakage transformation programme. TWUL continues with its current strategy in 2024/25 to focus on the four principles of the Prevent, Aware, Locate and Mend ('PALM') model improving performance across all areas of leakage management, which will:

- Change the operational and cultural approach to find and fix, working with suppliers to enhance detection performance and support "fixing bigger leaks faster";
- Use smart meter data to better understand consumption and target detection more effectively - "dynamic demand"; and
- Improve data - increasing District Metered Area operability, availability and zonal availability to improve accuracy of reporting and targeting.

By the end of 2025/26, TWUL is intending to deliver an annual leakage average outturn of 479MI/d which represents a 23% improvement compared to 2022/23 (subject to the final PR24 business plan). It is acknowledged that this is very ambitious and TWUL has continued to update Ofwat on its leakage performance through quarterly meetings.

Environment Agency and Drinking Water Inspectorate ("DWI") update

An update on environmental compliance and regulatory investigations and uncertainties around these is included in an Environmental Compliance and Regulatory Investigations summary

available at <https://www.thameswater.co.uk/media-library/home/about-us/investors/liquidity-extension/environmental-compliance-and-regulatory-investigations.pdf>.

Sewerage treatment regulatory investigations

Ofwat

On 18 November 2021, Ofwat's Acting Chief Executive published an open letter to all water and sewerage company CEO's regarding company compliance with environmental permits and made a number of requests for information which TWUL complied with. The Ofwat letter stated that Ofwat would consider enforcement action for failure to comply with permit conditions and specifically mentions the WIA 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 served a notice on TWUL under section 203 of the Water Industry Act 1991. The notice contained a number of questions regarding the operation of TWUL's sewage treatment sites including compliance with environmental permits. TWUL responded to these questions in April 2022 and responded in September 2022 to a further section 203 request from Ofwat dating from July 2022. There have been further information requests and questions from Ofwat since then which TWUL has responded to. TWUL understands that all water and wastewater companies in England and Wales are now subject to Ofwat's wastewater treatment works investigation.

On 11 December 2023 Ofwat informed TWUL of its provisional findings, that TWUL has contravened Condition P of its Instrument of Appointment, section 94 of the Water Industry Act 1991, and Regulation 4 and Schedule 2 of the Urban Waste Water Treatment Regulations 1994. In light of these findings Ofwat has provisionally proposed a financial penalty on TWUL and has also proposed to issue a draft enforcement order. TWUL has formally responded to these findings.

On 6 August 2024, Ofwat published notice under sections 20 and 22A(4) of the Water Industry Act 1991 of its proposal to issue an enforcement order and impose a financial penalty on TWUL. The notice sets out Ofwat's proposed decision to impose a financial penalty on TWUL in the amount of £104.5m (representing 9% of TWUL's relevant wastewater business turnover for 2023-24) as a result of its contraventions of the Urban Waste Water Treatment Regulations 1994, section 94 of the Water Industry Act 1991 and Condition P of its Licence. It also sets out Ofwat's proposal to issue an enforcement order to TWUL, requiring it to remedy the contraventions that it has identified. It is accompanied by the proposed enforcement order. Ofwat invited comments and representations on its proposed decision and proposed enforcement order by 10 September 2024. TWUL responded to this and has been seeking to explore undertakings with Ofwat on a without prejudice basis. Discussions continue with Ofwat. Therefore the precise outcome of the investigation and the existence of any future financial obligations, or other consequences is not yet conclusive at this time.

Environment Agency ("EA")

In February 2021, TWUL was fined £2.3 million for a pollution incident at Henley sewage treatment works ("STW") which occurred in April 2016. In May 2021, TWUL was fined £4.0 million for pollution incidents at Hogsmill STW which occurred between February 2016 and September 2019. In November 2021, TWUL was fined £4.0 million for a pollution incident at Hinksey stream

dating from July 2016. 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 £3.3 million at Lewes Crown Court.

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 undertaken a number of site visits to TWUL’s sewage treatment works as part of its investigation.

In November 2024, TWUL received a summons, case summary and initial information relating to a new prosecution being brought by the EA in respect of incidents in 2019 and 2020 relating to two rising mains at Newbury SPS. Previously, TWUL attended an interview under caution with the EA in May 2022 and has answered several follow up questions.

The EA have consolidated the number of breaches into two charges:

- causing a water discharge activity, contrary to Regulation 12(1)(b) and Regulation 38(1)(a) of the Environmental Permitting (England & Wales) Regulations 2016; and
- depositing controlled waste on land contrary to section 33(1)(a) and section 33(6) of the Environmental Protection Act 1990.

The first hearing at Reading Magistrates’ Court is due to be held in 2025.

WINEP Projects- Deferral/Rescheduling

TWUL has been in discussion with the EA in relation to delivery of TWUL’s WINEP (Water Industry National Environment Programme) improvement projects that are due to be delivered in AMP7. Some of those projects are having to be rephased while others may be delivered late. This could expose TWUL to ODI penalties and the potential for a range of enforcement action including for breach of the Environmental Permitting Regulations (EPR) (which implement, inter alia, the Industrial Emissions Directive (IED)).

As at November 2024, TWUL is currently forecasting that 127 WINEP7 schemes will be delivered to their regulatory deadline.

By delivering these schemes late, TWUL faces a variety of other potential enforcement risks such as those resulting from breaches of the EPR which implement the IED. It also faces the risk of enforcement action by its regulators such as the DWI, Ofwat (e.g. under s18 WIA 1991) for breach of principal duties as well as breach of licence (Condition P). If TWUL is perceived as having obtained an economic benefit through its actions/ inaction, any fine may be increased to reflect the benefit it has derived, and class actions may additionally look to recover monies charged for work which has not been carried out.

TWUL’s WINEP team are continuing to refine the full list of WINEP projects and revised dates and are in regular contact with the EA.

IED Compliance

TWUL has been in discussions with the EA regarding implementation of the IED through the EPR with respect to sewage sludge treatment and management at STWs. The EA's expectation is that TWUL, along with other water and sewerage companies, obtains and complies with IED-EPR permits and also complies with new "best available techniques" for waste treatment by 31 March 2025 in order to minimise potentially harmful impacts.

The EA has begun inspections against the new standards and has started issuing non-conformances as it seeks to require compliance by 31 March 2025. It has expressly reserved the right to take enforcement action under the EPR and has recently provided advance notice of improvement conditions it intends to use to deliver the standards required. Given that approach, TWUL has begun issuing appeals against environment permits for its sludge treatment centres (beginning with its Reading, Camberley and Maple Lodge centres). Nevertheless, there remains the risk that TWUL could be regarded as being in breach of its EPR permits across around 25 sludge treatment centres, as the appeals do not put the permits into abeyance.

The Reading appeal decision was handed down on 13 September 2024. Although TWUL was ultimately unsuccessful in its appeal of the permit conditions, it was successful in arguing that the EA had incorrectly interpreted and applied the CIRIA guidance. This will have an impact on how it risk assesses the requirements for secondary containment at each of the 25 sites.

The Camberley appeal was withdrawn on the basis that the issues faced at Camberley can be addressed in the Maple Lodge appeal, and if successful can be retrospectively applied by way of permit variation application.

Maple Lodge statement of case was lodged at the Planning Inspectorate (PINS) by the deadline of 11 December 2024.

Six further IED permits were granted in November 2024 and a further six IED permits were issued in draft for comment at the end of November 2024. TWUL has responded to the EA.

There is a partial overlap with WINEP (see entry above) in that delivering certain elements of WINEP should assist with satisfying some IED-EPR requirements. Ofwat could also potentially be interested in this matter in addition to the EA.

Ofwat Dividend Investigation

As set out in TWUL's Annual report and Accounts for 2023/24 the Board of Thames Water Utilities Limited approved dividends of £195.8 million over the course of FY24. This consisted of:

- two interim dividends totalling £37.5 million were declared on 26 October 2023, enabling Kemble Water Finance Limited and its financing subsidiary to service external debt obligations through to 31 January 2024;
- the two interim dividends totalling £158.3 million were declared on 27 March 2024, enabling Kemble Water Eurobond plc and Thames Water Limited to settle amounts owing to TWUL for group relief surrendered, and to Kemble Water Eurobond plc to make pension contribution payments to the Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme defined benefit schemes on behalf of the Company.

Following the declaration of these dividends Ofwat commenced an investigation and on 19 December 2024, Ofwat announced a proposed decision in which it finds TWUL to be in breach of its obligations under Licence Condition P30. Ofwat is proposing to impose a penalty of £18.2 million on TWUL as a result of this breach.

TWUL takes its licence obligations very seriously, including those relating to the declaration and payment of dividends. The dividends were declared following a consideration of the Company's legal and regulatory obligations and its dividend policy has been updated to reflect the requirements of Licence Condition P30.

Consequently, we disagree with Ofwat's decision and we will be providing a comprehensive response to their consultation in due course.

Moody's and S&P's Ratings Downgrades

As a result of recent ratings downgrades, TWUL does not currently hold any credit ratings which are investment grade and is therefore not in compliance with its obligations under Condition P(26) of its licence. Following discussions with Ofwat, on 7 August 2024, Ofwat published its public consultation on its provisional decision to accept undertakings from TWUL for the purposes of s19 of the Water Industry Act 1991 and announced its intention to appoint an independent monitor to TWUL. On 23 August 2024, Ofwat confirmed the implementation of undertakings from TWUL, effective immediately, to remedy TWUL's licence breach in losing its investment grade credit ratings. On 15 October 2024, Ofwat announced that it had appointed L.E.K. Consulting as its monitor.

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.

Property search claim

In our last Investor Report, we reported that TWUL was 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 data, including CON29DW and

Commercial DW searches, from 18 December 2013 to date. The PSCs had alleged that they had 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.

On 3 October 2024 the High Court issued a Tomlin Order dismissing further proceedings in the claims between the claimants and the Eversheds defendants upon the terms set out in a confidential settlement agreement dated 30 September 2024. These proceedings are therefore now at an end.

Competition Class Action

In February 2023, TWUL received a letter before action from Leigh Day who were instructed by a client to bring collective proceedings against TWUL in the Competition Appeal Tribunal under s.47B Competition Act 1998. TWUL is subject to an ongoing opt-out collective proceedings claim in the Competition Appeal Tribunal alleging a breach of competition law in relation to the historic reporting of pollution incidents. Similar claims are also being brought against five other WaSCs.

On 4 March 2024, the proposed class representative served the collective proceedings claim form on TWUL. The claim form alleges that TWUL has abused a dominant position by (a) misleading regulators (Ofwat and the EA) regarding the number of pollution incidents that occurred during PR14 and PR19 (either deliberately or through inadequate monitoring of discharges) and (b) charging unfair prices over and above what TWUL would have been permitted to charge had TWUL complied with regulatory obligations and accurately reported pollution incidents. The claim form states that the estimated claim value is £159.1m (including interest). The claim also extends to Kemble Water Holdings Limited.

A certification and preliminary issues hearing was heard on the claims, between 23 and 25 September 2024. Judgment following that hearing is awaited. A further hearing scheduled for January 2025 to deal with any outstanding case management issues has been vacated and will not take place.

TWUL involvement in judicial review (JR) proceedings

Saferwaters Limited, a not for profit company set up by the community-based campaign group, GARD, and The Oxfordshire Branch of the Campaign to Protect Rural England, have issued a claim for judicial review against Secretary of State for the Environment, Food and Rural Affairs relating to the latter's decision to allow TWUL and Affinity Water to publish their Water Resources Management Plans (WRMPs) for 2024. The Claimants submit that the Defendant erred in law by deciding not to hold an inquiry or hearing into TWUL/Affinity's WRMPs pursuant to regulation 5(1) of the Water Resources Management Plan Regulations 2007. TWUL is the first interested party in the JR proceedings.

The Claimants issued and served their JR claim on the parties in November 2024. TWUL's Acknowledgment of Service and Summary Grounds of Resistance has been filed and served. Following this the Judge will consider the papers to see whether permission to bring the JR will be granted or whether a hearing is necessary to consider this.

Grenfell Tower Public Inquiry

TWUL was a “Core Participant” in the Grenfell Tower Public Inquiry (the “Inquiry”), which means that it had a specific interest in the work and a formal role in the Inquiry. The UK Government’s formal response to the Inquiry’s Phase 1 Report did not include any recommendations relevant to TWUL. The final report of the Inquiry (published on 4 September 2024) included certain findings for TWUL, but it was noted that “there was more than enough water available to meet the demand for firefighting at Grenfell Tower” and the minimum water pressure in the network at the Grenfell Tower location exceeded the minimum regulatory water pressure recommended. Only three (of 58) recommendations in the Report were relevant to TWUL. These recommendations were in relation to: (a) further training for firefighters; (b) establishing a communication protocol with fire brigades; and (c) changes to the British Standard Institution’s BS 750 (in relation to assessing water flow co-efficient for hydrants). Within TWUL, the internal steps needing to be taken to progress the recommendations are being identified and a meeting with its external lawyers has taken place to discuss the learning points for TWUL following the incident. TWUL wrote to the British Standards Institute with respect to recommendation 3 on 17 December 2024. Steps will also be explored through Water UK to progress the specific recommendations mentioned above.

Bazalgette Tunnel Limited (BTL) – Potential Bulkhead remedial works claim against TWUL

TWUL is in correspondence with BTL who has referred to a potential damages claim in the sum of approximately £28 million for alleged incurred costs relating to remedial works following TWUL’s alleged defective construction of a ‘bulkhead’ in East London as part of the Tideway Project. TWUL sub-contracted the work to a construction firm called MVB (a consortium of three construction firms). The bulkhead was installed by MVB in 2015.

Issues with the bulkhead were identified following alleged ‘unexpected movement’ of the bulkhead once it was in use from 2016. BTL asserts that the bulkhead construction was defective. BTL undertook further remedial construction works to reinforce the bulkhead, which were completed in May 2024.

A letter in July 2024 from BTL to TWUL referred to a potential claim for damages against TWUL in the sum mentioned above. The latest position is that TWUL wrote to BTL in August 2024. Both parties’ and their lawyers have subsequently met. TWUL has asked BTL to clarify the legal basis upon which it purports TWUL is liable to pay it the sum claimed as the project agreements do not allow either side to make claims against the other except for physical damage to property, physical injury and death. TWUL is awaiting BTL’s response.

4. Financing

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

Credit ratings

Table 1 below sets out the current ratings for the TWUL Group, which are no longer investment grade.

Table 1 Current credit ratings

	Moody's	S&P
Corporate Family Rating ("CFR")	Caa1 (negative outlook)	N/A
Issuer credit rating	N/A	CC (negative outlook)
Class A debt rating	Caa1 (negative outlook)	CC (negative outlook)
Class B debt rating	C (negative outlook)	C (negative outlook)

In April 2024, Moody's downgraded the Corporate Family Rating to Baa3, the Class A debt rating to Baa2 and the Class B debt rating to Ba3 (all with negative outlook), and S&P downgraded the Class A debt rating to BBB- and the Class B debt rating to BB (both with negative outlook). As a result of these rating downgrades, the Group is operating in a licence cash lock-up, which restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat.

In July 2024, S&P put the Group's ratings on CreditWatch negative following publication of our 2023/24 annual results. Later in the month, Moody's downgraded the Corporate Family Rating to Ba2, the Class A debt rating to Ba1 and the Class B debt rating to B3 (all with negative outlook), and S&P downgraded the Class A debt rating to BB and the Class B debt rating to B (both with negative outlook).

As a result of these downgrades, the Company is no longer in compliance with the requirements of its Instrument of Appointment to maintain investment grade Ratings from two different Credit Rating Agencies. Ofwat has accepted undertakings from Thames Water to appoint both an independent Monitor, L.E.K., as well as two new independent non-executive directors. These commitments will remain in place until the Group regains two investment grade credit ratings.

In September 2024, Moody's further downgraded TWUL's corporate family rating from Ba2 (negative outlook) to Caa1 (negative outlook), in response to the Company's liquidity and process update, and S&P lowered its ratings on TWUF's class A debt to CCC+ (negative outlook) from BB previously and class B debt to CCC- (negative outlook) from B previously. In October 2024, S&P downgraded their Class A rating to CC with negative outlook and their Class B rating to C with negative outlook. In December 2024, S&P assigned an Issuer Credit Rating of CC (negative outlook) to TWUL and TWUF.

The Group aims to secure a PR24 regulatory determination that is affordable, deliverable and financeable. Accordingly, our PR24 business plan submitted to Ofwat targets credit ratios consistent with long-term investment grade credit ratings of Baa1/ BBB+.

Recent financing activity (excluding revolving credit facilities drawdowns and repayments)

During the period, £80.0 million was drawn on a term loan facility (Table 2) and £125.0 million loan was repaid (Table 3). Both amounts exclude revolving credit facilities drawdowns / repayments and debt amortisations.

Table 2 Financing

Month	Entity	Type	Class	Amount* (£m)	Further details
June 2024	TWUL	Term Loan facility	A	80.0	Due May 2026

TWUF's 364-day liquidity facilities totalling £550.2 million were renewed in August 2024 (£297.4 million debt service reserve and £252.8 million operations and capital maintenance reserve). The facilities were undrawn as at 30 September 2024 and remain undrawn.

Table 3 Repayments

Month	Entity	Type	Class	Amount* (£m)	Further details
May 2024	TWUF	Loan	A	125.0	Maturity

Bonds outstanding at 30 September 2024

Table 4 Class A and B bonds outstanding at 30 September 2024

Issuer	Currency	Face Value (currency m)	Coupon %	Maturity Date	Class	Description	Face Value incl. Accretion at 30 September 2024 (£m) ⁴
TWUF	CAD	250	2.88%	12/12/2024	A	Fixed Rate Bond	138.1
TWUF	GBP	314.5	4.00%	19/06/2025	A	Fixed Rate Bond	314.5
TWUF	EUR	650	4.00%	18/04/2027	A	Fixed Rate Bond	540.7
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	67.2
TWUF	USD	40	1.60%	23/12/2027	A	Fixed Rate Bond	29.8
TWUF	EUR	575	0.88%	31/01/2028	A	Fixed Rate Bond	478.3
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	42.5
TWUF	EUR	1,000	4.38%	18/01/2031	A	Fixed Rate Bond	831.8
TWUF	GBP	275	7.13%	30/04/2031	A	Fixed Rate Bond	275.0
TWUF	GBP	250	2.63%	24/01/2032	A	Fixed Rate Bond	250.0
TWUF	EUR	575	1.25%	31/01/2032	A	Fixed Rate Bond	478.3
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	59.7
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	104.2
TWUF	GBP	350	2.38%	22/04/2040	A	Fixed Rate Bond	350.0
TWUF	GBP	300	8.25%	25/04/2040	A	Fixed Rate Bond	300.0
TWUF	GBP	50	3.85%	15/12/2040	A	LPI Linked Bond	79.5
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	93.4
TWUF	GBP	55	2.09%	06/10/2042	A	RPI Linked Bond	99.8
TWUF	GBP	575	7.75%	30/04/2044	A	Fixed Rate Bond	575.0
TWUF	GBP	40	1.97%	12/10/2045	A	RPI Linked Bond	52.9
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	186.9
TWUF	GBP	200	1.82%	28/08/2049	A	RPI Linked Bond	373.8
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	585.7
TWUF	GBP	300	1.68%	11/07/2055	A	RPI Linked Bond	585.7
TWUF	GBP	200	1.77%	28/08/2057	A	RPI Linked Bond	373.8
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	654.1
Total							11,140.7

The face value of Index Linked Bonds as at 30 September 2024 included accretion of £1,492.1 million.

⁴ The face value of non-GBP debt has been translated to GBP at spot rate.

Net debt reconciliation

Table 5 below sets out the composition of net debt on a covenant basis and a reconciliation to the net debt reported in the financial statements as at 30 September 2024.

Table 5 Net debt reconciliation – 30 September 2024

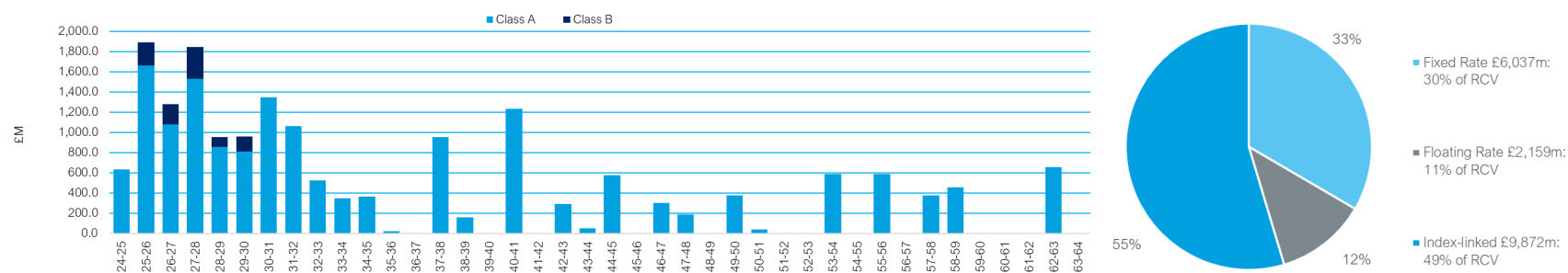
	£m
Face Value of Bonds including accretion Class A	10,890.7
Face Value of Bonds including accretion Class B	250.0
Total Face Value of Bonds including accretion	11,140.7
Class A USPP Notes	1,664.0
Class A RPI linked loans (including accretion of £250.1 million)	687.1
Accretion on Index Linked Swaps	1,238.5
Class A Floating Rate Loans	2,423.4
Class A Cross-currency swaps	170.6
Class B Loans	744.0
Cash and cash equivalents ⁵	(1,120.9)
IFRS 16 Lease liability	49.7
Net Debt as per Compliance Certificate 30 September 2024	16,997.1
Unamortised debt issuance costs and discount	(90.7)
Relevant derivative financial liabilities (Accretion and FX)	(1,409.1)
Interest payable on borrowings	280.4
Unamortised IFRS 9 transition adjustment	22.1
Unamortised IFRS 9 fair value adjustment	(4.1)
Cash not relevant for Net debt (statutory basis)	2.4
Net Debt (statutory basis) as per annual report 30 September 2024	15,798.1

⁵ Includes £1,118.5 million cash and cash equivalents as per Interim report 30 September 2024 adjusted for £2.4 million cash relevant for covenant.

Maturity profile and headroom analysis – 30 September 2024

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

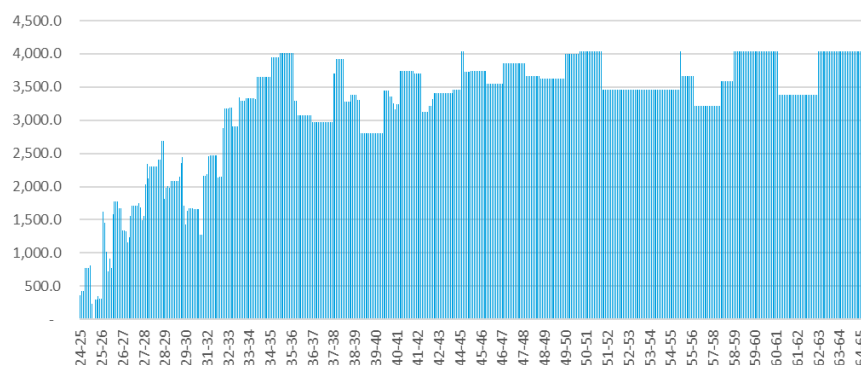
As at 30 September 2024, £2,030.8 million of the £2,151.2 million Class A RCFs was drawn, £1,305.8 million maturing in 2025/26 and £725.0 million maturing in 2026/27. The £295.7 million Class B RCFs were fully undrawn, with £75.0 million maturing in 2024/25 and £220.7 million maturing in 2025/26. The chart below shows the 30 September 2024 position.



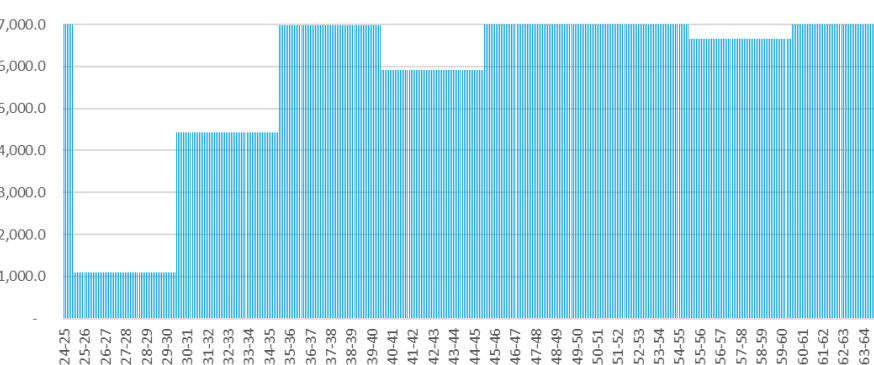
Graph 2 Covenant headroom analysis

The TWUL Group is prohibited from entering into new secured credit facilities where i) debt equivalent to >20% of RCV matures in any 24-month period and ii) debt equivalent to >40% of RCV matures in any AMP. The following charts show headroom (£ million) for both covenants as at 30 September 2024.

£ 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 TWUL Group & TWUL Derivative summary valuations

As at 30 September 2024 (£m)	TWUL Group MtM*	TWUL MtM*
Cross currency swaps (Table 7)	(74.4)	(64.1)
Interest rate swaps (Table 8)	(30.4)	(30.4)
Index - linked swaps (Table 9)	(1,236.3)	(954.3)
Total	(1,341.1)	(1,048.8)

*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 as at 30 September 2024 (versus a limit 5% of RCV).

Table 7 Cross currency swaps

Issuer	Foreign Currency	Currency Amount (m)	£m	Maturity Date	MtM* as at 30 September 2024 (£m)
TWUF	CAD	250	143.6	12/12/2024	(3.6)
TWUL	USD	285	200.4	22/03/2025	11.0
TWUF	USD	106	82	13/04/2026	(0.5)
TWUF	USD	250	161	01/03/2027	33.3
TWUF	EUR	650	576	18/04/2027	(24.8)
TWUF	USD	40	29.6	23/12/2027	0.5
TWUF	EUR	575	483.6	31/01/2028	1.4
TWUF	USD	131	101.3	13/04/2029	1.8
TWUL	USD	95	80.2	16/11/2029	(4.4)
TWUF	EUR	50	44.1	13/04/2030	(1.0)
TWUF	USD	57	44.2	12/11/2030	0.1
TWUF	EUR	1000	886.6	18/01/2031	(20.1)
TWUF	EUR	575	483.7	31/01/2032	2.5
TWUL	USD	256	216.1	16/11/2032	(15.3)
TWUL	USD	81	68.4	16/11/2037	(3.4)
TWUL **	JPY	20,000	153.6	20/08/2038	(51.9)
Total			3,754.4		(74.4)

*MtM = Mark to market

**Optional early termination notice has been received from the counterparty for termination in January 2026

Table 8 Interest rate swaps

Issuer	Notional £m	Start Date	Maturity Date	MtM* as at 30 September 2024 (£m)
Interest rate swaps (pay fixed)				
TWUL	150.0	16/03/2018	17/03/2025	0.8
TWUL	500.0	13/09/2016	14/03/2030	40.4
TWUL	300.0	14/07/2017	14/03/2030	24.3
TWUL	150.0	16/03/2018	14/03/2030	7.3
TWUL	300.0	14/03/2019	14/03/2030	20.7
TWUL	250.0	13/09/2019	14/03/2030	15.9
TWUL	400.0	16/03/2017	16/03/2030	28.8
TWUL	200.0	14/07/2017	16/03/2030	24.7
	2,250.0			162.9
Interest rate swaps (receive fixed)				
TWUL	500.0	24/01/2017	14/03/2030	(50.9)
TWUL	250.0	03/05/2017	14/03/2030	(23.2)
TWUL	200.0	17/07/2017	14/03/2030	(19.8)
TWUL	143.6	12/12/2017	14/03/2030	(14.5)
TWUL	350.0	22/03/2018	14/03/2030	(36.2)
TWUL	227.3	14/03/2019	14/03/2030	(21.6)
TWUL	100.0	17/07/2017	16/03/2030	(14.9)
TWUL	150.0	22/03/2018	16/03/2030	(12.2)
	1,920.9			(193.3)
Total	4,170.9			(30.4)

*MtM = Mark to market

Table 9 Index linked swaps

The following RPI linked swaps have been entered into to convert the coupon on various debt to RPI.

Issuer	Notional £m	Base RPI	Next Accretion Payment Date	Maturity Date	Further Payments Profile	MtM* as at 30 September 2024 (£m)
TWUL	300	289.5	At maturity	25/10/2024	-	(18.7)
TWUL	200	289.5	At maturity	29/10/2024	-	(14.0)
TWUL	250	289.5	At maturity	31/10/2024	-	(14.8)
TWUL	190	291.0	At maturity	02/12/2024	-	(53.3)
TWUL	20	258.8	At maturity	31/03/2026	-	(6.9)
TWUL	50	289.5	At maturity	24/01/2029	-	(11.1)
TWUL	500	289.5	At maturity	11/02/2029	-	(124.2)
TWUL	100	289.5	At maturity	22/03/2029	-	(28.0)
TWUL	200	289.5	At maturity	31/10/2029	-	(45.4)
TWUL	100	291.7	At maturity	01/11/2029	-	(20.3)
TWUL	100	291.7	At maturity	13/11/2029	-	(25.9)
TWUL	100	291.7	At maturity	19/11/2029	-	(24.4)
TWUL	250	320.2	At maturity	15/11/2032	-	(15.7)
TWUL	200	320.2	At maturity	17/11/2032	-	(22.5)
TWUL	100	320.2	At maturity	21/11/2032	-	(12.0)
TWUL	50	320.2	At maturity	22/11/2032	-	(4.6)
TWUL	50	320.2	At maturity	22/11/2032	-	(5.0)
TWUL	50	320.2	At maturity	23/11/2032	-	(6.8)
TWUL	300	320.2	At maturity	29/11/2032	-	(26.6)
TWUL	150	206.1	At maturity	28/09/2037	-	(115.5)
TWUL	250	206.1	28/09/2035	28/09/2037	maturity	(69.0)
TWUL	200	206.1	28/09/2027	28/09/2037	Every 5 years	(79.6)
TWUL	200	210.9	09/02/2032	09/02/2038	Maturity	(134.3)
TWUL	94.1	215.1	21/08/2028	20/08/2038	Every 5 years	(25.1)
TWUF	100	235.2	18/07/2032	18/07/2039	maturity	(20.1)
TWUF**	100	215.3	31/12/2024	31/12/2039	2029, maturity	(70.1)
TWUF	200	215.3	31/12/2024	31/12/2039	Every 5 years	(138.9)
TWUL	114.8	264.8	At maturity	09/04/2058	-	(50.6)
TWUF	100	218	17/02/2025	17/02/2060	Every 5 years	(52.9)
	4,618.9					(1,236.3)

*MtM = Mark to market

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

None of the index linked swaps contains break clauses. Accretion as a percentage of Class A net indebtedness is 7.8% (versus a limit of 8% of Class A net indebtedness) as at 30 September 2024.

Available facilities

As at 30 September 2024, TWUL had committed facilities of £2,527.4 million (£416.7 million undrawn). The committed facilities consisted of the following:

- £1,646.4 million RCF consisting of Class A £1,425.7 million (£120.0 million undrawn as at 30 September 2024) and Class B £220.7 million (fully undrawn as at 30 September 2024).
- £75.0 million Class B RCF (fully undrawn as at 30 September 2024).
- £725.4 million Class A RCF, with £725.0 million drawn during June 2024 and £0.4 million undrawn as at 30 September 2024.
- £80.6 million Class A term loan facility, with £80.0 million drawn during June 2024 and £0.6 million undrawn as at 30 September 2024.

In addition, there are £550.2 million 364-day undrawn liquidity facilities (£297.4 million debt service reserve and £252.8 million operations and capital maintenance reserve) renewed in August annually. The facilities were renewed in August 2024.

Counterparty rating requirements

There are minimum credit ratings requirements for TWUL Group 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 Group or replace themselves as counterparty.

National Westminster Bank plc is the Account Bank and Standstill Cash Manager and meets the minimum rating requirement.

Accretion charge

The income statement charge for the 6 months to 30 September 2024 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	6 months to 30 September 2024 (£m)	Accretion Paydowns 6 Months to 30 September 2024 (£m)	Total Cumulative Accretion as at 30 September 2024 (£m)
Index-linked Bonds	55.6	0.4	1,492.1
Index-linked Loans	17.0	5.9	250.1
Index-linked Swaps with 5 year accretion paydowns	28.8	-	187.8
Index-linked Swaps with less than 10 year original maturity	27.0	-	130.8
Index-linked Swaps other than included above	98.9	-	919.9
Total	227.3	6.3	2,980.7

Cash and Authorised Investments

As at 30 September 2024, 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)	1,113.5	1.4	1,114.9
Short Term Investments (Bank Deposits)	6.0	-	6.0
Total cash and investments⁶	1,119.5	1.4	1,120.9

5. Dividends

During the six-month period ended 30 September 2024, no dividends were paid (30 September 2023: £nil). No distributions were made to external shareholders of the group by our ultimate parent company, Kemble Water Holdings Limited.

6. 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. TWUL recently launched a new

⁶ Includes £1,118.5 million cash and cash equivalents as per the interim report for the six months to 30 September 2024 adjusted for £2.4 million cash relevant for covenant.

“Make v Buy” strategy to improve its assessment of activities which should be conducted in house versus the wider market.

TWUL is assessing a number of areas for their suitability for further outsourcing or insourcing currently.

TWUL awarded a suite of Framework agreements at the beginning of AMP7 to cover all Infrastructure and Non Infrastructure Capex work. These agreements have been extended to cover delivery through to the end of AMP8. The agreements are complemented by other Framework agreements for delivery of smaller schemes through non managing contractors, for direct delivery schemes and for smaller scale works. Individual procurement processes are also in place for certain relatively smaller schemes. TWUL also has separate Framework agreements for delivery of Mains Rehab through AMP8 and river restoration schemes.

7. Financial ratios

Adjustments have been made to the figures referred to in the TWUL financial statements for the six months to 30 September 2024 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 2025 to 31 March 2026 and an information sheet on the additional conformed interest cover ratio calculations are included in Appendix 1 and 2 respectively.

Table 12 Senior and Class A net debt breakdown of calculation – 30 September 2024

30 September 2024 (£m)		30 September 2024 (£m)	
Senior net debt per accounts	15,798.1	Senior net debt per accounts	15,798.1
		Less Class B debt	(994.0)
		Less Lease Liability	(49.7)
Less accrued interest	(280.4)	Less accrued interest	(280.4)
Add back unamortised debt issuance costs and discount	90.7	Add back unamortised debt issuance costs and discount	90.7
Add relevant derivative financial liabilities (Accretion and FX)	1,409.1	Add relevant derivative financial liabilities (Accretion and FX)	1,409.1
Less unamortised IFRS 9 fair value adjustment	4.1	Less unamortised IFRS 9 fair value adjustment	4.1
Less unamortised IFRS 9 transition adjustment	(22.1)	Less unamortised IFRS 9 transition adjustment	(22.1)
Less cash relevant for covenant	(2.4)	Less cash relevant for covenant	(2.4)
Senior net debt per compliance certificate	16,997.1	Class A net debt per compliance certificate	15,953.4

Table 13 Conformed Net Cash Flow

	31 March 2025 (£m)
Cashflow from operations	1,146.6
Exceptional items	142.0
Reversal of capex creditor	-
Add back Impact of IP revenues and payments	-
Add Deferral of K	-
Conformed Net Cash Flow	1,288.6

TWUL receives interest on its £1,249.1 million (30 September 2023: £1,249.1 million) intra-group loans to TWUHL. During the six months ended 30 September 2024 interest received from TWUHL was £nil (30 September 2023: £nil). 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 effect on cash tax paid due to the receipt of any intercompany loan interest from TWUHL is also excluded from the Net Cash Flow. As noted above no interest was paid during six months to 30 September 2024.

Table 14 Depreciation – as used in additional conformed interest cover ratios

Test date	31 March 2024	31 March 2025	31 March 2026
Water and wastewater depreciation	(708.5)	(720.1)	(812.2)
Factor to convert to outturn prices	1.2259	1.2770	1.1770
Depreciation (Outturn prices)	(868.5)	(919.6)	(956.0)

We confirm that, in respect of the Calculation Date on 30 September 2024, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement, the ratios are as detailed in the table below.

Table 15 The ratios – TWUL

Test date	31 March 2024	30 September 2024	31 March 2025	31 March 2026
Class A RAR	73.5%	79.0%	81.8%	69.1%
Conformed Senior RAR	80.6%	84.2%	88.2%	73.6%

Test date	31 March 2024	31 March 2025	31 March 2026
Conformed Class A ICR	5.60	3.58	2.97
Additional Conformed Class A Adjusted ICR	2.17	1.02	1.27
Additional Conformed Senior Adjusted ICR	1.76	0.88	1.01
Additional Conformed Class A Average Adjusted ICR	1.49	1.49	1.49
Additional Conformed Senior Average Adjusted ICR	1.22	1.22	1.22

We confirm that each of the above 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 (save as set out below) and has not caused Paragraph 17 (Ratios) of Part 2 (Events of Default (TWUL, TWUF and the Issuer)) of Schedule 6 (Events of Default) to the Common Terms Agreement to be breached..

Financial Ratio Deterioration

Under the terms of paragraph 1 (Financial Ratios) of part 1 (Trigger Events) of Schedule 5 (Trigger Events) to the Common Terms Agreement and the definition of Trigger Event in the Master Definitions Agreement, a Trigger Event occurs where, among other things, any date occurs when:

- the Class A RAR for any Test Period is or is estimated to be more than 0.75:1 (paragraph 1(a));
- the Additional Conformed Class A Adjusted ICR for any Test Period is or is estimated to be less than 1.3:1 (paragraph 1(l)); and
- the Additional Conformed Senior Adjusted ICR for any Test Period is or is estimated to be less than 1.1:1 (paragraph 1(m)),

- the estimated actual Capital Expenditure for the five-year period between the last Periodic Review and the next Periodic Review exceeds the Capital Expenditure for that period assumed by Ofwat for such period in respect of TWUL by 10 per cent. or more (paragraph 3),
- the liquidity available for capital expenditure and working capital was less than 12 months worth

(each a "Trigger Event Ratio Level") as at the most recently occurring Calculation Date.

As at the 30 September 2024 Calculation Date:

- the Class A RAR is more than 0.75:1 for the Test Period ending 30 September 2024;
- the Class A RAR is estimated to be more than 0.75:1 for the Test Period ending 31 March 2025;
- the Additional Conformed Class A Adjusted ICR is estimated to be below 1.3:1 for the Test Periods ending 31 March 2025 and 31 March 2026;
- the Additional Conformed Senior Adjusted ICR is estimated to be below 1.1:1 for the Test Periods ending 31 March 2025 and 31 March 2026;
- the estimated actual Capital Expenditure for the five-year period between the last Periodic Review and the next Periodic Review exceeds the Capital Expenditure for that period assumed by Ofwat for such period in respect of TWUL is more than 10 percent; and
- cash and undrawn committed facilities is less than required for 12 months of liquidity and capital expenditure.

In accordance with paragraph 8(a) (Notification of Default) of part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement, the Security Trustee has been notified that the following Trigger Events have occurred:

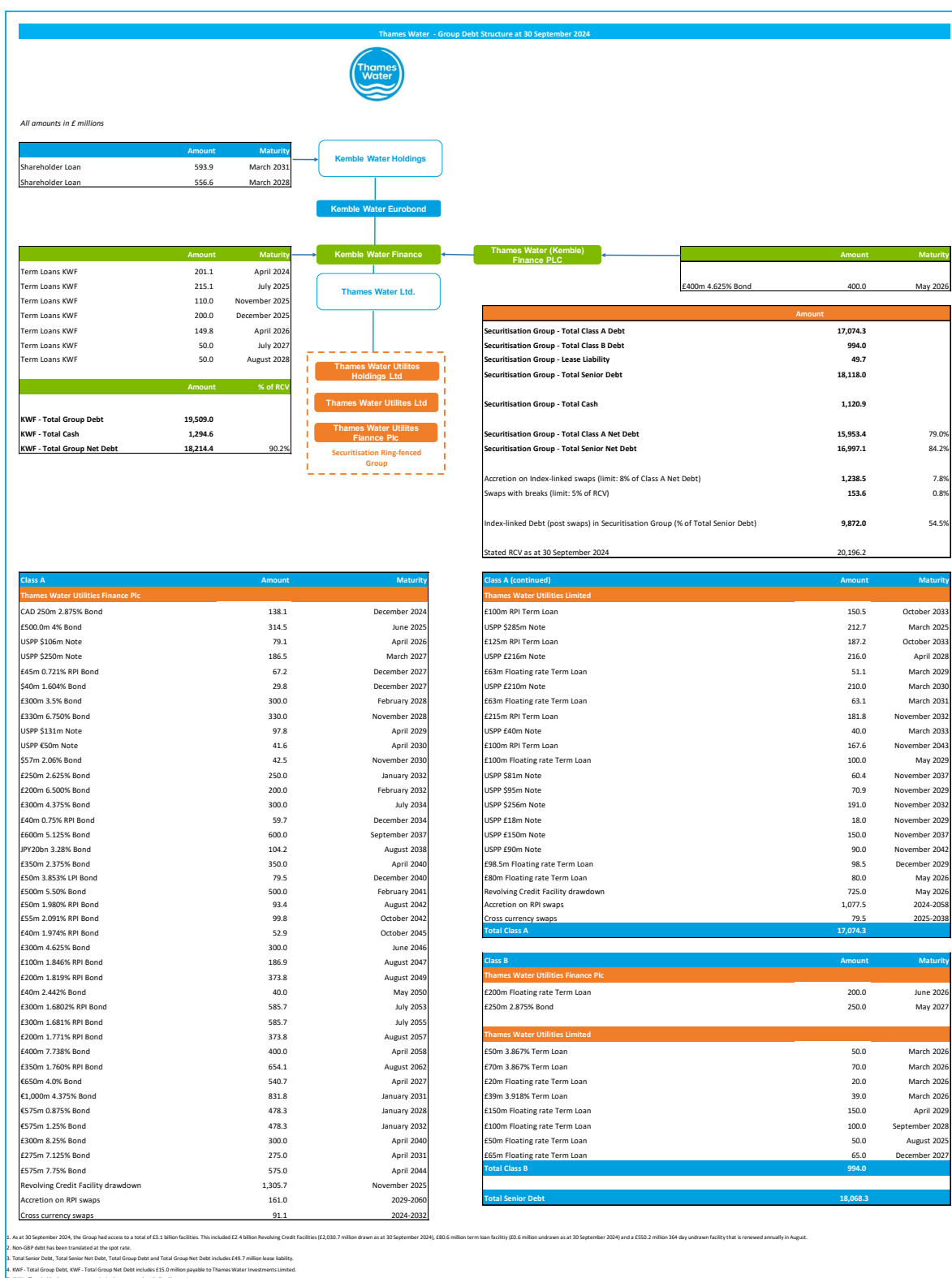
- Class A RAR is estimated to be above the Trigger Event Ratio Level;
- the Additional Conformed Class A Adjusted ICR and the Additional Conformed Senior Adjusted ICR are estimated to be lower than the Trigger Event Ratio Level;
- capital expenditure is expected to be more than 10% higher than assumed by Ofwat; and
- there is less than 12 months liquidity for working capital and capital expenditure,.

In accordance with paragraph 2 (Further information and Remedial Plan) of part 2 (Trigger Event Consequences) of Schedule 5 (Trigger Events) to the Common Terms Agreement, TWUL proposed a Remedial Plan to the Security Trustee following its consideration of, and response to, Ofwat's draft determination in September 2024.

IFRS 16 – Leases

The amount of Financial Indebtedness, including that under operating leases, is subject to restriction through the Senior RAR covenant and, in addition, there is a sub-cap for operating leases (included as part of the consent process) of 2% of RCV. At 30 September 2024 the lease liability was 0.2% of RCV.

8. Financial Kemble group debt structure as at 30 September 2024



We also confirm that:

- No Default or Potential Trigger Event is outstanding, save in respect of the following Trigger Events:
 - i. Additional Conformed Class A Adjusted ICR in 2024/2025
 - ii. Additional Conformed Senior Adjusted ICR in 2024/25
 - iii. Additional Conformed Class A Adjusted ICR in 2025/2026
 - iv. Additional Conformed Senior Adjusted ICR in 2025/26
 - v. Class A RAR at 30 September 2024
 - vi. Class A RAR at 31 March 2025
 - vii. Material Deviation in Projections - CapEx > 10% above Ofwat assumption in AMP7
 - viii. Committed liquidity is less than 12 months requirement for working capital and capital expenditure

and

- 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



Director
For and on behalf of
THAMES WATER UTILITIES FINANCE PLC

Appendix 1 Financial Ratio Calculations

Calculation Date	31 March 2024	30 September 2024	31 March 2025	31 March 2026
Class A RAR Trigger: 75%	73.5%	79.0%	81.8%	69.1%
Conformed Senior RAR / Senior RAR Trigger: 90% Event of Default: >95%	80.6%	84.2%	88.2%	73.6%

Test Period	1 April 2023 to 31 March 2024	1 April 2024 to 31 March 2025	1 April 2025 to 31 March 2026
Class A ICR	5.60	3.58	2.97
Conformed Class A ICR Event of Default: 1.6x	5.60	3.58	2.97
Class A Adjusted ICR	5.60	3.58	2.97
Conformed Class A Adjusted ICR	5.60	3.58	2.97
Additional Conformed Class A Adjusted ICR Event of Default: 1.0x Trigger: 1.3x	2.17	1.02	1.27
Senior Adjusted ICR	4.54	3.09	2.37
Conformed Senior Adjusted ICR	4.54	3.09	2.37
Additional Conformed Senior Adjusted ICR Trigger: 1.1x	1.76	0.88	1.01
Class A Average Adjusted ICR	4.05	4.05	4.05
Conformed Class A Average Adjusted ICR	4.05	4.05	4.05
Additional Conformed Class A Average Adjusted ICR Trigger: 1.4x	1.49	1.49	1.49
Senior Average Adjusted ICR	3.33	3.33	3.33
Conformed Senior Average Adjusted ICR	3.33	3.33	3.33
Additional Conformed Senior Average Adjusted ICR Trigger: 1.2x	1.22	1.22	1.22

Calculation Date	31 March 2024	30 September 2024	31 March 2025	31 March 2026
Class A Net Indebtedness divided by	14,653.6	15,953.4	16,675.8	16,334.2
RCV	19,946.8	20,196.2	20,392.2	23,626.0
Class A RAR Trigger: >75%	73.5%	79.0%	81.8%	69.1%
Senior Net Indebtedness divided by	16,071.3	16,997.1	17,989.2	17,379.7
RCV	19,946.8	20,196.2	20,392.2	23,626.0
Conformed Senior RAR Event of Default: >95%	80.6%	84.2%	88.2%	73.6%

Test Period	1 April 2023 to 31 March 2024	1 April 2024 to 31 March 2025	1 April 2025 to 31 March 2026
Net Cash Flow divided by	1,418.9	1,288.6	1,672.9
Class A Debt Interest	253.5	360.1	562.6
Conformed Class A ICR	5.60	3.58	2.97
Net Cash Flow less Depreciation divided by	550.4	369.0	716.9
Class A Debt Interest	253.5	360.1	562.6
Additional Conformed Class A Adjusted ICR	2.17	1.02	1.27
Net Cash Flow less Depreciation divided by	550.4	369.0	716.9
Senior Debt Interest	312.4	417.5	707.2
Additional Conformed Senior Adjusted ICR	1.76	0.88	1.01
Year 1	2.17	1.02	1.27
Year 2	1.02	1.27	2.17
Year 3	1.27	2.17	1.02
Additional Conformed Class A Average Adjusted ICR	1.49	1.49	1.49

Test Period	1 April 2023 to 31 March 2024	1 April 2024 to 31 March 2025	1 April 2025 to 31 March 2026
Year 1	1.76	0.88	1.01
Year 2	0.88	1.01	1.76
Year 3	1.01	1.76	0.88
Additional Conformed Senior Average Adjusted ICR	1.22	1.22	1.22

Appendix 2 PMICR covenant information sheet

(Additional Conformed) Senior PMICR Information template		
FD RCV run off		2024/25
Water resources RCV depreciation	2017/18 CPIH prices	20.3
Water network+ RCV depreciation	2017/18 CPIH prices	312.4
Wastewater network+ RCV depreciation	2017/18 CPIH prices	299.3
Bioresources RCV depreciation	2017/18 CPIH prices	88.1
TTT RCV depreciation	2017/18 CPIH prices	0.0
Total RCV depreciation	2017/18 CPIH prices	720.1
Total RCV depreciation	Outturn prices	919.6

FD Wholesale totex		2024/25
Allowed Totex for PAYG (water resources) (excludes pension deficit repair)	2017/18 CPIH prices	94.3
Allowed Totex for PAYG (water network+) (excludes pension deficit repair)	2017/18 CPIH prices	778.9
Allowed Totex for PAYG (wastewater network+) (excludes pension deficit repair)	2017/18 CPIH prices	662.8
Allowed Totex for PAYG (bioresources) (excludes pension deficit repair)	2017/18 CPIH prices	103.4
Allowed Totex for PAYG (TTT) (excludes pension deficit repair)	2017/18 CPIH prices	(216.7)
Total FD Allowed Totex for PAYG (excludes pension deficit repair)	2017/18 CPIH prices	1,422.6
Water resources pension deficit repair allowance (treated as fast money)	2017/18 CPIH prices	–
Water network+ pension deficit repair allowance (treated as fast money)	2017/18 CPIH prices	–
Wastewater network+ pension deficit repair allowance (treated as fast money)	2017/18 CPIH prices	–
Bioresources pension deficit repair allowance (treated as fast money)	2017/18 CPIH prices	–
TTT pension deficit repair allowance (treated as fast money)	2017/18 CPIH prices	–
Total FD Allowed pension deficit repair	2017/18 CPIH prices	–
Total FD Allowed Totex including pension deficit repair	2017/18 CPIH prices	1,422.6
FD Allowed fast money excl pension deficit repair		
Allowed fast money excl pension deficit repair water resources		68.1%
Allowed fast money excl pension deficit repair water network+		46.2%
Allowed fast money excl pension deficit repair wastewater network+		52.0%
Allowed fast money excl pension deficit repair bioresources		42.9%
Allowed fast money excl pension deficit repair TTT		-0.6%
FD fast money excluding pension deficit repair		
Allowed fast money excl pension deficit repair water resources	2017/18 CPIH prices	64.3
Allowed fast money excl pension deficit repair water network+	2017/18 CPIH prices	360.1
Allowed fast money excl pension deficit repair wastewater network+	2017/18 CPIH prices	344.7
Allowed fast money excl pension deficit repair bioresources	2017/18 CPIH prices	44.3
Allowed fast money excl pension deficit repair TTT	2017/18 CPIH prices	1.4
Total allowed fast money excl pension deficit repair	2017/18 CPIH prices	814.8
Total allowed fast money excl pension deficit repair	Outturn prices	1,040.5
FD slow money		
Allowed slow money water resources	2017/18 CPIH prices	30.0
Allowed slow money water network+	2017/18 CPIH prices	418.8
Allowed slow money wastewater network+	2017/18 CPIH prices	318.1
Allowed slow money bioresources	2017/18 CPIH prices	59.1
Allowed slow money TTT	2017/18 CPIH prices	(218.1)
Total allowed slow money	2017/18 CPIH prices	607.8
Total allowed slow money	Outturn prices	776.2
Total fast + slow money	Outturn prices	1,816.7

Comparison FD wholesale allowances vs actual wholesale spend		2024/25
FD allowed fast money excl pension deficit repair	Outturn prices	1,040.5
FD allowed slow money	Outturn prices	776.2
FD fast + slow money excl pension deficit repair	Outturn prices	1,816.7
Actual wholesale opex, (excluding pension deficit repair)	Outturn prices	1,448.9
Actual wholesale capex	Outturn prices	2,004.1
Actual opex + capex	Outturn prices	3,453.0
Actual opex minus FD fast money	Outturn prices	408.4
Actual capex minus FD slow money	Outturn prices	1,227.9
Actual opex + capex minus FD fast + slow money	Outturn prices	1,636.3

Inflation data	
CPIH to convert from 2017/18 to outturn	1.2770

Appendix 3 Thames Tideway Tunnel

During the 6-month period ended 30 September 2024, TWUL continued to include costs within its bills to wastewater customers for the construction of the Thames Tideway Tunnel (TTT). £66.8 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, TWUL's 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.

Commissioning of the London Tideway Tunnel System is progressing steadily, achieving significant milestones in its delivery. On 22 August 2024, the first combined sewer overflow (CSO) connection site was successfully activated. As of end of November, 11 out of 20 CSO connection sites have been activated, enabling the tunnel to capture approximately 55% of the anticipated total flow. The project remains on track to achieve full connection of all sites and commence system-wide storm testing by the end of the financial year.

During storms, wastewater from the activated sites is already being intercepted by the tunnel, delivering critical environmental benefits, including reducing discharges into the River Thames and increasing the volume of wastewater treated at Beckton Sewage Treatment Works. This marks an important step towards achieving the project's goal of efficiently managing wastewater and enhancing London's environmental health. The project remains on schedule to meet commissioning and handover objectives, with ongoing efforts focused on the safe and timely completion of the remaining milestones. These accomplishments underscore TWUL's commitment to significantly improving the River Thames' ecological condition and advancing sustainable wastewater management for London.

Contact details

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