Thames Water Utilities Limited

Investor Report

30 September 2021

Important Notice

This report is being distributed in fulfilment of a document, the Common Terms Agreement (the "CTA"), which governs the Company's obligations to its bondholders and other financial creditors. It is directed to, and intended for, existing investors in the Company. No other persons should act or rely on it. The Company makes no representation as to the accuracy of forecast information (or any other information in this report, other than set out in the CTA). These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts. This report should not be relied on as a guide to future performance, and should not be relied on in deciding whether to undertake future investment in the Company. It should be noted that the Company's auditors have not reviewed the information in this report. For the purposes of the financial promotions regime under the Financial Services and Markets Act 2000, this report is given on the basis of the exemption provided in article 69 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as it relates to bonds which are already admitted to trading on a relevant market).

This report should be read in conjunction with, and as a supplement to, the Thames Water Utilities Limited ("TWUL") interim report for the period ended 30 September 2021. Please refer to the Thames Water website www.thameswater.co.uk for this document in full.

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Overview for the six months ended 30 September 2021

Sarah Bentley, CEO, said: "We launched our turnaround plan in March this year. It stretches over eight years and will transform our company from an underperformer to join the rest of our industry. From there, we will have the opportunity to lead the way in delivering excellent customer service and generating public value.

"It's been a challenging six months, with the ongoing Covid-19 pandemic, extreme weather, increasing power costs and the fuel crisis having a big impact on the running of our essential service. That said, we've kept taps running and sewers flowing thanks to our brilliant key workers who've shown relentless dedication and resilience.

"We've also continued to help those households and businesses finding themselves in difficult financial circumstances as a result of the pandemic.

"We know we have a long way to go to deliver the performance our customers and stakeholders rightly expect of us, but we've started the journey guided by our purpose to deliver life's essential service so our customers, communities and the environment can thrive. We are seeing early signs of progress and are excited by our vision to build a better future and leave a positive legacy for future generations."

1.1. Improving performance in a challenging environment

- Turnaround plan launched - focused on fixing the basics, raising the bar and shaping the future
- New, experienced, 'frontline first' focused executive team in place to lead the turnaround in performance and meet our customer and environmental responsibilities
- Improving trends in water quality, complaints management and supply interruptions performance
- Improved operating profit, driven by growth in allowed revenue and partial recovery of non-household consumption
- Higher reported losses reflecting increases in deferred tax and non-cash losses on financial instruments
- Significantly increased investment in our network as we ramp up our AMP7 capital delivery programme
- Shareholders have approved an additional £300 million contribution towards future investment to accelerate improvements to London's network
- Planned £1.2 billion investment underway in sewage treatment works between 2020 and 2025 to improve the health of our rivers.

1.2. Improved operational performance

We have taken the first steps in our journey to turnaround Thames Water and build a better future for us all.

- Reduced customer enquiry backlogs, improved resolution times and implemented a major change programme aimed at transforming customer service
- Increased use of our online customer platform as we improve our online experience
- Improved water quality and supply interruptions over the past six months
- Reduced total pollution incidents year on year, but behind plan on reduction of serious pollutions, sewer flooding and blockages

- Drained our Queen Elizabeth II (QEII) reservoir to carry out inspections and essential maintenance work. This included relining the tunnels to the reservoir, which serves 10% of London's water, so we can make sure our water supply is resilient
- Completed the construction of our test rig for our largest water mains at Kempton in August, allowing us to test pipes in different conditions, without risk to our essential services
- Completed a £20 million project to refurbish our Gateway desalination plant at Beckton, enabling us to supply extra water to London during periods of severe drought.

As part of our turnaround plan, we at Thames have been discussing and considering our long-term strategy – or our Vision 2050.

A key element of this is our Water Networks Transformation Programme, as we look to put in place an efficient, high-performing water networks operation, which will deliver improved customer service for the millions of customers we serve.

Our current model sees us deliver the vast majority of our repair and maintenance activity through the Infrastructure Alliance (IA), which we share with four key partners. After much consideration and assessment, we've now taken the decision to transition away from the IA arrangements over the coming year.

As a result, we will bring in-house high-volume repair and maintenance work, and the associated planning teams, so we self-deliver the work that is most closely connected to our customers.

1.3. Financial performance

Higher revenue and EBITDA in the first half of 2021/22 has been offset by an increase in one-off, non-cash items, resulting in an increase in reported losses.

- Underlying revenue of £1.1 billion, up 7% on the prior period
- Underlying EBITDA up 10% to £548 million
- Underlying loss after tax of £616 million driven by a non-cash loss on financial instruments and a one-off deferred tax charge due to the increase in corporation tax rate to 25%
- Invested over £625 million in our network in the first six months of the financial year, with c.£20 billion invested over the last 20 years to better serve our customer.

1.4. Effects of climate change and flooding

It has been devastating to see the impact of extreme weather and flash flooding on people's homes and livelihoods across our region during the last few months. Our focus is on:

- Working hard with other organisations responsible for drainage, so we can join forces to make bigger improvements long-term for people living in our region
- Continuing to invest in our infrastructure to increase capacity and make our network more resilient as climate change has an increasing impact on our operations and the environment in which we operate.

1.5. Supporting our customers, communities and the environment

We're committed to making a real difference to people's lives in our region.

- We have increased the number of customers on our Priority Services Register, which helps us provide extra support during emergencies, to over 270,000 customers (up 37% since 31 March 2021)
- We have signed up almost 2,000 new customers to our customer assistance fund, which helps those with water debt by matching payments, and placed over 240,000 customers on our social tariffs to date
- We are accelerating the pace of our new Ventures division to address the way our energy is created and used
- We were awarded more than £6 million as part of the Ofwat innovation fund to help decarbonise wastewater treatment
- We have taken a progressive stance on river health - it is unacceptable for any sewage to enter rivers, from both a public health and environmental perspective
- We are providing £500,000 to the Greater London Authority's 'Grow Back Greener' fund, which will provide grants to improve green spaces in London
- We have launched our apprenticeship programme internally, so existing employees can develop their skills and gain qualifications on the job, and launched our shared apprenticeship scheme that will enable us to share skills and talent with our supply chain
- We have supported the 10,000 Black Interns programme and Business in the Community Young Black Men Project
- We have been recognised by Institute of Water for "Outstanding Commitment to Diversity & Inclusion in the Water Industry 2021".

1.6. Revenue and Bad Debts

- Our revenue primarily relates to the essential water and wastewater services we provide to our customers. Our economic regulator, Ofwat, determines the amounts we charge in our bills every five years through a price review process, which is driven by the costs we expect to incur to invest in and operate our business over that five-year regulatory period. Our current regulatory period covers 1 April 2020 to 31 March 2025 ("AMP7").
- Our total revenue for the six-month period ended 30 September 2021 increased by £73 million to £1,105 million (30 September 2020: £1,032 million). The increase is driven by a higher allowed revenue set by our regulator Ofwat, a recovery of revenue in the non-household market as Covid-19 restrictions ease and continued resilience in the household revenue, where usage has remained high despite an easing of UK Government Covid-19 restrictions requiring many of our customers to work from home.
- Bad debt arises predominantly from those who choose not to pay their bill, despite being financially able to, as opposed to those who cannot pay. For the latter, we offer a range of support for people in financially vulnerable circumstances.
- During the six-month period to 30 September 2021, we have seen an increase in our overall bad debt cost of £1 million to £35 million (30 September 2020: £34 million). This is primarily driven by the continued impact of Covid-19 on our cash collections, offset by the benefits from our debt transformation project.
- The current period charge is split between a deduction of revenue of £23 million (30 September 2020: £24 million), and operating expenses of £12 million (30 September 2020: £10 million). Our total bad debt charge equates to 3% (30 September 2020: 3%) of total gross revenue. We are working hard to reduce bad debt and have implemented a number of initiatives to reduce the overall charge as a percentage of gross revenue.

1.7. Financial covenants

- As we continue to invest in the business, significantly beyond the Final Determination ("FD") allowances, covenant net debt (Senior) increased to £12,949.8 million as at 30 September 2021 (31 March 2021: £12,497.1 million).
- During the remainder of AMP7, we expect approximately £380 million of cash injections to be made into TWUL to repay debt, funded by incremental holding company debt.
- The increase in net debt was accompanied by an increase in the Regulatory Capital Value ("RCV") of £686.6 million to £15,711.9 million (31 March 2021: £15,025.3 million), meaning that overall gearing (Senior) as at 30 September 2021 was 82.4% (31 March 2021: 83.2%), below the Trigger Event threshold of 90.0%.
- The reduction in gearing reflects the totex profile in our business plan and materially higher inflation than would have been expected prior to Covid-19. We expect gearing to be broadly flat across AMP7, supported by the cash injections mentioned above.
- Following evaluation of the methodology used to calculate RCV at 31 March 2021, we are of the position that an element of the calculation does not reflect full RPI indexation of the RPI-linked part of RCV and therefore the RCV number at that date should have been higher. We are currently in discussions with Ofwat on this matter ahead of March 2022.
- Due to various factors including the continuing economic impact of Covid-19, adverse weather and extreme increases in power prices we expect operational cashflows for the year to 31 March 2022 to be lower than otherwise would have been the case. Under a base case scenario, we expect financial covenants to remain compliant and estimate the 2021/22 Additional Conformed Class A Adjusted ICR and Additional Conformed Senior Adjusted ICR will be 1.6x and 1.36x respectively, above the Trigger Event thresholds of 1.3x and 1.1x. We estimate gearing at 31 March 2022 will be 71.3% and 81.6% for Class A and Senior respectively, below the Trigger Event thresholds of 75.0% and 90.0%.

As part of the most recent going concern analysis, various scenarios, including a severe but plausible scenario, were assessed, all of which show TWUL having significant liquidity headroom and being compliant with covenants for the assessment period up to December 2022

1.8. Key personnel changes

- New, experienced Executive team, with eight members appointed since 1 March 2021 as follows:
    - Warren Buckley joined as Retail Director in March 2021
    - Francis Paonessa joined as Capital Delivery Director in April 2021
    - Cathryn Ross joined as Strategy and Regulatory Affairs Director in June 2021
    - Tony Vasishta joined as Managing Director Ventures in June 2021
    - Alastair Cochran joined as Chief Financial Officer in September 2021
    - Caroline Sheridan joined as Engineering and Asset Director in September 2021
    - Nevil Muncaster joined as Strategic Resources Director in September 2021
    - Norma Dove-Edwin will join as Digital Transformation Director in 2022

1.9. Changes to shareholders

Universities Superannuation Scheme Limited (USS), the sole corporate trustee of one of the UK's largest pension funds, has agreed to acquire an additional 8.77% in Kemble Water Holdings Limited, the ultimate holding company of Thames Water Utilities Limited (Thames Water), from investors Wren House Infrastructure LP. This will take USS's holding to nearly 20% in the company.

1. Regulatory and legal update

Regulatory appeals

Since we received our PR19 Final Determination in December 2019, which we accepted, four companies in the sector appealed their respective PR19 Final Determinations to the Competition and Markets Authority ("CMA") for a redetermination. The CMA published its Final Determination in March 2021 which saw a generally favourable outcome for the appellant companies, including with respect to the allowed rate of return, gearing outperformance sharing mechanism and totex allowances. Whilst the CMA Final Determination does not amend the terms of TWUL's PR19 Final Determination, aspects may be considered supportive for the future outlook. It is worth noting the majority of energy companies regulated by Ofgem has also appealed their RIIO-2 Final Determinations to the CMA, and the CMA's Final Determination may also provide precedential value for PR24.

Price Review 2024

The PR24 regulatory cycle has commenced with Ofwat publishing its initial views on the framework for PR24 and future price reviews in May 2021 and further consultation papers in the course of 2021. A key area of focus for Ofwat is financial resilience, which is the subject of a specific consultation. In any case, TWUL intends on submitting comprehensive responses alongside wider constructive engagement with Ofwat on the development of the PR24 framework. Ofwat's draft methodology for PR24 is expected in Summer 2022. Company business plan submissions are due by October 2023, with Draft and Final Determinations expected in mid and late 2024.

Conditional Allowances and Additional Investment

The PR19 Final Determination included £480m of conditional allowances, provided under ring-fenced mechanisms which require us to go through a gated governance process in AMP7 rather than wait for PR24. Of the £480m, £300m relates to important investment in London's water network and £180m relates to targeted improvements in resilience of the water network in North East London.

The expectation under our current business plan is that we gain approvals for and deliver the £300m London network allowance in AMP7 and the £180m resilience allowance across AMP7 and AMP8. This is reflected in our current forecasts.

Shareholders recognise the importance of investment in the water network and are contributing £300m towards investment in addition to the conditional allowances. This will come via additional investment under the regular Totex sharing mechanism (and not via the £480m conditional allowances) and therefore works on the basis of £400m of investment being subject to a 75:25 company:customer sharing rate. Any customer contribution is made through PR24 true-up adjustments to RCV and revenue.

Competition Act

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

- the approach that TWUL has 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 applies to retailers.

TWUL has responded to a number of 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 has publicly consulted on the draft Competition Act commitments which TWUL put forward and TWUL is currently in the latter stages of discussions with Ofwat on those commitments.

As regards the data accuracy elements of the investigation, on 6th December 2021 Ofwat confirmed that it had closed the investigation. In its decision document, Ofwat finds TWUL to have contravened Conditions F, P and R2 of its licence and in its penalty notice, Ofwat imposes a nominal penalty of £1 in view of the undertakings offered by TWUL and compensation amounting to £11.2m which TWUL has agreed to pay.

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 for 2019/20. TWUL has been publishing its performance each month in tackling leaks and has appointed an independent monitor to certify the information in its monthly leakage reports. TWUL has also committed to increasing its customer engagement initiatives on leakage.

The undertakings also included a commitment to provide six-monthly reports to Ofwat on compliance with the undertakings. To date, seven reports have been submitted, in November 2018, May 2019, November 2019, May 2020, November 2020, May 2021 and November 2021. The undertaking to achieve a leakage level of 606Ml/d in 2019/20 was complied with, with leakage reported at 595Ml/d.

Following the identification of a data issue related to the application of smart meter data, TWUL has commissioned an external firm of forensic accountants to look at its leakage calculation and reporting processes as well as the internal governance and assurance surrounding such processes. The findings are being used to help strengthen the approach in light of the very significant volume of valuable new data available from the smart metering programme and we are engaged with Ofwat in progressing this. TWUL has shared its Leakage Reporting and Insight Improvement Programme with Ofwat.

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.

TWUL is currently 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 Conveyancing 29 Drainage and Water ("CON29DW") searches, from December 2013 to date. The PSCs allege that they have been overcharged for drainage and water searches and that information should have been made available to them pursuant to the Environmental Information Regulations 2004, at a lower cost than that charged. The position is replicated across all other Water & Sewerage Companies in England and Wales and the claims are a collective action brought by those different groups of PSCs against the industry. We are defending these claims, as are all the other water and sewage companies in England and Wales, who are aligned with our position. Whilst proceedings in this matter are live, the claims are at an early stage making it difficult to provide further commentary on the merits or otherwise of them or any effect on the financial position of TWUL.

In February 2021, TWUL was fined £2.3m for a pollution incident at Henley sewage treatment works ("STW") which occurred in April 2016. In May 2021, TWUL was fined £4m for pollution incidents at Hogsmill STW which occurred between February 2016 and September 2019. In November 2021, TWUL was fined £4m for a pollution incident at Hinksey stream dating from July 2016.

In May 2021, TWUL received a request from the Environment Agency to share event monitoring and flow data/ inlet flow data, as well as block process diagrams and operating manuals, in relation to eleven TWUL STWs (Clanfield, Witney, Chinnor, Fairford, Marlborough, East Shefford, Stanton Harcourt, Oxford, Princes Risborough, Standlake and Hampstead Norreys). This material and data is required as part of an on-going compliance assessment by the Environment Agency ("EA") in relation to discharges from storm infrastructure. The periods of time for which the data is required differ from site to site with the earliest data requested being from October 2019. TWUL has provided the data and materials and awaits further contact from the EA.

In October 2021, TWUL received a further information request from the EA for sixty-nine sites regarding the event duration monitoring (EDM) data for storm discharges. Similar data requests have been sent to all water companies and the EA request is not specific to TWUL. The data is being gathered with a view to it having been provided to the EA by 15 December 2021. These sixty-nine sites appear to have been selected as they recorded most discharges in the annual EDM return that TWUL provides the EA.

On 18 November 2021, TWUL received a letter from the EA with regard to potential non-compliance with permit conditions surrounding storm discharges, specifically Flow to Full and/or Total Treatment (FFT/FTT). The letter notified TWUL of the EA's intention to commence a criminal investigation into the matter.

On 18 November 2021 Ofwat published an open letter to all water and sewerage company CEOs regarding company compliance with environmental permits and refers to the EA investigations into spills. Ofwat expressed significant concerns in relation to non-compliance by some companies with permit conditions and suggested possible enforcement action for companies found to be in breach. As part of that open letter, Ofwat requires companies to supply information in relation to various questions, including in relation to permit condition compliance. TWUL answered a number of questions by 30 November (as required by Ofwat) and will be responding to the remainder of the request by the deadline of 22 December 2021.

2. Financing

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

Table 1 Current credit ratings

Company	Moody's	Standard & Poor's
TWUL – Corporate Family Rating	Baa2 (stable)	N/A
TWUF – Class A Issuer Rating	Baa1 (stable)	BBB+ (watch negative)
TWUF – Class B Issuer Rating	Ba1 (stable)	BBB- (watch negative)

Under the terms of our licence, we are required to maintain investment grade credit ratings, as assigned by external rating agencies. Maintaining investment grade ratings supports our ability to access efficiently priced debt across a range of markets to fund our investment programmes, whilst keeping bills affordable for our customers.

In July 2021, Moody's completed a periodic review of TWUL Group ratings, with the Corporate Family Rating ("CFR") for TWUL continuing as Baa2 with a stable outlook (30 September 2020: Baa2 with stable outlook), and our securitisation group companies' senior secured (Class A) debt rating continuing as Baa1 with stable outlook (30 September 2020: Baa1 with stable outlook) and subordinated (Class B) debt rating continuing as Ba1 with stable outlook (30 September 2020: Ba1 with stable outlook).

In December 2021, S&P placed our securitisation group companies' credit rating of BBB+ and BBB- (30 September 2020: BBB+ and BBB-) in respect of our senior secured (Class A) debt and our subordinated (Class B) debt respectively, on CreditWatch negative (30 September 2020: negative outlook).

i) Recent financing activity

- In April 2021, TWUF repaid a £225.0 million bond on maturity.
- In June/July 2021, TWUF entered into a £200.0 million Class B loan facility due June 2026 (fully drawn as at 30 September 2021).
- In June 2021, TWUF repaid a £300m Class B term loan due June 2023.
- In July 2021, TWUF repaid a £175.0 million index-linked bond on its maturity, including accretion
- In August 2021, TWUF's 364-day liquidity facilities totalling £550.0 million were renewed until August 2022 (split: £330.0 million debt service reserve and £220.0 million operations and capital maintenance reserve).
- In October 2021, £209.3 million of the £1,646.4 million main RCF was extended to 30 November 2025 (£1,437.1 million was already extended to 30 November 2025 during November 2020), and the Class A facility reduced by £6.4 million and the Class B facility increased by that amount.
- During October and November 2021, the £1,646.4 million main RCF (consisting of £1,425.7 million Class A and £220.7 million Class B), £75.0 million Class B RCF and £189.2 million loans transitioned from a LIBOR based interest rate to SONIA.

ii) Bonds outstanding at 30 September 2021

Table 2 Class A and B bonds outstanding at 30 September 2021

Issuer	Currency	Face Value (currency m)	Coupon %	Maturity Date	Class	Description	Face Value incl. Accretion at 30 September 2021 (£m)[1]
TWUF	EUR	113	2.30%	18/07/2022	A	CPI Linked Bond	108.0
TWUF	GBP	300	2.38%	03/05/2023	B	Fixed Rate Bond	300.0
TWUF	GBP	84.7	0.88%	19/10/2023	A	Fixed Rate Bond	84.7
TWUF	EUR	500	0.19%	23/10/2023	A	Fixed Rate Bond	429.5
TWUF	GBP	250	1.88%	24/01/2024	A	Fixed Rate Bond	250.0
TWUF	CAD	250	2.88%	12/12/2024	A	Fixed Rate Bond	146.4
TWUF	GBP	500	4.00%	19/06/2025	A	Fixed Rate Bond	500.0
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	53.0
TWUF	USD	40	1.60%	23/12/2027	A	Fixed Rate Bond	29.7
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	GBP	300	5.75%	13/09/2030	B	Fixed Rate Bond	300.0
TWUF	USD	57	2.06%	12/11/2030	A	Fixed Rate Bond	42.3
TWUF	GBP	250	2.63%	24/01/2032	A	Fixed Rate Bond	250.0
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	47.1
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	133.0
TWUF	GBP	350	2.38%	22/04/2040	A	Fixed Rate Bond	350.0
TWUF	GBP	50	3.85%	15/12/2040	A	LPI Linked Bond	70.0
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	73.3
TWUF	GBP	55	2.09%	06/10/2042	A	RPI Linked Bond	78.7
TWUF	GBP	40	1.97%	12/10/2045	A	RPI Linked Bond	46.2
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	146.7
TWUF	GBP	200	1.82%	28/08/2049	A	RPI Linked Bond	293.4
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	456.5
TWUF	GBP	300	1.68%	11/07/2055	A	RPI Linked Bond	456.5
TWUF	GBP	200	1.77%	28/08/2057	A	RPI Linked Bond	293.4
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	513.4
Total							8,671.8

The face value of Index Linked Bonds as at 30 September 2021 included accretion of £815.3 million.

[1] The face value of non-GBP debt has been translated to GBP at spot rate

iii) Net debt reconciliation

Table 3 Net debt reconciliation – 30 September 2021

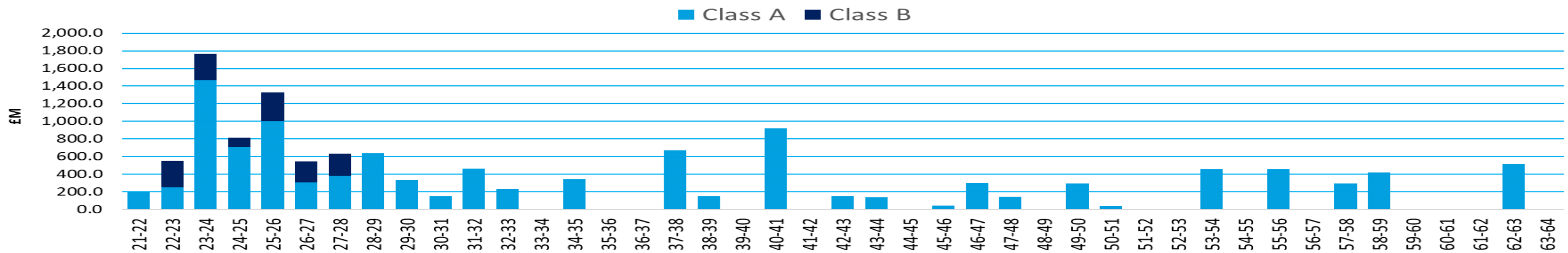
	£m
Face Value of Bonds including accretion Class A	7,821.8
Face Value of Bonds including accretion Class B	850.0
Total Face Value of Bonds including accretion	**8,671.8**
Class A USPP Notes	1,381.7
Class A RPI linked loans (including accretion of £190.3 million)	964.8
Accretion on Index Linked Swaps	413.6
Class A Floating Rate Loans	914.2
Class A Cross-currency swaps	(16.7)
Class B Loans	668.3
Cash and cash equivalents [2]	(114.4)
IFRS 16 Lease liability	66.5
Net Debt as per Compliance Certificate 30 September 2021	**12,949.8**
Unamortised debt issuance costs and discount	(72.6)
Subordinated amounts owed to group undertakings	5.5
Relevant derivative financial liabilities (Accretion and FX)	(396.9)
Interest payable on borrowings	122.9
Unamortised IFRS 9 transition adjustment	24.1
Cash relevant for covenant	7.0
Net Debt (statutory basis) as per interim report 30 September 2021	**12,639.8**

[2] Includes £107.4 million cash and cash equivalents as per annual report adjusted for £7.0 million cash relevant for covenant.

iv) Maturity profile and headroom analysis

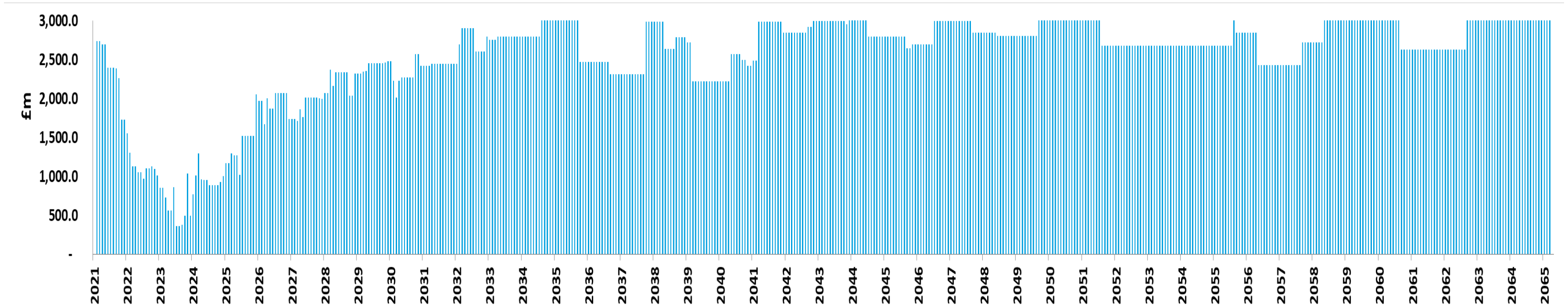
Graph 1 Debt maturity profile

At 30 September 2021, £400.0 million of the £1,432.1 million Class A RCF was drawn, with £50.5 million maturing in 2024-25 and £349.5 million maturing in 2025-26. The £289.3 million Class B RCFs were fully drawn, with £103.6 million maturing in 2024-25 and £185.7 million in 2025-26. The £289.3 million Class B drawdown was fully repaid during October 2021.



Graph 2 Covenant headroom analysis

The Securitisation Ring-fenced Group is prohibited from incurring new debt which would result in i) debt equivalent to >20% of RCV with a maturity in any 24 month period and ii) debt equivalent to >40% of RCV with a maturity in any AMP. Following a STID proposal in June 2020, RCF drawdowns as at 30 September 2021 are reflected according to the facility maturity of November 2024 and November 2025.



v) 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 4 Group & TWUL Derivative summary valuations

Derivative type	TWUL Group MtM as at 30 September 2021 (£m)	TWUL MtM as at 30 September 2021 (£m)
Cross currency swaps	(3.7)	(40.8)
Interest rate swaps	(137.1)	(137.1)
Index - linked swaps	(1,563.6)	(988.2)
Total	**(1,704.4)**	**(1,166.1)**

Note: 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 1.0% of RCV at 30 September 2021 (versus a limit 5% of RCV).

Table 5 Cross currency swaps

Issuer	Foreign Currency	Currency Amount (m)	£m	Maturity Date	MtM as at 30 September 2021 (£m)
TWUF	USD	150	96.6	28/02/2022	14.7
TWUF	EUR	113	100	18/07/2022	(3.3)
TWUL	USD	55	38.7	22/03/2023	3.1
TWUF	EUR	500	453.2	23/10/2023	(23.5)
TWUF	USD	200	128.8	27/02/2024	20.9
TWUF	CAD	250	143.6	12/12/2024	5.0
TWUL	USD	285	200.4	22/03/2025	21.4
TWUF	USD	106	82.0	13/04/2026	0.4
TWUF	USD	250	161.0	01/03/2027	23.7
TWUF	USD	40	29.6	23/12/2027	0.4
TWUF	USD	131	101.3	13/04/2029	0.9
TWUF	EUR	50	44.1	13/04/2030	(0.8)
TWUF	USD	57	44.2	12/11/2030	(1.3)
TWUL	JPY	20,000	153.6	20/08/2038	(65.3)
Total			1,777.1		(3.7)

Table 6 Interest rate swaps

Issuer	Notional £m	Start Date	Maturity Date	MtM as at 30 September 2021 (£m)
Interest rate swaps (pay fixed)				
TWUL	150.0	16/03/2018	17/03/2025	(13.2)
TWUL	500.0	13/09/2016	14/03/2030	(10.6)
TWUL	300.0	14/07/2017	14/03/2030	(13.8)
TWUL	150.0	16/03/2018	14/03/2030	(14.7)
TWUL	300.0	14/03/2019	14/03/2030	(21.4)
TWUL	250.0	13/09/2019	14/03/2030	(20.9)
TWUL	400.0	16/03/2017	16/03/2030	(30.9)
TWUL	200.0	14/07/2017	16/03/2030	(6.4)
	2,250.0			(131.9)
Interest rate swaps (receive fixed)				
TWUL	500.0	24/01/2017	14/03/2030	(4.5)
TWUL	250.0	03/05/2017	14/03/2030	(2.6)
TWUL	200.0	17/07/2017	14/03/2030	(2.6)
TWUL	143.6	12/12/2017	14/03/2030	0.0
TWUL	350.0	22/03/2018	14/03/2030	1.3
TWUL	227.3	14/03/2019	14/03/2030	2.1
TWUL	100.0	17/07/2017	16/03/2030	(0.8)
TWUL	150.0	22/03/2018	16/03/2030	1.9
	1,920.9			(5.2)
Total	4,170.9			(137.1)

Table 7 Index linked swaps

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

Issuer	Notional £m	Base RPI	Next Accretion Payment Date	Maturity Date	Further Payments Profile	MtM as at 30 September 2021 (£m)
TWUL	300	289.5	At maturity	25/10/2024	-	(21.3)
TWUL	200	289.5	At maturity	29/10/2024	-	(18.1)
TWUL	250	289.5	At maturity	31/10/2024	-	(22.5)
TWUL	190	291.0	At maturity	02/12/2024	-	(17.7)
TWUL	20	258.8	At maturity	31/03/2026	-	(6.2)
TWUL	50	289.5	At maturity	24/01/2029	-	(5.0)
TWUL	500	289.5	At maturity	11/02/2029	-	(55.2)
TWUL	100	289.5	At maturity	22/03/2029	-	(11.1)
TWUL	200	289.5	At maturity	31/10/2029	-	(20.8)
TWUL	100	291.7	At maturity	01/11/2029	-	(12.0)
TWUL	100	291.7	At maturity	13/11/2029	-	(12.2)
TWUL	100	291.7	At maturity	19/11/2029	-	(12.7)
TWUL	150	206.1	At maturity	28/09/2037	-	(146.7)
TWUL	250	206.1	28/09/2023	28/09/2037	12 years, maturity	(235.1)
TWUL	200	206.1	28/09/2022	30/09/2037	Every 5 years	(134.7)
TWUL	200	210.9	09/02/2032	09/02/2038	Maturity	(127.8)
TWUL	94.1	215.1	21/08/2023	20/08/2038	Every 5 years	(45.0)
TWUF	100	235.2	18/07/2022	18/07/2039	10 years, maturity	(93.0)
TWUF*	100	215.3	31/12/2024	31/12/2039	2029, maturity	(95.4)
TWUF	200	215.3	31/12/2024	31/12/2039	Every 5 years	(201.5)
TWUL	114.8	264.8	At maturity	09/04/2058	-	(84.1)
TWUF	100	218	17/02/2025	17/02/2060	Every 5 years	(200.1)
	3,618.9					**(1,578.2)**

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

The following EUR CPI linked swap was entered into on 11 July 2011 to convert the coupon on a EUR bond maturing in July 2022 to EUR CPI.

Issuer	Notional €m	Base CPI	Next Accretion Payment Date	Maturity Date	Further Payments Profile	MtM as at 31 September 2021 (£m)
TWUF	113.0	96.3	At maturity	18/07/2022	-	14.6
	113.0					**14.6**

None of the index linked swaps contain break clauses. Accretion as a percentage of Class A net indebtedness is 3.8% (versus a limit of 8% of Class A net indebtedness).

vi) Available facilities

As at 30 September 2021, TWUL had committed facilities of £2,271.4 million (£1,582.1 million undrawn) in place. These facilities provide the necessary liquidity to fund the operations of the business for a minimum of twelve months. The committed facilities consisted of the following:

- £1,646.4 million RCF consisting of Class A £1,432.1 million (£1,032.1 million undrawn as at 30 September 2021) and Class B £214.3 million (fully drawn as at 30 September 2021). The Class B amount drawn was fully repaid during October 2021.
- £75.0 million Class B RCF (fully drawn as at 30 September 2021 and fully repaid during October 2021).
- £550.0 million 364-day undrawn liquidity facilities (split: £330.0 million debt service reserve and £220.0 million operations and capital maintenance reserve) renewed in August annually.

See the recent financing activities section above for more details on changes to the main Class A and Class B RCFs since 30 September 2021.

vii) Counterparty rating requirements

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

NatWest currently remains as Account Bank and Standstill Cash Manager and meets the minimum rating requirement.

viii) Accretion charge

The income statement charge for the 6 months to 30 September 2021 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 8 Accretion charge

Instrument	6 Months to 30 September 2021 (£m)	Accretion Paydowns 6 Months to 30 September 2021 (£m)	Total Cumulative Accretion (£m)
Index-linked Bonds	50.7	119.7	815.3
Index-linked Loans	34.3	1.2	190.3
Index-linked Swaps	105.3	-	353.5
Index-linked Swaps with 5 year accretion paydowns	27.3	-	60.1
Total	**217.6**	**120.9**	**1,419.2**

ix) Cash and Authorised Investments

As at 30 September 2021, the following cash and cash equivalent investments were held.

Table 9 Cash and Authorised Investments

Counterparty type	TWUL (£m)	TWUF (£m)	Total (£m)
Cash and Cash Equivalents (Including AAA Money Market Funds)	109.9	4.5	114.4
Short Term Investments (Bank Deposits)	-	-	-
Total cash and investments[3]	**109.9**	**4.5**	**114.4**

3. Dividends

No distributions were made to external shareholders during the six months to 30 September 2021 (30 September 2020: £nil) and no dividends were paid to TWUL's immediate parent company, Thames Water Utilities Holdings Limited ("TWUHL") during the six months (30 September 2020: £nil). Subsequently in October 2021, a dividend was paid to TWUHL of £37.1 million for the purposes of debt servicing at the Group's holding companies.

4. 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.

We are currently reviewing arrangements for both our Water and Waste field operations activity with our Waste repair and maintenance contracts (approx. £90m per annum) currently in the closing stages of a competitive bid process. We will be out to competitive bid for elements of our Water network activity in January 2022

We expect further significant market exercises to take place over the next 12 months on our Metering arrangements (Install and Meter Read) and in our wider BPO arrangements.

5. Financial ratios

The number of Test Periods and forward looking test dates varies dependent on the particular Calculation Date and certain periods may not be required for certain Calculation Dates.

We have made adjustments to the amounts referred to in the 30 September 2021 TWUL financial statements 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 2022 to 31 March 2025 and an information sheet on the additional conformed interest cover ratio calculations are included in Appendices 1 and 2 respectively.

[3] Includes £107.4 million cash and cash equivalents as per the financial statements, adjusted upwards by £7.0m for cash relevant to covenant.

Table 10 Senior and Class A net debt – breakdown of calculation as at 30 September 2021

Senior net debt

30 September 2021 (£m)	
Senior net debt per accounts	12,639.8
Less Amounts owed to group undertakings	(5.5)
Less accrued interest	(122.9)
Add back unamortised debt issuance costs and discount	72.6
Add relevant derivative financial liabilities (Accretion and FX)	396.9
Less IFRS 9 transition Adjustment	(24.1)
Less cash relevant for covenant	(7.0)
Senior net debt per compliance certificate	12,949.8

Class A net debt

30 September 2021 (£m)	
Senior net debt per accounts	12,639.8
Less Class B debt	(1,518.3)
Less Lease Liability	(66.5)
Less Amounts owed to group undertakings	(5.5)
Less accrued interest	(122.9)
Add back unamortised debt issuance costs and discount	72.6
Add relevant derivative financial liabilities (Accretion and FX)	396.9
Less IFRS 9 transition Adjustment	(24.1)
Less cash relevant for covenant	(7.0)
Class A net debt per compliance certificate	11,365.0

Table 11 Forecast Conformed Net Cash Flow

	31 March 2022 (£m)
Cashflow from operations	1,076.5
Exceptional items	-
Reversal of capex creditor	-
Add back Impact of IP revenues and payments	-
Add Deferral of K	-
Conformed Net Cash Flow	1,076.5

TWUL receives interest on its £1,693.4 million (31 March 2021: £1,693.4 million) intra-group loan to TWUHL. During the six months ended 30 September 2021 £nil interest was received from TWUHL (30 September 2020: £21.2 million). 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 tax effect of eliminating the intercompany loan interest is also excluded from the Net Cash Flow.

Following a STID Proposal in April 2015, additional Adjusted Interest Cover Ratios were introduced to introduce depreciation as a replacement for current cost depreciation and infrastructure renewals charge from the start of AMP 6. Included in Appendix 1 are the Senior PMICR (additional conformed) calculations as per the information covenant obligation referenced in the above STID Proposal.

Table 12 Depreciation

Depreciation – as used in additional conformed interest cover ratios

Test date	31 March 2022	31 March 2023	31 March 2024	31 March 2025
Water and wastewater depreciation	(639.2)	(661.0)	(708.5)	(720.1)
Factor to convert to outturn prices	1.0783	1.1089	1.1321	1.1556
Depreciation (Outturn prices)	(689.2)	(732.9)	(802.1)	(832.2)

We confirm that in respect of the Calculation Date on 30 September 2021, by reference to the most recent financial statements in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement that the ratios are as detailed in the table below.

Please refer to Appendix 1 Financial ratio calculations for the detailed calculation of each ratio.

Table 13 The ratios – TWUL

Test date	31 March 2021	30 September 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
Class A RAR*	72.5%	72.3%	71.3%	72.0%	72.0%	73.3%
Conformed Senior RAR*	83.2%	82.4%	81.6%	81.3%	81.9%	83.0%

Test date	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
Conformed Class A ICR	5.85	4.44	5.96	5.78	5.99
Additional Conformed Class A Adjusted ICR	2.17	1.60	2.86	2.67	2.74
Additional Conformed Senior Adjusted ICR	1.74	1.36	2.31	2.20	2.23
Additional Conformed Class A Average Adjusted ICR	2.21	2.38	2.75	2.75	2.75
Additional Conformed Senior Average Adjusted ICR	1.80	1.96	2.25	2.25	2.25

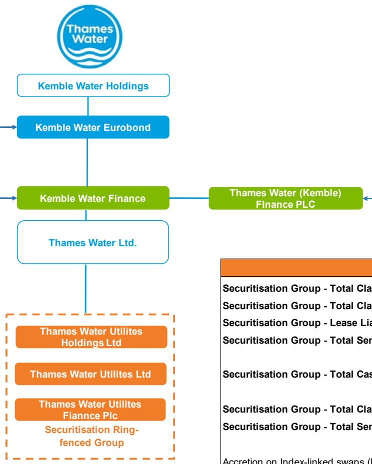
We confirm that each of the ratios has been calculated in respect of the relevant period(s) for which it is required to be calculated under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (Ratios) of Part 2 (Events of Default (TWUL and the Issuer)) of Schedule 6 to be breached.

IFRS 16 - Leases

Following a STID Proposal in March 2019 which was approved by the majority creditors, the definition of "Permitted Financial Indebtedness" was amended to include lease arrangements that would not have been treated as "Financial Indebtedness" prior to the adoption of IFRS 16. It is noted that the amount of Financial Indebtedness, including that under such operating leases, is subject to restriction through the Senior RAR covenant and, in addition, there is a new sub-cap for operating leases (included as part of the consent process) of 2% of RCV. At 30 September 2021 the lease liability was 0.4% of RCV.

6. Group debt structure (as at 30 September 2021)

Thames Water - Group Debt Structure at 30 September 2021



All amounts in £ millions

	Amount	Maturity
Shareholder Loan	310.4	March 2031

	Amount	Maturity
Term Loans KWF	190.0	April 2024
Term Loans KWF	200.0	July 2025
Term Loans KWF	110.0	November 2025
Term Loans KWF	200.0	December 2025
Term Loans KWF	149.8	April 2026
Term Loans KWF	50.0	July 2027
Term Loans KWF	50.0	August 2028

	Amount	% of RCV
KWF - Total Group Debt	**14,529.2**	
KWF - Total Cash	**367.0**	
KWF - Total Group Net Debt	**14,162.2**	90.1%

	Amount	Maturity
£175m 5.875% Bond	115.1	July 2022
£400m 4.625% Bond	400.0	May 2026

	Amount	
Securitisation Group - Total Class A Debt	**11,479.4**	
Securitisation Group - Total Class B Debt	**1,518.3**	
Securitisation Group - Lease Liability	**66.6**	
Securitisation Group - Total Senior Debt	**13,064.3**	
Securitisation Group - Total Cash	**114.4**	
Securitisation Group - Total Class A Net Debt	**11,365.0**	72.3%
Securitisation Group - Total Senior Net Debt	**12,949.9**	82.4%
Accretion on Index-linked swaps (limit: 8% of Class A Net Debt)	424.5	3.7%
Swaps with breaks (limit: 5% of RCV)	153.6	1.0%
Index-linked Debt (post swaps) in Securitisation Group (% of Total Senior Debt)	7,718.4	59.1%
Stated RCV as at 31 March 2021	15,711.9	

Class A	Amount	Maturity
Thames Water Utilities Finance Plc		
USPP $150m Note	111.2	February 2022
Series 13 €113m 2.30% CPI Bond	108.0	July 2022
Series 28 £84.7m 0.875% Bond	84.7	October 2023
Series 29 €500m 0.19% Bond	429.5	October 2023
Series 21 £250m 1.875% Bond	250.0	January 2024
USPP $200m Note	148.3	February 2024
CAD 250m 2.875% Bond	146.4	December 2024
Series 16 £500m 4% Bond	500.0	June 2025
Revolving Credit Facility drawdown	400.0	November 2025
USPP $106m Note	78.6	April 2026
USPP $250m Note	185.4	March 2027
Series 18 £45m 0.721% RPI Bond	53.0	December 2027
Series 31 $40m 1.604% Bond	29.7	December 2027
Series 19 £300m 3.5% Bond	300.0	February 2028
£330m 6.750% Bond, Ser. 11	330.0	November 2028
USPP $131m Note	97.1	April 2029
USPP €50m Note	43.0	April 2030
Series 30 $57m 2.06% Bond	42.3	November 2030
Series 22 £250m 2.625% Bond	250.0	January 2032
£200m 6.500% Bond, Ser. 22	200.0	February 2032
Series 14 £300m 4.375% Bond	300.0	July 2034
Series 17 £40m 0.75% RPI Bond	47.1	December 2034
£600m 5.125% Bond, Ser. 44	600.0	September 2037
Series 3 JPY20bn 3.28% Bond	133.0	August 2038
Series 26 £350m 2.375% Bond	350.0	April 2040
Series 4 £50m 3.853% LPI Bond	70.0	December 2040
Series 12 £500m 5.50%Bond	500.0	February 2041
Series 1 A5 £50m 1.980% RPI Bond	73.3	August 2042
Series 6 £55m 2.091% RPI Bond	78.7	October 2042
Series 10 £40m 1.974% RPI Bond	46.2	October 2045
Series 15 £300m 4.625% Bond	300.0	June 2046
Series 1 A4 £100m 1.846% RPI Bond	146.7	August 2047
Series 1 A3 £200m 1.819% RPI Bond	293.4	August 2049
Series 27 £40m 2.442% Bond	40.0	May 2050
£300m 1.6802% RPI Bond, Ser. 43	456.5	July 2053
£300m 1.681% RPI Bond, Ser. 42	456.5	July 2055
Series 1 A2 £200m 1.771% RPI Bond	293.4	August 2057
Series 20 £400m 7.738% Bond	400.0	April 2058
Series 1 A1 £350m 1.760% RPI Bond	513.4	August 2062
Accretion on RPI swaps	42.6	2022-2060
Cross currency swaps	(24.3)	2022-2030

Class A (continued)	Amount	Maturity
Thames Water Utilities Limited		
£75m RPI Term Loan	96.3	December 2021
£50m Floting rate Term Loan	50.0	June 2022
USPP $55m Note	40.8	March 2023
£215m RPI Term Loan	268.0	December 2023
£150m Floating rate Term Loan	150.0	February 2024
£125m Floting rate Term Loan	125.0	June 2024
£100m RPI Term Loan	118.6	February 2025
USPP $285m Note	211.3	March 2025
£125m RPI Term Loan	147.6	March 2026
£63m Floating rate Term Loan	63.1	March 2027
USPP £216m Note	216.0	April 2028
£63m Floating rate Term Loan	63.1	March 2029
USPP £210m Note	210.0	March 2030
£63m Floating rate Term Loan	63.0	March 2031
£215m RPI Term Loan	193.8	November 2032
USPP £40m Note	40.0	March 2033
£100m RPI Term Loan	140.5	November 2043
Accretion on RPI swaps	371.0	2024-2058
Cross currency swaps	7.6	2023-2038
Total Class A	**11,479.4**	

Class B	Amount	Maturity
Thames Water Utilities Finance Plc		
Series 22 £300m 2.375% Bond	300.0	May 2023
Revolving Credit Facility drawdown	214.3	November 2025
Revolving Credit Facility drawdown	75.0	April 2024
£300m Floating rate Term Loan	200.0	June 2026
Series 23 £250m 2.875% Bond	250.0	May 2027
Series 9 £300m 5.75% bond	300.0	September 2030
Thames Water Utilities Limited		
£50m 3.867% Term Loan	50.0	March 2026
£70m 3.867% Term Loan	70.0	March 2026
£20m Floating rate Term Loan	20.0	March 2026
£39m 3.918% Term Loan	39.0	May 2026
Total Class B	**1,518.3**	
Total Senior Debt	**12,997.7**	

1. As at 30 September 2021, the Group had access to a total of £2.3 billion facilities. This included £1.7 billion Revolving Credit Facilities (£689.3 million drawn as at 30 September 2021) and a £550.0 million 364 day undrawn facility that is renewed annually in August.
2. Non-GBP debt has been translated at the spot rate.
3. Total Senior Debt, Total Senior Net Debt, Total Group Debt and Total Group Net Debt includes £66.5 million lease liability.

We also confirm that:

(a) No Default or Potential Trigger Event is outstanding; and
(b) that 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

TOM BOLTON

Director

For and on behalf of

THAMES WATER UTILITIES FINANCE PLC

Appendix 1 Financial Ratio Calculations

Calculations for forward looking ratios for March 2022 to March 2025 have been provided to the Security Trustee and the Facility Agent as required by the CTA. This information is not however included in the published Investor Report. Secured creditors may register their interest in receiving a full version of the investor report by contacting the Security Trustee, the Facility Agent and Thames Water as appropriate.

Appendix 2 PMICR covenant information sheet

Calculations for forward looking ratios for March 2022 to March 2025 have been provided to the Security Trustee and the Facility Agent as required by the CTA. This information is not however included in the published Investor Report. Secured creditors may register their interest in receiving a full version of the investor report by contacting the Security Trustee, the Facility Agent and Thames Water as appropriate.

Appendix 3 Thames Tideway Tunnel

During the 6-month period ended 30 September 2021, TWUL continued to include costs within its bills to wastewater customers for the construction of the Thames Tideway Tunnel (TTT). £42.8 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, our 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.

Progress continues in support of the Tideway construction works, with the key focus being developing the plan for the commissioning of the tunnel system including how the sites will be activated and tested at the end of 2023. In the period, we completed our initial assessment of the changes required to existing assets when the tunnel system is placed into service. The programme has now been developed and modifications will occur over the next two and half years. Lastly we have commenced works on site at the necessary modifications to the inlet works structure at Beckton Sewage Treatment Works. This project will deliver the required extension works by early 2023 to ensure readiness for the activation of the London Tideway Tunnel system.

BTL, which trades as Tideway, is a separate privately financed company appointed in 2015 under a separate regulatory regime and is responsible for building, commissioning, financing and maintaining the Thames Tideway Tunnel. BTL has announced that Handover is expected by end of March 2025. At the end of September 2021, the project was 70 per cent complete with 23.5km of tunnel constructed, with 9.8km of secondary lining also complete. All 25km of primary tunnelling is due to be complete by end of May 2022. The permanent structures that will form the new public realm, are continuing to take shape.

Contact details

For more details please contact us at:

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