

TIDEWAY – HOLDCO GROUP INVESTOR REPORT H1 2024/25

November 2024



Tideway



Notice

IMPORTANT NOTICE

This Investor Report is being distributed by Bazalgette Tunnel Limited (“BTL” “Tideway” or “the Borrower”) (as ‘Holdco Group Agent’) on behalf of each Obligor pursuant to the Common Terms Agreement (CTA). BTL trades as “Tideway”.

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management’s assumptions rely on its operational analysis and expectations for the operating performance of each of the Obligor’s assets based on their historical operating performance and management expectations as described herein. Factors beyond management’s control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors’ auditors.

BASIS OF PREPARATION

Investor Reports relate to the performance of the Holdco Group which includes Bazalgette Holdings Limited (“BHL” or “Holdco”), Bazalgette Finance plc (“Finco”) and BTL. This Investor Report comments on the historical financial performance of the Holdco Group for the period to 30 September 2024.

Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

This Investor Report provides an update of the Holdco Group’s activities for the period to 30 September 2024 with some information as of 31 October 2024 or as indicated. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Semi-annual Report and Accounts for the 6 months ended 30 September 2024.

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Overview – H1 Highlights

Construction complete

All below ground works completed

**PCCD
April 2024**

*Preliminary
Commissioning
Commencement Date*

**SACD
May 2024**

*System Activation
Commencement Date*

**Handover
2025**

Fully operational

**EAC at
£4.55 bn**

*TWUL customers
annual bill within the
range set out in 2015*

**Credit rating
affirmed**

*Fitch: BBB+ and Moody's :
Baa1, with stable outlook*

- Tideway entered a new phase of delivery during the period, with the new Thames Tideway Tunnel becoming operational for the first time.
- Site activation commenced to create connections to the new Tunnel and beginning to prevent sewage discharges to the river. 12 out of the 21 connections had been activated by the time of publication.
- With core construction completed, commissioning work is ongoing alongside architecture and landscaping works. The project remains on track to be fully completed in 2025.
- Our liquidity horizon extends beyond Handover in 2025 and System Acceptance in 2027. Net Debt to RCV at 68% and interest coverage ratio (FFO ICR) at 9x.



Business Update – Health, Safety, and Wellbeing & Vision, Legacy, and Reputation

- Accident frequency rates (AFR), which measure lost-time injuries over a rolling 12-month period, reduced during the period. There has been continued strong performance over the first six months of 2024/25 with zero incidents resulting in over three days or over seven days absence.
- During the first six months of 2024/25, 1.1 million hours were worked and there were two lost time injuries (LTI) which resulted in +1-day lost time.



- Architecture and landscaping work continued above ground to create the seven new areas of riverside public space and install the new public art works.
- Tideway continued to follow a proactive engagement and communications strategy highlighting the progress of the project and its benefits.
- Delivery of the Legacy Commitments is progressing well with 39 of the 54 commitments closed as of 30 September. Eleven Tideway-owned commitments are on track for completion against target. The remaining four commitments are long-term environmental benefits that will be tracked by Thames Water.
- We marked several milestones, including the completion of the first connection between the existing sewer network and the new Thames Tideway Tunnel, at Abbey Mills, the removal of the large cofferdam at our Blackfriars site, and the substantial completion of work at our Acton Storm Tanks site, where we held a ceremony to unveil the new public artwork – three sculptures depicting figures with a link to the local area including Sir Joseph Bazalgette.

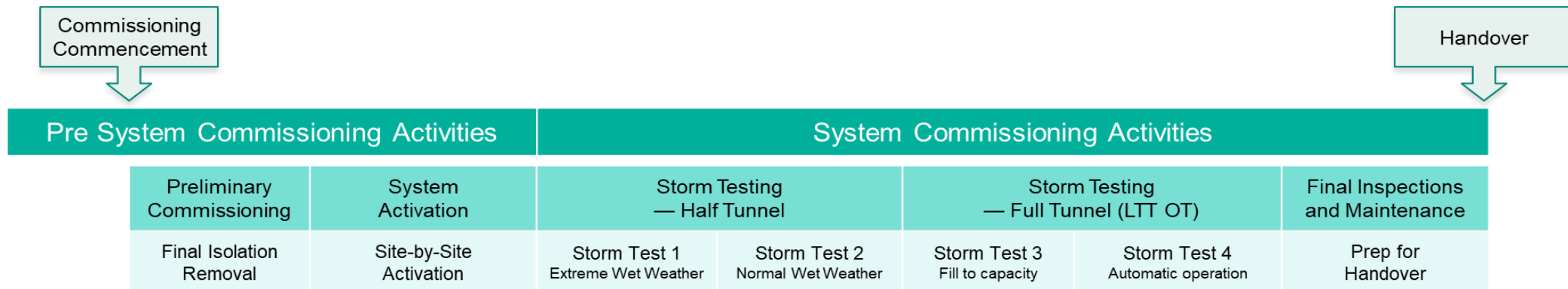
Regulatory Update & Interface with Thames Water

- Ofwat published its PR24 draft determinations (which do not apply to Tideway) in July 2024. Tideway's response welcomed the proposal for a new incentive on Thames Water to support earliest possible System Acceptance. We continue to engage with Ofwat with the aim of ensuring that its final determinations include appropriate funding and incentives for Thames Water to complete its work on the TTT in a timely manner. Final determinations are expected on 19 December 2024.
- Tideway continues to monitor the impact of Thames Water's corporate position. We have received confirmation from Ofwat that the existing statutory and regulatory protections would continue to apply should Thames Water's status change. These include that the TTT is seen as essential for enabling Thames Water to comply with its sewerage duties under the Water Industry Act 1991 and that it has a licence obligation to pass revenues to Tideway under the Revenue Agreement. A licence breach by Thames Water is enforceable by Ofwat. There has been no impact on our revenue to date.
- The Water (Special Measures) Bill currently before Parliament, and the linked remuneration and governance measures proposed by Ofwat in its October 2024 consultation, are not expected to apply to Tideway at this time. We will engage with the independently-chaired review of the water sector announced by the Government in autumn 2024.
- Thames Water is integral in the review and validation of the strategy for commissioning the LTT System. The collaborative approach between Tideway, the contracting organisations and Thames Water has been maintained throughout 2024/25, culminating in Tideway entering the Preliminary Commissioning phase in April 2024, followed by the commencement of System Activation in May.
- Tideway continues to have strong support from Thames Water, the Environment Agency, Ofwat, and Department for Environment, Food & Rural Affairs in achieving the associated successful project outcomes.
- Tideway has introduced a more detailed Go-No Go process, including the appointment of Project Completion Leads, for each of the contracting organisations, who conduct regular collaborative reviews of the Go-No Go process with Thames Water to support the most optimised sequence of site activation leading to the System Commissioning Commencement Date (SCCD).



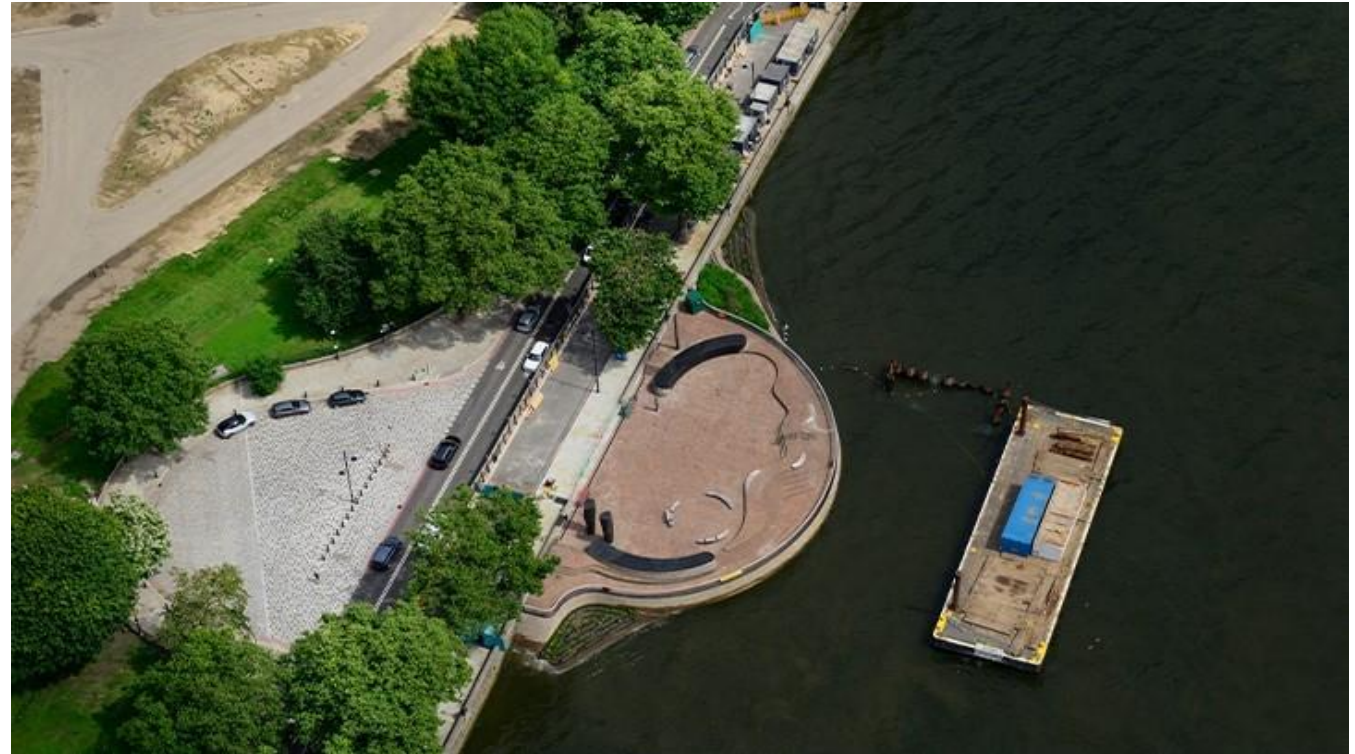
Delivery Update

- The project entered a new phase during the period with the Tunnel becoming operational for the first time and now preventing sewage discharges from entering the tidal River Thames.
- The ‘capping off’ of the final shaft at the Abbey Mills Pumping Station site, near Stratford in east London, signified completion of the main construction phase of the Thames Tideway Tunnel. In May 24, the first vital connection was made - between the new 25km Tunnel and the existing 6.9km Lee Tunnel - to create the full ‘London Tideway Tunnel’ network and marked the commencement of our commissioning phase on the programme, where Tideway moves from a civil engineering project to an operational utility.
- Several more connections have now been activated. At the time of publication 12 of 21 connections have been activated.
- During the heavy rainfall of 23 September 589,000 m³ was captured with just the first connections activated preventing 219,000m³ from entering the Thames, with the existing Thames Water Lee Tunnel capturing 370,000m³.



Delivery update (continued)

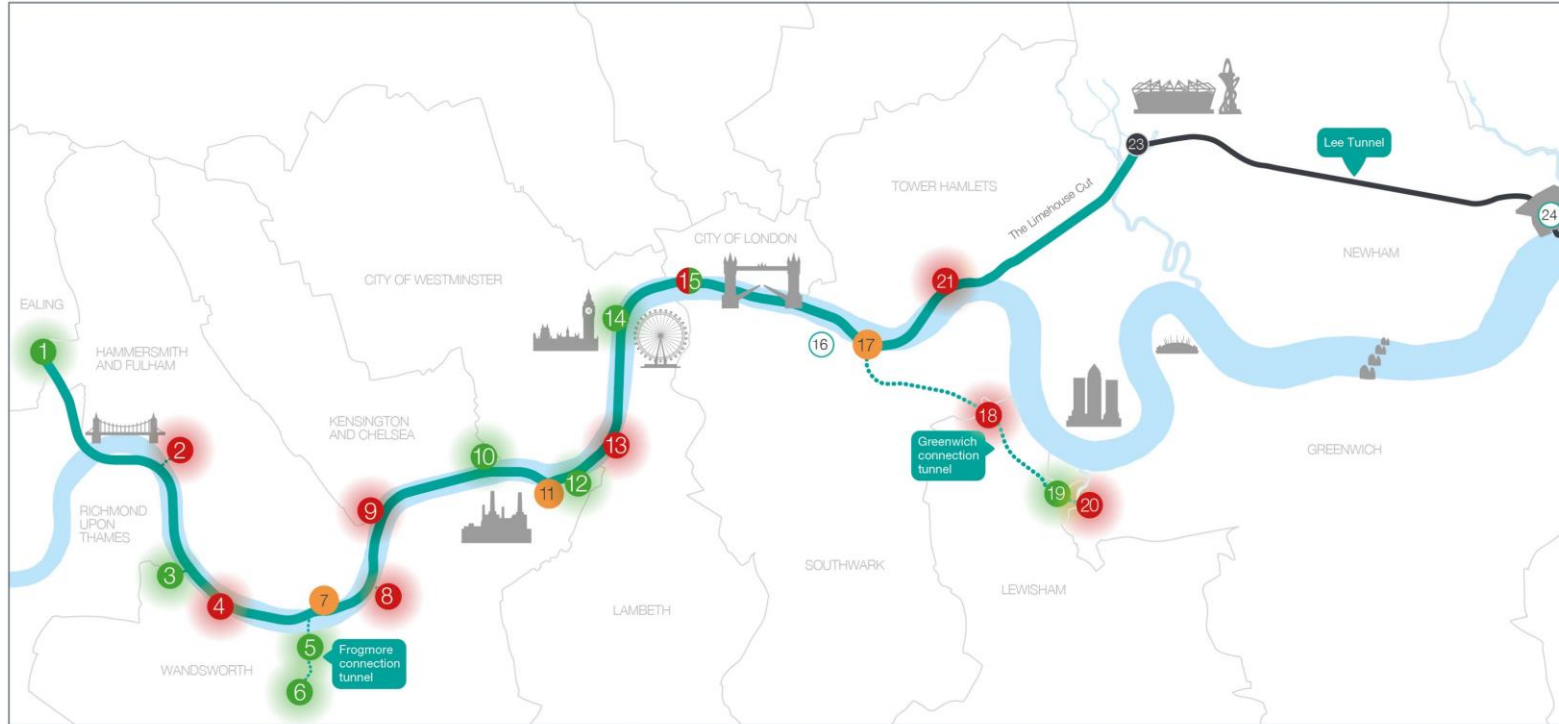
- The project continues to forecast being fully operational in 2025.
- Activating sites is currently the key activity, with connections being made between the new infrastructure and existing Thames Water assets.
- This is a complex programme and whilst progress is steady, it was initially slower than anticipated. However, it remains a key objective to have the vast majority of sites activated by the end of December 2024.
- Beyond this, we are actively working with Thames Water to agree the detailed requirements for Handover, which remains on track for the second half of calendar year 2025.
- There was a marginal increase in our estimate at completion (EAC) (by £25m) to £4.55bn. Tideway continues to maintain strong oversight of any cost adjustments as we move into the final phases of delivery.
- Total project costs incurred for the six-month period were £212.7m (2023 £330.2m), taking the total capitalised costs incurred at 30 September 2024 to £5,615.9m (2023: £5,163.4m).



- Tideway has continued to progress the implementation of commercial agreements with the Main Works Contractors and the System Integrator resolving historical commercial issues, aligning their schedules with the Tideway Business Plan whilst ensuring objectives remain aligned through effective cost and schedule incentives.

The Tunnel Route showing site activation

Correct as at 18th November



- Activated
- Not yet activated
- Part activated



- | | | |
|--|---|---|
| ● 1 Acton Storm Tanks | ● 8 Falconbrook Pumping Station | ● 17 Chambers Wharf |
| ● 2 Hammersmith Pumping Station | ● 9 Cremorne Wharf Depot | ● 18 Earl Pumping Station |
| ● 3 Barn Elms | ● 10 Chelsea Embankment Foreshore | ● 19 Deptford Church Street |
| ● 4 Putney Embankment Foreshore | ● 11 Kirtling Street | ● 20 Greenwich Pumping Station |
| ● 5 Dormay Street | ● 12 Heathwall Pumping Station | ● 21 King Edward Memorial Park Foreshore |
| ● 6 King George's Park | ● 13 Albert Embankment Foreshore | ● 23 Abbey Mills Pumping Station |
| ● 7 Carnwath Road Riverside | ● 14 Victoria Embankment Foreshore | |
| | ● 15 Blackfriars Bridge Foreshore | |

Financing Activity and Sustainable Finance

- At 30 September 2024, we had total liquidity of £473.1m, comprising £313.1m of unrestricted cash and the £160m undrawn RCF. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target, including all liquidity required to Handover and System Acceptance.
- In September 2024, we entered into a £75m Liquidity Facilities Agreement aimed at covering the Liquidity Required Amount, a CTA requirement.
- Contemporaneously we entered into Amendment Deeds in respect of the Common Documents (including the Finco Common Documents). These changed various administrative provisions relating to the Liquidity Facility and were approved by the Obligor Security Trustee as Discretionary Matters.

£3.3bn long term debt raised (£3.8bn including accretion)

£160m RCF
£75m Liquidity Facilities

100% needs to System Acceptance

Refinancing from 2025 (EIB) and 2027 (bond)

September 2024

Index Linked debt as % of RCV

53%

Gearing remains below the covenant trigger / default levels (70%/80%)

Net debt/ RCV 68%

Index Linked debt as % of total debt

71%

Interest coverage ratio remains well above the covenant trigger / default levels (1.30x / 1.10x)

ICR 9x

- No distributions relating to the shareholders loan were paid in the six months to 30 September 2024 with £37.4m of interest being capitalised, taking the shareholder loan balance to £960.1m.
- Our credit ratings were affirmed at Baa1 by Moody's in June 2024 and BBB+ by Fitch in May 2024, both with a stable outlook.
- Historical Financial Performance can be found in our [Interim Report](#).
- Tideway has 18 green bonds totalling £1.8bn listed in the London Stock Exchange Sustainable Bond Market, two green PPs for £75m and £250m and a £160m Sustainability-Linked Revolving Credit Facility, all covered by a Second Party Opinion from S&P Global Ratings with Dark Green status.
- Our annual [Sustainability Report](#) was published in June 2024.

Financial Ratios

We confirm that in respect of this Investor Report as of 30 September 2024, by reference to the most recent Financial Statements that we are obliged to deliver in accordance with paragraph 1 (Financial Statements) of Part A (Information Covenants) of Schedule 3 (Holdco Group Covenants) of the CTA:

- a) the Senior RAR⁽¹⁾ in respect of the relevant Test Period is equal to 68.0%
- b) The FFO ICR⁽²⁾ in respect of the relevant Test Period is equal to 9.01x
- c) The average FFO ICR in respect of the relevant Test Period is equal to 7.36x

(together ***the Ratios***)

We confirm that the above Ratios have been calculated in respect of the Test Period(s) or as at the Test Dates for which it is required to be calculated under the CTA.

Description of ratios

(1) Senior RAR measures at a test date, the ratio of Senior Net Indebtedness to RCV

(2) FFO ICR measures in respect of a test period, the ratio of Net Cash Flow to Senior Debt Interest

Other Reportable Matters

Significant management and board changes H1 2024/25

- Sir Neville Simms stepped down as the independent Chair in September 2024 after nine years. He is succeeded by independent non-executive director Michael Queen.
- Richard Morse, who served as Deputy Chair and Chair of the Audit and Finance Committee, retired from the Board in June 2024. He is succeeded by independent non-executive director Baroness Ruby McGregor-Smith who will act as Deputy Chair and Chair of the Audit and Finance Committee going forward.
- Shirley Campbell and Mohammed Saddiq have joined the board as independent non-executive directors in November 2024.
- Matt Parr, Director of Strategy and Regulation was appointed as Deputy Chief Executive to prepare the strategy for the company (post-Handover).

Acquisitions and disposals H1 2024/25

- In August 2024, Amber Infrastructure Group Holdings Limited (“Amber Infrastructure”) completed its previously-announced strategic combination with Boyd Watterson Asset Management. The combination creates a diversified real estate, infrastructure, and fixed income asset management business. Amber Infrastructure manages INPP’s and Swiss Life’s investments in Tideway

Current Hedging Position

- The current swap portfolio can be found on page 15.

Confirmation

We confirm that:

- a) no Default or Trigger Event has occurred and is continuing;
- b) the Borrower is in compliance with the Hedging Policy;
- c) the statements set out in this Investor Report are accurate in all material respects; and
- d) the insurances are being maintained in accordance with paragraph 28 (Insurance) of Part C (General Covenants) of Schedule 3 (Holdco Group Covenants) to the CTA.



Mathew Duncan,

Chief Financial Officer

For and on behalf of Bazalgette Tunnel Limited as Holdco Group Agent

Debt Portfolio – September 2024

BTL Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£80m Tranche 1	85	EIB loan	Jul-18	2051
£80m Tranche 2	109	EIB loan	Jan-19	2051
£80m Tranche 3	107	EIB loan	Jul-19	2051
£80m Tranche 4	107	EIB loan	Jan-20	2051
£80m Tranche 5	106	EIB loan	Jul-20	2051
£80m Tranche 6	105	EIB loan	Jan-21	2051
£80m Tranche 7	105	EIB loan	Mar-21	2051
£60m Tranche 8	77	EIB loan	Jul-21	2051
£40m Tranche 9	50	EIB loan	Jan-22	2051
£40m Tranche 10	46	EIB loan	Jul-22	2051
Subtotal EIB Loan	897			
£300m 2.86%	314	USPP Loan Note	Sep-17	2032
£75m 2.418%	75	Green USPP Loan Note	Sep-21	2041
£250m 6.02%, 6.05%, 6.11%	250	Green USPP Loan Note	Oct-23	2033, 2035, 2038
Subtotal Nominal	639			
£100m RPI + 0.01%	134	Loan	Sep-19	2049
Subtotal RPI Loan	134			
TOTAL	1671			
RCF	160	Sustainability-linked	N/A	2027

Debt £m	Nominal	Accretion	Total Drawn	Undrawn	Total
RPI	1,802	517	2,319		2,319
CPI	350	66	416		416
Nominal	1,105		1,105		1,105
RCF				160	160
Liquidity				75	75
Lease			0.5		0.5
Total	3,257	583	3,841	235	4,076
Cash			313		313
Net Debt £m			3,528		

Drawn facilities
Undrawn facilities

BFP Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£75m CPI + 0.828%	98	Green Bond	Aug-17	2047
£200m CPI + 0.74%	232	Green Bond	Nov-17	2042
£75m CPI + 0.949%	86	Green Bond	May-22	2052
Subtotal CPI	416			
£100m RPI + 0.688%	139	Green Bond	Jun-18	2050
£100m RPI + 0.249%	136	Green Bond	Dec-18	2040
£100m RPI + 0.755%	135	Green Bond	Jun-19	2051
£125m RPI + 0.192%	179	Green Bond	Jul-19	2049
£25m RPI + 1.035%	33	Green Bond	Jun-20	2048
£50m RPI + 0.787%	66	Green Bond	Jun-20	2052
£25m RPI + 0.951%	33	Green Bond	Jun-20	2054
£25m RPI + 1.042%	32	Green Bond	Jul-21	2048
£25m RPI + 0.954%	32	Green Bond	Jul-21	2054
£75m RPI + 0.01%**	96	Green Bond	Aug-21	2036
£150m RPI + 0.01%*	182	Green Bond	Apr-22	2032
£50m RPI + 0.074%	70	Green Bond	May-22	2049
£50m RPI + 0.174%	70	Green Bond	May-23	2049
Subtotal RPI	1204			
£250m 2.375%	250	Green Bond	Nov-17	2027
£300m 2.75%	300	Green Bond	Mar-22	2034
Subtotal Nominal	550			
Total	2169			

(*) re-offer price of 100.24% reflecting negative yield of -0.014%

(**) re-offer price of 112.157% reflecting negative yield of -0.754%

BTL & BFP

Facility	Amount (£m)	Drawdown date	Maturity (CY)
Liquidity Facility	75	N/A	Annual renewal for a 5 year period

Swap Portfolio — September 2024

- During FY16/17 Tideway swapped tranches 1-8 of the EIB loan with various banks to index linked (RPI) format and agreed to draw tranches 9-10 in index linked format directly from the EIB.
- In September 2017 Tideway swapped £70m notional of the USPP.
- The swaps mature in 2030-2032 which is the beginning of Tideway's next regulatory period when the regulatory framework is expected to change from RPI to CPIH.
- An accretion paydown of two swaps was executed in September with a £32.5m cash payment reducing accretion by £40.6m in March 2030.
- There were no new hedging transaction in the period.

Swap	Facility	Notional (£m)	Swap maturity	Interest rate
Swap 1	EIB	80	Mar-30	RPI - 0.125%
Swap 2	EIB	80	Mar-30	RPI - 0.122%
Swap 3	EIB	80	Mar-30	RPI - 0.018%
Swap 4	EIB	80	Jan-31	RPI - 0.750%
Swap 5	EIB	80	Jan-31	RPI - 0.484%
Swap 6	EIB	80	Jan-31	RPI - 0.573%
Swap 7	EIB	80	Jan-32	RPI - 0.468%
Swap 8	EIB	60	Jan-32	RPI - 0.550%
Swap 9	USPP	70	Mar-30	RPI - 0.455%

Reference to the CTA

The table below summarises the requirements of the Investor Report as per Schedule 6 of the CTA and references in this document.

Requirement	Reference
General overview	Page 4, Overview
Regulatory and Business update	Pages 5-6, Business Update Pages 7-9, Delivery Update
Capital Expenditure	Pages 7 Delivery Update
Financing	Page 10, Financing Activity Page 14, Debt Portfolio
Acquisitions or Disposals	Page 12, Other Reportable Matters
Current Hedging Position	Page 15, Swap Portfolio
Ratios	Page 11, Ratios



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