



## **Investor Report**

**For the six months ended 31 March 2024**

**6 June 2024**

# Important Notice

This report is being distributed in fulfilment of a document, the Common Terms Agreement (CTA), which governs the Company's obligations to its bond holders and other financial creditors. It is directed to, and intended for, existing investors in the Company. No persons should act or rely on it (except as provided in the CTA). The Company makes no representation as to the accuracy of forecast information or any other information in this report (other than as 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 unaudited 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. 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).

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References to the "Company," "Dŵr Cymru" and "Welsh Water" in this document relate to Dŵr Cymru Cyfyngedig, the sole operating company in the whole business securitisation formed by the Glas Cymru Anghyfyngedig group. References to "Glas Cymru" and the "Group" refer, respectively, to Glas Cymru Anghyfyngedig and the group of which it is the parent.

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## General overview and business update

This six-monthly Investor Report covers the six-month period ended 31 March 2024. The Investor Report has been prepared to comply with the specific requirements of the Common Terms Agreement (CTA) which governs Glas Cymru's obligations to its bondholders and other financial creditors.

The financial information in this report is drawn from the Group's accounting records, applying the accounting policies as per the Group's statutory accounts, but is presented in a modified form for investors as required by the CTA.

## Financial performance (unaudited)

Summary financial results for the year ended 31 March 2024 are as follows:

|  | Year to 31<br>March 2024<br>£m | Year to 31<br>March 2023<br>£m | Change % |
|--|--------------------------------|--------------------------------|----------|
| Turnover   | 924                            | 841                            | +10%     |
| Operating costs  | (397)                          | (399)                          | -1%      |
| Other operating income   | 5                              | 5                              |          |
| <b>EBITDA</b> (before infrastructure renewals expenditure and exceptional items) | 532                            | 447                            | +19%     |
| Exceptional items  | -                              | (31)                           |          |
| <b>EBITDA</b> (before infrastructure renewals expenditure)                       | <b>532</b>                     | <b>416</b>                     | +28%     |
| Net interest (excluding indexation)  | (85)                           | (112)                          | -24%     |
| Capital expenditure (before grants and contributions)                            | (515)                          | (431)                          | +19%     |

Operating profit before interest, tax, depreciation, amortisation, infrastructure renewals expenditure and exceptional items (EBITDA) for the year to 31 March 2024 was £85 million higher than last year.

## General overview and business update (continued)

### Financial performance (unaudited) (continued)

Turnover in the year to 31 March 2024 increased by 10% (£83 million) as a result of price increases in line with our PR19 Regulatory settlement, increased consumption and growth in our customer base.

Operating costs (excluding depreciation, amortisation and infrastructure renewals expenditure) were £2m lower at £397m (2023: £399 million). The reclassification of leakage expenditure as infrastructure renewals expenditure (£29 million) in the year is offset by rises in employee costs, bad debt charges and contractor prices caused by inflation and an increase in the volume of work.

Exceptional costs of £31 million in the year to 31 March 2023 represent the award of inflation-linked pension increases above a 5% cap.

Net interest payable in the year of £85 million (excluding non-cash indexation and fair value movements on interest rate swaps) was £27m (24%) lower than last year (2023: £112 million). The reduction is a result of lower RPI inflation on our index-linked debt. Net interest payable including non-cash indexation was £212 million (2023: £304 million) reflecting the reduction in inflation experienced over the year.

The fair value liability of the Group's interest rate swaps has remained broadly in line with last year, decreasing by £38 million to £397 million (March 2023: £435 million). If held to maturity, which is Glas Cymru's intention, the fair value of these instruments will be zero.

### Gearing policy

The Board has approved a regulatory gearing policy (being the ratio of net debt to regulatory capital value) of around 60%.

The regulatory gearing (the ratio of net debt to regulatory capital value) of the Group was as follows:

| £m                          | 31 March 2024 | 31 March 2023 |
|-----------------------------|---------------|---------------|
| Regulatory Capital Value    | 7,476         | 7,161         |
| Net Debt                    | 4,503         | 4,177         |
| <b>'Financial reserves'</b> | <b>2,973</b>  | <b>2,984</b>  |
| Regulatory gearing          | 60.2%         | 58.3%         |

On Glas Cymru's acquisition of Welsh Water in May 2001, gearing stood at 93%. Since then, the financial position of the Group has improved steadily, such that gearing is 60% and 'financial reserves' (RCV less net debt) are £3.0 billion as at 31 March 2024.

## **General overview and business update (continued)**

### **Financial performance (unaudited) (continued)**

#### **Capital investment programme**

Capital investment (including infrastructure renewals expenditure) before grants and contributions totalled £515 million (2023: £431 million), £84 million higher than last year. We remain on track to deliver our £2 billion AMP7 capital programme.

#### **Prospective financial ratio tests**

As required by the CTA to demonstrate compliance with prospective financial ratio tests (regulatory asset ratio and interest cover ratios), this report includes projected ratios to 31 March 2025. These projected ratios are derived from Glas Cymru's 2024/25 financial plan (which has been prepared by the Group) and are in the format specified by the CTA. On this basis, the prospective financial ratios are better than the "trigger" and "default" levels as defined in the CTA (see pages 10 and 11). It should be noted that the Group's business plan and the projected ratios have not been reviewed by the Group's auditor and the reader's attention is drawn to the important notice at the front of this document.

#### **Credit ratings**

The business has retained credit ratings that remain amongst the highest in the UK water sector. On 15 April 2024 Fitch affirmed the class B debt at A and the Class C at BBB+, both with 'stable' outlook. On 21 March 2024 Moody's updated credit analysis confirmed the class B debt at A3 and the class C at Baa2, both with 'stable' outlook. On 1 November 2022, S&P affirmed the class B senior secured debt at A- and the class C subordinated debt at BBB and revised the outlook from 'stable' to 'negative' (the class A bonds, which are subject to a financial guarantee from Assured Guaranty UK Ltd, are unaffected by this action). S&P cited the impact of inflation on the Group's inflation-linked debt portfolio and on the high level of capital expenditure as the reasons for the change, and stated that they expect the ratios to gradually recover by the end of AMP7.

## General overview and business update (continued)

### Credit ratings (continued)

The ratings of the Company's bonds are shown in the table below:

| <b>Bond class</b>           | <b>Moody's</b> | <b>S&amp;P</b>  | <b>Fitch</b>  |
|-----------------------------|----------------|-----------------|---------------|
| <b>A<sup>1</sup></b>        | A1             | AA              | A             |
| <b>B</b>                    | A3             | A- (negative)   | A             |
| <b>C</b>                    | Baa2           | BBB (negative)  | BBB+          |
| <b>Date of confirmation</b> | 21 March 2024  | 1 November 2022 | 15 April 2024 |

### Environmental, social and governance (ESG)

The Group's performance on environmental, social and governance (ESG) issues was reviewed by Sustainable Fitch in October 2023 who concluded that the Group 'evidences a good ESG profile' with a score of 2 (where 1 = 'excellent', 5 = 'poor'). The full report from Sustainable Fitch can be found on the Group's Investors website.

### Customer Return of Value

The Group's corporate structure enables surpluses to be applied for the benefit of Welsh Water's customers. The Board seeks to return value to customers while maintaining gearing at around 60% and preserving strong credit ratings and financial resilience for the longer-term benefit of customers. During AMP7 our non-shareholder model will enable us to invest an additional £160 million for the benefit of our customers through accelerated investment to improve service delivery and through social tariffs to support our most vulnerable customers. This includes an additional discretionary capital investment of £100m to address river water quality, in particular phosphate removal from Special Area of Conservation (SAC) rivers.

### 2024 regulatory price review (PR24)

On 2 October 2023, the Company submitted its PR24 business plan to Ofwat. The current timetable is for Ofwat to issue its Draft Determination of price limits on 11 July 2024 and its Final Determination in December 2024.

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<sup>1</sup> The credit ratings of the Company's class A bonds, which are guaranteed by Assured Guaranty UK Ltd ("AG") (A1/AA/NR), carry the higher of either Glas or AG's rating; Moody's and S&P therefore revert to the higher AG credit rating but Fitch reflects the underlying rating of the Glas bonds.

## **General overview and business update (continued)**

### **Ofwat Investigation**

On 28 May 2024, Ofwat published its final decision following its investigation into Welsh Water's self-declared leakage and per capita consumption misreporting in 2020/21 and 2021/22. Ofwat imposed a nominal fine of £1 together with required Undertakings to make customer redress of £30 million which the company had made of its own volition during 2023 and a commitment to additional expenditure of £59 million on leakage and Per Capita Consumption (PCC) activities during the two years to 31 March 2025. These are not materially changed from what the company had proposed to Ofwat in 2023, as reported in the FY 23 annual report and accounts.

### **Financing and liquidity**

As at 31 March 2024, the Group's cash and undrawn credit facilities totalled £468 million, including debt service reserve account funds (£6 million) and the revolving credit facility available to the Group (£400 million total capacity of which £80 million was drawn).

In line with prudent policies approved by the Board, cash is invested in AAA-rated liquidity funds and bonds, National Westminster Bank (as the Group's Account Bank) and additional banks that are subject to minimum short-term rating criteria of A1/P1/F1. The Group's Treasury investment policy restricts investments to those counterparties that demonstrate an acceptable level of ESG risk. The Group also has an undrawn special liquidity facility of £135 million which is available to be drawn in the event of a standstill being declared by the Security Trustee. The facility is provided on a rolling five-year 'evergreen' basis.

### **Investor meetings**

The Company's annual investor meeting will be held in London on 10 July 2024. If you would like to attend, please send an email request to [investors@dwrwymru.com](mailto:investors@dwrwymru.com).



## Consolidated cash flow (unaudited)

|   | 6 months ended<br>31 March 2024<br>£m | Year ended<br>31 March 2024<br>£m | Year ended<br>31 March 2023<br>£m |
|---|---------------------------------------|-----------------------------------|-----------------------------------|
| Revenue   | 461.8                                 | 924.4                             | 841.3                             |
| Operating expenses  | (203.7)                               | (396.6)                           | (398.9)                           |
| Other operating income  | 2.8                                   | 5.2                               | 5.3                               |
| <b>Earnings before interest, taxation, depreciation, and amortisation</b>           | <b>260.9</b>                          | <b>533.0</b>                      | <b>447.7</b>                      |
| Working capital movements   | 76.2                                  | 4.5                               | 92.9                              |
| Non-bond-related interest paid  | (2.7)                                 | (5.3)                             | (5.0)                             |
| Interest capitalised in accordance with IAS 23                                      | (6.7)                                 | (18.6)                            | (28.3)                            |
| Interest received   | 10.4                                  | 20.5                              | 13.2                              |
| <b>Net operating cash flow and interest received</b>                                | <b>338.1</b>                          | <b>534.1</b>                      | <b>520.5</b>                      |
| <b>New borrowings:</b>  |                                       |                                   |                                   |
| Authorised loan facility  | 150.0                                 | 150.0                             | -                                 |
| <b>Revolving credit facility</b>  | <b>80.0</b>                           | <b>80.0</b>                       |                                   |
| <b>Utilisation of reserves:</b>   |                                       |                                   |                                   |
| Cash transferred to capex reserve   | (311.8)                               | (562.4)                           | (447.3)                           |
| Cash utilised from capex reserve  | 311.8                                 | 562.4                             | 447.3                             |
| Net cash utilised from other reserves   | 6.5                                   | 26.7                              | 12.0                              |
| <b>Capital expenditure:</b>   |                                       |                                   |                                   |
| Net profit on disposal of assets  | -                                     | 0.3                               | 0.4                               |
| Infrastructure renewals expenditure   | (49.8)                                | (100.9)                           | (75.2)                            |
| Non-infrastructure maintenance  | (100.1)                               | (176.5)                           | (143.8)                           |
| Capital expenditure   | (124.2)                               | (203.5)                           | (167.0)                           |
| <b>Net cash flow after capital expenditure, new borrowings and reserve drawings</b> | <b>300.5</b>                          | <b>310.2</b>                      | <b>146.9</b>                      |
| Transfer to debt service payments account   | (212.2)                               | (277.1)                           | (157.3)                           |
| Principal repayments  | (232.3)                               | (267.2)                           | (75.9)                            |
| <b>Net cash flow after debt service</b>   | <b>(144.0)</b>                        | <b>(234.1)</b>                    | <b>(86.3)</b>                     |
| Free cash balances brought forward  | 271.8                                 | 361.9                             | 448.2                             |
| <b>Free cash balances carried forward</b>   | <b>127.8</b>                          | <b>127.8</b>                      | <b>361.9</b>                      |

Free cash balances exclude debt service ledger, capex reserve and customer payment ledger (see page 9 for details).

## Consolidated debt service payments (unaudited)

|   | Payments due and made in<br>6 months ended<br>31 March 2024<br>£m | Amount accrued<br>31 March 2024<br>£m |
|---|---|---------------------------------------|
| <b>Liquidity facility:</b>                            |   |                                       |
| Liquidity facility commitment fee                     | 0.3   | -                                     |
| <b>Interest on senior debt:</b>                       |   |                                       |
| Lease liability interest                              | 60.7  | 13.5                                  |
| A1 bond interest                                      | 21.1  | -                                     |
| A4 bond interest                                      | 10.1  | -                                     |
| A5 bond interest                                      | 3.0   | -                                     |
| A6 bond interest                                      | 4.5   | -                                     |
| B3 bond interest                                      | 6.1   | -                                     |
| B4 bond interest                                      | 3.3   | -                                     |
| B5 bond interest                                      | 0.7   | -                                     |
| B6 bond interest                                      | 4.2   | -                                     |
| B7 bond interest                                      | 7.5   | -                                     |
| B8 bond interest                                      | 4.2   | -                                     |
| European Investment Bank loan interest                | 26.6  | 5.8                                   |
| KfW IPEX-Bank GmbH loan interest                      | 7.0   | 0.1                                   |
| NatWest loan  | 0.6   | 2.7                                   |
| Revolving credit facility interest                    | -   | 0.4                                   |
| Revolving credit facility commitment and upfront fees | 1.6   | 0.1                                   |
| Reclaimable VAT on lease payments                     | 52.5  | -                                     |
|   | 214.0   | 22.6                                  |
| Interest rate swaps                                   | 0.3   | -                                     |
| RPI bond swaps  | 4.7   | (21.5)                                |
| Assured Guaranty wrap fee                             | 5.4   | (5.4)                                 |
| <b>Senior interest payments</b>                       | 224.4   | (4.3)                                 |
| <b>Interest on junior debt:</b>                       |   |                                       |
| C3 bond interest                                      | 3.3   | -                                     |
| C4 bond interest                                      | 7.1   | -                                     |
| RPI bond swaps  | -   | (19.0)                                |
|   | 10.4  | (19.0)                                |
| <b>Total debt service payments</b>                    | 234.8   | (23.3)                                |

## Glas Cymru notes principal balance reconciliation (unaudited)

|                           | Credit rating        | Opening balance<br>1 October 2023<br>£m | New<br>issues<br>£m | Repayment<br>£m | Indexation<br>£m | Closing balance<br>31 March 2024<br>£m |
|---------------------------|----------------------|---|---------------------|-----------------|------------------|--|
| Lease liabilities         |                      | 378.1                                   | -                   | (201.8)         | -                | 176.3                                  |
| <b>Class A bonds</b>      | <b>A1/AA/A</b>       |   |                     |                 |                  |  |
| A1 notes <sup>1</sup>     |                      | 452.7                                   | -                   | -               | 3.1              | 455.8                                  |
| A4 notes                  |                      | 556.1                                   | -                   | -               | 21.4             | 577.5                                  |
| A5 notes                  |                      | 160.7                                   | -                   | -               | 8.5              | 169.2                                  |
| A6 notes <sup>1</sup>     |                      | 184.7                                   | -                   | -               | 7.1              | 191.8                                  |
| <b>Class B bonds</b>      | <b>A3/A-/A</b>       |   |                     |                 |                  |  |
| B3 notes                  |                      | 269.8                                   | -                   | -               | 10.4             | 280.2                                  |
| B4 notes                  |                      | 141.9                                   | -                   | -               | 7.4              | 149.3                                  |
| B5 notes                  |                      | 92.4                                    | -                   | -               | 3.5              | 95.9                                   |
| B6 notes                  |                      | 446.4                                   | -                   | -               | 4.6              | 451.0                                  |
| B7 notes                  |                      | 300.0                                   | -                   | -               | -                | 300.0                                  |
| B8 notes <sup>1</sup>     |                      | 388.0                                   | -                   | -               | 2.7              | 390.7                                  |
| <b>Class C bonds</b>      | <b>Baa2/BBB/BBB+</b> |   |                     |                 |                  |  |
| C3 notes <sup>1</sup>     |                      | 258.7                                   | -                   | -               | 1.8              | 260.5                                  |
| C4 notes <sup>1</sup>     |                      | 382.3                                   | -                   | -               | 2.7              | 385.0                                  |
| Authorised loans          |                      | 583.8                                   | 150.0               | (30.5)          | 2.0              | 705.3                                  |
| Revolving credit facility |                      | -                                       | 80.0                | -               | -                | 80.0                                   |
| Local authority loans     |                      | 0.2                                     | -                   | -               | -                | 0.2                                    |
|                           |                      | <b>4,595.8</b>                          | <b>230.0</b>        | <b>(232.3)</b>  | <b>75.2</b>      | <b>4,668.7</b>                         |

<sup>1</sup>The class A1, A6, B8, C3 and C4 notes were issued at a fixed rate and swapped to an effective index-linked rate; cumulative indexation has been recognised in this table

## Glas Cymru bank account movements (unaudited)

|                                       | Opening balance<br>1 October 2023<br>£m | Interest received<br>£m | Deposits<br>£m | Payments<br>£m   | Closing balance<br>31 March 2024<br>£m |
|---------------------------------------|---|-------------------------|----------------|------------------|--|
| <b>Free cash balances:</b>            |   |                         |                |                  |  |
| Receipts account                      | 74.6                                    | -                       | 454.0          | (435.1)          | 93.5                                   |
| Payments account                      | 194.9                                   | -                       | 1,444.6        | (1,607.0)        | 32.5                                   |
| Other bank accounts                   | 2.3                                     | 10.4                    | 876.9          | (887.8)          | 1.8                                    |
|                                       | <u>271.8</u>                            | <u>10.4</u>             | <u>2,775.5</u> | <u>(2,929.9)</u> | <u>127.8</u>                           |
| <b>Debt service payments account:</b> |   |                         |                |                  |  |
| Debt service ledger                   | 28.1                                    | -                       | 212.2          | (234.8)          | 5.5                                    |
| <b>Capex reserve account</b>          | -                                       | -                       | 311.8          | (311.8)          | -                                      |
| <b>Customer payments account:</b>     |   |                         |                |                  |  |
| Customer rebate ledger                | 7.6                                     | -                       | 14.0           | (6.5)            | 15.1                                   |
|                                       | <u>307.5</u>                            | <u>10.4</u>             | <u>3,313.5</u> | <u>(3,483.0)</u> | <u>148.4</u>                           |

## Interest cover ratio (ICR) – 5 years to 31 March 2025 (unaudited)

(See important notice at the front of the document)

|  | Actual                            |                                   |                                   |                                   | Projection                        |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|  | Year to<br>31 March<br>2021<br>£m | Year to<br>31 March<br>2022<br>£m | Year to<br>31 March<br>2023<br>£m | Year to<br>31 March<br>2024<br>£m | Year to<br>31 March<br>2025<br>£m |
| Income   | 788                               | 823                               | 853                               | 939                               | 952                               |
| Operating expenditure  | (359)                             | (345)                             | (427)                             | (397)                             | (405)                             |
| Other operating income   | -                                 | 6                                 | 5                                 | 5                                 | 5                                 |
| <b>Pre capital maintenance cash flows</b>                                | <b>429</b>                        | <b>484</b>                        | <b>431</b>                        | <b>547</b>                        | <b>552</b>                        |
| Base maintenance   | (212)                             | (190)                             | (218)                             | (267)                             | (317)                             |
| <b>Post capital maintenance cash flows</b>                               | <b>217</b>                        | <b>294</b>                        | <b>213</b>                        | <b>280</b>                        | <b>235</b>                        |
| Net interest paid (excluding indexation and capitalisation)              | (108)                             | (114)                             | (136)                             | (107)                             | (108)                             |
| Enhancement expenditure  | (122)                             | (131)                             | (172)                             | (197)                             | (240)                             |
| Customer rebates   | (31)                              | (25)                              | (23)                              | (29)                              | (14)                              |
| <b>Pre-financing cash flows</b>  | <b>(44)</b>                       | <b>24</b>                         | <b>(118)</b>                      | <b>(53)</b>                       | <b>(127)</b>                      |
| <b>Interest payable:</b>   |                                   |                                   |                                   |                                   |                                   |
| Fixed interest swap  | 11                                | 11                                | 6                                 | 1                                 | 1                                 |
| Lease liability RPI swaps  | 8                                 | 40                                | 57                                | 8                                 | (1)                               |
| Lease liability interest   | 5                                 | 6                                 | 16                                | 29                                | 12                                |
| A1 Bonds   | 8                                 | 8                                 | 9                                 | 10                                | 10                                |
| B1 Bonds   | 22                                | -                                 | -                                 | -                                 | -                                 |
| B7 Bonds   | 8                                 | 8                                 | 8                                 | 8                                 | 8                                 |
| Other index-linked bonds   | 43                                | 45                                | 49                                | 54                                | 58                                |
| RPI-linked senior bond   | (3)                               | (6)                               | (4)                               | (4)                               | (7)                               |
| RPI-linked junior bond   | (3)                               | (5)                               | (9)                               | (10)                              | (9)                               |
| New borrowings   | -                                 | -                                 | -                                 | -                                 | 10                                |
| Wrapping fees  | 5                                 | 5                                 | 5                                 | 5                                 | 5                                 |
| Term-loan interest   | 5                                 | 4                                 | 12                                | 24                                | 36                                |
| Other fees   | 4                                 | 2                                 | 2                                 | 3                                 | 2                                 |
| Interest receivable  | (5)                               | (4)                               | (15)                              | (21)                              | (17)                              |
| <b>Net interest payable</b>  | <b>108</b>                        | <b>114</b>                        | <b>136</b>                        | <b>107</b>                        | <b>108</b>                        |
| Senior interest cover pre capital maintenance (trigger 2.0, default 1.6) | 3.9x                              | 4.8x                              | 3.5x                              | 5.8x                              | 5.7x                              |
| Senior interest cover post capital maintenance (trigger 1.0)             | 2.0x                              | 2.9x                              | 1.7x                              | 3.0x                              | 2.4x                              |
| Total interest cover pre capital maintenance                             | 4.0x                              | 4.2x                              | 3.1x                              | 5.1x                              | 5.1x                              |
| Total interest cover post capital maintenance                            | 2.0x                              | 2.6x                              | 1.5x                              | 2.6x                              | 2.2x                              |

## Regulatory asset ratio (RAR) – 5 years to 31 March 2025 (unaudited)

|  | Actual                          |                                 |                                 |                                 | Projection                      |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | As at<br>31 March<br>2021<br>£m | As at<br>31 March<br>2022<br>£m | As at<br>31 March<br>2023<br>£m | As at<br>31 March<br>2024<br>£m | As at<br>31 March<br>2025<br>£m |
| <i>(See important notice at the front of the document)</i> |                                 |                                 |                                 |                                 |                                 |
| <b>Senior gross debt:</b>                                  |                                 |                                 |                                 |                                 |                                 |
| Lease liabilities  | 411                             | 396                             | 378                             | 176                             | 126                             |
| Class A bonds <sup>1</sup>                                 | 1,108                           | 1,164                           | 1,300                           | 1,394                           | 1,221                           |
| Class B bonds <sup>1</sup>                                 | 1,382                           | 1,449                           | 1,589                           | 1,667                           | 2,730                           |
| Authorised loans   | 675                             | 637                             | 609                             | 786                             | 746                             |
| Net interest accrual on senior debt                        | 52                              | 51                              | 51                              | -                               | 11                              |
| <b>Total senior gross debt</b>                             | <b>3,628</b>                    | <b>3,697</b>                    | <b>3,927</b>                    | <b>4,023</b>                    | <b>4,834</b>                    |
| Less: cash and cash equivalents                            | (209)                           | (502)                           | (364)                           | (149)                           | (742)                           |
| <b>Total senior net debt</b>                               | <b>3,419</b>                    | <b>3,195</b>                    | <b>3,563</b>                    | <b>3,874</b>                    | <b>4,092</b>                    |
| <b>Junior net debt:</b>                                    |                                 |                                 |                                 |                                 |                                 |
| Class C bonds <sup>1</sup>                                 | 203                             | 541                             | 614                             | 629                             | 666                             |
| <b>Total net debt<sup>2</sup></b>                          | <b>3,622</b>                    | <b>3,736</b>                    | <b>4,177</b>                    | <b>4,503</b>                    | <b>4,758</b>                    |
| Regulatory capital value (RCV)                             | <b>6,010</b>                    | <b>6,460</b>                    | <b>7,161</b>                    | <b>7,476</b>                    | <b>7,649</b>                    |
| Customer Reserves (RCV less total net debt)                | <b>2,388</b>                    | <b>2,724</b>                    | <b>2,984</b>                    | <b>2,973</b>                    | <b>2,891</b>                    |
| Senior gearing   | <b>56.9%</b>                    | <b>49.5%</b>                    | <b>49.8%</b>                    | <b>51.8%</b>                    | <b>53.5%</b>                    |
| Total gearing/RAR  | <b>60.3%</b>                    | <b>57.8%</b>                    | <b>58.3%</b>                    | <b>60.2%</b>                    | <b>62.2%</b>                    |

Projected increase in cash and cash equivalents at 31 March 2025 reflects timing on additional funding assumed to be drawn in advance of investment in capital programme at the start of AMP 8. Projected gearing remains below the 65% threshold for ratings agencies.

<sup>1</sup> For the purpose of calculating regulatory gearing, cumulative indexation relating to the class A1, A6, B8, C3 and C4 notes is included above; these were issued at fixed rates and swapped to effective index-linked rates.

<sup>2</sup> Total debt reported, excluding cash and cash equivalent, differs to page 9 "Glas Cymru notes principal balance reconciliation (unaudited)" as it includes £17m net interest accrual.

## Income statement (unaudited)

|  | 6 months ended<br>31 March 2024<br>£m | Year ended<br>31 March 2024<br>£m | Year ended<br>31 March 2023<br>£m |
|--|---------------------------------------|-----------------------------------|-----------------------------------|
| Revenue  | 461.8                                 | 924.4                             | 841.3                             |
| Operating expenditure                              | (203.7)                               | (396.6)                           | (398.9)                           |
| Other operating income                             | 2.8                                   | 5.2                               | 5.3                               |
| Exceptional items                                  | -                                     | -                                 | (30.8)                            |
| <b>EBITDA</b>                                      | <b>260.9</b>                          | <b>533.0</b>                      | <b>416.9</b>                      |
| Profit on disposal of fixed assets                 | -                                     | 0.3                               | 0.4                               |
| Infrastructure renewals expenditure                | (52.5)                                | (101.3)                           | (78.0)                            |
| Depreciation                                       | (199.1)                               | (385.6)                           | (345.6)                           |
| <b>Operating profit/(loss)</b>                     | <b>9.3</b>                            | <b>46.4</b>                       | <b>(6.3)</b>                      |
| Interest payable                                   | (40.3)                                | (105.6)                           | (126.9)                           |
| Indexation of index-linked debt                    | (57.8)                                | (127.0)                           | (191.6)                           |
| Interest receivable                                | 10.1                                  | 20.5                              | 14.7                              |
| Fair value (losses)/gains on financial instruments | (73.0)                                | (7.3)                             | 160.2                             |
| <b>Loss before tax</b>                             | <b>(151.7)</b>                        | <b>(173.0)</b>                    | <b>(149.9)</b>                    |
| Taxation   | 37.5                                  | 41.5                              | 25.8                              |
| <b>Loss after tax</b>                              | <b>(114.2)</b>                        | <b>(131.5)</b>                    | <b>(124.1)</b>                    |

## Statement of comprehensive income (unaudited)

|   | 6 months ended<br>31 March 2024<br>£m | Year ended<br>31 March 2024<br>£m | Year ended<br>31 March 2023<br>£m |
|---|---------------------------------------|-----------------------------------|-----------------------------------|
| Loss for the period   | (114.2)                               | (131.5)                           | (124.1)                           |
| Actuarial (loss)/gain on defined benefit scheme liability         | (17.0)                                | 26.4                              | 124.5                             |
| Movement on related deferred tax asset                            | 10.1                                  | (6.6)                             | (31.1)                            |
| <b>Items that will not be reclassified to the profit or loss:</b> |                                       |                                   |                                   |
| Revaluation of property, plant and equipment (net of tax)         | (20.1)                                | 106.4                             | 445.0                             |
| <b>Total comprehensive (loss)/gain</b>                            | <b>(141.2)</b>                        | <b>(5.3)</b>                      | <b>414.3</b>                      |

## Statement of changes in reserves (unaudited)

|  | 6 months ended<br>31 March 2024<br>£m | Year ended<br>31 March 2024<br>£m | Year ended<br>31 March 2023<br>£m |
|--|---------------------------------------|-----------------------------------|-----------------------------------|
| Reserves at start of period  | 1,636.1                               | 1,500.2                           | 1,085.9                           |
| Loss for the period  | (114.2)                               | (131.5)                           | (124.1)                           |
| Actuarial (loss)/gain on defined benefit pension scheme liability (net of tax) | (6.9)                                 | 19.8                              | 93.4                              |
| Revaluation of property, plant and equipment (net of tax)                      | (20.1)                                | 106.4                             | 445.0                             |
| <b>Reserves at end of period</b>   | <b>1,494.9</b>                        | <b>1,494.9</b>                    | <b>1,500.2</b>                    |



## Balance sheet (unaudited)

|  | At 31 March 2024 |                  | At 31 March 2023 |                  |
|--|------------------|------------------|------------------|------------------|
|  | £m               | £m               | £m               | £m               |
| <b>Fixed assets</b>                          |                  | <b>7,494.5</b>   |                  | <b>7,161.4</b>   |
| <b>Current assets and liabilities:</b>       |                  |                  |                  |                  |
| Debtors and prepayments                      | 670.4            |                  | 668.1            |                  |
| Creditors and accruals                       | (1,367.4)        |                  | (1,225.9)        |                  |
|  |                  | <b>(697.0)</b>   |                  | <b>(557.8)</b>   |
| <b>Total assets less current liabilities</b> |                  | <b>6,797.5</b>   |                  | <b>6,603.6</b>   |
| <b>Financing liabilities:</b>                |                  |                  |                  |                  |
| Bonds  | (3,273.1)        |                  | (3,157.8)        |                  |
| Lease liabilities                            | (176.3)          |                  | (378.1)          |                  |
| Bank loans                                   | (785.3)          |                  | (609.0)          |                  |
| Other  | (0.2)            |                  | (0.2)            |                  |
|  | <b>(4,234.9)</b> |                  | <b>(4,145.1)</b> |                  |
| Net interest accrual                         | (24.2)           |                  | (52.7)           |                  |
|  | <b>(4,259.1)</b> |                  | <b>(4,197.8)</b> |                  |
| <b>Cash and cash equivalents:</b>            |                  |                  |                  |                  |
| Receipts account                             | 93.5             |                  | 91.3             |                  |
| Payments account                             | 32.5             |                  | 268.9            |                  |
| Capex reserve account                        | -                |                  | -                |                  |
| Debt service payments account                | 5.5              |                  | 1.6              |                  |
| Customer payments account                    | 15.1             |                  | -                |                  |
| Other bank accounts                          | 1.8              |                  | 1.7              |                  |
|  | <b>148.4</b>     |                  | <b>363.5</b>     |                  |
| <b>Net debt</b>                              |                  | <b>(4,110.7)</b> |                  | <b>(3,834.3)</b> |
| Derivative financial instruments             |                  | (397.4)          |                  | (434.6)          |
| Provisions for liabilities and charges       |                  | 18.8             |                  | (11.2)           |
| <b>Net assets before deferred tax</b>        |                  | <b>2,308.2</b>   |                  | <b>2,323.5</b>   |
| Deferred tax                                 |                  | (813.3)          |                  | (823.3)          |
| <b>Net assets</b>                            |                  | <b>1,494.9</b>   |                  | <b>1,500.2</b>   |

To: Deutsche Trustee Company Limited

6 June 2024

Dear Sirs

**Common Terms Agreement dated 10 May 2001 between Dŵr Cymru Cyfyngedig, ("DCC") and the Deutsche Trustee Company Limited (the "DCC Security Trustee" and the "Issuer Security Trustee") ("the Common Terms Agreement")**

Capitalised terms not defined in this certificate have the meaning given to them in the Common Terms Agreement.

We refer to the Common Terms Agreement and pursuant to Paragraph 1.5 of Schedule 3 of that Agreement hereby confirm that as of today's date, DCC is in compliance with the RAR, the Historical RAR, the Historical Senior RAR, the Projected RAR, the Projected Senior RAR and the Historical ICR, the Historical Senior ICR and the Projected Senior ICR (together the "**Ratios**").

The calculations of the ratios are set out on pages 10 to 11 of the Investor Report issued on today's date.

We also confirm that in the period to 31 March 2024:

- (a) no DCC Potential Event of Default, DCC Event of Default, Potential Trigger event or Trigger Event has occurred; and
- (b) DCC's insurances are being maintained in accordance with:
  - (i) Paragraph 4.2.1 of Schedule 3 of the Common Terms Agreement; and
  - (ii) the provisions of each DCC Finance Lease

Yours faithfully

for and on behalf of Dŵr Cymru Cyfyngedig



P D Perry  
Director



P M Davis  
Director