

Southern Water (Greensands) Financing plc

Compliance Certificate

For the year ended 31 March 2017

Confidential

Important Notice

This report is being distributed in fulfilment of finance documents. It is directed to, and intended for, existing debt 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. 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 information in this report has not been reviewed by the company's auditors.

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Calculation of covenant ratios	Actual Year to 31 Mar 2017 £m	Actual Year to 31 Mar 2016 £m
Consolidated EBITDA	502.7	517.7
Finance Charge:		
SWS Financing Group	137.9	131.8
SW(Greensands)	<u>29.7</u>	<u>34.0</u>
	167.6	165.8
Equity distributions	54.0	82.2
Closing cash:		
Closing SWS Financing Group	<u>281.8</u>	<u>9.7</u>
Opening cash outside of the SWSFG	6.8	29.0
Expense payments and receipts on subordinated debt and distributions	74.6	94.0
Equity distributions paid	-54.0	-82.2
Interest charge	<u>-29.7</u>	<u>-34.0</u>
Closing cash outside of the SWSFG	<u>-2.3</u>	<u>6.8</u>
Closing cash	279.5	16.5
Note: Undrawn committed bank facilities	390.0	380.0

We adopted IFRS from 2015/16.

All values for interest are presented on an accruals basis to ensure ratios are calculated on a consistent basis. Closing cash values assume payment of accrued interest.

A shareholder dividend of £54.2 million was paid April 2017 out of the proceeds of a final dividend received in April 2017 from Southern Water Services Ltd of £61.0 million

Net indebtedness	Actual Year to 31 Mar 2017 £m	Actual Year to 31 Mar 2016 £m
<u>Southern Water Services Financing Group</u>		
* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0
* £150m A2a 3.706% Index Linked Bonds due 2034	221.7	217.7
* £35m A2b 3.706% Limited Index Bonds due 2034	51.7	50.1
£350m A4 6.64% Fixed rate Bonds due 2026	350.0	350.0
£150m A5 3.816% Index Linked Bonds due 2023	221.7	217.7
* £350m A7 5.0% Fixed Rate Bonds due 2021	350.0	350.0
* £150m A8 5.0% Fixed Rate Bonds due 2041	150.0	150.0
* £200m A9 4.5% Fixed Rate Bonds due 2052	200.0	200.0
* £300m A10 5.125% Fixed Rate Bonds due 2056	300.0	300.0
£300m A11 6.125% Fixed Rate Bonds due 2019	300.0	300.0
RPI accretion on Index-Linked swaps	42.1	4.4
£250m B2 step-up Fixed/Floating rate Bonds due 2038	250.0	250.0
Class B loan facility due 2021	150.0	150.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	244.0	239.5
* £156m Artesian 3.635% Index Linked Bonds due 2032	225.8	221.7
£100m EIB Index Linked loan due 2025	103.1	60.5
£250m USPP Fixed Rate Loan due 2031 / 2036	250.0	0.0
Drawings under the Revolving Credit Facility	<u>0.0</u>	<u>50.0</u>
Senior debt at SWS Financing Group	3,760.1	3,461.6
<u>Greensands</u>		
Fixed rate Bond due 2019	250.0	250.0
Loan facility	<u>200.0</u>	<u>200.0</u>
	450.0	450.0
Cash balances	279.5	16.5
Consolidated net debt	<u>3,930.6</u>	<u>3,895.1</u>

* Wrapped

Consolidated net debt is in accordance with the finance documents and excludes accounting balances of unamortised debt issue costs and debt issue premiums

Southern Water (Greensands) financial covenants

	Lock-up	Default	Actual Year to 31 Mar 2017	Actual Year to 31 Mar 2016
A RCV			4,619.7	4,385.2
B Consolidated net debt			3,930.6	3,895.1
C Consolidated EBITDA			502.7	517.7
D Consolidated finance charge			167.6	165.8
Consolidated RAR B/A	93.0%	95.0%	85.1%	88.8%
RAR on Southern Water Services	84.0%		75.3%	78.7%
Consolidated EBITDA / finance charge C/D		2.0	3.0	3.1
Liquidity for future debt service (years)	1.0		1.3	1.3

Liquidity for future debt service is calculated after deducting interest payments due in April 2017 (and April 2016), relating to interest accrued at March 2017 (and March 2016)

There has been no change to the Group structure since the refinancing in April 2011.

To: Santander UK plc, London, as Agent

From: Southern Water (Greensands) Financing plc

Declaration

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement shall have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

We confirm that each of the ratios on page 6 of this report have been calculated in accordance with the Agreement.

We confirm that no Default or potential Trigger event is outstanding

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