

Southern Water (Greensands) Financing plc

Compliance Certificate

For the period ended 30 September 2015

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 6 months 30 Sep 2015 £m	Actual 6 months 30 Sep 2014 £m
Consolidated EBITDA	254.8	276.5
Finance Charge:		
SWS Financing Group	66.4	63.5
SW(Greensands)	<u>17.0</u>	<u>17.2</u>
	83.4	80.7
Equity distributions	29.2	-
Closing cash:		
Closing SWS Financing Group	<u>189.5</u>	<u>135.6</u>
Opening cash outside of the SWSFG	27.7	33.8
Receipts on subordinated debt and distributions, less expenses	33.1	11.2
Equity distributions	- 29.2	-
Interest charge	<u>- 17.0</u>	<u>- 17.2</u>
Closing cash outside of the SWSFG	<u>14.6</u>	<u>27.8</u>
Closing cash	204.1	163.4

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

Note: Financial results for the six months to September 2015 have been prepared in accordance with FRS101, and the results for the period to 30 September 2014 have been restated to FRS101 (in order to ensure consistency).

Net indebtedness	Actual 6 months 30 Sep 2015 £m	Actual 6 months 30 Sep 2014 £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	215.0	212.6
* £35m A2b 3.706% Limited Index Bonds due 2034	50.8	50.3
£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	350.0
£150m A5 3.816% Index Linked Bonds due 2023	215.0	212.6
* £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	224.6	283.7
£100m EIB Index Linked loan facility	60.0	-
£250m B2 4.50% Fixed/Floating Rate Bonds due 2038	250.0	250.0
Class B loan facility	150.0	150.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	236.4	233.9
* £156m Artesian 3.635% Index Linked Bonds due 2032	218.9	216.5
Senior debt at SWS Financing Group	<u>3,620.7</u>	<u>3,609.6</u>
<u>Greensands</u>		
Fixed Rate Bond	250.0	250.0
Loan facility	<u>200.0</u>	<u>200.0</u>
	450.0	450.0
Cash balances	204.1	163.4
Consolidated net debt	<u>3,866.6</u>	<u>3,896.2</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 6 months 30 Sep 2015	Actual 6 months 30 Sep 2014
A RCV			4,343.6	4,424.1
B Consolidated net debt			3,866.6	3,896.2
C Consolidated EBITDA			254.8	276.5
D Consolidated finance charge			83.4	80.7
Consolidated RAR B/A	93.0%	95.0%	89.0%	88.1%
RAR on Southern Water Services	84.0%		79.0%	78.5%
Consolidated EBITDA / finance charge C/D		2.0	3.06	3.43
Liquidity for future debt service (years)	1.00		1.7	1.9

Liquidity for future debt service is calculated after deducting interest payments due in October and November 2015 (and October 2014 for comparative period to 30 September 2014), relating to interest accrued as at 30 September 2015 (and September 2014).

The September 2015 value for RCV has been calculated as the mid-point of the opening RCV at 01 April 2015 (ie post the RCV adjustments relating to AMP5) and the forecast RCV at March 2016.

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

Liquidity facilities were renewed across the group in November 2014 in order to provide strong liquidity for the PR14 period, including a £40m liquidity facility for Southern Water (Greensands) Financing plc, maturing November 2019.

The £200m loan facility maturing March 2016 was refinanced in May 2015, with a dual tranche facility comprising £125m due 2022 and £75m due 2025.

To: Deutsche Bank AG, London Branch 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, there is no breach of Lock-up or Default ratio levels, and the covenants contained in paragraph (b) of clause 21.1 (Financial condition) of the Facility Agreement dated 8 April 2011 has been complied with.

We confirm that no Default or potential Lock-up event is outstanding

Michael Nagle
Director: Southern Water (Greensands) Financing plc

Jeff Woodard
Director: Southern Water (Greensands) Financing plc

Contact details:

Steve Collins
Group Treasurer
Telephone: 01903 272056
Email: SteveM.Collins@southernwater.co.uk

Martin Roughead
Corporate Finance Manager
Telephone: 01903 272462
Email: Martin.Roughead@southernwater.co.uk