

Southern Water (Greensands) Financing plc

Compliance Certificate

For the period ended 30 September 2020

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 2019 £m	Actual 6 months 30 Sep 2020 £m
Consolidated EBITDA	251.3	183.2
Consolidated Finance Charge:		
Southern Water Services	60.3	37.2
Greensands Finance	9.0	9.7
SW(Greensands) financing	20.4	20.9
	<u>89.7</u>	<u>67.8</u>
Equity distributions paid	0.0	0.0
Consolidated cash balances:		
Closing Southern Water Services	15.4	499.1
Closing Greensands Finance (MidCo)	<u>36.1</u>	<u>66.6</u>
Opening SW (Greensands) Financing cash	9.0	17.5
Receipts on subordinated debt and distributions	15.0	0.0
Net proceeds from new finance	0.0	0.0
Equity distributions paid	0.0	0.0
Payment of interest and expenses	-20.4	-20.4
Capitalised interest	<u>0.0</u>	<u>17.0</u>
Closing SW (Greensands) Financing cash	<u>3.6</u>	<u>14.1</u>
Closing consolidated cash	<u>55.1</u>	<u>579.8</u>
Undrawn committed bank facilities at Southern Water (Greensands) Financing	40.0	40.0

All values for interest are presented on an accruals basis to ensure ratios are calculated on a consistent basis.

Net indebtedness

	Actual 6 months 30 Sep 2019 £m	Actual 6 months 30 Sep 2020 £m
<u>Southern Water Services</u>		
Fixed Rate Bonds	1700.0	2525.0
Index Linked Bonds	1036.8	1064.7
Fixed Rate Loans	250.0	250.0
Index Linked Loans	102.0	87.1
RPI accretion on Index-Linked swaps	183.2	112.2
Drawings under the Revolving Credit Facility	260.0	0.0
Senior debt at SWS Financing Group	<u>3,532.0</u>	<u>4,039.0</u>
<u>Greensands Financing</u>		
Loan facilities	451.5	451.5
Drawings under RCF	38.0	100.0
	<u>489.5</u>	<u>551.5</u>
<u>Southern Water (Greensands) Financing</u>		
Fixed rate Bond due April 2019	0.0	0.0
Loan facilities	700.0	717.0
	<u>700.0</u>	<u>717.0</u>
Consolidated cash balances	55.1	579.8
Consolidated net debt	<u>4,666.4</u>	<u>4,727.7</u>

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

The Southern Water (Greensands) Financing fixed rate bond due April 2019 was repaid in April 2019 out of the proceeds of new loan facilities

Financial covenants

			Actual 6 months 30 Sep 2019	Actual 6 months 30 Sep 2020
	Lock-up	Default		
A	RCV		5,092.7	5,088.9
B	Consolidated net debt		4,666.4	4,727.7
C	Consolidated EBITDA		251.3	185.9
D	Consolidated finance charge		89.7	67.8
Consolidated RAR B/A	93.0%	95.0%	91.6%	92.9%
RAR on Southern Water Services	84.0%		69.1%	69.6%
Consolidated EBITDA / finance charge C/D		2.0	2.8	2.7
Liquidity for future debt service (years)	1.0		1.1	1.3

Note: The SWS Board has resolved that SWS will not pay any dividends until it is clear that to do so would not be detrimental to the company's financial position. The SWS Board has therefore not yet forecast a level of dividend for the AMP7 period to 2025.

To: Deutsche Trustee Company Limited, as Note Trustee

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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