

Southern Water (Greensands) Financing plc

Compliance Certificate

For the period ended 30 September 2021

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.

Compliance Certificate

Contents

Page

Calculation of consolidated ratios

4

Net indebtedness

5

Financial covenants

6

Declaration

7

Calculation of covenant ratios	Actual 6 months 30 Sep 2020 £m	Actual 6 months 30 Sep 2021 £m
Consolidated EBITDA	183.2	215.2
Consolidated Finance Charge:		
Southern Water Services	35.2	32.3
Greensands Finance	9.7	9.7
SW(Greensands) financing	<u>20.0</u>	<u>20.6</u>
	64.9	62.6
Equity distributions paid	0.0	0.0
Consolidated cash balances:		
Closing Southern Water Services	499.1	755.4
Closing Greensands Finance (MidCo)	<u>66.6</u>	<u>164.5</u>
Opening SW (Greensands) Financing cash	17.5	7.8
Receipts on subordinated debt and distributions	0.0	0.0
Proceeds from new equity	0.0	1,072.5
Repayment of borrowings and costs	0.0	-368.9
Investment in GSF and SWS	0.0	-649.9
Payment of interest and expenses	-20.4	-20.6
Capitalised interest	17.0	0.0
Equity distributions paid	<u>0.0</u>	<u>0.0</u>
Closing SW (Greensands) Financing cash	<u>14.1</u>	<u>40.9</u>
Closing consolidated cash	<u>579.8</u>	<u>960.8</u>
Undrawn committed bank facilities at Southern Water (Greensands) Financing	40.0	n/a

Consolidated EBITDA excludes the following £92.5 million exceptional item which is included in the consolidated interim income statement to 30 September 2021, and is payable by July 2022. Southern Water was sentenced and fined £90 million on 9 July 2021 regarding an Environment Agency (EA) prosecution relating to wastewater permit compliance between 2010 and 2015 (inclusive). Southern Water was also ordered to pay £2.5m legal costs of the EA.

A fund managed by Macquarie Asset Management acquired a majority stake in our ultimate parent company, Greensands Holdings Limited, on 8 September 2021. New equity of £1,072.5 million was invested into the group, of which £529.9 million was invested in Southern Water Services, £120 million was invested into Greensands Finance (GF) and, the remainder used to repay borrowings at Southern Water (Greensands) Financing, pay associated transaction costs, and improve liquidity at Southern Water (Greensands) Financing.

Net indebtedness

	Actual 6 months 30 Sep 2020 £m	Actual 6 months 30 Sep 2021 £m
<u>Southern Water Services</u>		
Fixed Rate Bonds	2,525.0	2,475.0
Index Linked Bonds	1,064.7	1,079.3
Fixed Rate Loans	250.0	250.0
Index Linked Loans	87.1	72.4
RPI accretion on Index-Linked swaps	112.2	79.3
Drawings under the Revolving Credit Facility	0.0	0.0
Senior debt at SWS Financing Group	<u>4,039.0</u>	<u>3,956.0</u>
<u>Greensands Financing</u>		
Loan facilities	451.5	451.5
Drawings under RCF	<u>100.0</u>	<u>100.0</u>
	551.5	551.5
<u>Southern Water (Greensands) Financing</u>		
Loan facilities	717.0	396.4
Drawings under RCF	<u>0.0</u>	<u>-</u>
	717.0	396.4
Consolidated cash balances	579.8	960.8
Consolidated net debt	<u>4,727.7</u>	<u>3,943.1</u>

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

Financial covenants

			Actual 6 months 30 Sep 2020	Actual 6 months 30 Sep 2021
	Lock-up	Default		
A	RCV		5,088.9	5,293.2
B	Consolidated net debt		4,727.7	3,943.1
C	Consolidated EBITDA		183.2	215.2
D	Consolidated finance charge		64.9	62.6
Consolidated RAR B/A	93.0%	95.0%	92.9%	74.5%
RAR on Southern Water Services	84.0%		69.6%	60.5%
Consolidated EBITDA / finance charge C/D		2.0	2.8	3.4
Liquidity for future debt service (years)	1.0		1.3	2.0

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



Sebastiaan Boelen
Director
Southern Water (Greensands) Financing plc
Greensands (UK) Ltd



Will Price
Director
Southern Water (Greensands) Financing plc
Greensands (UK) Ltd

Contact details:

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

