

Greensands Financing plc

Compliance Certificate

For the year ended 31 March 2022

Confidential

Important Notice

This report is being distributed in fulfilment of a finance document, the Common Terms Agreement. It is directed to, and intended for, existing 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.

Investor Report & Compliance Certificate

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Calculation of covenant ratios

Ref.		31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
		2020	2021	2022	2023	2024	2025
		£m	£m	£m	£m	£m	£m
1	Net Cash Flow (historic)						
	Net operating cash flow of SWS	476.7	386.0	387.3	415.7	473.3	533.6
	Net operating cash flow outside of SWS	0.0	0.0	0.0	0.0	0.0	0.0
		<u>476.7</u>	<u>386.0</u>	<u>387.3</u>	<u>415.7</u>	<u>473.3</u>	<u>533.6</u>
2	Net Cash Flow (forward looking)						
	Net Appointed operating cash flow of SWS	474.1	383.6	385.3	413.7	470.0	530.3
	Net operating cash flow outside of SWS	0.0	0.0	0.0	0.0	0.0	0.0
		<u>474.1</u>	<u>383.6</u>	<u>385.3</u>	<u>413.7</u>	<u>470.0</u>	<u>530.3</u>
3	MidCo Debt Interest						
	Senior debt interest of SWS	115.2	68.3	65.3	71.0	87.9	92.9
	Debt interest of MidCo	17.9	19.3	19.6	19.3	19.0	23.3
		<u>133.1</u>	<u>87.6</u>	<u>84.9</u>	<u>90.3</u>	<u>106.9</u>	<u>116.2</u>
	Closing cash:						
	Closing cash at Southern Water	184.4	356.4	477.9	307.4	60.9	58.8
	Opening Greensands Finance cash	27.3	78.4	54.7	55.0	35.1	67.2
	* Proceeds from new equity	0.0	0.0	649.9	0.0	0.0	0.0
	Investment in SWS	0.0	0.0	-529.9	0.0	0.0	0.0
	Proceeds from subordinate debt and distributions	59.1	0.0	0.0	35.0	35.0	35.0
	Net proceeds from financing and drawings from RCF	62.0	0.0	-100.0	0.0	61.7	0.0
	Payment of interest and fees	-20.0	-23.7	-19.7	-19.9	-19.6	-23.9
	Payments to Greensands Investments	-50.0	0.0	0.0	-35.0	-45.0	-45.0
	Closing Greensands Finance cash	<u>78.4</u>	<u>54.7</u>	<u>55.0</u>	<u>35.1</u>	<u>67.2</u>	<u>33.3</u>
4	Closing consolidated cash	<u>262.8</u>	<u>411.1</u>	<u>532.9</u>	<u>342.5</u>	<u>128.1</u>	<u>92.1</u>
	Opening Restricted cash balance in debt service payment account	27.3	27.5	27.5	26.5	26.5	26.5
	Undrawn committed bank facilities at Greensands Finance	0.0	0.0	100.0	100.0	100.0	100.0

Net Cash Flow represents net operating cash flow excluding capital expenditure and the movement in capital creditors. This is the same definition as the SWS covenants although defined terms are different. For MidCo, 'Net Cash Flow (historic)' is consistent with 'Net Total Income' used for SWS, and Net Cash Flow (forward looking)' is consistent with 'Net Appointed Income' used for SWS.

* A fund managed by Macquarie Asset Management acquired a majority stake in our ultimate parent company, Greensands Holdings Limited, on 8 September 2021. Equity in excess of £1 billion was invested into the group, of which £120 million was invested into Greensands Finance (GF) and £529.9 million was invested in Southern Water Services. The proceeds at GF were used to clean down the RCF and improve liquidity. Forecast dividends have been included within the SWS forecasts from 2023 given the improved financial profile of SWS from the equity injection at this level.

The projections for new financing and drawings from RCF, and payments to Greensands Investments, are illustrative and included to aid the calculation of forecast financial ratios

Bonds, Authorised Loan Facilities and Leases

Ref.	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2021	2022	2023	2024	2025
	£m	£m	£m	£m	£m	£m
<u>Southern Water</u>						
* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0	350.0	350.0	350.0	350.0
* £150m A2a 3.706% Index-linked Bonds due 2034	243.7	247.7	257.2	280.6	297.2	307.9
* £35m A2b 3.706% Limited Index Bonds due 2034	56.8	57.8	59.9	63.0	66.2	68.5
£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	350.0	350.0	350.0	350.0	350.0
£150m A5 3.816% Index-linked Bonds due 2023	243.7	247.7	257.2	0.0	0.0	0.0
* £350m A7 5.0% Fixed Rate Bonds due 2021	350.0	0.0	0.0	0.0	0.0	0.0
* £150m A8 5.0% Fixed Rate Bonds due 2041	150.0	150.0	150.0	150.0	150.0	150.0
* £200m A9 4.5% Fixed Rate Bonds due 2052	200.0	200.0	200.0	200.0	200.0	200.0
* £300m A10 5.125% Fixed Rate Bonds due 2056	300.0	300.0	300.0	300.0	300.0	300.0
£375m A12 2.375% Fixed Rate Bonds due 2028	0.0	375.0	375.0	375.0	375.0	375.0
£450m A13 3.0% Fixed Rate Bonds due 2037	0.0	450.0	450.0	450.0	450.0	450.0
£300m A14 1.625% Fixed Rate Bonds due 2027	0.0	300.0	300.0	300.0	300.0	300.0
RPI accretion on Index-Linked swaps	202.6	30.7	119.2	306.4	416.6	496.2
£165m Artesian 4.076% Index-linked Bonds due 2033	268.2	272.6	283.0	308.7	326.9	338.7
* £156m Artesian 3.635% Index-linked Bonds due 2032	248.2	252.2	261.9	285.7	302.5	313.4
£100m EIB Index Linked loan due 2025	92.0	79.8	68.1	50.2	33.5	14.3
£250m USPP Fixed Rate Loan due 2031 / 2036	250.0	250.0	250.0	250.0	250.0	250.0
** New cash required	0.0	0.0	0.0	480.0	488.4	493.6
Drawings under the Revolving Credit Facility	330.0	0.0	0.0	0.0	0.0	0.0
Finance Lease (IFRS16)	0.0	0.0	31.7	30.4	29.1	27.8
SWS Indebtedness	3,635.2	3,913.5	4,063.2	4,529.9	4,685.3	4,785.4
<u>Greensands Finance</u>						
loan facilities	401.5	401.5	401.5	401.5	366.2	366.2
Bank loans	50.0	50.0	50.0	50.0	50.0	50.0
Drawings under RCF	100.0	100.0	0.0	0.0	0.0	0.0
** Drawdown new debt	0.0	0.0	0.0	0.0	100.0	100.0
	551.5	551.5	451.5	451.5	516.2	516.2
4 Cash balances	262.8	411.1	532.9	342.5	128.1	92.1
5 Consolidated net debt	3,923.9	4,053.9	3,981.8	4,638.9	5,073.4	5,209.5

* Wrapped by AG

** 'Draw down new debt' is a notional class of debt included to forecast compliance ratios correctly. This is not an attempt to forecast the actual quantum, mix, cost and timing of future financing.

Interest Cover Ratios

	Trigger	Default	31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2024 £m	31 Mar 2025 £m
A	Net Cash Flow - historic (Ref. 1)		476.7	386.0	387.3	415.7	473.3	533.6
B	Net Cash Flow - forward (Ref. 2)		474.1	383.6	385.3	413.7	470.0	530.3
C	Depreciation of the RCV (RCV run down)		282.7	269.2	286.1	319.1	341.5	352.1
D	Debt interest (Ref. 3)		133.1	87.6	84.9	90.3	106.9	116.2
E	Period end VAT debtor		10.2	11.0	13.0	12.5	11.1	8.4
Interest Cover Ratio								
	Historic: (A-C+E)/D	1.10	1.05	1.53	1.46	1.35		
	Forward looking: (B-C+E)/D	1.10	1.05				1.19	1.31
Average Interest Cover Ratio								
	Historic: (3 years average)	1.20	N/A	1.46	1.34	1.30		
	Projected: (3 years average)	1.20	N/A				1.38	1.46

The result of the one-time only ICR test for the twelve months to 30 September 2021 is 1.47 and is not less than 0.90. This is provided in fulfilment of section 10.1.a of the STID Proposal dated 14 December 2020.

Regulatory Asset Ratios

	Lock up	Trigger	Default	31 Mar 2020 £m	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2024 £m	31 Mar 2025 £m
F Consolidated net debt (Ref. 5)				3,923.9	4,053.9	3,981.8	4,638.9	5,073.4	5,209.5
G RCV				5,141.9	5,120.2	5,658.5	6,321.8	6,692.2	6,891.1
 Regulated Asset Ratio Historic / Projected: F/G	0.850	0.900	0.950	0.763	0.792	0.704	0.734	0.758	0.756
 Southern Water Class A ratio Historic / Projected:	0.750	0.900	0.950	0.671	0.695	0.634	0.668	0.691	0.686

To: BNY Melon Corporate Trustee Services Ltd as Security Trustee

From: MidCo as Transaction Agent

Declaration

We confirm that the above Ratios have been calculated as at the Test Date immediately prior to delivery of this Compliance Certificate using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Covenants) to the Agreement and delivered together with this Compliance Certificate.

With reference to certain provisions of the STID Proposal dated 14 December 2020:

- We confirm that the the SWS Liquidity Test and the MidCo Liquidity Test is satisfied.
- We confirm that the Additional Covenant End Date is expected to occur on or around the date of this Compliance Certificate

We confirm that no Trigger Event, Potential Trigger Event, Event of Default or Potential Event of Default has occurred and is continuing.

We confirm that all information contained in this Compliance Certificate is accurate in all material respects.



Sebastiaan Boelen
Director
For and on behalf of
MidCo as Transaction Agent



Will Price
Director
For and on behalf of
MidCo as Transaction Agent

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