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CREDIT OPINION
6 April 2021

Update

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RATINGS

Thames Water (Kemble) Finance PLC

Domicile	United Kingdom
Long Term Rating	B1
Type	Senior Secured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Stefanie Voelz +44.20.7772.5555
VP-Sr Credit Officer
stefanie.voelz@moodys.com

Neil Griffiths-Lambeth +44.20.7772.5543
Associate Managing Director
neil.griffiths-lambeth@moodys.com

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Thames Water (Kemble) Finance PLC

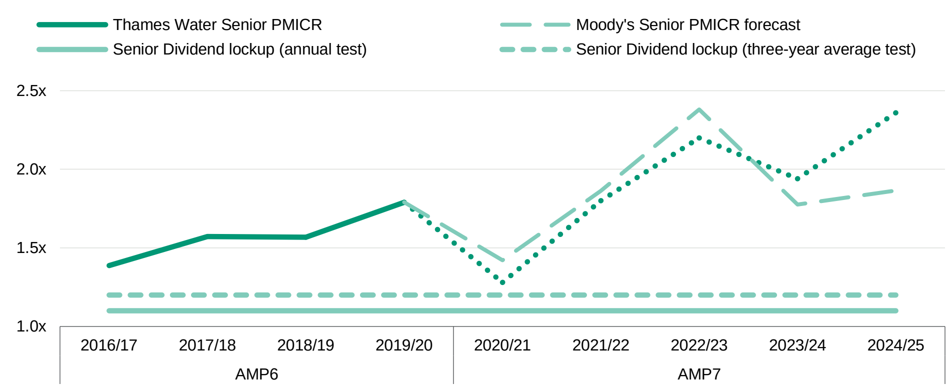
Regular update following HY results for 2020/21

Summary

The credit quality of Thames Water (Kemble) Finance PLC (Kemble, senior secured B1 stable), the finance subsidiary of Kemble Water Finance Limited, is supported by the low business risk profile of the group's main operating subsidiary, Thames Water Utilities Ltd. (Thames Water, CFR Baa2 stable) — the monopoly provider of water and wastewater services in its area — and the stable and transparent regulatory framework for the UK water sector. It is constrained by (1) the high level of gearing at Thames Water and other debt in the group including the Kemble notes; (2) Thames Water's track record of weak operational performance; (3) the terms of Thames Water's financing structure, which include various cash-trapping triggers; and (4) provisions of Thames Water's licence that could limit the operating company's ability to make payments to Kemble. We believe the expected loss for the Kemble notes would be very high if a default were to occur, given their subordinated position and the security granted to lenders of Thames Water.

The five-year regulatory period that started in April 2020 (AMP7) brought a significant cut in allowed returns, material revenue reductions as a result of operational underperformance in AMP6, and difficult performance targets that we expect to result in further financial penalties. Overall, this results in weaker credit quality for the Kemble group. For the Kemble notes, however, this is offset by management action to increase near-term cash flow and reduce the risk of dividend lock-ups at Thames Water.

Exhibit 1
We expect Thames Water to maintain headroom against covenants that would prevent payments to Kemble



Thames Water's PMICR represents the company's forecast ratios as presented in its Sep 2020 investor report. Moody's senior PMICR covenant forecast represents our projections and not the view of the issuer. The above forecast assumed covid-19 impact in FY 2020/21 and recovery in 2022/23.
Source: Thames Water, Moody's Investors Service

Credit strengths

» Kemble's key operating subsidiary (Thames Water) generates stable cash flow from the provision of monopoly water and wastewater services under a well-established, transparent and predictable regulatory regime.

» Low risk of dividend lock-up at Thames Water in AMP7 because of regulatory and financing measures that increase near-term cash flow.

Credit challenges

» Record of weak operating performance at Thames Water.

» Very high consolidated financial leverage, up to around 90% of Thames Water's regulatory capital value (RCV), excluding Moody's adjustments.

» Cash flow is subject to distribution lock-up covenants at the operating company level, which increases the probability of default for Kemble. Lower allowed return and more demanding efficiency and performance targets in AMP7 will likely increase Thames Water's cash flow volatility.

» Deeply subordinated nature of Kemble's creditors' claims against operating cash flow reduces recovery prospects.

Rating outlook

The stable outlook reflects our expectation that, despite operational underperformance and expenditure above regulatory allowances, the consolidated Kemble group will achieve an AICR of around 1.1x, on average, over AMP7, and maintain net debt/RCV of around 90%, including Moody's adjustments, and that Thames Water will maintain significant headroom to dividend lock-up triggers.

Factors that could lead to an upgrade

Given the deeply subordinated nature, structurally as well as contractually, of the Kemble notes in the context of the operating group's financing structure and regulatory protections, we do not expect any upgrade of Kemble's B1 rating on the notes.

Factors that could lead to a downgrade

Kemble's rating could be downgraded if the ratings of Thames Water were downgraded, or if weaker cash flow at Thames Water meant that financial or rating triggers limiting dividend payments were more likely to be triggered. Financial triggers in Thames Water's financing structure include (1) Class A RCV gearing in excess of 75% or senior RCV gearing in excess of 85%, or (2) Class A adjusted interest cover ratio below 1.3x or senior adjusted interest cover ratio below 1.1x in a single year. Rating triggers include a Class A or corporate rating below Baa3/BBB- from any agency and the regulatory licence also result in dividend restrictions, should the company be at the risk of losing the relevant investment-grade rating from any one agency.

Key indicators

Exhibit 2

Thames Water (Kemble) Finance PLC

Key metrics represents the consolidated accounts of Kemble Water Finance Limited

	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	AMP7 forward view
Adjusted Interest Coverage Ratio	1.9x	1.8x	1.6x	1.4x	1.4x	1.8x	1.0x-1.2x
Net Debt / Regulated Asset Base	88.6%	88.1%	89.3%	88.1%	89.3%	91.3%	88%-92%
FFO / Net Debt	8.9%	8.1%	7.2%	5.9%	5.6%	6.8%	5%-6%
RCF / Net Debt	5.1%	4.2%	3.2%	1.8%	1.3%	2.2%	5%-6%

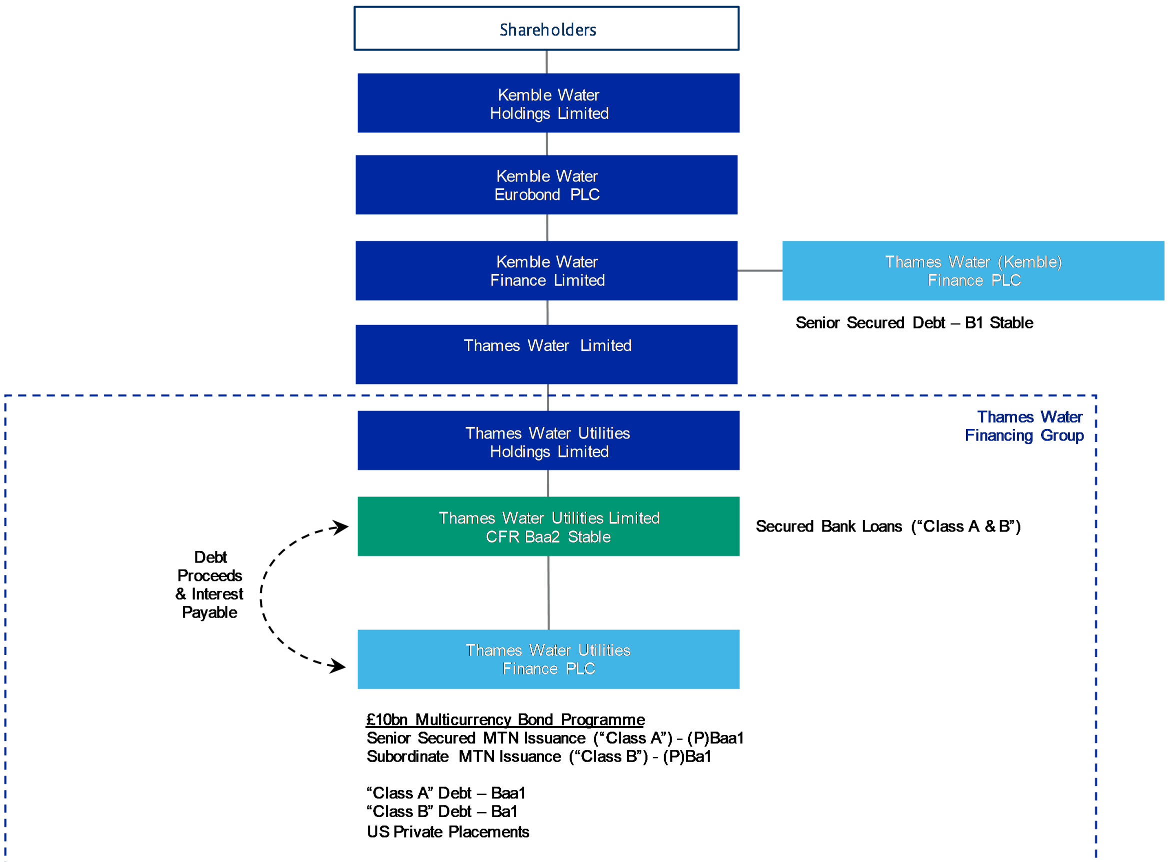
All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. For definitions of Moody's most common ratio terms please see the accompanying User's Guide. Moody's projections (proj.) are Moody's opinion and do not represent the view of the issuer.
Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Profile

Thames Water (Kemble) Finance PLC (Kemble) is the financing subsidiary of Kemble Water Finance Limited, which owns Thames Water through intermediate holding companies including Thames Water Limited. Thames Water is the largest of the 10 water and sewerage companies in England and Wales by both RCV and the number of customers served. It provides drinking water to around nine million customers and sewerage services to around 15 million customers in London and the Thames Valley.

Exhibit 3
Simplified organisational structure



Source: Moody's Investors Service

Kemble is ultimately owned by a consortium of national and international infrastructure and pension funds, the largest being OMERS (31.8%) and the Universities Superannuation Scheme (10.9%).

Detailed credit considerations

Credit quality of operating subsidiary, Thames Water, is a key credit driver

Kemble's credit quality is a function of (1) the low business risk of its key operating subsidiary, Thames Water; (2) very high leverage at the Kemble group level, up to 90% of Thames Water's RCV; and (3) its deeply subordinated position in relation to operating cash flow as well as recovery proceeds in a default scenario pertaining to creditors at Thames Water.

Ofwat's final determination for Thames Water included a significant cut in allowed cash returns to 2.42% at the start of the new period in April 2020, which incorporates the regulator's decision to only link half of the existing regulatory assets as at March 2020 to the Retail Prices Index (RPI), with the remainder and any new additions linked to the Consumer Prices Index adjusted for housing costs (CPIH). As the share of regulatory assets linked to CPIH grows over time, we estimate that most companies will have an average allowed cash return of around 2.5% over AMP7. For comparison and on a like-for-like RPI-stripped basis, allowed returns will fall by close to 50% to 1.92% (1.96% including retail margin) in AMP7 from 3.6% (3.74% including the retail margin) in AMP6 (April 2015 - March 2020). Thames also faces a reduction in total expenditure allowances compared with the company's original proposals, and difficult performance targets that we expect will lead to financial penalties for companies, like Thames Water, with a track record of weaker operational performance.

The lower returns and risk of underperformance will put downward pressure on key credit metrics for the Kemble Water group.

Low risk of dividend lockup at Thames Water during AMP7

Despite weaker returns, we expect cash flow at Thames Water to be relatively strong during AMP7 because of other elements of the regulatory determination and recent financing decisions by the company. This is positive for the credit quality of Kemble because it reduces the risk that Thames Water could breach triggers in its financing structure that would prevent dividend distributions to Kemble, and because it increases the cash available to pay dividends.

Thames Water's financing structure includes cash-trapping triggers if (1) Class A RCV gearing exceeds 75% or senior RCV gearing exceeds 85%, (2) Class A adjusted interest cover ratio falls below 1.3x or senior adjusted interest cover ratio falls below 1.1x in a single year (or 1.4x and 1.2x, respectively, on a rolling three-year average basis), or (3) Class A or corporate ratings fall below Baa3/BBB- from any agency.

In its final determination, Ofwat noted financeability constraints for a number of companies and brought forward a total of £675 million of revenue from future periods into AMP7 by increasing the portion of expenditure received through revenues, the so-called pay-as-you-go or PAYG ratio, and, in some cases, also the RCV run-off rate (i.e. regulatory depreciation). For Thames Water, the additional revenue brought forward from future periods amounts to £125 million (in 2017/18 prices) over AMP7 and has the same cash impact as an increase in allowed returns of ca. 17 basis points. However, unlike an actual increase in allowed returns, this revenue advance comes at the expense of lower RCV growth and future cash flow. We therefore do not give benefit to these advances in our AICR calculations. However, such excess “fast money” allowances will increase cash flow for the purposes of Thames Water's interest cover covenants.

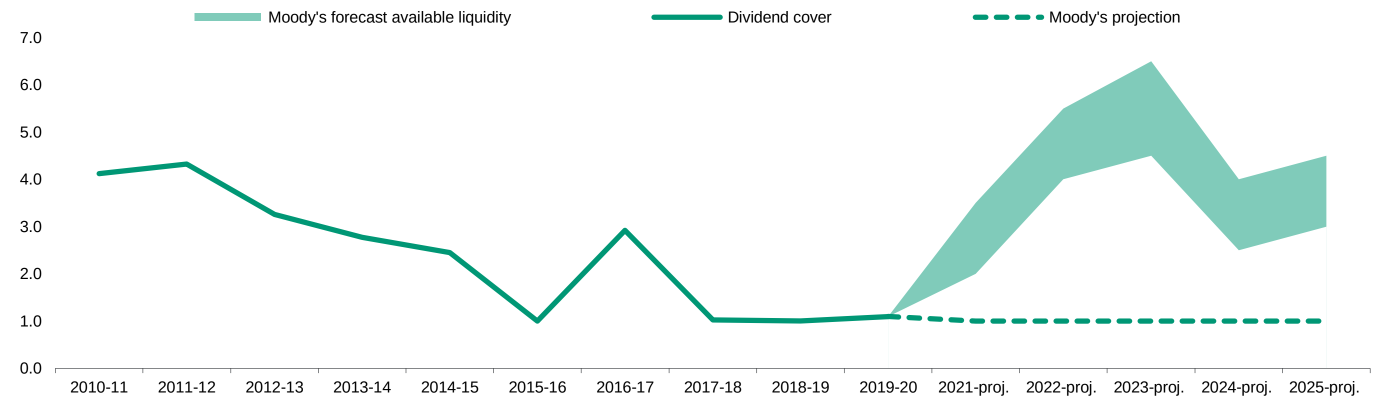
In addition, Thames Water has undertaken financing transactions that reduce cash interest costs for the purposes of the covenants. These include £2.1 billion of new RPI-linked swaps executed in late 2019 that allow Thames to defer a portion of interest payable from AMP7 into later periods, and borrowings from swap counterparties in AMP7 that will be treated as interest income for the purposes of the covenant calculation. Taken together, we believe these make a breach of the AICR triggers unlikely.

Cash flow at Thames Water also benefits from a small increase in RCV run-off rates during the period compared with AMP6. Although this does not affect covenant headroom, it does increase cash flow available to fund dividends to Kemble.

Exhibit 4

While we expect Thames Water to limit distributions to Kemble to what is necessary to pay holding company interest, advanced regulatory and derivative cash flows will create additional underlying liquidity

Kemble dividend cover



Projections (proj.) reflect Moody's opinion and not the view of the issuer.

Source: Thames Water, Kemble, Moody's Investors Service

Terms and conditions of the Kemble notes ring-fence the company from additional shareholder claims

There is a distribution lock-up at Kemble if consolidated total net debt/RCV exceeds 92.5%. This mechanism potentially traps cash at the holding company, for the benefit of lenders, if the financial condition of the group is deteriorating. We note, however, that this arrangement may be of limited value as the occurrence of a dividend lock-up, or a trigger event, at Thames Water would result in no dividend payments being trapped at Kemble.

Actual leverage at the Kemble level has historically been below the distribution lock-up level at around 89% consolidated net debt/RCV, and our assessment of Kemble's credit quality reflects our expectation that consolidated net debt will remain around 90% of Thames Water's RCV, providing some headroom against financial covenants. Kemble is obliged to make reasonable endeavours to maintain sufficient cash cover for 12 months interest payments, and we understand that it is management's intention to maintain a facility sized to cover at least 18 months (equivalent to £110 million) of interest payments at Kemble to provide liquidity in the event that there are no dividend payments by Thames Water. Drawings under this facility will result in a dividend lock-up at Kemble.

Following the redemption of the 2019 notes, Kemble's previous £900 million debt cap (net of cash held in accounts, but excluding debt subordinated to the Kemble notes) no longer applies.

Noteholders and bank lenders to Kemble also benefit from security granted by the issuer and guarantor, including over the shares held by Kemble in Thames Water Limited, an intermediate holding company that sits outside the ring-fenced financing group of the operating company. We note that lenders under the operating company's financing arrangements benefit from security over the shares in the operating company itself held by its immediate parent (an intermediate company within the operating company's ring-fenced financing group). If security granted under the Thames Water Programme were to be enforced, then the security at Kemble may have little or no value and, for this reason, the expected loss for lenders to Kemble is very high.

While we consider the above creditor protections of the Kemble Finance Programme as sufficient to effectively ring-fence the Kemble group, we do not believe they warrant any rating uplift.

Additional debt to be raised at Kemble to support Thames Water credit quality

Thames Water has committed to reducing leverage at the operating company, in part because of Ofwat's decision that companies with gearing in excess of 74% in 2020-21, falling to 70% by 2024-25, should receive either a lower revenue allowance or reduction in RCV in the next regulatory period. The deleveraging of Thames Water will be achieved through raising additional debt at Kemble and injecting the cash into Thames Water as equity, as well as by limiting distributions from Thames Water.

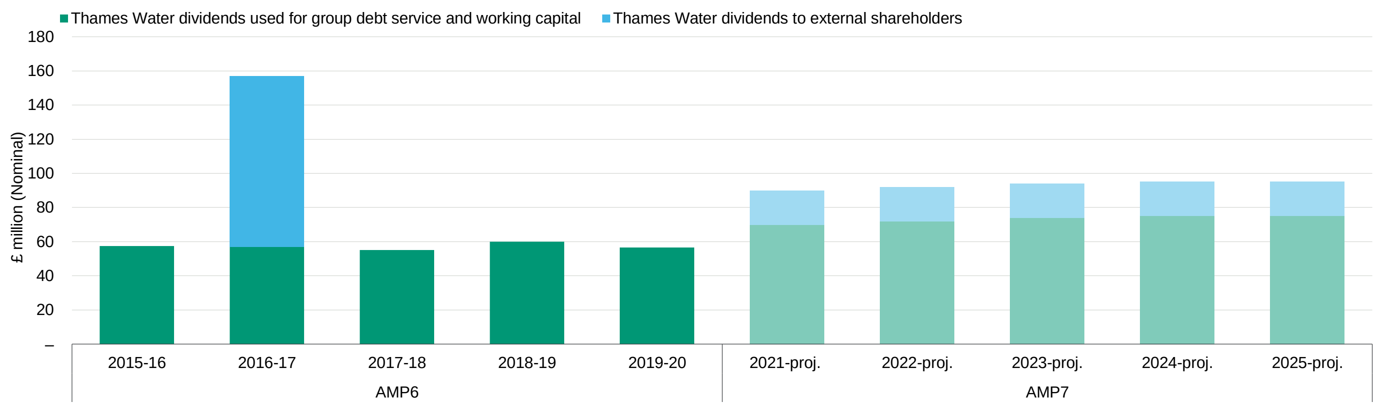
In its business plan, the group proposed to raise £850 million of incremental debt at Kemble by the end of AMP7 and to contribute this to Thames Water as equity, reducing the operating company's leverage, as measured by net debt/regulatory asset value, to below

78% of RCV from around 82%, excluding Moody's adjustments. It is our understanding that management intends to proceed with this plan following the final determination. However, because of differences between the determination and the company's plan, we expect Kemble will have to raise a larger quantum of debt or Thames Water's gearing reduction will be slightly lower than originally planned.

The first tranche of this plan was completed in November 2018, with £650 million raised; of this, £250 million was injected into Thames Water in April 2019, and the remainder used to refinance the existing debt at the holding company. Kemble provided a further £80 million to Thames Water in the first half of the current financial year ending in March 2021.

Thames Water also plans to constrain net cash dividends from the operating company to £95 million a year, with £75 million from wholesale regulated activities and approximately £20 million from other non-regulated activities, used for debt service and working capital needs at Kemble. This implies dividend cover of around 1.0x over the period (see also Exhibit 4 above).

Exhibit 5
Thames Water's business plan limits distributions over the AMP7 period



Source: Thames Water, Moody's Investors Service

Although these transactions will support the credit quality of Thames Water, they are modestly negative for Kemble. However, the company's plan to pay only £20 million of dividends annually to external shareholders, continuing the dividend restraint of recent years, is supportive of credit quality. The additional cash maintained within the Kemble group (around £534 million as of September 2020, excluding cash related to Bazalgette Tunnel Limited, rated Baa1 negative, an independently appointed infrastructure provider for the development of the Tideway tunnel) and the £110 million revolving credit facility also provide adequate backstop liquidity.

Taking into account the fair value of the existing borrowings and derivatives, Kemble had gearing (including Moody's standard adjustments) of 115-125% of RCV as of September 2020. If Kemble's shareholders were to take the view that they have limited equity value, they may be unwilling to provide support were this to become necessary.

Liquidity analysis

Thames Water demonstrates a solid liquidity profile. Liquidity at Kemble is driven by the dividends upstreamed by Thames Water to the holding company, which we expect to cover at least the interest payments at Kemble Finance and other administrative holding company costs over the next 12-18 months.

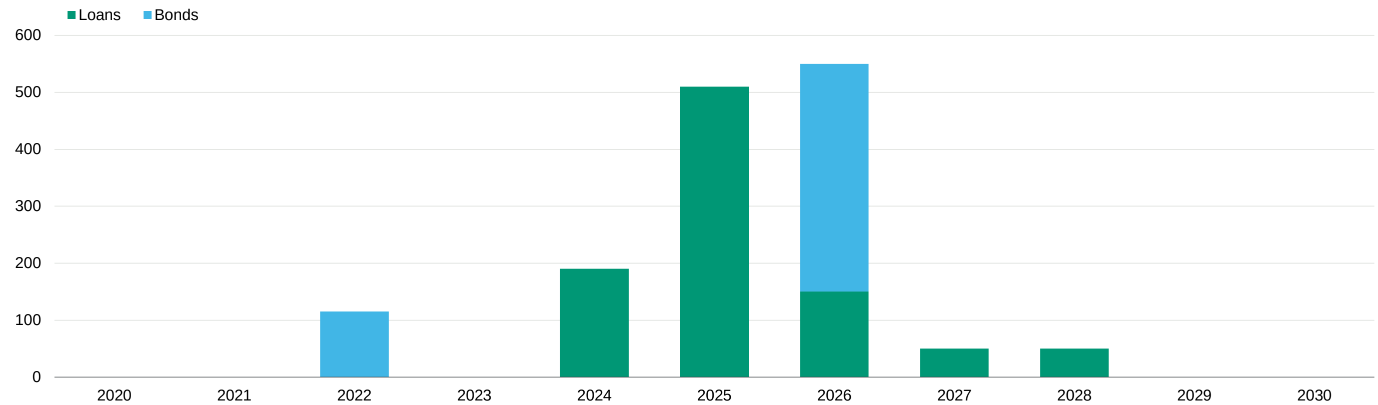
Kemble is obliged to make reasonable endeavours to maintain sufficient cash cover for 12 months interest payments, and the group has a track record of a prudent cash management policy by maintaining cash reserves and/or liquidity facilities. Liquidity is further supported by a £110 million revolving credit facility at Kemble, sized to cover 18 months of interest payments.

Kemble's issuance, between November 2018 and April 2019, of £650 million private placements due 2025 and 2026 illustrates the company's continuing access to funding. The new notes were partially used to repay the existing notes due in April 2019, resulting in no further maturities at Kemble until July 2022. In November 2020, Kemble issued a £250 million bond due in 2026, with proceeds allocated to refinancing a £75 million term loan (already repaid) and £175 million bond (£60 million of which have now been repurchased), both maturing in 2022. In January 2021, Kemble issued a further £150 million bond due in 2026, with proceeds to be used to further support liquidity at Kemble and/or repay debt at Thames Water.

Exhibit 6

Kemble's debt maturities are relatively well distributed, with limited refinancing needs over the period to 2025

Maturities in £ millions presented on the basis of calendar years



Largely reflects outstanding debt as at September 2020, but also taking into account the November 2020 issuance and prepayments as well as the January 2021 tap issue.

Source: Kemble investors reports, Moody's Investors Service

Structural considerations

In general terms, creditors of holding companies are structurally subordinated to creditors at the operating company level because they are further removed from the operational cash flow that is generated at the operating company level and which will first and foremost serve the operating company debt. Holding companies have to rely exclusively on the operating company's ability to pay dividend distributions from excess cash available after servicing debt at the operating company.

Such simple structural subordination can be amplified where the operating company's ability to pay distributions is further restricted.

In the case of Thames Water, the operating company has a highly covenanted financing structure, which restricts management's ability to alter the business and financial risk profile of the operating company to the detriment of its creditors.

As part of these restrictions, the operating company is subject to financial covenants, including cash lock-up triggers. While preventing distributions, such trigger events also allow creditors at the operating company level additional oversight by appointing an independent adviser to provide a remedial plan or discuss remedial measures with the regulator.

While Thames Water's covenant and security package provides additional protection for creditors at the operating company level, it is detrimental to the credit quality at the holding company. The holding company relies exclusively on distributions from the operating company to service its debt, and the distribution lock-up covenants at the operating company increase the risk of limited or no dividends being paid to the holding company.

When assessing the credit risk for the holding company creditors, we first evaluate the credit quality of the overall consolidated group. The approach is similar to assigning a corporate family rating at the highly leveraged operating company, with the exception that here we also take into account the holding company debt, assuming the entire group's debt is raised in one single class and at one single entity.

However, the consolidated credit quality of the holding company group does not take into account (1) the higher probability of default that creditors at the holding company level are facing; and (2) the higher severity of loss in an actual default scenario because of holding company creditors' structural and contractual subordination to operating company creditors.

To adequately reflect the deeply subordinated nature of the holding company debt obligations, we apply a wider notching than would normally be the case in a typical corporate OpCo-HoldCo structure, where the probability of default between the operating and holding companies is not materially different.

For further details on different OpCo-HoldCo structures and our notching approach in the context of a number of rated examples in the UK regulated utilities space, please refer to Moody's comment 'Regulated water utilities and energy networks – UK: Increasingly complex group structures create diverging opco and holdco credit risk', published in October 2018.

Rating methodology and scorecard factors

Our assessment of Kemble reflects the application of our Regulated Water Utilities rating methodology, published in June 2018.

We assign the same scoring for Kemble and Thames Water in respect of the qualitative factors, while scoring for coverage and leverage reflects the consolidated metrics at the holding company level. The assigned B1 rating to the Kemble notes is notched down from Kemble's consolidated credit quality and reflects the deeply subordinated nature of creditor claims at the Kemble level, given the group's financial and contractual arrangements.

Exhibit 7

Rating methodology scorecard

Kemble Water Finance Limited

Regulated Water Utilities Industry [1][2]	Current FY 3/31/2020		Moody's 12-18 Month Forward View As of March 2021 [3]	
Factor 1 : Business Profile(50%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Environment	Aa	Aa	Aa	Aa
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Sufficiency & Timeliness)	A	A	A	A
d) Revenue Risk	A	A	Aa	Aa
e) Scale and Complexity of Capital Programme & Asset Condition Risk	Baa	Baa	A	A
Factor 2 : Financial Policy (10%)				
a) Financial Policy	B	B	B	B
Factor 3 : Leverage and Coverage (40%)				
a) Adjusted Interest Coverage Ratio (3 Year Avg)	1.6x	Baa	1x - 1.2x	B
b) Net Debt / Regulated Asset Base (3 Year Avg)	89.6%	B	88% - 92%	B
c) FFO / Net Debt (3 Year Avg)	6.1%	Ba	5% - 6%	B
d) RCF / Net Debt (3 Year Avg)	1.8%	Caa	5% - 6%	Ba
Rating:				
Scorecard-Indicated Outcome Before Notch Lift		Ba2		Ba2
Notch Lift	0	0	0	0
a) Scorecard-Indicated Outcome		Ba2		Ba2
b) Actual Rating Assigned				B1

(1) All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. (2) At 31/03/2020. (3) This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate any significant acquisitions or divestitures.

Source: Moody's Financial Metrics™

Ratings

Exhibit 8

Category	Moody's Rating
THAMES WATER (KEMBLE) FINANCE PLC	
Outlook	Stable
Bkd Senior Secured -Dom Curr	B1

Source: Moody's Investors Service

Appendix

Exhibit 9

Selected peer comparison

Kemble Water Finance Limited

	Kemble Water Finance Limited			Osprey Acquisitions Limited			Heathrow Finance plc			Arqiva Broadcast Parent Limited		
	Not Rated			Not Rated			Ba2 Negative			Ba2 Stable		
	Thames Water (Kemble) Finance B1 Stable			Anglian Water (Osprey) Financing B1 Stable			Heathrow Finance B1 Negative			Arqiva Broadcast Finance B1 Stable		
(in GBP million)	FYE Mar-18	FYE Mar-19	FYE Mar-20	FYE Mar-18	FYE Mar-19	FYE Mar-20	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Jun-18	FYE Jun-19	FYE Jun-20
Revenue	2,019	2,037	2,109	1,323	1,358	1,425	2,884	2,970	3,070	964	990	880
EBITDA	1,084	1,032	1,311	852	641	729	1,784	1,879	1,923	577	592	500
Regulated Asset Base (RAB)	13,886	14,429	14,594	7,856	8,097	7,989						
Total Debt	12,390	13,400	14,437	6,879	7,323	7,981	14,686	15,122	16,343	3,239	3,192	3,251
Net Debt	12,237	12,889	13,324	6,553	6,711	6,814	14,163	14,527	15,498	3,228	3,177	3,172
Adjusted Interest Coverage Ratio	1.5x	1.4x	1.8x	1.4x	1.4x	1.4x						
(FFO + Interest Expense) / Interest Expense	2.2x	2.2x	2.6x	2.1x	2.2x	2.2x	2.0x	2.3x	2.4x	1.7x	1.9x	1.7x
FFO / Net Debt	5.9%	5.6%	6.8%	6.6%	6.5%	6.5%	6.3%	7.0%	6.9%	7.5%	8.5%	6.2%
RCF / Net Debt	1.8%	1.3%	2.2%	5.2%	5.9%	6.5%	4.0%	3.6%	3.9%	7.5%	8.5%	6.2%
Net Debt / Regulated Asset Base	88.1%	89.3%	91.3%	83.4%	82.9%	85.3%						
Net Debt / EBITDA	11.3x	12.5x	10.2x	7.7x	10.5x	9.4x	7.9x	7.7x	8.1x	5.6x	5.4x	6.3x

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR = Ratings under Review, where UPG = for upgrade and DNG = for downgrade. Kemble and Osprey do not have an assigned CFR, while Heathrow Finance and Arqiva Broadcast do In all cases the holding company debt is subordinated to an operating company senior secured and covenanted financing structure, but the additional credit benefit for senior lenders at the operating company level differs slightly.
Source: Moody's Financial Metrics™

Exhibit 10

Moody's-adjusted debt breakdown

Kemble Water Finance Limited

(in GBP million)	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20
As Reported Total Debt	16,405	16,716	17,753	19,374	20,792
Pensions	260	380	301	339	216
Leases	66	87	78	0	0
Hybrid Securities	(3,101)	(3,101)	(3,101)	(3,101)	(3,101)
Non-Standard Public Adjustments	(1,800)	(2,244)	(2,641)	(3,212)	(3,471)
Moody's Adjusted Total Debt	11,831	11,839	12,390	13,400	14,437
Cash & Cash Equivalents	(853)	(94)	(154)	(511)	(1,113)
Moody's Adjusted Net Debt	10,978	11,745	12,237	12,889	13,324

All figures are calculated using Moody's estimates and standard adjustments. Hybrid securities refers to shareholder loans, which are treated as quasi-equity in the context of the financial covenants of the Kemble notes. Non-standard adjustments largely reflect the removal of accrued interest payable.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted funds from operations

Kemble Water Finance Limited

(in GBP million)	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20
As Reported Funds from Operations (FFO)	1,171	1,129	1,026	1,082	1,655
Pensions	0	45	19	1	21
Leases	7	11	6	0	0
Capitalized Interest	(114)	(76)	(101)	(109)	(98)
Hybrid Securities	431	473	510	561	613
Alignment FFO	(489)	(466)	(689)	(569)	(645)
Unusual Items - Cash Flow	(7)	2	(1)	(2)	(1)
Non-Standard Public Adjustments	(104)	(268)	(43)	(240)	(636)
Moody's Adjusted Funds from Operations (FFO)	894	850	728	723	910

All figures are calculated using Moody's estimates and standard adjustments. Hybrid securities refers to shareholder loans, which are treated as quasi-equity in the context of the financial covenants of the Kemble notes. Non-standard adjustments reflect primarily the reclassification of interest paid and received into operating cash flow.

Source: Moody's Financial Metrics™

Exhibit 12
Select historical Moody's-adjusted financial data
Kemble Water Finance Limited

(in GBP million)	FYE Mar-16	FYE Mar-17	FYE Mar-18	FYE Mar-19	FYE Mar-20
INCOME STATEMENT					
Revenue	2,040	2,027	2,019	2,037	2,109
EBITDA	1,207	773	1,084	1,032	1,311
EBITDA margin %	59.2%	38.1%	53.7%	50.7%	62.2%
EBIT	702	223	530	457	701
EBIT margin %	34.4%	11.0%	26.3%	22.4%	33.2%
Interest Expense	438	507	585	624	580
BALANCE SHEET					
Cash & Cash Equivalents	853	94	154	511	1,113
Total Assets	17,488	17,463	18,105	19,328	20,583
Total Liabilities	17,195	17,762	18,612	20,311	21,719
CASH FLOW					
Funds from Operations (FFO)	894	850	728	723	910
Cash Flow From Operations (CFO)	1,231	1,096	1,208	1,244	1,355
Dividends	431	473	510	561	613
Retained Cash Flow (RCF)	464	377	218	162	296
Capital Expenditures	(1,182)	(1,183)	(1,068)	(1,108)	(1,137)
Free Cash Flow (FCF)	(382)	(560)	(370)	(425)	(396)
INTEREST COVERAGE					
EBITDA / Interest Expense	2.8x	1.5x	1.9x	1.7x	2.3x
Adjusted Interest Coverage Ratio	1.8x	1.7x	1.5x	1.4x	1.8x
LEVERAGE					
Debt / EBITDA	9.8x	15.3x	11.4x	13.0x	11.0x
Net Debt / EBITDA	9.1x	15.2x	11.3x	12.5x	10.2x
Debt / Book Capitalization	90.4%	95.8%	97.1%	100.7%	100.2%
Regulated Asset Base (RAB)	12,458	13,152	13,886	14,429	14,594
Net Debt / Regulated Asset Base	88.1%	89.3%	88.1%	89.3%	91.3%
FFO / Net Debt	8.1%	7.2%	5.9%	5.6%	6.8%
RCF / Net Debt	4.2%	3.2%	1.8%	1.3%	2.2%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

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