Dŵr Cymru
Welsh Water

Investor Report

For the six months ended 31 March 2023

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References to the “Company,” “Dŵr Cymru” and “Welsh Water” in this document relate to Dŵr Cymru Cyfyngedig, the sole operating company in the whole business securitisation formed by the Glas Cymru Anghyfyngedig group. References to “Glas Cymru” and the “Group” refer, respectively, to Glas Cymru Anghyfyngedig and the group of which it is the parent.

Contents

General overview and business update

This six-monthly Investor Report covers the six-month period ended 31 March 2023. The Investor Report has been prepared to comply with the specific requirements of the Common Terms Agreement (CTA) which governs Glas Cymru's obligations to its bondholders and other financial creditors.

The financial information in this report is drawn from the Group's accounting records, applying the accounting policies as per the Group's statutory accounts, but is presented in a modified form for investors as required by the CTA.

Financial performance (unaudited)

Summary financial results for the year ended 31 March 2023 are as follows:

	Year to 31 March 2023 £m	Year to 31 March 2022 £m	Change %
Turnover	841	807	+4%
Operating costs	(399)	(347)	+15%
Other operating income	5	6	
EBITDA (before infrastructure renewals expenditure and exceptional items)	447	466	-4%
Exceptional items	(31)	4	
EBITDA (before infrastructure renewals expenditure)	**416**	**470**	-11%
Net interest (excluding indexation)	(112)	(98)	
Capital expenditure (before grants and contributions)	(431)	(357)	

Operating profit before interest, tax, depreciation, amortisation, infrastructure renewals expenditure and exceptional items (EBITDA) for the year to 31 March 2023 was £19 million lower than last year.

Financial performance (unaudited) (continued)

Turnover in the year to 31 March 2023 increased by 4% (£34 million) as a result of price increases in line with our PR19 Regulatory settlement, increased consumption due to the dry hot summer and growth in our customer base.

Operating costs (excluding depreciation, amortisation, infrastructure renewals expenditure and exceptional items) of £399 million were £52 million (15%) higher than last year principally caused by price pressures in power, chemicals and employment costs. We made a one-off payment totalling £7m to our employees during the year to help support them through the cost-of-living crisis. Other cost increases are driven by a rise in tankering activity, inflated contractor prices resulting from external market pressures and further weather events, such as hot weather and freeze-thaw incidents, which resulted in additional compensation being paid to customers following supply interruptions.

Exceptional costs of £31 million represents the award of pension increases above a 5% cap. Under a 'best endeavours' clause in the Welsh Water Pension scheme rules full RPI increases could only be awarded if certain criteria were met. In the current year scheme awards above a 5% cap have been paid by the pension scheme and, as the scheme is now in surplus, the criteria to pay these scheme awards are expected to be met in the future. It is expected that changes to this assumption will be presented in Other Comprehensive Income in the future, as required under IAS19. This is disclosed as exceptional in FY23 as the accounting treatment under IAS 19 of these increases through the profit and loss account will only occur this year, it is of a significant value, and it does not closely reflect day-to-day operational expenditure. The exceptional credit of £4m in 2022 related to a reduction in bad debt provisions reflecting a lower risk of COVID-19 impacts on cash collections.

Net interest payable in the year of £112 million (excluding non-cash indexation and fair value movements on interest rate swaps) was £14m (14%) higher than last year (2022: £98 million). The increase is a result of higher RPI inflation on our index-linked debt. Net interest payable including non-cash indexation was £304 million (2022: £183 million) reflecting the sharp increases in inflation experienced over the year.

The fair value liability of the Group's interest rate swaps has decreased by £160 million in the year to £435 million compared to March 2022 (£595 million). This change was driven by downward revisions in the forecast of inflation compared to last year. If held to maturity, which is Glas Cymru's intention, the fair value of these instruments will be zero.

The regulatory gearing (the ratio of net debt to regulatory capital value) of the Group was as follows:

£m	31 March 2023	31 March 2022
Regulatory Capital Value	7,161	6,460
Net Debt	(4,177)	(3,736)
'Financial reserves'	**2,984**	**2,724**
Regulatory gearing	58.3%	57.8%

Financial performance (unaudited) (continued)

On Glas Cymru's acquisition of Welsh Water in May 2001, gearing stood at 93%. Since then, the financial position of the Group has improved steadily, such that gearing is 58% and 'financial reserves' (RCV less net debt) are £2.9 billion as at 31 March 2023.

Capital investment programme

Capital investment (including infrastructure renewals expenditure) before grants and contributions totalled £431 million (2022: £357 million), £74 million higher than last year. We remain on track to deliver our £2 billion AMP7 capital programme.

Leakage and per capita consumption restatement

Glas Cymru's 2021/22 Annual Report and Accounts disclosed that reported leakage and per capita consumption (PCC) data for 2020/21 and 2021/22 was subject to an ongoing internal review. This included an independent report into leakage and PCC reporting which identified two main areas of non-compliance with the Ofwat-prescribed methodology for reporting Leakage and PCC. The reviews concluded that reported leakage performance had been understated for the two years and that reported PCC data had been overstated for the same period. The Company shared with Ofwat the detailed findings of our review, including remedial actions to be taken to address the control weaknesses identified, and the Company's proposed customer redress. On 25 May 2023, Ofwat launched an investigation into "Welsh Water's reporting of leakage and PCC and on 31 May 2023 served a S203 Notice under the Water Industry Act 1991 requiring further information from the Company.

To compensate customers, the Company is proposing customer redress totalling £29m. The Company's ultimate financial liability for this matter remains uncertain pending Ofwat's formal acceptance of the proposed customer redress package and the outcome of its own investigation. Having due regard to these uncertainties, the Company, within revenue, provided for £15m of the total £29m customer redress package in the present year, representing the Board's decision to apply a £10 refund to every customer in financial year 2023/24. The remaining £14 million represents the Regulatory Capital Value (RCV) uplift the Company will forego at PR24. Under the regulatory mechanism for PR24, the Company is entitled to recover regulatory overspend for 2020/21 and 2021/22 that is attributable to leakage expenditure, but we will not take this into account in the RCV uplift on 1 April 2025. As the Company is unable to set a provision in the financial statements for changes to future RCV, this element of the customer redress package is only disclosed in the notes to the financial statements.

General overview and business update (continued)

Prospective financial ratio tests

As required by the CTA to demonstrate compliance with prospective financial ratio tests (regulatory asset ratio and interest cover ratios), this report includes projected ratios to 31 March 2025. These projected ratios are derived from Glas Cymru's 2023 financial plan (which has been prepared by the Group) and are in the format specified by the CTA. On this basis, the prospective financial ratios are better than the "trigger" and "default" levels as defined in the CTA (see pages 11 and 12). It should be noted that the Group's business plan and the projected ratios have not been reviewed by the Group's auditor and the reader's attention is drawn to the important notice at the front of this document.

Gearing policy

The Board has approved a regulatory gearing policy (being the ratio of net debt to regulatory capital value) of around 60%.

Credit ratings

The strong credit quality of the business is reflected in credit ratings which remain amongst the highest in the UK water sector. On 1 November 2022 S&P affirmed the class B senior secured debt at A- and the class C subordinated debt at BBB, and revised the outlook from 'stable' to 'negative' (the class A bonds, which are subject to a financial guarantee from Assured Guaranty UK Ltd, are unaffected by this action). S&P cited the impact of inflation on the Group's inflation-linked debt portfolio and on the high level of capital expenditure as the reasons for the change, and stated that they expect the ratios to gradually recover by the end of AMP7. On 14 February 2023 Moody's updated credit analysis confirmed the class B debt at A3 and the class C at Baa2, both with 'stable' outlook. This followed Moody's downgrading its investment outlook towards the UK's water industry from stable to negative in January 2023. On 9 June 2023 Fitch affirmed the class B debt at A and the Class C at BBB+, both with 'stable' outlook.

General overview and business update (continued)

Credit ratings (continued)

The ratings of the Company's bonds are shown in the table below:

Bond class	Moody's	S&P	Fitch
A[1]	A1	AA	A
B	A3	A-/negative	A
C	Baa2	BBB-	BBB+
Date of confirmation	14 February 2023	1 November 2022	9 June 2023

Environmental, social and governance (ESG)

The Group's performance on ESG issues was reviewed by Sustainable Fitch in November 2022. Sustainable Fitch concluded that the Group 'evidences a good ESG profile' with a score of 2 (where 1 = 'excellent', 5 = 'poor'). The full report from Sustainable Fitch can be found on the Group's Investors website.

Customer Return of Value

The Group's corporate structure enables surpluses to be applied for the benefit of Welsh Water's customers. The Board seeks to return value to customers while maintaining gearing at around 60% and preserving strong credit ratings and financial resilience for the longer-term benefit of customers. During AMP7 our non-shareholder model – the Glas Cymru Advantage – will enable us to invest additional funds of £160 million for the benefit of our customers through accelerated investment to help improve service delivery and social tariffs to support our most vulnerable customers. This includes an additional discretionary capital investment of £100m to address river water quality, in particular phosphate removal at special area of conservation (SAC) rivers.

2024 regulatory price review (PR24)

On 13 December 2022, Ofwat published its final methodology. The current proposed timetable requires the Company to submit its regulatory business plan to Ofwat in October 2023 and Ofwat to issue its Draft Determination of price limits in Spring 2024 and its Final Determination in December 2024.

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[1] The credit ratings of the Company's class A bonds, which are guaranteed by Assured Guaranty UK Ltd ("AG") (A1/AA/NR), carry the higher of either Glas or AG's rating; Moody's and S&P therefore revert to the higher AG credit rating but Fitch reflects the underlying rating of the Glas bonds.

General overview and business update (continued)

Financing and liquidity

As at 31 March 2023, the Group's cash and undrawn credit facilities totalled £564 million, including debt service reserve account funds (£2 million) and revolving credit facilities available to the Group (£200 million). The Group will look to extend and/or renew its revolving credit facilities as they expire during 2023 and 2024. As of the date of this report all facilities remain undrawn.

In line with prudent policies approved by the Board, cash is invested in AAA-rated liquidity funds and bonds, National Westminster Bank (as the Group's Account Bank) and additional banks that are subject to minimum short-term rating criteria of A1/P1/F1. The Group has adopted a new treasury policy which restricts its investments to those counterparties that demonstrate an acceptable level of ESG risk. The Group also has an undrawn special liquidity facility of £135 million which is available to be drawn in the event of a standstill being declared by the Security Trustee. The facility is provided on a rolling five-year 'evergreen' basis.

Appointments to the Board and role of Company Secretary

On 6 September 2022, Lila Thompson was appointed a Non-Executive Director. Ms Thompson is currently the Chief Executive of British Water and has over 20 years of international experience in the infrastructure, healthcare and water industries.

On 16 January 2023, Barbara Moorhouse was appointed a Non-Executive Director, ahead of the planned retirement in July 2023 of Graham Edwards, Senior Independent Director and Chair of the Quality and Safety Committee. Barbara is currently the Chair of Agility Trains Group, a Senior Independent Director and Chair of the Remuneration Committee at Aptitude Software Group plc, a Non-Executive Director at Balfour Beatty plc, and a Non-Executive Director and Chair of the Audit Committee at Medica Group plc.

On 6 February 2023, Nicola Foreman succeeded Nicola Williams as Group Company Secretary. Nicola (Foreman) joined Welsh Water from the Cardiff and Vale University Health Board where she was the Director of Corporate Governance. She has over 20 years' experience in similar roles in the public sector.

Appointment of Statutory Auditors

Following a retender of external audit services during 2022, the Board approved the appointment of Deloitte LLP as the Group's external auditors effective from 1 April 2023. Deloitte will replace KPMG as the Group's statutory auditors for the financial year ending 31st March 2024.

Consolidated cash flow (unaudited)

	6 months ended 31 March 2023 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Revenue	414.6	841.3	807.0
Operating expenses	(212.0)	(398.9)	(346.7)
Other operating income	5.3	5.3	6.0
Earnings before interest, taxation, depreciation, and amortisation	207.9	447.7	466.3
Working capital movements	45.8	92.9	83.4
Non-bond-related interest paid	(2.5)	(5.0)	(5.1)
Interest capitalised in accordance with IAS 23	(16.0)	(28.3)	(16.4)
Interest received	8.9	13.2	4.0
Net operating cash flow and interest received	244.1	520.5	532.2
New borrowings:			
Class C bonds	-	-	300.0
Utilisation of reserves:			
Cash transferred to capex reserve	(238.7)	(447.3)	(381.9)
Cash utilised from capex reserve	238.7	447.3	381.9
Net cash utilised from other reserves	6.0	12.0	15.0
Capital expenditure:			
Net profit on disposal of assets	0.2	0.4	0.6
Infrastructure renewals expenditure	(36.8)	(75.2)	(61.1)
Non-infrastructure maintenance	(80.0)	(143.8)	(138.3)
Capital expenditure	(99.4)	(167.0)	(130.5)
Net cash flow after capital expenditure, new borrowings and reserve drawings	34.1	146.9	517.9
Transfer to debt service payments account	(76.2)	(157.3)	(158.5)
Principal repayments	(28.0)	(75.9)	(71.5)
Net cash flow after debt service	(70.1)	(86.3)	287.9
Free cash balances brought forward	432.0	448.2	160.3
Free cash balances carried forward	**361.9**	**361.9**	**448.2**

Payments due and made in

Consolidated debt service payments (unaudited)

	6 months ended 31 March 2023 £m	Amount accrued 31 March 2023 £m
Liquidity facility:		
Liquidity facility commitment fee	0.4	0.3
Interest on senior debt:		
Lease liability payment	1.1	-
Lease liability interest	16.9	45.2
A1 bond interest	21.1	-
A4 bond interest	9.3	-
A5 bond interest	2.8	-
A6 bond interest	4.5	-
B3 bond interest	5.6	-
B4 bond interest	3.1	-
B5 bond interest	0.6	-
B6 bond interest	4.0	-
B7 bond interest	7.5	-
B8 bond interest	4.1	-
European Investment Bank loan interest	4.9	4.9
KfW IPEX-Bank GmbH loan interest	0.8	0.1
Revolving credit facility commitment fees	0.2	-
VAT on lease payments	3.6	-
	90.5	50.5
Interest rate swaps	59.3	-
RPI bond swaps	(27.0)	-
Assured Guaranty wrap fee	5.2	(5.2)
Senior interest payments	128.0	45.3
Interest on junior debt:		
C3 bond interest	3.3	-
C4 bond interest	7.1	-
RPI bond swaps	(16.5)	-
	(6.1)	-
Total debt service payments	121.9	45.3

Glas Cymru notes principal balance reconciliation (unaudited)

	Credit rating[1]	Opening balance 1 October 2022 £m	New issues £m	Repayment £m	Indexation £m	Closing balance 31 March 2023 £m
Lease liabilities		378.9	-	(0.8)	-	378.1
Class A bonds[2]	A1/AA/A					
A1 notes[3]		408.9	-	-	24.6	433.5
A4 notes		490.3	-	-	39.4	529.7
A5 notes		153.0	-	-	8.1	161.1
A6 notes[3]		163.0	-	-	12.9	175.9
Class B bonds	A3/A-/A					
B3 notes		237.9	-	-	19.1	257.0
B4 notes		135.1	-	-	7.1	142.2
B5 notes		81.4	-	-	6.6	88.0
B6 notes		409.3	-	-	20.5	429.8
B7 notes		300.0			-	300.0
B8 notes[3]		350.5	-	-	21.0	371.5
Class C bonds	Baa2/BBB/BBB+					
C3 notes		233.7	-	-	14.0	247.7
C4 notes		345.4		-	20.7	366.1
European Investment Bank/KfW loans		623.2	-	(27.2)	13.0	609.0
Local authority loans		0.2	-	-	-	0.2
	.	4,310.8	-	(28.0)	207.0	4,489.8

[1] Moody's/S&P/Fitch.
[2] Guaranteed by Assured Guaranty UK Ltd rated A1/AA/NR. Class A bond ratings for Fitch therefore default to their underlying ratings of A.
[2] The class A1, A6, B8, C3 and C4 notes were issued at a fixed rate and swapped to an effective index-linked rate; cumulative indexation has been recognised in this table.

Glas Cymru bank account movements (unaudited)

	Opening balance 1 October 2022 £m	Interest received £m	Deposits £m	Payments £m	Closing balance 31 March 2023 £m
Free cash balances:					
Receipts account	68.9	-	476.1	(453.7)	91.3
Payments account	361.7	-	1,196.8	(1,289.6)	268.9
Other bank accounts	1.4	8.1	853.8	(861.6)	1.7
	432.0	8.1	2,526.7	(2,604.9)	361.9
Debt service payments account:					
Debt service ledger	47.3	-	76.2	(121.9)	1.6
Capex reserve account	-	-	238.7	(238.7)	-
Customer payments account:					
Customer rebate ledger	6.0	-	-	(6.0)	-
	485.3	8.1	2,841.6	(2,971.5)	363.5

Interest cover ratio (ICR) – 5 years to 31 March 2025 (unaudited)

(See important notice at the front of the document)	Actual			Projection	
	Year to 31 March 2021 £m	Year to 31 March 2022 £m	Year to 31 March 2023 £m	Year to 31 March 2024 £m	Year to 31 March 2025 £m
Income	788	823	853	915	907
Operating expenditure	(359)	(345)	(427)	(400)	(388)
Other operating income	-	6	5	5	5
Pre capital maintenance cash flows	**429**	**484**	**431**	**520**	**524**
Base maintenance	(212)	(190)	(218)	(241)	(264)
Post capital maintenance cash flows	**217**	**294**	**213**	**279**	**260**
Net interest paid (excluding indexation and capitalisation)	(108)	(114)	(136)	(114)	(118)
Enhancement expenditure	(122)	(131)	(172)	(195)	(185)
Customer rebates	(31)	(25)	(23)	(14)	(14)
Pre-financing cash flows	**(44)**	**24**	**(118)**	**(44)**	**(57)**
Interest payable:					
Fixed interest swap	11	11	6	2	2
Lease liability RPI swaps	8	40	57	17	10
Lease liability interest	5	6	16	23	23
A1 Bonds	8	8	9	21	21
B1 Bonds	22	-	-	-	-
B7 Bonds	8	8	8	8	8
Other index-linked bonds	43	45	49	55	61
RPI-linked senior bond	(3)	(6)	(4)	(6)	(6)
RPI-linked junior bond	(3)	(5)	(9)	(19)	(19)
Wrapping fees	5	5	5	6	6
Term-loan interest	5	4	12	18	15
Other fees	4	2	2	-	-
Interest receivable	(5)	(4)	(15)	(12)	(3)
Net interest payable	**108**	**114**	**136**	**114**	**118**
Senior interest cover pre capital maintenance (trigger 2.0, default 1.6)	3.9x	4.8x	3.5x	4.3x	4.2x
Senior interest cover post capital maintenance (trigger 1.0)	2.0x	2.9x	1.7x	2.3x	2.1x
Total interest cover pre capital maintenance	4.0x	4.2x	3.1x	4.6x	4.4x
Total interest cover post capital maintenance	2.0x	2.6x	1.5x	2.4x	2.2x

Regulatory asset ratio (RAR) – 5 years to 31 March 2025 (unaudited)

	Actual			Projection	
(See important notice at the front of the document)	As at 31 March 2021 £m	As at 31 March 2022 £m	As at 31 March 2023 £m	As at 31 March 2024 £m	As at 31 March 2025 £m
Senior gross debt:					
Lease liabilities	411	396	378	374	115
Class A bonds[1]	1,108	1,164	1,300	1,387	1,439
Class B bonds[1]	1,382	1,449	1,589	1,678	1,730
Authorised loans	675	637	609	544	780
Net interest accrual on senior debt	52	51	51	56	24
Total senior gross debt	**3,628**	**3,697**	**3,927**	**4,039**	**4,088**
Less: cash and cash equivalents	**(209)**	**(502)**	**(364)**	**(217)**	**(100)**
Total senior net debt	**3,419**	**3,195**	**3,563**	**3,822**	**3,988**
Junior net debt:					
Class C bonds[1]	203	541	614	650	676
Total net debt[2]	**3,622**	**3,736**	**4,177**	**4,472**	**4,664**
Regulatory capital value (RCV)	**6,010**	**6,460**	**7,161**	**7,295**	**7,637**
Customer Reserves (RCV less total net debt)	**2,388**	**2,724**	**2,984**	**2,823**	**2,973**
Senior gearing	**56.9%**	**49.5%**	**49.8%**	**52.4%**	**52.2%**
Total gearing/RAR	**60.3%**	**57.8%**	**58.3%**	**61.3%**	**61.1%**

[1] For the purpose of calculating regulatory gearing, cumulative indexation relating to the class A1, A6, B8, C3 and C4 notes is included above; these were issued at fixed rates and swapped to effective index-linked rates.

[2] Total debt reported, excluding cash and cash equivalent, differs to page 9 “Dŵr Cymru notes principal balance reconciliation (unaudited)” as it includes £51m net interest accrual on senior debt.

Income statement (unaudited)

	6 months ended 31 March 2023 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Revenue	414.6	841.3	807.0
Operating expenditure	(212.0)	(398.9)	(346.7)
Other operating income	5.3	5.3	6.0
Exceptional items	(30.8)	(30.8)	3.8
EBITDA	**177.1**	**416.9**	**470.1**
Profit on disposal of fixed assets	0.2	0.4	0.6
Infrastructure renewals expenditure	(40.2)	(78.0)	(61.8)
Depreciation	(176.8)	(345.6)	(327.8)
Operating (loss)/ profit	**(39.7)**	**(6.3)**	**81.1**
Interest payable	(73.1)	(126.9)	(102.2)
Indexation of index-linked debt	(113.8)	(191.6)	(84.9)
Interest receivable	9.7	14.7	4.1
Fair value (losses)/gains on financial instruments	(126.0)	160.2	(113.5)
Loss before tax	**(342.9)**	**(149.9)**	**(215.4)**
Taxation	81.3	25.8	(8.6)
Loss after tax	**(261.6)**	**(124.1)**	**(224.0)**

Statement of comprehensive income (unaudited)

	6 months ended 31 March 2023 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Loss for the period	(261.6)	(124.1)	(224.0)
Actuarial (loss)/gain on defined benefit scheme liability	(6.1)	124.5	10.5
Movement on related deferred tax asset	1.5	(31.1)	2.7
Items that will not be reclassified to the profit or loss:			
Revaluation of property, plant and equipment (net of tax)	182.7	445.0	256.1
Total comprehensive (loss)/gain	**(83.5)**	**414.3**	**45.3**

Statement of changes in reserves (unaudited)

	6 months ended 31 March 2023 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022
Reserves at start of period	1,583.7	1,085.9	1,040.6
Loss for the period	(261.6)	(124.1)	(224.0)
Actuarial (loss)/gain on defined benefit pension scheme liability (net of tax)	(4.6)	93.4	13.2
Revaluation of property, plant and equipment (net of tax)	182.7	445.0	256.1
Reserves at end of period	**1,500.2**	**1,500.2**	**1,085.9**

Balance sheet (unaudited)

	At 31 March 2023		At 31 March 2022	
	£m	£m	£m	£m
Fixed assets		**7,161.4**		**6,467.3**
Current assets and liabilities:				
Debtors and prepayments	668.1		610.6	
Creditors and accruals	(1,225.9)		(1,060.2)	
		(557.8)		(449.6)
Total assets less current liabilities		**6,603.6**		**6,017.7**
Financing liabilities:				
Bonds	(3,157.8)		(2,996.4)	
Lease liabilities	(378.1)		(395.6)	
Bank loans (EIB, KfW)	(609.0)		(637.1)	
Other	(0.2)		(0.2)	
	(4,145.1)		(4,029.3)	
Net interest accrual	(52.7)		(50.9)	
	(4,197.8)		(4,080.2)	
Cash and cash equivalents:				
Receipts account	91.3		85.9	
Payments account	268.9		361.3	
Capex reserve account	-		-	
Debt service payments account	1.6		41.8	
Customer payments account	-		12.0	
Other bank accounts	1.7		1.0	
	363.5		502.0	
Net debt		**(3,834.3)**		**(3,578.2)**
Derivative financial instruments		(434.6)		(594.8)
Provisions for liabilities and charges		(11.2)		(89.2)
Net assets before deferred tax		**2,323.5**		**1,755.5**
Deferred tax		(823.3)		(669.6)
Net assets		**1,500.2**		**1,085.9**

To: Deutsche Trustee Company Limited

16 June 2023

Dear Sirs

Common Terms Agreement dated 10 May 2001 between Dŵr Cymru Cyfyngedig, ("DCC") and the Deutsche Trustee Company Limited (the "DCC Security Trustee" and the "Issuer Security Trustee") ("the Common Terms Agreement")

Capitalised terms not defined in this certificate have the meaning given to them in the Common Terms Agreement.

We refer to the Common Terms Agreement and pursuant to Paragraph 1.5 of Schedule 3 of that Agreement hereby confirm that as of today's date, DCC is in compliance with the RAR, the Historical RAR, the Historical Senior RAR, the Projected RAR, the Projected Senior RAR and the Historical ICR, the Historical Senior ICR and the Projected Senior ICR (together the "**Ratios**").

The calculations of the ratios are set out on pages 11 to 12 of the Investor Report issued on today's date.

We also confirm that in the period to 31 March 2023:

(a) no DCC Potential Event of Default, DCC Event of Default, Potential Trigger event or Trigger Event has occurred; and

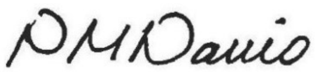
(b) DCC's insurances are being maintained in accordance with:

- (i) Paragraph 4.2.1 of Schedule 3 of the Common Terms Agreement; and
- (ii) the provisions of each DCC Finance Lease

Yours faithfully

for and on behalf of Dŵr Cymru Cyfyngedig

P D Perry
Director



P M Davis
Director