Yorkshire Water Financing Group

Investors Report

For the period ended 30 September 2024

YorkshireWater

IMPORTANT NOTICE

- This report is not an offer or solicitation of an offer to buy or sell securities. It is solely provided for information only.
- This report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. Neither this report nor any copy hereof may be sent, or taken or distributed in the United States or to any U.S. person (as such term is defined in the U.S. Securities Act of 1933) (the Securities Act) except (i) to persons that are qualified institutional buyers as defined in Rule 144A under the Securities Act and (ii) outside the United States to non-US persons as defined under Regulation S of the Securities Act.
- This report contains statements about future events and expectations that are forward-looking statements. These statements typically contain words such as "expects" and "anticipates" and words of similar import. Various known and unknown risks, uncertainties and other factors may cause the actual future results, financial situation, development, performance or achievements of Yorkshire Water Services Limited (the Company) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the future projections, expectations, estimates or prospects in this report should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the report. This unaudited 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 or the bonds issued under the £8,000,000,000 multicurrency programme for the issuance of guaranteed bonds financing the Company (the Programme). We assume no obligations to update the forward-looking statements or any other information contained herein to conform them to future events or developments.
- Investment in the bonds issued under the Programme also involves certain risks. A summary of the material risks relating to a particular offering of bonds issued under the Programme is set out in the relevant prospectus. There may be additional material risks that are currently not considered to be material or of which the Company and its advisors or representatives are unaware.
- This report and its contents are confidential and are being provided to you solely for your information and may not be retransmitted, further distributed to any other person or published, in whole or in part, by any medium or in any form for any purpose.
- Any opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. It should be noted the auditors of the Company have not reviewed the information herein and the information has not been independently verified.
- This report is being distributed in fulfilment of a document, the Common Terms Agreement dated 24 July 2009 (as amended and restated on 3 December 2011, 26 September 2012, 11 March 2014, 15 July 2015, 16 August 2018 and 20 April 2020, and as further amended and restated on 10 January 2022) (the CTA), which governs the obligations of the Company to the holders of bonds issued under the Programme and other Secured Creditors. Capitalised terms used but not defined in this report shall have the meaning ascribed to them in the Master Definitions Agreement (the MDA) dated 24 July 2009 (as amended and restated on 3 August 2010, 13 December 2011, 26 September 2012, 11 March 2014, 15 July 2015, 16 August 2018 and 20 April 2020, and as further amended and restated on 10 January 2022). This report is directed to, and intended for, existing Secured Creditors of the YWFG. No other persons should act or rely on it. The Company makes no representation as to the accuracy of forecast information (or any other information in this report, other than as set out in the CTA). These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts.
- For the purposes of the financial promotions regime under the Financial Services and Markets Act 2000, this report is given on the basis of the exemption provided in Article 69 of the Financial Services and Markets Act 2000 (Financial Promotion Order 2005 as it relates to bonds which are already admitted to trading on a relevant market).
- A copy of this report may be obtained at www.keldagroup.com.

Contents

1. General

The information provided in this report for the Yorkshire Water Financing Group (YWFG) is sourced primarily from the unaudited Yorkshire Water Services Limited (YW or the Company) Condensed Interim Report and Financial Statements (Interims) for the six months ended 30 September 2024.

2. Business overview

The first half of the financial year, being the last full year in the current five-year regulatory investment period, has seen continued progress towards meeting company commitments on investment and performance. While there are areas where YW has more to do to drive better outcomes, the company's Board, staff and delivery partners have made further progress in driving improvements in overall performance to ensure YW starts the new investment period, beginning in April 2025, in the best possible position.

Each year Ofwat releases its Water Company Performance report, detailing the performance of water and wastewater companies in England and Wales across a set of key metrics. In October, Ofwat published its performance report for the previous financial year (ending March 2024) and YW saw improvement as it's overall performance rating increased from 'lagging' to 'average'.

While pleased that Ofwat has recognised the progress made to date, the company's long-term ambition is to become an industry leader, and that drive for improvement will continue in this financial year and into the next price control period.

Enforcement activity

In August, Ofwat provided an update on their investigation into historic regulatory compliance across our wastewater treatment networks. Ofwat's draft proposal included a financial penalty equivalent to seven per cent of YW's wastewater turnover. We have formally responded to the consultation and continue to engage with Ofwat on the investigation.

Ofwat's draft penalty notice received significant media attention and understandably caused concern amongst customers and stakeholders. While our consultation response highlighted areas of disagreement with Ofwat's findings, the company has not waited for the conclusion of its investigation to begin improvements. This has included an internal focus on compliance by putting more robust processes and procedures in place, and investing £180m to reduce discharges from storm overflows before April 2025. For the past two years YW has been industry leading for wastewater treatment works compliance.

Ofwat has now initiated investigations into all of the water and sewerage companies across England and Wales. The Environment Agency is also conducting its own separate legal inquiry and reviewing the relationship between the Storm Overview Assessment Framework and the Storm Overflow Discharge Reduction Programme.

Finalising investment plans for 2025-2030

In July we received Ofwat's draft determination regarding our business plans for 2025-30.

Pleasingly, Ofwat assessed the YW plan as meeting the quality and standards it expects. However, the draft determination also proposed significant changes which, if implemented, would have the effect of decreasing YW overall expenditure by over £900m over the five year period. This included significant reductions for key schemes such as our storm overflow reduction investment, Living With Water flood alleviation schemes and other areas that are important to our customers and stakeholders.

To ensure YW can deliver the necessary investment for customers and the environment, we submitted a revised plan to Ofwat in September that makes the case for £8.2bn investment over the five-year period. The revised plan takes into account Ofwat's feedback and further insight from customers and stakeholders.

The revised plan still includes YW's biggest ever environmental investment in the region with a continued focus on river health and bathing water quality, supporting two new inland bathing waters whilst allowing us to meet regulatory requirements and protect the environment. The investment will also support the growth plans of regional local authorities, allowing housing and economic growth.

In addition, the revised plan keeps momentum on service improvements for customers, to reduce leakage and to protect homes from internal sewer flooding.

It also seeks to provide financial support and assistance to even more customers in Yorkshire increasing the funding for social tariff from £30m per year to £55m per year which will help to support a further 65,000 customers. During the past year, YW supported 125,000 people through it's range of financial support schemes.

Ofwat is targeting publication of the final determinations on December 19th.

Financial resilience

During May 2024, the financial resilience position of YW was further strengthened through the receipt of £100m from a parent company, Kelda Eurobond Co Limited, through a partial repayment of an outstanding intercompany loan. Together with the receipt of £400m in June 2023, this satisfies the requirement to repay £500m well in advance of the required March 2025 date. A subsequent £437m repayment, settling the remaining loan in full, is planned in March 2027, satisfying the undertaking agreed by YW with Ofwat and supporting YW AMP8 investment plans.

Total dividends of £37.5m were paid in the six months to September 2024 (H1 2024: £17.7m). This equates to a dividend yield of approximately 1.4% based on regulatory equity at 30 September 2024. None of the dividends paid by YW were distributed to the ultimate shareholders.

YW's liquidity has been strengthened in the financial year to date through a £400m long 10-year UK public bond issuance in September and a further CPI-linked issuance of £100m during October. As at 30 September, YW held liquidity across cash balances and revolving credit facilities in excess of 20 months of forecast future requirements.

YW has no significant debt maturities during the remainder of AMP7. The next maturity falling due is £300m in November 2026.

In November, Moody's and S&P placed our ratings on negative outlook and credit watch negative respectively. This primarily reflected concerns over the ongoing stability and supportiveness of the regulatory environment for UK water companies. Any further rating action will be dependent on Ofwat's final determination, due to be published in December.

Should the current Moody's credit rating remain in place as at 1 April 2025, YW will trigger the regulatory cash lock-up from that date. YW has the option to request that Ofwat disapplies any cash lock-up.

Ofwat published the Monitoring Financial Resilience Report for the year ended March 2024 during November. The prior year rating of YW as elevated concern has been maintained as Ofwat continue to monitor delivery of the intercompany loan undertakings.

3. Business strategy

In 2023 YW developed a new corporate strategy for the business, with the intention of delivering A Thriving Yorkshire, right for customers and right for the environment. The strategy looks forward to 2033, and the focus of investment and activities will be on achieving a Thriving Yorkshire, as well as meeting regulatory requirements.

A key enabler of achieving the corporate vision is modernisation of our assets and processes. YW has been investing across its networks to help understand what is happening and where our assets may be at risk.

On the clean water network YW now has over 46,000 smart meters, with a plan to upgrade 1.3 million meters previously installed across Yorkshire by 2030. Smart meters are helping to identify leaks sooner, and the new processes enabled by these meters are helping reduce leakage by 1 megalitre per day across the public and private network, saving the amount of water required to fill 6,666 baths every single day.

YW is also using modernisation to improve processes for maintenance, investment and our response to incidents. The company recently completed a rollout of new processes on our wastewater system, aimed at closer working between teams and ensuring processes best support the customer and the environment. The wastewater rollout has been successful, and YW is now also looking closely at drinking water operations.

4. Operational performance

Performance Commitments (PCs) are important metrics by which YW delivery is measured and incentivised by our regulators. The commitments are stretching and often require year-on-year improvement in performance rather than a set target across the AMP.

In the first half of this financial year, YW has seen a reduction in internal and external sewage flooding incidents, as well as leakage. However, pollution numbers are still too high and the YW River Health team is working hard to tackle the causes of these incidents.

For those areas where YW isn't performing to the standard that regulators and customers expect, a Service Commitment Plan, available on the YW website, has been published and shows the actions YW are taking to improve performance, and the timeframes in which those improvements are expected to take effect. YW is in the process of updating the plan and currently expects to maintain or improve performance levels across nine of twelve key target areas.

YW is committed to doing right by customers and delivering the level of performance that they expect. The company is in the process of investing almost £850m in infrastructure across the region this year, which includes the completion of the £180m programme to reduce storm overflow use and improve water quality in the region's rivers. This investment in discharge reduction will be completed by April 2025, delivering clear improvements at over 130 YW sites.

5. Financial performance

The key financial performance indicators for the six months ended 30 September 2024 are as follows:

	Period ended 30 September 2024	Period ended 30 September 2023	Change
Revenue	£653.1m	£613.2m	6.5%
Operating costs	£(479.2)m	£(474.7)m	(0.9%)
Operating profit	£173.9m	£138.5m	25.6%
Profit after tax	£150.6m	£173.7m	(13.3%)
Adjusted profit[1]	£40.2m	£6.0	570.0%
Adjusted EBITDA[2]	£358.6m	£315.2m	13.8%

[1] *Adjusted profit (profit after tax adjusted for exceptional items and fair value derivative movements) is reconciled to profit before taxation in the appendix*

[2] *Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, and exceptional items) is reconciled to operating profit in the appendix*

Revenue has increased by 6.5% to £653.1m which is largely a result of the inflationary annual price increase. Overall operating costs have increased by 0.9% (from £474.7m to £479.2m), with inflationary cost pressures on raw materials and employee costs largely offset by strong cost measures across all areas. As a result, operating profit has increased in the period to £173.9m and adjusted EBITDA to £358.6m (13.8% increase).

Net interest costs and fair value movements have increased from a £93.3m credit to a £31.2m credit. This was principally due to a reduction in the level of fair value gains on financial instruments, falling from £223.5m to £147.2m.

YW is therefore reporting a profit for the period ending 30 September 2024 of £150.6m, a decrease of 13.3%. This corresponds to an adjusted profit of £40.2m.

6. Director and Leadership Team changes

There has been a number of Director and Leadership Team changes.

In June 2024, Michelle Naisbitt formally accepted the role of Director of People having been in the role on an interim basis for a year. Michelle has over 14 years of service at Yorkshire Water. Prior to taking up the interim Director of People role in 2023 she was the key owner of relationships with the Company's trade union partners, Unison, GMB and Unite.

John Thomas stepped down as Director of Strategy and Regulation in September 2024 having joined Yorkshire Water earlier in the year. Tim Hawkins has joined the Company as interim Director of Strategy and Regulation having recently left Manchester Airports Group after more than 10 years. Tim led on strategy, regulation and sustainability matters for many years and in particular was the driving force behind the aviation industry's net zero taskforce.

Furqan Alamgir joined YW's Board on 1 October 2024 as an independent non-executive director. Furqan is the founder and CEO of Connexin, a leading technology company, based in Hull, specialising in smart city solutions and IoT connectivity. Beyond his role at Connexin, Furqan actively contributes to the tech and business communities, sharing his expertise and insights as a thought leader and public speaker.

Simon Beer joined YW's Board during November 2024 as a non-executive director. Simon is currently a Partner at StepStone Infrastructure and Real Assets where he leads the Asset Management function. Prior to joining StepStone, Simon worked at Ontario Teachers' Pension Plan in their Infrastructure and Natural Resources team and has been a Partner at KPMG. Simon is also a Director of Northern Gas Networks Limited.

7. Permitted Subsidiaries acquired pursuant to a Permitted Acquisition

There were no Permitted Subsidiaries acquired pursuant to a Permitted Acquisition during the six months to 30 September 2024.

8. Regulated capital investment

Capital expenditure in the six month period to 30 September 2024 was £404.3m (30 September 2023: £307.2m). YW continues to see large increases period on period in capital expenditure as a result of the phased delivery of the WINEP programme within AMP7, delivery of other capital schemes with regulatory completion dates towards the end of the AMP and delivery of the £180m storm overflow undertaking.

9. Outsourcing

YW continues to monitor and comply with its Outsourcing Policy as detailed under the CTA which states, amongst other things, that YW will act as reasonably prudent water and sewerage undertaker and in accordance with good industry practice.

YW awarded framework agreements to deliver its capital programme for AMP8 and potentially AMP9 periods. The overall contract strategy comprises an extension of the infrastructure frameworks awarded in April 2024, the creation of two non-infrastructure frameworks (one for complex, awarded in November 2024, and one for minor works) and a new Storm Overflow Alliance to deliver the storm overflows programme awarded in September 2024. In total these new contract opportunities are forecast at £2.8bn and will be vital to the delivery of YW's programme of works. Procurement processes and extensions were managed to planned timescales and positive market interest resulted in contract partner awards that will deliver benefits in the region. Contract extension for the infrastructure framework was completed in March 2024 and the non-infra and alliance contracts were entered into during Autumn 2024.

The Wastewater network repair and maintenance contract is due for replacement from April 2025 and procurement for this has commenced and is expected to be awarded during December 2024 to allow for mobilisation in the last quarter of the year.

10. Financing

In May 2024 the Company received a £100m intercompany loan repayment from Kelda Eurobond Co Limited. This followed a £400m repayment in June 2023.

The Company received £50m proceeds from the drawing of a private placement loan in July 2024, and £400m proceeds in September 2024 from a sustainability bond issuance. Following the period end, in October 2024, YW received £100m proceeds from a CPI-linked bond issuance.

In July 2024, the Company exercised an option on the first anniversary of execution of its undrawn £80m committed credit facility to extend the term by 12 months to July 2027. Further 12 month extension options are available on the second and third anniversaries of execution.

In respect of the Company's £630m revolving credit facility, a final option was exercised during November 2024, on the second anniversary of execution, to extend the term by a further 12 months to November 2029.

The Company has also addressed the February 2025 mandatory break date on inflation linked swaps with a total notional value of £23m. Post-February 2025 cash flows have been cancelled through an early settlement payment made in June 2024. Subsequent to cancellation of these swaps in February 2025, the total notional value of the inflation linked swap portfolio will be £1,089m. The next tranche of mandatory break dates in the portfolio is February 2028 in relation to swaps with a notional value of £110m.

The level of covenanted gearing is forecast to be 75% at March 2025 reflecting the levels of capital expenditure during AMP7. Regulatory gearing, which historically trends below covenanted gearing and specifically excludes early start investment for AMP8, remains on target to meet the undertaking to Ofwat to be no higher than 72% by 1 April 2025.

As required by the CTA, YW has presented forecast covenant positions for the year to March 2026 as part of the 30 September 2024 compliance certificate. As we do not have certainty over the PR24 determination, ratios for the year to March 2026 are calculated on the basis of Ofwat's draft determination, assuming neutral totex cost performance, but including revenue adjustments for AMP7 true-ups and ODI underperformance.

Sustainable Finance

YW launched its Sustainable Finance Framework (the Framework) in January 2019. Since that date and to 30 September 2024 the Company has raised £2.5bn in sustainability loans and bonds from the platform. The majority of YW's debt will continue to be issued in accordance with the framework, with reporting aligned to the Six Capitals approach to give stakeholders an insight into the impacts of the Company and its investments.

The Allocation Report for the Framework for the year ended 31 March 2024 was released during November 2024 alongside YW's "Our Contribution to Yorkshire" report. Together, the reports estimate the holistic impact YW has on both society and the environment, by assessing impact against the Six Capitals. The key information contained within the reports is assured by a third party, DNV Business Assurance Services UK Limited.

Derivatives Portfolio

YW has the following portfolios of derivatives at 30 September 2024 (excluding energy swaps):

Swap Type	Notional Value	MtM	Fair Value	Hedging	Designated Hedge
Inflation Linked	£1,112m	£(1,660.8)m	£(1,334.9)m[1]	Inflation linked income	No
RPI to CPI	£300m	£1.9m	£1.8m	Inflation basis risk	No
Fixed to Floating Interest Rate	£1,000m	£3.1m	£3.1m	Fixed debt	No
Fixed to Floating Interest Rate	£430m	£(29.0)m	£(28.9)m	Fixed rate bonds	Yes
Floating to Fixed Interest Rate	£45m	£(5.1)m	£(4.8)m	N/A[3]	No
	Total	**£(1,689.9)m**	**£(1,363.7)m**		

[1] *Fair Value of Inflation Linked swaps includes net assets of £61.6m unamortised 'day one' deferred losses arising from historic restructures*

[2] *Floating to Fixed Interest Rate swaps are legacy instruments that economically hedged early repaid finance leases*

At 30 September 2024, the total Mark to Market (MtM) was £(1,689.9)m, reflecting a reduction of £93.4m since the valuation of £(1,783.3)m at 31 March 2024.

These derivatives are held with eligible counterparties in accordance with the CTA's Hedging Policy.

The maturity profiles of the RPI to CPI and interest rate swap portfolios are:

RPI to CPI Swaps (no breaks)	**Notional Value**	**MtM**
by Maturity		
2030	£300.0m	£1.9m
Total RPI to CPI swaps	**£300.0m**	**£1.9m**

Interest Rate Swaps (no breaks)	**Notional Value**	**MtM**
by Maturity		
2025[1]	£1,000.0m	£3.1m
2029[2]	£340.0m	£(22.6)m
2030[3]	£20.0m	£(2.3)m
2032[3]	£25.0m	£(2.8)m
2033[2] (Class B)	£90.0m	£(6.4)m
Total £ vanilla swaps	**£1,475.0m**	**£(31.0)m**

[1] *Fixed to Floating – Not Designated Hedges*
[2] *Fixed to Floating – Designated Hedges*
[3] *Floating to Fixed – Not Designated Hedges*

The maturity profile of the inflation linked swap portfolio is:

Break Date	Maturity Date	Notional	MtM	Accretion
None				
	2025	£23.4m	£2.2m	-
	2038	£144.5m	£(143.1)m	£(142.1)m
	2041	£15.4m	£(19.9)m	£(19.8)m
	2043	£318.6m	£(476.0)m	£(396.5)m
	2048	£225.5m	£(370.0)m	£(361.5)m
	2063	£115.5m	£(354.0)m	£(131.0)m
		£843.0m	*£(1,360.7)m*	*£(1,050.9)m*
2028				
	2043	£57.4m	£(87.6)m	£(60.5)m
	2048	£7.2m	£(9.1)m	£(9.7)m
	2058	£22.6m	£(46.6)m	£(31.7)m
	2063	£23.0m	£(52.2)m	£(33.7)m
		£110.2m	*£(195.5)m*	*£(135.6)m*
2030				
	2038	£19.4m	£(3.4)m	£(18.1)m
	2043	£31.3m	£(2.5)m	£(31.6)m
	2048	£41.0m	£(1.9)m	£(43.4)m
	2058	£12.8m	£(0.1)m	£(14.4)m
	2063	£13.0m	£2.4m	£(15.0)m
		£117.5m	*£(5.5)m*	*£(122.6)m*
2033				
	2048	£5.1m	£(12.9)m	£(8.6)m
	2058	£18.0m	£(40.5)m	£(35.7)m
	2063	£18.2m	£(45.6)m	£(39.1)m
		£41.3m	*£(99.1)m*	*£(83.4)m*
		£1,112.1m	**£(1,660.8)m**	**£(1,392.4)m**

Inflation Linked Swaps (ILS)

YW's portfolio of ILS has the following cash flow characteristics:

1) YW pays semi-annual coupons linked to movements in RPI; and
2) YW receives semi-annual Sterling Overnight Index Average (SONIA) linked coupons; and
3) YW pays RPI-linked accretion on maturity (bullet); or
4) YW pays RPI-linked accretion at specific intervals, known as pay as you go (PAYG).

At 30 September 2024, the total Mark to Market (MtM) of ILS was £(1,660.8)m, of which £(1,392.4)m (83.8%) represented the present value of forecast accretion payments calculated with reference to prevailing market rates. Historical unpaid accretion on ILS's is reported in YW's statutory financial statements and included as indebtedness when calculating gearing for covenants reported under the Finance Documents.

11. Ratings

YW and its financing subsidiaries have credit ratings assigned by three rating agencies: Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and S&P Global Ratings (S&P). The latest published ratings in relation to the YWFG are shown in the table below:

Rating Agency	Class A rating	Class B rating	Outlook	Date of publication
Fitch	A-	BBB-	Stable	July 2024
Moody's	Baa2	Ba1	Negative	November 2024
S&P	A-	BBB	Credit Watch Negative	November 2024

There were no changes to ratings in the six months to 30 September 2024. In November, Moody's and S&P placed YW ratings on negative outlook and credit watch negative respectively, primarily reflecting their changed assessment of the stability and supportiveness of the regulatory environment for UK water companies.

On 10 July 2024 Fitch affirmed its ratings with an unchanged stable outlook.

On 12 November 2024, S&P placed its ratings on CreditWatch with negative implications, signalling that the ratings could be lowered by one or more notches in the next few months. S&P plan to review all water companies and resolve the CreditWatch placements after the publication of the final determination.

On 13 November 2024, Moody's affirmed its ratings whilst changing the outlook to negative. Should the current Moody's credit rating remain in place as at 1 April 2025, YW will trigger the regulatory cash lock-up from that date. YW has the option to request that Ofwat disapplies any cash lock-up

12. Surplus

YW has a dividend policy that requires that distributions will only be made after an appropriate financial resilience analysis has been undertaken, that dividends will be adjusted to reflect and recognise company performance and benefit sharing from service and efficiency performance, and states the continuing need for the reinvestment of profits in the business and the funding of employee interests. The policy ensures that delivery for customers and colleagues is not just considered but factored into any amounts that are to be paid out as dividends.

When approving dividends to be paid, the Board assesses both company performance to date and that expected for the whole of an AMP to determine the total dividends that could be paid for the whole AMP. As such, dividend payments are considered within the longer-term context of the business and not just on the basis of the current period, and explicitly considers the ability of the business to be able to deliver into the future.

The company's approach to recommending dividends includes the following steps:

- Determining an appropriate base dividend level reflecting the company's actual capital structure;

- Applying an 'in-the-round' adjustment to reflect the wider considerations required by our dividend policy and the licence conditions; and

- Ensuring there are sufficient profits available for distribution in the foreseeable future and that the company remains financially resilient.

During the six month period to 30 September 2024, YW paid dividends totalling £37.5m (2023 £17.7m), equating to a dividend yield of approximately 1.4% based on regulatory equity at 30 September 2024. All dividends paid during the year were compliant with the current Board approved dividend policy and the licence conditions, which were modified in May 2023.

None of the dividends in the current period were paid to the shareholders of Kelda Holdings Limited (2023: £nil), YW's ultimate parent company, as they continue to support the company’s financial resilience.

The dividends for the six month period included distributions of £15.7m that did not impact the company’s liquidity position or its distributable reserves as they were returned immediately to the company in the form of interest receipts on intercompany loans.

13. Bank and liquidity facilities held by the YWFG

YWFG had a combination of cash and committed undrawn revolving credit facilities totalling £882.4m at 30 September 2024. This comprised £710.0m undrawn revolving credit facilities and £172.4m of cash and cash equivalents. The cash and cash equivalents balance comprised £165.9m Authorised Investments and £6.5m operating bank account balances.

At 30 September 2024, no amounts were drawn on either the Company’s £630.0m RCF or the £80.0m committed credit facility.

At 30 September 2024, no amounts we drawn against the YWFG standby credit facilities, being the £120.0m O&M liquidity facility and £182.0m DSR liquidity facility.

14. Non-Participating YWSF Bond Reserve

The balance on the Non-Participating YWSF Bond Reserve at 30 September 2024 was £0.6m.

15. Authorised Investments

Authorised Investments at 30 September 2024 totalled £165.9m. This comprised £70.3m invested in various AAA rated low volatility net asset value money market funds, £39.0m in term deposits with an AA rated bank and £56.6m in terms deposits with four A rated banks (including £0.6m standing to the credit of the Non-Participating YWSF Bond Reserve). Term deposits had maturities of less than three months.

16. Ratios

The YWFG confirms that in respect of the Calculation Date on 30 September 2024, by reference to the most recent financial statements that the YWFG is obliged to deliver in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement, the Ratios are as detailed in the tables below.

Date	30/09/2024 Actual	31/03/2025 Forecast	31/03/2026 Forecast
Class A RAR	70.1%	71.5%	70.4%
Senior RAR	73.9%	75.2%	74.0%

Test Period	31/03/2025 Forecast	31/03/2026 Forecast
Class A ICR	4.55x	4.01x
Class A Adjusted ICR	4.55x	4.01x
Senior Adjusted ICR	4.12x	3.73x
Class A Average Adjusted ICR	4.73x	4.73x
Senior Average Adjusted ICR	4.26x	4.26x
Conformed Class A Adjusted ICR	1.59x	1.79x
Conformed Senior Adjusted ICR	1.45x	1.67x
Conformed Class A Average Adjusted ICR	1.69x	1.69x
Conformed Senior Average Adjusted ICR	1.53x	1.53x
Re-profiled Class A ICR	4.35x	4.01x
Re-profiled Class A Adjusted ICR	1.40x	1.80x
Re-profiled Senior Adjusted ICR	1.27x	1.67x
Re-profiled Class A Average Adjusted ICR	1.58x	1.58x
Re-profiled Senior Average Adjusted ICR	1.43x	1.43x

The YWFG confirms that each of the above ratios has been calculated in respect of each of the relevant periods for which it is required under the CTA and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (Ratios) of Part 2 (Events of Default - Non-YWH) of Schedule 6 (Events of Default) to the CTA to be breached.

For information, the computations of the ratios are shown on the following pages.

Test Period Class A and Adjusted ICR		31/03/2025 Forecast	31/03/2026 Forecast
Net Cash Flow divided by	£m	661.3	748.7
Class A Debt Interest	£m	145.5	186.9
Class A ICR	**times**	**4.55**	**4.01**
Net Cash Flow	£m	661.3	748.7
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	661.3	748.7
Class A Debt Interest	£m	145.5	186.9
Class A Adjusted ICR	**times**	**4.55**	**4.01**
Net Cash Flow	£m	661.3	748.7
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	661.3	748.7
Senior Debt Interest	£m	160.4	200.8
Senior Adjusted ICR	**times**	**4.12**	**3.73**
Year 1 Class A Average Adjusted ICR	times	5.63	5.63
Year 2 Class A Average Adjusted ICR	times	4.55	4.55
Year 3 Class A Average Adjusted ICR	times	4.01	4.01
Class A Average Adjusted ICR	**times**	**4.73**	**4.73**
Year 1 Senior Average Adjusted ICR	times	4.94	4.94
Year 2 Senior Average Adjusted ICR	times	4.12	4.12
Year 3 Senior Average Adjusted ICR	times	3.73	3.73
Senior Average Adjusted ICR	**times**	**4.26**	**4.26**

Test Period Conformed ICR		31/03/2025 Forecast	31/03/2026 Forecast
Net Cash Flow	£m	661.3	748.7
Less RCV run off (Depreciation)	£m	(348.6)	(414.3)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0
Fast/Slow Adjustment	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	232.0	334.5
Class A Debt Interest	£m	145.5	186.9
Conformed Class A Adjusted ICR	**times**	**1.59**	**1.79**
Net Cash Flow	£m	661.3	748.7
Less RCV run off (Depreciation)	£m	(348.6)	(414.3)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0
Fast/Slow Adjustment	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	232.0	334.5
Senior Debt Interest	£m	160.4	200.8
Conformed Senior Adjusted ICR	**times**	**1.45**	**1.67**
Year 1 Conformed Class A Average Adjusted ICR	times	1.68	1.68
Year 2 Conformed Class A Average Adjusted ICR	times	1.59	1.59
Year 3 Conformed Class A Average Adjusted ICR	times	1.79	1.79
Conformed Class A Average Adjusted ICR	**times**	**1.69**	**1.69**
Year 1 Conformed Senior Average Adjusted ICR	times	1.47	1.47
Year 2 Conformed Senior Average Adjusted ICR	times	1.45	1.45
Year 3 Conformed Senior Average Adjusted ICR	times	1.67	1.67
Conformed Senior Average Adjusted ICR	**times**	**1.53**	**1.53**

Test Period		31/03/2025	31/03/2026
Re-profiled Class A ICR		**Forecast**	**Forecast**
Net Cash Flow	£m	661.3	748.7
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	1.1
Re-profiled Net Cash Flow	£m	633.2	749.9
Class A Debt Interest	£m	145.5	186.9
Re-profiled Class A ICR	**times**	**4.35**	**4.01**
Net Cash Flow	£m	661.3	748.7
Less Depreciation (RCV run off)	£m	(348.6)	(414.3)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	1.1
Re-profiled Adjusted Net Cash Flow divided by	£m	203.8	335.6
Class A Debt Interest	£m	145.5	186.9
Re-profiled Class A Adjusted ICR	**times**	**1.40**	**1.80**
Net Cash Flow	£m	661.3	748.7
Less Depreciation (RCV run off)	£m	(348.6)	(414.3)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	1.1
Re-profiled Adjusted Net Cash Flow divided by	£m	203.8	335.6
Senior Debt Interest	£m	160.4	200.8
Re-profiled Senior Adjusted ICR	**times**	**1.27**	**1.67**
Year 1 Re-profiled Class A Average Adjusted ICR	times	1.53	1.53
Year 2 Re-profiled Class A Average Adjusted ICR	times	1.40	1.40
Year 3 Re-profiled Class A Average Adjusted ICR	times	1.80	1.80
Re-profiled Class A Average Adjusted ICR	**times**	**1.58**	**1.58**
Year 1 Re-profiled Senior Average Adjusted ICR	times	1.35	1.35
Year 2 Re-profiled Senior Average Adjusted ICR	times	1.27	1.27
Year 3 Re-profiled Senior Average Adjusted ICR	times	1.67	1.67
Reprofiled Senior Average Adjusted ICR	**times**	**1.43**	**1.43**

Test Period Gearing		30/09/2024 Actual	31/03/2025 Forecast	31/03/2026 Forecast
Class A debt	£m	6,614.8	6,908.6	7,415.0
Less Cash balances	£m	(171.7)	(289.8)	(395.0)
Class A Net Debt	£m	6,443.0	6,618.8	7,020.0
Class B debt	£m	346.8	349.6	355.9
Senior Net Debt	£m	6,789.9	6,968.4	7,375.9
Regulatory Capital Value (RCV)	£m	9,189.9	9,263.3	9,973.7
Class A RAR	**%**	**70.1%**	**71.5%**	**70.4%**
Senior RAR	**%**	**73.9%**	**75.2%**	**74.0%**

Under the terms of the CTA, Compliance Certificates are completed for the whole YWFG and therefore certain adjustments that are required to be made to the financial information contained within YW's financial statements when calculating the current period ratios as reported in the above tables. The tables below detail these adjustments.

Net debt	Reference	30/09/2024 Actual
		£m
YWS net debt at 30 September 2024	Note 5 to YW's Interims	5,719.9
Net amounts owed from group companies	Note 5 to YW's Interims	437.2
Fair value adjustment to amounts owed to subsidiary companies	Note 5 to YW's Interims	26.7
Unamortised issue costs	Note 5 to YW's Interims	117.3
Intercompany loans to / (from) other members of the YWFG that reverse on consolidation	Note 5 to YW's Interims	(7.9)
RPI-accretion accrued	Note 5 to YW's Interims	497.4
Yorkshire Water Finance Plc cash at bank		(0.8)
Senior Net Indebtedness		**6,789.8**
of which Class A Net Indebtedness		***6,443.0***

The YWFG certifies that on 30 September 2024 the Annual Finance Charge for the twelve months to 31 March 2025 is forecast at £165.0m. Excess Funds of £25.8m were held in the Debt Service Payment Account (DSP) as at 31 March 2024. Monthly Payment Amounts totalling £74.8m were credited to the DSP in the six months ended 30 September 2024. Therefore, the Monthly Payment

Amount is forecast at £10.8m for the remaining six months of the year to 31 March 2025.

This Investors Report also confirms that:
(a) no Default or Potential Trigger Event is outstanding; and
(b) that YW's insurances are being maintained in accordance with:
    (i) the CTA; and
    (ii) the provisions of the Finance Leases.

Yours faithfully

For and on behalf of
Yorkshire Water Services Limited

Paul Inman
Chief Financial Officer

For and on behalf of
Yorkshire Water Services Finance Limited

Paul Inman
Director

For and on behalf of
Yorkshire Water Finance Plc

Paul Inman
Director

17. Appendix

17.1 YWFG Capital Structure at 30 September 2024

Yorkshire Water Services Holdings Ltd

Yorkshire Water Services Ltd

Class A
£1,112m RPI-Linked Swaps
£300m RPI to CPI Swaps
£1,430m Fixed to Floating IRS
£45m Floating to Fixed IRS
£50m Fixed Loans
£150m Fixed GBP USPPs
£36m Finance Leases
£225m* CPI-Linked Loans

Class B
£125m* RPI-Linked Loans
£75m FRN Loans

Yorkshire Water Finance Plc

Class A
£3,240m Fixed Bonds
£340m Fixed GBP USPPs
£438m* RPI-Linked Bonds
£50m* RPI-Linked USPPs

Class B
£90m Fixed Bonds

Yorkshire Water Services Finance Ltd

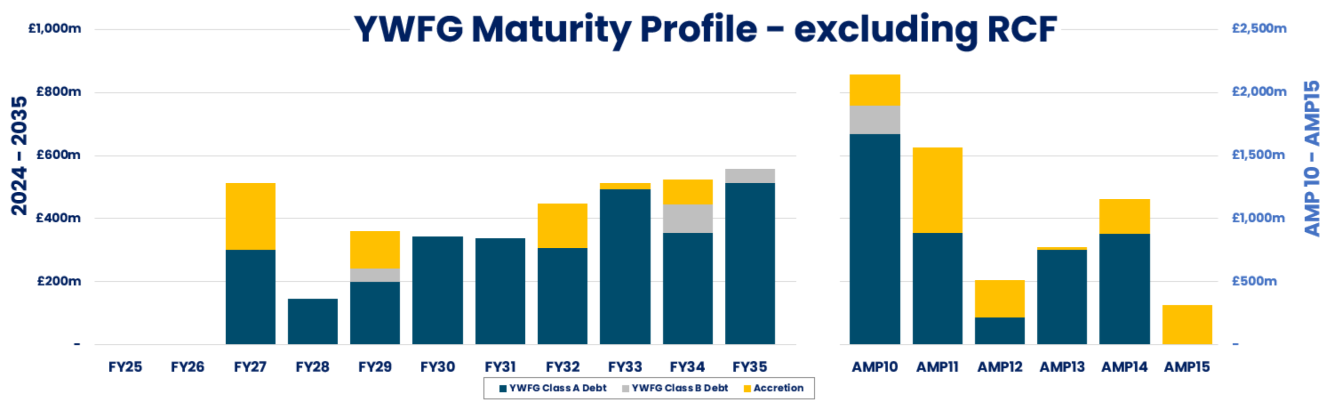
Class A
£207m Fixed Bonds
£500m* RPI-Linked Bonds

Supported by:

- £630m Revolving Credit Facility
- £80m Backstop Revolving Credit Facility
- £182m DSR Liquidity Facility
- £120m O&M Liquidity Facility

*Source: Management analysis as at 30 September 2024. * Outstanding at time of issue.*

17.2 YWFG Debt Maturity Profile at 30 September 2024



Source: Management analysis as at 30 September 2024

1. Proforma analysis assuming CPI at 2% and RPI at 3% and does not take account of any convergence following HM Treasury annoucement on the future of RPI
2. Includes existing and forecast inflation on IL Bonds and IL Swaps through to maturity (assumes mandatory breaks are managed)
3. Excludes amounts drawn on committed bank and liquidity facilities

17.3 Reconciliations to Adjusted EBITDA and Adjusted profit

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) is calculated as follows:

	Period ended 30 September 2024 £m	Period ended 30 September 2023 £m
Profit before taxation	**205.1**	231.8
Deduct net interest and fair value movements	**(31.2)**	(93.3)
Operating profit	**173.9**	138.5
Add back depreciation and impairment	**158.1**	155.1
Add back amortisation of intangible assets	**26.6**	21.6
Adjusted EBITDA	**358.6**	315.2

Adjusted profit

Adjusted profit excludes fair value derivative movements. This excludes volatile balances and provides a more stable view of profitability to management.

Adjusted profit for the period is calculated as follows:

	Period ended 30 September 2024 £m	Period ended 30 September 2023 £m
Profit before taxation	**205.1**	231.8
Deduct fair value movement on derivatives	**(147.2)**	(223.5)
Adjusted profit before the effects of taxation	**57.9**	8.3
Effects of taxation*	**(17.7)**	(2.3)
Adjusted profit	**40.2**	6.0

* Effects of taxation represents the total tax charge (current and deferred tax) on adjusted profit. This is calculated by adjusting the total tax charge included in the profit and loss account as shown in note 2 to the Condensed Interim Financial Statements for the deferred tax associated with the adjusting items noted above.

Contact Details

For further information regarding this Investors Report please contact:

debtIR@keldagroup.com

YorkshireWater