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Presenting today

Liz Barber, CEO

- Appointed Director of Finance and Regulation for Yorkshire Water in November 2010
- Appointed board director of Kelda Holdings Limited in December 2010
- Group Director of Finance, Regulation & Markets in April 2015
- CEO of Yorkshire Water in September 2019

David Gregg, Interim CFO

- Appointed Head of Corporate Finance for Kelda in February 2019, previously Interim Head of Tax and Treasury
- Interim CFO of Yorkshire Water in November 2019



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Strategy

Strategy

Refresh of 2018 review “Not Just Water”

- Balances:
 - provision of essential service
 - impact on communities
 - operating as commercial organisation
- Updated purpose, vision and values with focus on people
- Our big goals restated
- Priorities centred around:
 - safety
 - customers
 - quality
 - efficiency
- Tested extensively both internally and externally



Sustainability

Continued long-term commitment

- Adopted UN Sustainable Development Goals; recognise major challenges from climate change, population growth and resource constraints
- Moving away from traditional engineered solutions and financial based assessments
- Continue to embed Six Capitals approach deeper into day-to-day decision making
- Ensures balanced impact assessment, including non-financial considerations, for strategic and investment decisions
- Commitment to net zero carbon by 2030
- Financing strategy aligned through Sustainable Finance Framework* with £850m raised in 2019
- Essential to ensure long term resilience and aligns interests of customers and investors



FINANCIAL CAPITAL

Our financial health and efficiency



MANUFACTURED CAPITAL

Our pipes, treatment works, offices and IT



NATURAL CAPITAL

The materials and services we rely on from the environment, especially water



HUMAN CAPITAL

Our workforce's capabilities and wellbeing



INTELLECTUAL CAPITAL

Our knowledge and processes



SOCIAL CAPITAL

Our relationships and customers' trust in us



* Available at <https://www.keldagroup.com/investors/sustainable-finance/sustainable-finance-framework/>

Final Determination

Summary rationale for Board decision

Agreed on need for resilient companies to deliver upper quartile service with efficient cost base

Able to deliver services from cost allowances but with increased risks now & beyond AMP7

Resilience

- Major challenges from climate change and population growth
- Essential to ensure Yorkshire's infrastructure is fit for future
- Disconnect between allowed costs & outcomes from expectation of concurrently achieving upper quartile service and across the board efficiency
- Accepting allowed costs increases delivery risk and financial impact of penalty mechanisms
- Require stable business model to attract long-term capital

Customers

- Significant engagement with customers for long-term strategy in 2018
- Strong support for plans and 88% for YW's proposed stable bills in AMP7
- Introduction of inter-generational risk from short-term approach and reduced long-term investment
- Near term bill reductions result in higher cost for customers in the long run from shorter asset replacement periods

Detailed and careful consideration of Final Determination and assessment of long-term impact

Serious concerns on long-term resilience and customers' interests

AMP 6

Performance highlights

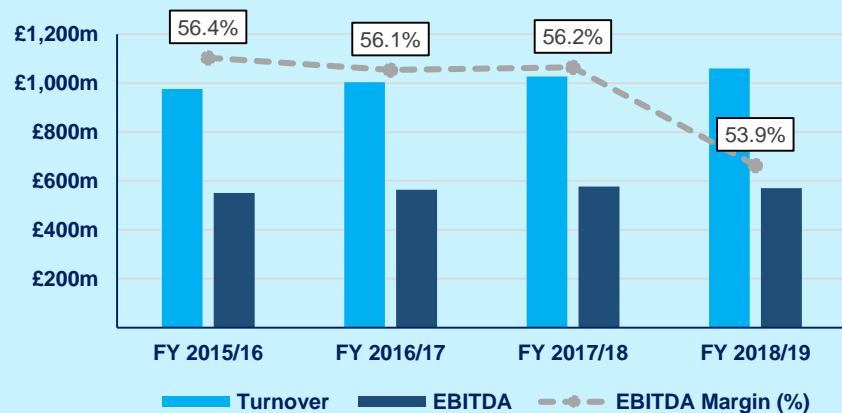
Ongoing commitment to deliver upper quartile service

- Current forecast to meet 24 of 26 Performance Commitments at 31 March 2020
 - Water quality
Projected at 99.949% v 100% PC and 99.950% deadband
 - Drinking water contacts
Best ever performance and 50% improvement over AMP6, projected at 6,500 v 6,108 PC
- Forecast ODIs (12/13 prices) projected to beat £25m target for FY2019/20 and £60m for AMP6
 - £77m reward for AMP6 on UQ measures (leakage, supply interruptions, internal sewer flooding and Cat 3 pollution events); to be realised in AMP7
 - £15m penalties for AMP6, primarily drinking water contacts with FY2020 notably lower
- Robust starting position for AMP7 as result of reinvestment of outperformance since late 2017
 - Ongoing programmes of work on key UQ measures
 - Starting to move to tracking benefits and transitioning to business as usual

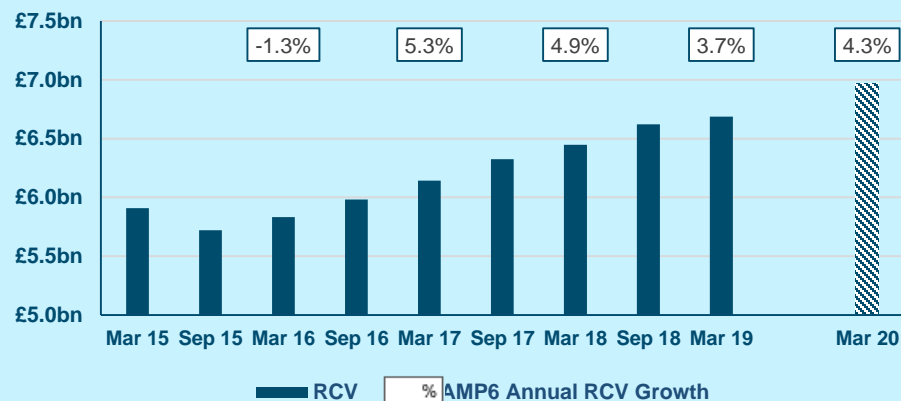
Source: Management analysis as at 31 December 2019.

Financial Highlights

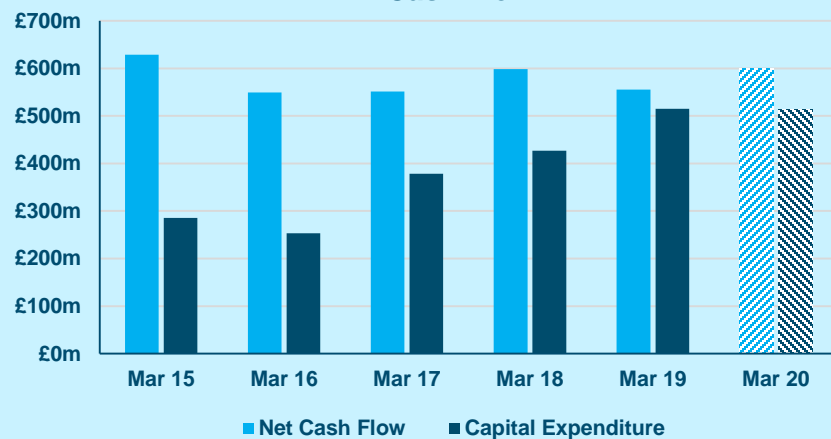
Revenue & EBITDA



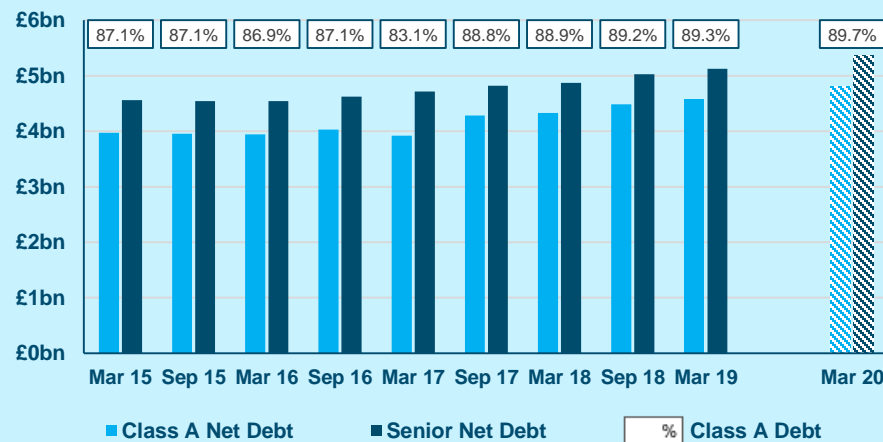
Regulatory Capital Value



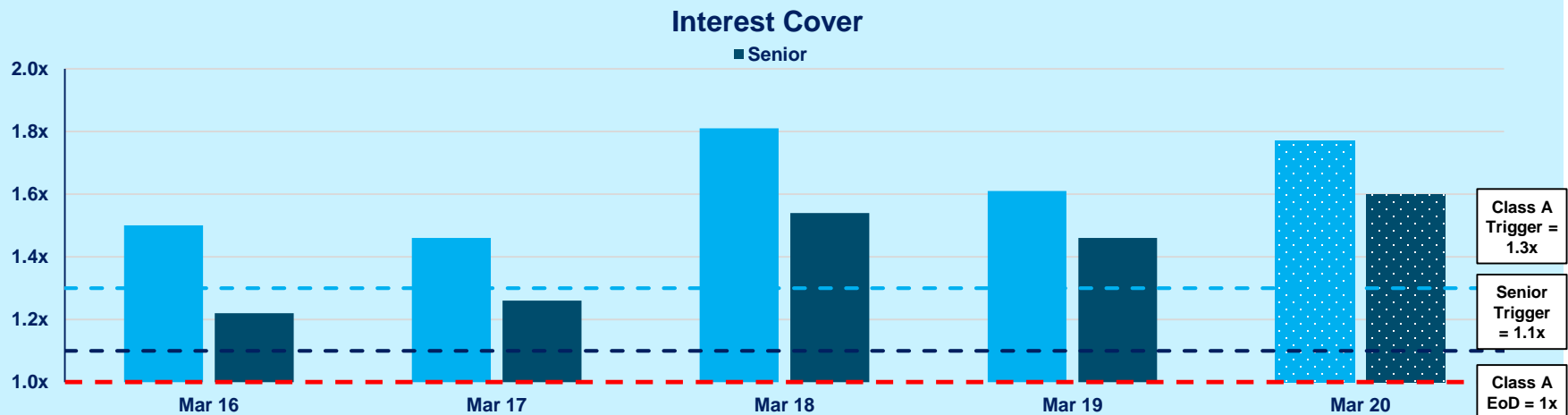
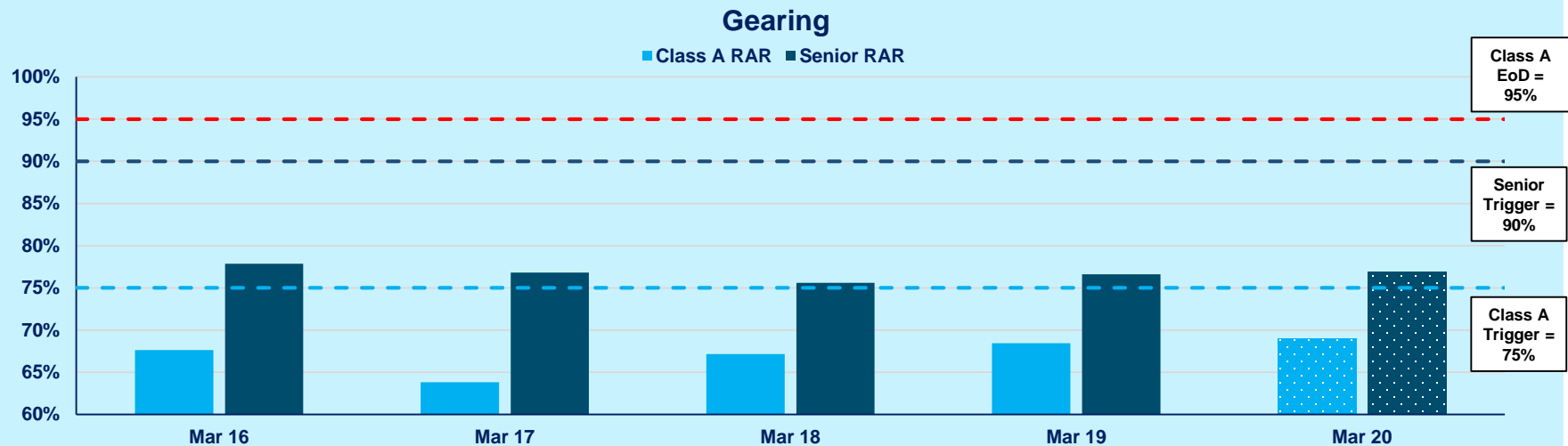
Cash Flow



Net Debt



Gearing and Interest Cover Ratios



Financing

Yorkshire Water Financing Group

**Yorkshire Water
Services Holdings Ltd**

**Yorkshire Water
Services Ltd**

**Yorkshire Water
Finance Plc**

Class A

£1,901m Fixed Bonds
\$335m Fixed USD USPPs
£340m Fixed GBP USPPs
AU\$50m Fixed AUD Bonds
£438m** RPI-Linked Bonds
£50m** RPI-Linked USPPs

Class B

£90m Fixed Bonds
\$75m Fixed USD USPP
£200m Fixed-FRN NC2023 Bonds

Class A

£1,289m RPI-Linked Swaps
\$475m Fixed-FRN USD XCCY Swaps
AU\$50m Fixed-FRN AUD XCCY Swap
£475 Fixed-FRN IRS
£50m Fixed Loans
£30m EIB Fixed Loans
£100m Fixed GBP USPPs
£113m EIB FRN Loans
£89m FRN Finance Leases
£125m** CPI-Linked Loans

Class B

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

**Yorkshire Water
Services Finance Ltd**

Class A

£214m Fixed Bonds
£500m** RPI-Linked Bonds

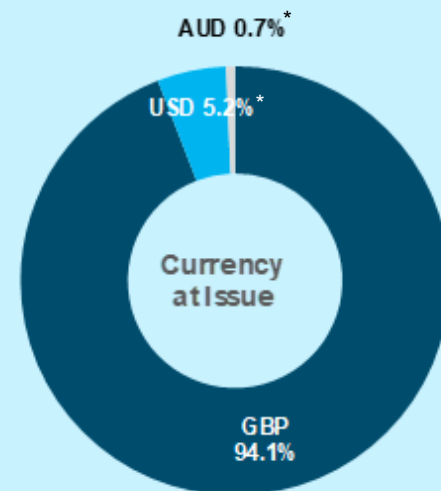
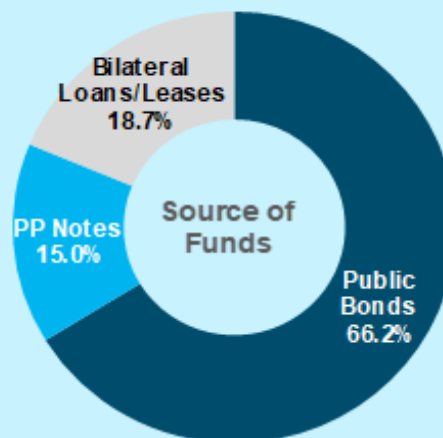
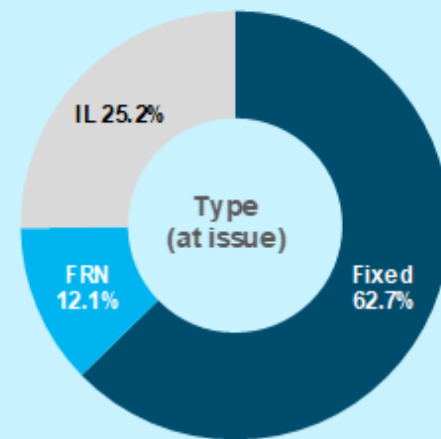
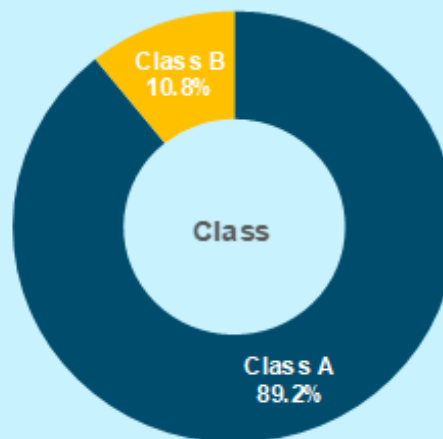
Supported by:

- £560m Revolving Credit Facility
- Liquidity facilities
 - £189m Debt Service Reserve
 - £85m Operating & Maintenance

Source: Management analysis as at 31 January 2020. ** Outstanding at time of issue.

Strategy

- Maintain access to variety of financing sources, principally:
 - public markets
 - private syndicated
 - bilateral
- Preference for Class A within covenant thresholds for gearing and interest cover
- Seek to obtain optimal value whilst managing maturity profile
- Continue to issue majority of future YW debt in sustainability format
- £850m debt raised in 2019; minor requirements for 2020 into 2021



* USD and AUD issuances swapped into GBP.

Source: Management analysis as at 31 January 2020, includes RCF drawings.



YorkshireWater

Liquidity

Strong and secured position for 2020

- Liquidity secured from bond issuance in November 2018 to meet requirements in 2020
- £320m of RCF drawdowns due November 2020
- Surplus cash held in mix of highly-rated deposits and AAA-rated LVNAV MMFs
- Liquidity facilities to be renewed in March 2020; requirement expected to reduce from £274m to £260m

Yorkshire Water Financing Group	31 Jan 2020
Revolving Credit Facility (matures Oct 2023)	
Drawings Outstanding	£320m
Committed Facility Size	£560m
Available Headroom	£240m
Cash & Equivalents	
Cash Accounts and Deposits	£239m
Liquidity Funds	£108m
	£347m
Immediately available liquidity	£585m
Committed Liquidity Facilities	
Debt Service Reserve	£189m
Operating & Maintenance	£85m
	£274m
Total available liquidity	£859m

Source: Management analysis as at 31 January 2020.

Derivatives

Index Linked Swaps		Notional Value
With Breaks (break date)	PAYG	£m
2023	N	103.9
2023	Y	47.6
2025	N	23.4
2030	N	117.5
Sub total - IL Swaps with breaks		292.5
No Breaks (maturity)	PAYG	£m
2026	N	176.9
2038	N	28.6
2038	Y	115.9
2041	Y	15.4
2043	N	272.1
2043	Y	46.5
2048	Y	225.5
2063	N	115.5
Sub total - IL Swaps with no breaks		996.5
Total IL swaps		1,289.0

Interest Rate Swaps (no breaks)	Notional Value
by Type	£m
Floating to Fixed Vanilla Swaps	45.0
Fixed to Floating Vanilla Swaps	430.0
Total £ vanilla swaps	475.0

Cross-currency swaps (no breaks)	Notional Value
by Maturity	US\$m
2021 (December 13)	115.0
2022 (January 5)	40.0
2022 (January 5 - Class B)	75.0
2023 (December 13)	150.0
2024 (January 5)	30.0
Total US\$ cross-currency swaps	455.0
by Maturity	AUD m
2023 (April 26)	50.0
Total AUD cross-currency swaps	50.0

- Current mark to market at 31 January 2020 of approximately £(2.6)bn
- Active portfolio management to improve interest cover resilience and to manage mandatory breaks:
 - £50m annual interest savings from 2020/21 through to 2026/27 from recouping and restructuring transactions in 2017 and 2018
 - mandatory breaks in 2018 pushed out to 2030
- Review in progress on 2023 mandatory breaks with aim to address in 2020
- Transition to CPI to be considered following responses to UK Govt/UKSA consultation

Source: Management analysis as at 31 January 2020.

STID proposal

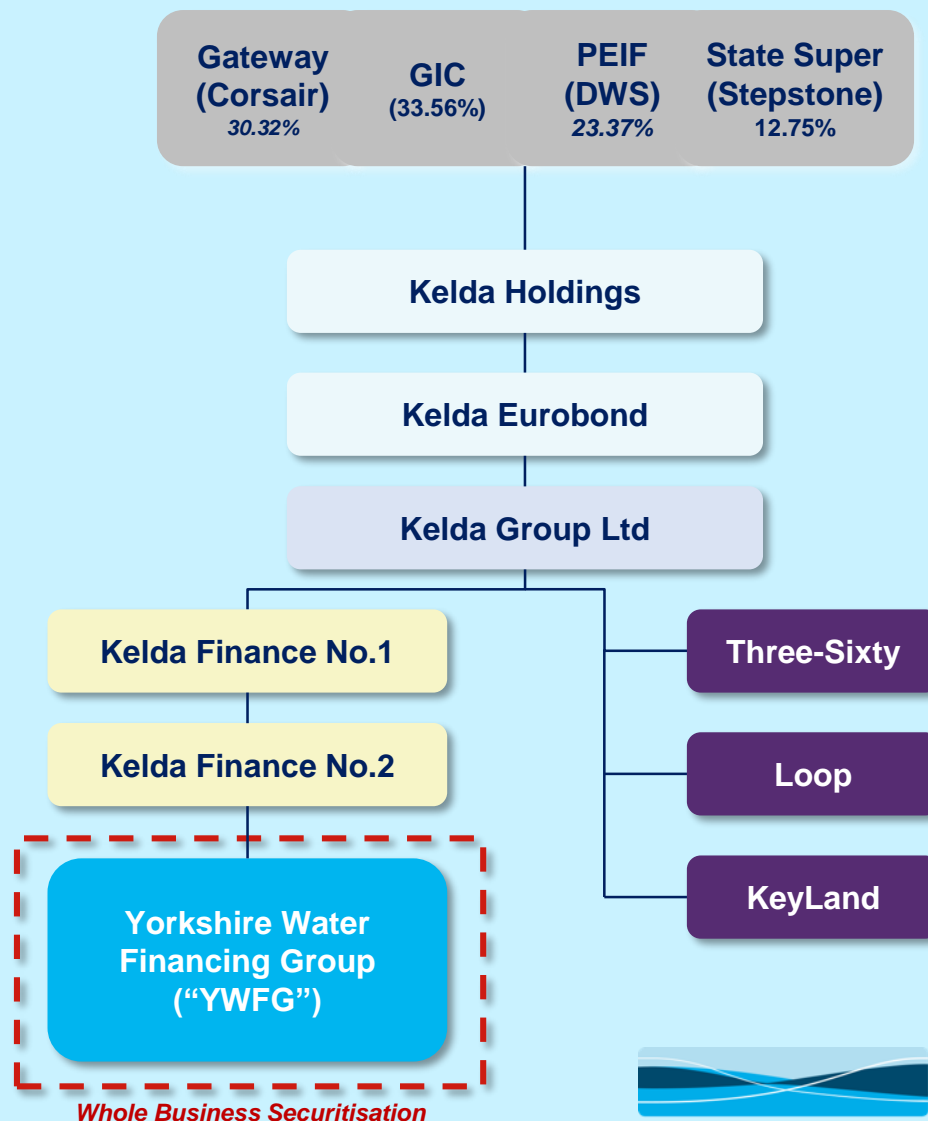
STID proposal

- Ofwat has changed presentation of its revenue build up from AMP6 in its Final Determination
 - Some technical amendments needed to align with new presentation
- All proposed changes will be
 - non-contentious
 - technical, housekeeping changes to adapt the documents to reflect AMP7
 - credit neutral
- Announcement will be made in due course

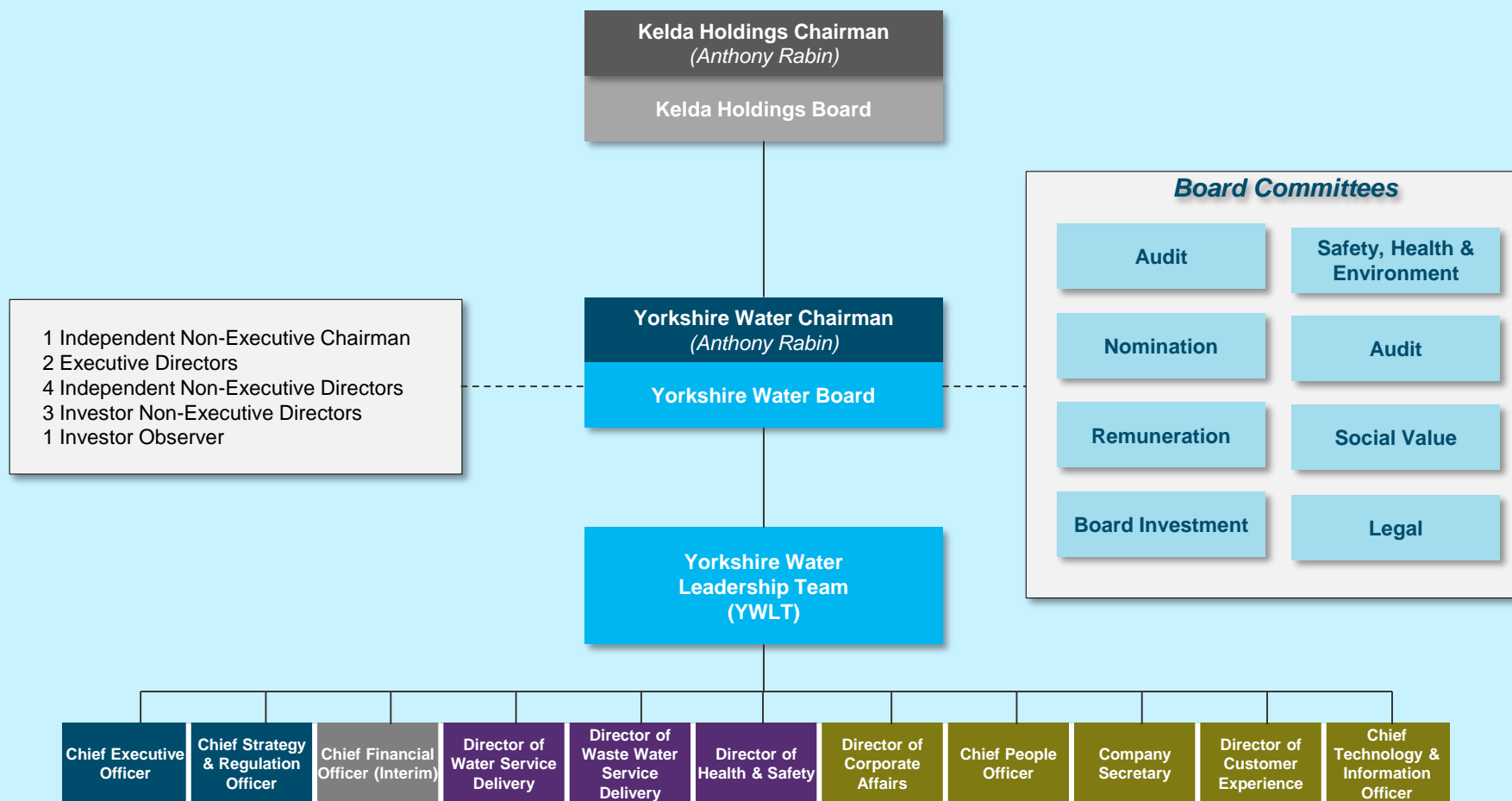
Appendices

Corporate Structure

- Kelda Holdings owned by a consortium of infrastructure investors and state funds
- Focus on regulated operating company
- Remaining active non-regulated companies:
 - **Three-Sixty** – manages non-household retail customers (customer book sold to Business Stream)
 - **Loop** – manages household retail customers
 - **KeyLand** - manages, develops and disposes of surplus land assets
 - **KWS** - now holds mostly dormant companies for liquidation
- All debt holding company debt held in Kelda Finance No.2 Limited



Corporate Governance



Source: Management as at 31 January 2020.

Executive Directors



Liz Barber
Chief Executive Officer

Appointed – September 2019

Previously Group Finance, Regulation and Markets Director and Group Finance and Regulation Director from March 2010.

Liz joined YWS from Ernst & Young where she held a number of senior roles, including leading the firm's national water team and the assurance practice across the North of England. She had been with Ernst & Young since 1987 and in that time worked with a number of water companies and the regulators in England, Wales and Scotland.

Liz is a Fellow of the Institute of Chartered Accountants in England and Wales. She was appointed to the boards of Kelda Holdings Limited and Kelda Eurobond Co Limited in November 2010.

She was also appointed as a director of Kelda Water Services Limited in December 2010, Loop Customer Management Limited in May 2016 and Three Sixty Water Limited in November 2016.



Nevil Muncaster
Chief Strategy & Regulation Officer

Appointed – November 2019

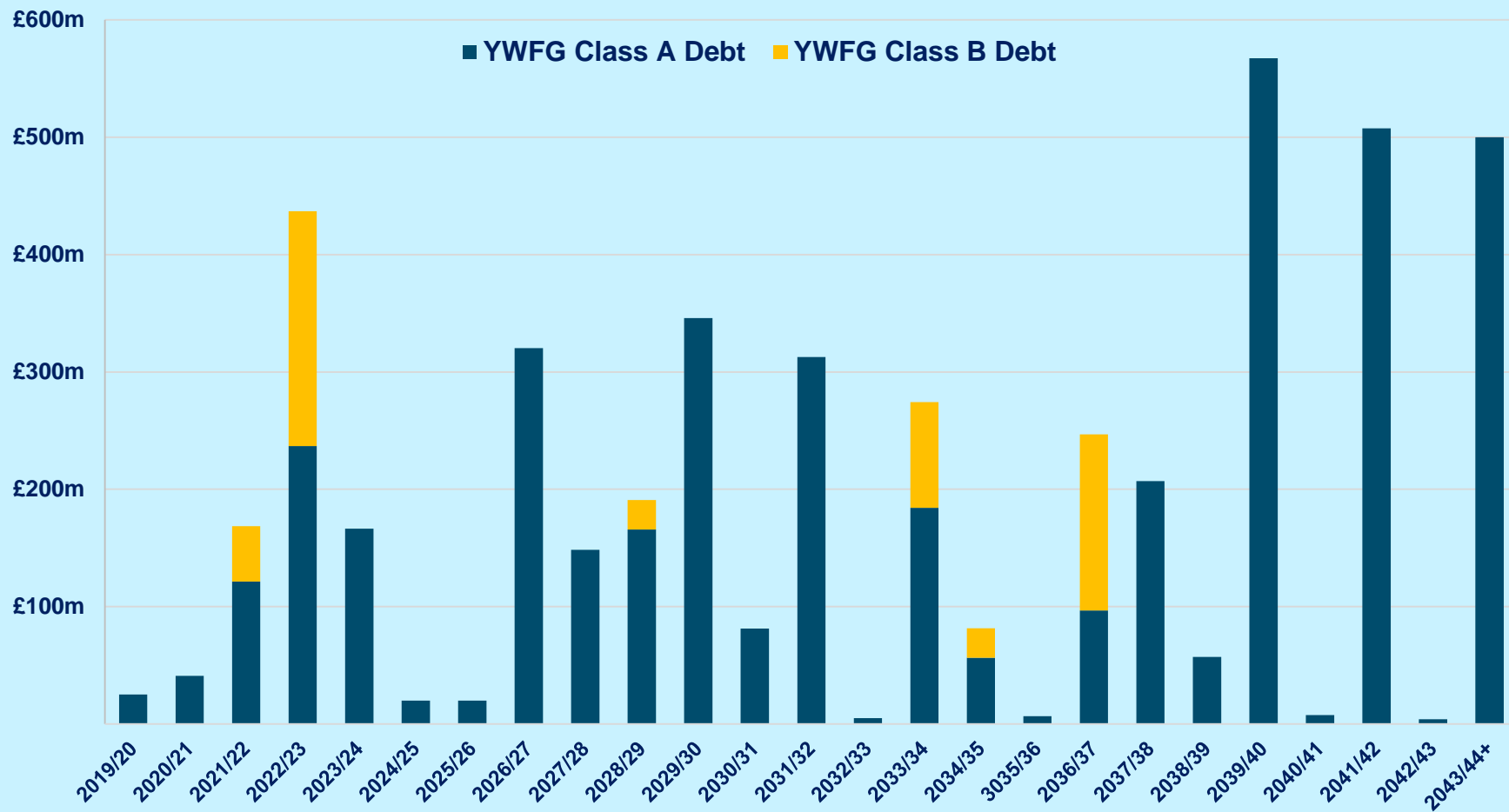
Previously Director of Asset Management and Director of the Asset Delivery Business Unit from May 2013.

Nevil is a civil engineer by training and joined the company from Veolia Water where he worked for 19 years and held the roles of Managing Director of Veolia Water South East (formerly Folkstone and Dover Water) and Managing Director of Veolia Water East (formerly Tendring Hundred Water).

Nevil is also chair of Keyland Developments Limited, a board member of the Living with Water Partnership in Hull, and a member of the Green Economy Panel of West Yorkshire Combined Authority.

Debt maturity profile (excluding RPI accretion)

Outstanding term debt



Source: Management analysis as at 31 January 2020.



YorkshireWater

<https://www.keldagroup.com/investors>