

Yorkshire Water

Investor Presentation

1 December 2021



YorkshireWater

Disclaimer

The information and opinions contained herein were prepared by Yorkshire Water Services Limited or one of its subsidiary companies (collectively "**Yorkshire Water**").

Any opinions presented herein are based on general information gathered at the time of writing and publishing this investor presentation ("**Presentation**") and are subject to change without notice. Yorkshire Water reasonably relies on the information contained in the Presentation, which information was obtained from sources reasonably believed to be reliable but does not undertake to guarantee its accuracy or completeness. It should be noted the auditors of Yorkshire Water have not reviewed the information herein and the information has not been independently verified. No assurance can be or is given that the transactions in this Presentation would in fact be executed.

No reliance should be placed upon the information contained in this document by prospective investors, as the accuracy of same cannot be guaranteed. The information contained in this document has no regard to the specific investment objectives, financial situation or particular needs of any person.

This document contains statements about future events and expectations that are forward looking statements ("**Forward Looking Statements**"). Forward Looking 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 to be materially different from any future results, performance or achievements expressed or implied by Forward Looking Statements. None of the future projections, expectations, estimates or prospects in this Presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance, undertaking 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 Presentation. This Presentation 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 Yorkshire Water. Yorkshire Water assume no obligations to update the Forward Looking Statements or any other information contained herein to conform them to future events or developments. This Presentation and its contents do not purport to identify all risks associated with the transactions mentioned herein.

The Presentation and its contents are confidential and are being provided to you solely for your information and may not be retransmitted or further distributed to any other person or published, in whole or in part, by any medium or in any form for any purpose. Yorkshire Water does not accept any liability whatsoever for any direct, indirect or consequential losses to any person in relation to the distribution, or possession or reliance on the Presentation and its contents in contract, tort or otherwise.

This Presentation does not constitute an invitation to acquire, or an offer to sell, or an offer of the subscription, purchase or otherwise of any securities of Yorkshire Water. It does not comprise a prospectus approved under the Prospectus Rules made under Part VI of the Financial Services and Markets Act 2000 of the United Kingdom.

This Presentation is directed only at (i) persons who are outside the United Kingdom or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) persons falling within Article 49(2) (a) to (d) of the Order (high net worth companies and unincorporated associations etc.) or (iv) other persons to whom it may lawfully be communicated (the persons in (i), (ii), (iii) and (iv) together being referred to as "**Relevant Persons**").

Any investment activity to which this document relates will only be available to and will only be engaged with Relevant Persons. No-one should act or rely on this Presentation or any of its contents.

This Presentation 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 Presentation nor any copy or portion 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; (ii) to an Institutional "Accredited Investor" (as defined in Rule 501(A)(1), (2), (3) Or (7) under the Securities Act) and (iii) outside the United States to non-US persons as defined under Regulation S of the Securities Act.

For the purposes of the financial promotions regime under the Financial Services and Markets Act 2000, this document is given on the basis that it is exempt pursuant to the Order, as, without limitation, provided in Article 69 of the Order (as it relates to bonds which are already admitted to trading on a relevant market) and Article 19 of the Order (as it is addressed only to Relevant Persons).

The information contained in this Presentation is given in confidence and the recipients should not engage in any behavior which is prohibited by the Market Abuse Regulation (Regulation 596/2014) and Regulation 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

Contents

Presenters :

Chris Johns
Chief Financial Officer

David Gregg
Head of Corporate Finance

- Performance update
- Regulatory update
- Sustainability
- Financing
- Proposed amendment
- Appendix – Yorkshire Water at a glance

Performance update



YorkshireWater

Financial highlights

- Revenue
 - Growth from 2.9% tariff inflation, new connections and reduction in voids
 - Continued change in mix between household and non-household consumption
 - No significant issues on collections
- Adjusted EBITDA
 - Improved revenues offset in part by increased energy prices and dry summer
- Capital expenditure
 - Phasing in 2020/21 weighted to second half due to initial impact of Covid
 - 2021/22 forecast at £445m, similar to 2020/21
- Interest paid
 - Rephasing of interest received on swaps reduced senior debt interest by £10.6m in 2020/21
- Gearing
 - c.1.7% midnight adjustment at 1 Apr 2020
 - 2021/22 closing gearing forecast at c.76%

£m	Six months ending	
	Sep 2021	Sep 2020
Revenue	561.7	545.7
Adjusted EBITDA *	308.6	295.7
Net cash flow **	295.4	294.3
Capital expenditure	(204.2)	(193.4)
Senior debt interest **	(90.1)	(74.6)
Adjusted net debt **	5,586.0	5,478.8
Senior gearing **	76.0%	79.4%

* Before exceptional costs of £6.3m (2020: £20.9m)

** As defined for covenant purposes

Operational highlights

Maintaining strong operational performance

- Steps taken to improve supply chain resilience, including dealing with NMCN administration
- 4* assessment in 2020 for Environment Agency (“EA”) annual performance
- On track to deliver majority of Performance Commitments in current year
- ODI expected to be minor net penalty similar to 2020/21
 - Primarily linked to supply interruptions, developer services experience and DWI compliance risk index
- Managed ongoing Storm Arwen significant disruption due to improved network resilience

Tight control of cost base

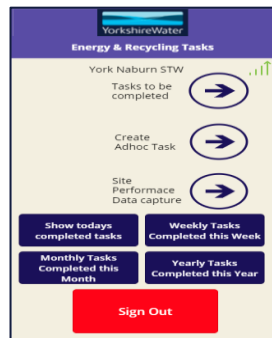
- Delivering tough operating cost reduction targets, continue to catch-up Covid related delays
 - Delivered c.£48m opex reduction in 2020/21
 - On track (before energy price pressures) to deliver further c£40m totex reduction in 2021/22
- Managing significant cost pressures on capital delivery and supply chain whilst driving efficiency
- Outperformance being reinvested in Transformation plans for longer-term efficiencies and performance improvements

On track with our current Transformation plans

Significant business process improvement and now moving into the foundational phase of Transformation

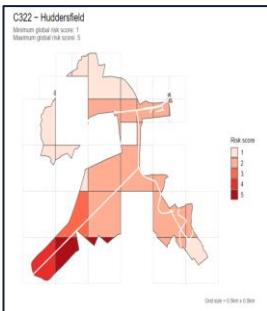
Energy & Recycling Application

New App will make it easier for colleagues to capture the right data and allow us to manage our assets



Leakage Detection

A data science model has been created to predict the area to start discovery work supported by dashboards to help people leaders to actively manage productivity



Distribution Maintenance

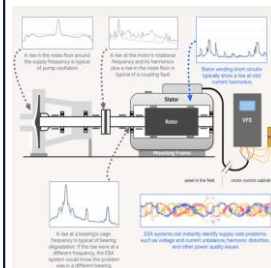
Distribution Maintenance teams now set up on our systems, trained & capturing data to establish baseline performance

This enables us to move to the next stage where we can utilise the capacity to take on extra tasks.



Sewage Pumping Stations

Installation of sensors which can detect 90% of developing failures up to 5 months in advance and remove the need for 'check-see' visits



Air Valves

Air Valves are the cause of 20% of rising main bursts. By locating unmapped AVs, implementing a maintenance strategy and installing Smart AVs at inaccessible locations, we will reduce pollution events



Meteor Cameras

Remote camera installation to monitor Combined Sewer Overflows (CSO) to enable targeted maintenance response, reducing risk of pollution

Before



During



After



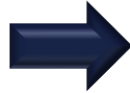
Focus on two major change programmes in AMP7 to deliver our Resilience and Service strategy

Transformation portfolio



- A new operating model for Operations to remove duplication, inefficiencies and bring shared capabilities together
- **Integrated Planning, Scheduling & Logistics** to improve our productivity, colleague engagement and deliver 'Right First Time' for our customers

Business change programmes





- **Dynamic Asset Maintenance** Programme to improve asset productivity and using data and technology to predict asset failures before they occur
- Full Customer Experience programme to be implemented in AMP8 on the back of operational changes

Enabling change programmes



- Significant investment in Technology, Data and People leadership capabilities to enable the benefits of our change programmes to be realised
- **Planning for the future to give most efficient and effective front-line experience to our customers**

Transformation journey to get AMP8 ready and continuing post 2025

	Current State	FY22/23 Integrated Planning & Control Centre	FY23/24 Planned Asset Work	FY24/25 Reactive Asset Work	FY25/26 Customer Experience
	<ul style="list-style-type: none"> High cost to serve Reactive Vertical org structure 	<ul style="list-style-type: none"> Create centres of excellence Process ownership KPIs 	<ul style="list-style-type: none"> Shift to proactive Better grasp of the cost of work More informed investment decisions 	<ul style="list-style-type: none"> Shift to predictive monitoring of assets Full understanding of the cost of work 	<ul style="list-style-type: none"> Data led decision making Digital self serve Lower cost to serve
Productivity & Engagement 	<ul style="list-style-type: none"> Autonomy to prioritise own work Different teams dealing with same job Processes learned on the job Working with old technology Limited use of systems Few KPIs to measure performance 	<ul style="list-style-type: none"> Some automation of job prioritisation Formal training Standard KPIs and dashboards to support decision making Standardised ways of working Still working on old tough book technology 	<ul style="list-style-type: none"> Quicker to access work and asset data in one system Modern applications and devices in field More data captured in field but less time spent on jobs Operators able to do small remedial asset care jobs 	<ul style="list-style-type: none"> Using data to drive asset plans Fewer out of hours emergency jobs Removal of non value-add maintenance work Upskilling opportunities to do more varied work Standard approach for work prioritisation 	<ul style="list-style-type: none"> Standard formal training and processes Manage my own performance versus my peers Data at fingertips Modern applications and devices that are easy to use Fewer reworks, idle time and non work related issues
Customer Benefits 	<ul style="list-style-type: none"> High phone contact Low first time resolution Repeated information to different teams 	<ul style="list-style-type: none"> Fewer hand-offs to different teams Better informed updates Improved first time resolution 	<ul style="list-style-type: none"> Reduction in visible issues Better informed updates Improved first time resolution 	<ul style="list-style-type: none"> Reduction in visible issues Better informed updates Improved first time resolution 	<ul style="list-style-type: none"> Full contact history known upfront Updates sent digitally so no need to ring Improved first time resolution

Regulatory update



YorkshireWater

Regulatory update

PR24

- Aiming to optimise AMP7 position post CMA referral
- Preparations well underway and core working team established
- Constructive input into ongoing Ofwat consultations and working groups
- Ofwat publications this quarter on PR24 'direction of travel'
 - Issued on long-term delivery strategies and performance commitments
 - Papers due on financial resilience and risk & return

2020/21 Ofwat monitoring report

- Information from 8 months ago, out of date and not rounded assessment
- Financially resilient for AMP7 as confirmed by CMA

EA/Ofwat investigation

- Currently a request for information on sewage treatment works and use of storm overflows
 - Yorkshire Water will respond in full to recent letters
- Not a 'new issue' – Yorkshire Water has been working proactively and transparently with EA on this matter since 2016
- Yorkshire Water has leading position on event duration monitoring, allows confidence in our data and to respond robustly

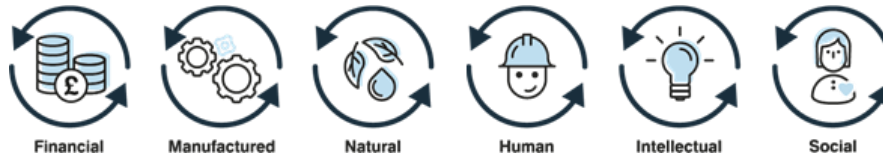
Sustainability



YorkshireWater

Sustainability at Yorkshire Water

- **Embedded in our purpose** to make Yorkshire a brilliant place to be, now and always
 - Protecting customer wellbeing, supporting the economy and safeguarding the environment
 - We believe a sustainability focused business will be a resilient business long-term
- Well established **six capitals approach** ensures we take broadest view of value



- Public interest commitments:
 - Net zero by 2030, increase bill affordability, plant 1m trees, reduce leakage, social mobility pledge and reduce plastic
- Underpins **sustainable finance framework**
 - Whole business approach aligning with corporate strategy and covering majority of capital and operating expenditures
 - £1.2bn raised since introduction in January 2019; expected to reach £2bn in AMP7

2020/21 highlights



>99%

Waste diverted
from landfill



Four-star

Industry-leading
Environmental
Assessment rating



93%

Customer
satisfaction



35%

Spend with
local companies



>60,000

Customers
supported
financially



£3m

Value generated
from waste
or underused
resources



>3,000

Hectares of
land conserved
or enhanced



0

Colleagues furloughed
or made redundant
from Covid-19

Our Contribution to Yorkshire

Annual impact and public
value report 2020/2021

Published October 2021



Sustainable Finance Framework

Impact Report 2020/2021

Published October 2021



YorkshireWater



YorkshireWater

Financing



YorkshireWater

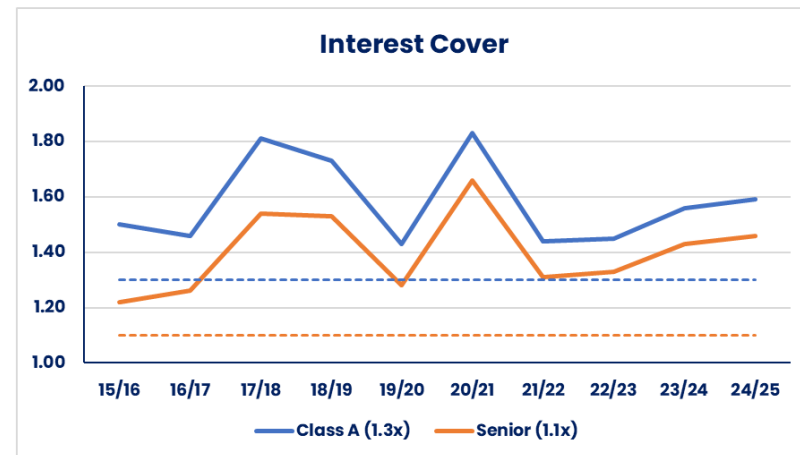
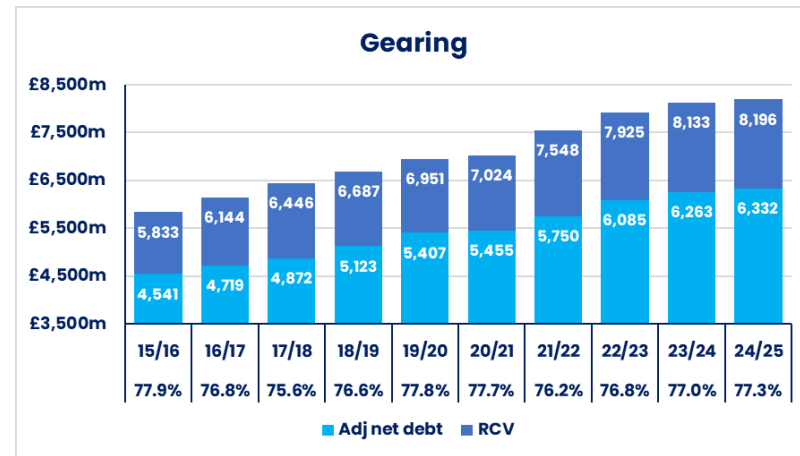
Headlines

- Strong financial resilience though AMP7 whilst Transformation programme progresses to best position Yorkshire Water for AMP8
- All credit ratings affirmed following completion of CMA referral
 - Outlook returned to stable by S&P and Moody's
- Strong liquidity position following April bond issue and aiming to maintain through AMP7
- Well positioned to finance upcoming debt maturities and continue to lock in historically low rates
- Next swap event is 2025 mandatory breaks on £23m of inflation swaps and continue to expect £177m of swaps be left to expire in 2026

	S&P	Moody's	Fitch
Update	Apr 2021	Sep 2021	Feb 2021
Outlook	Stable	Stable	Stable
Class A	A-	Baa2	A-
Class B	BBB	Ba1	BBB-

Covenant performance

- Gearing
 - Underlying RCV growth of 20% forecast for AMP7
 - Opening AMP 'midnight' adjustment at April 2020 increased gearing by 1.7%
 - Historical 77% average forecast to be maintained for AMP7
- Interest cover
 - Proactive management ensures healthy headroom to trigger thresholds
 - CMA outcome improved Senior and Class A cover ratios across AMP7 by 0.15x compared to Ofwat's final determination
 - 2020/21 impacted specifically by timing of working capital movements



Source: Published covenant certificates

Strong liquidity position

Yorkshire Water Financing Group ("YWFG")

Revolving Credit Facility (expires Oct 2023)

Drawings Outstanding	£nil
Committed Facility Size	£560m
Available Headroom	£560m

Cash & Equivalents

Cash Accounts	£5m
Deposits	£28m
Liquidity Funds	£24m
	£57m

Committed Liquidity Facilities

Debt Service Reserve	£146m
Operating & Maintenance	£75m
Reserved Cash	£37m
	£258m

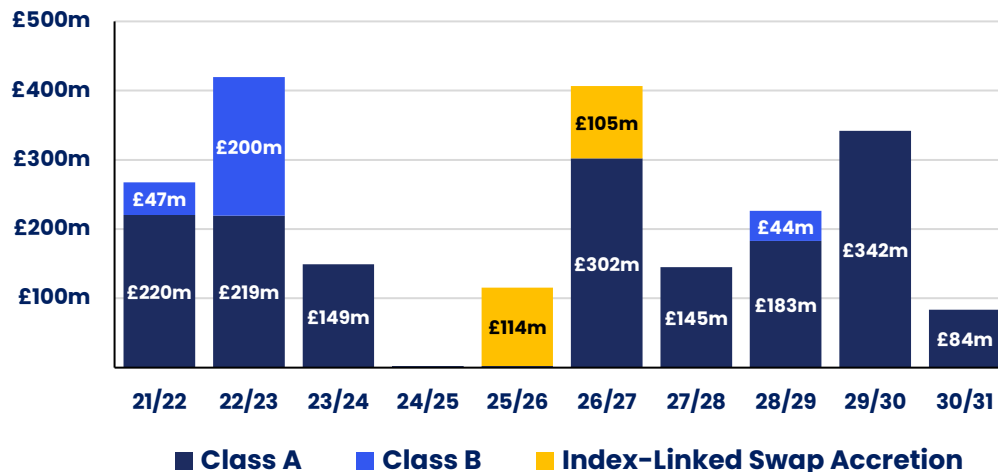
Total available liquidity	£875m
----------------------------------	--------------

- Maintain £250m minimum projected headroom between revolving credit facility and available cash and equivalents
- Surplus cash held in mix of highly-rated bank deposits and AAA-rated MMFs
- Liquidity facilities to be renewed in March 2022



Debt maturities

- Current weighted average life of debt portfolio is 13.8 years
- £835m of debt maturing in rest of AMP7; average cost of £709m maturing bonds and notes is 4.5%
- Further £180m additional funding requirement forecast currently for AMP7 investment
- Seek to maintain strong liquidity position through AMP7 to provide full flexibility for timing of efficient debt raising



Source: Management analysis as at 30 September 2021:

1. Proforma analysis assuming medium term return to CPI at 2% and RPI at 3% and does take account of any convergence following HM Treasury announcement on the future of RPI
2. Includes existing and forecast inflation on IL Bonds and IL Swaps – Termination Date and PAYG payments (assumes break dates do not occur).
3. Excludes amounts drawn on Committed Bank and Liquidity Facilities.

Proposed STID amendment

Background

- Technical amendment to address risk of drawstop should a Trigger Event occur
- Current terms can prejudice rather than protect Secured Creditors by preventing access to funding
- Seeking consent from Class A creditors in line with equivalent amendments made by other water companies

Proposed amendment

- Introduce changes so that notwithstanding a Trigger Event Yorkshire Water can:
 - Draw or roll loans on committed credit facilities entered into prior to a Trigger Event
 - Incur new indebtedness limited to refinancing maturing debt/facilities one year in advance on a £ for £ basis, together with fees and costs
- Achieved by handful of simple changes set out in short STID proposal
- Confirmation no Trigger Event is continuing or forecast

Status

- Confirmation received from ratings agencies that proposed amendments will not adversely impact current ratings
- Scheduled to issue consent request in order to complete prior to Christmas

Q&A



Appendix

Yorkshire Water at a glance



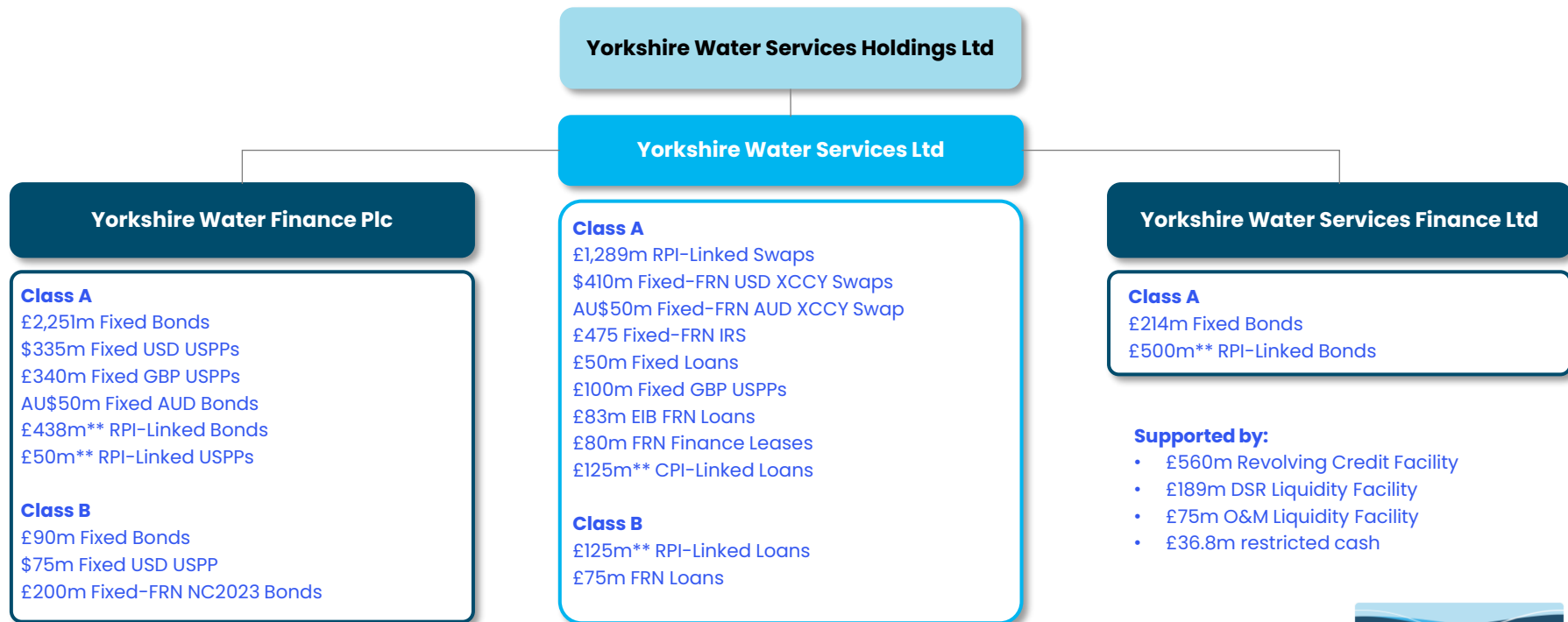
YorkshireWater

Yorkshire Water Overview

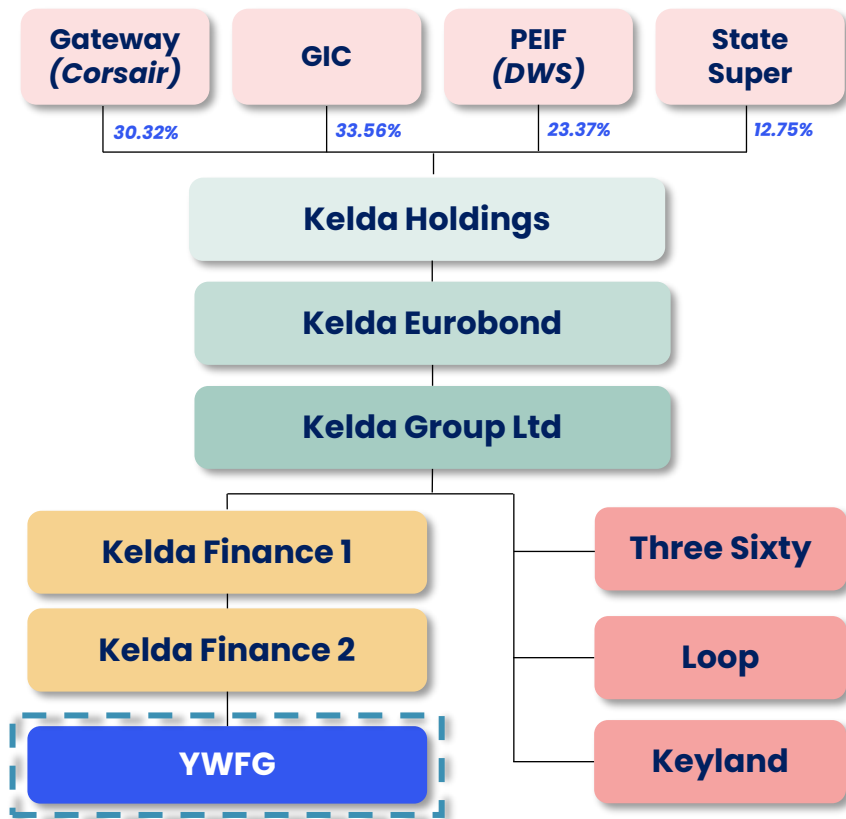
Group		
Regulated Capital Value as at 30 September 2021	£7.35bn	
Area of Supply	14,294km ²	
Employees	> 3,000	
Land Managed	c. 28,000 hectares	
	Water	Waste Water
Population Served	5.1m	5.1m
Properties Served	Household 2.2m Non-household 0.1m	Household 2.0m Non-household 0.1m
Businesses Served	141,000	101,000
Reservoirs (c.70%)	129	n/a
Abstractions (c.9%)	16	n/a
Boreholes (c.22%)	40	n/a
Length of Mains / Sewers	31,891km	52,215km
Number of Treatment Works	50	608
Daily Volumes	1.3bn litres of drinking water	1.0bn litres of wastewater collected



Yorkshire Water Finance Group (“YWFG”)



Group Corporate Structure

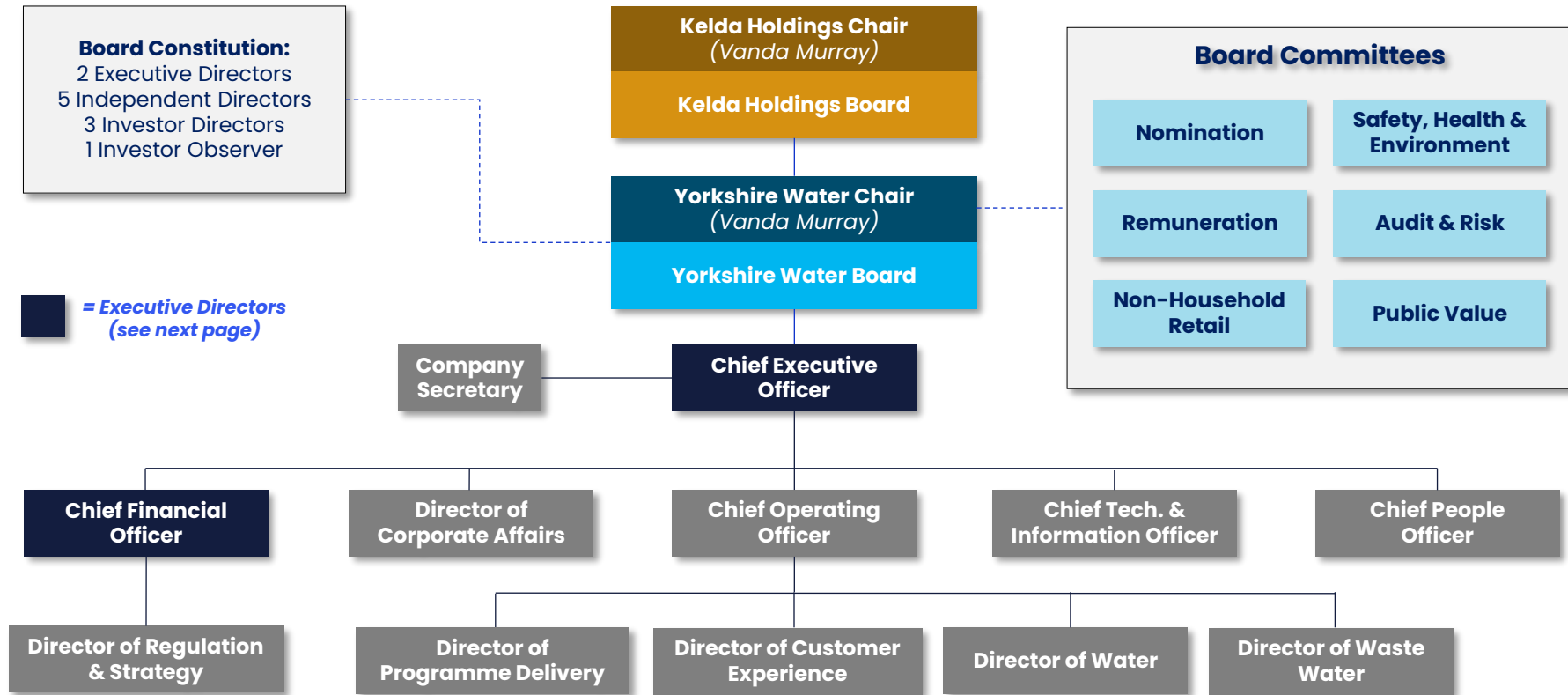


Source: Management, as at 30 September 2021.

- Kelda Holdings owned by consortium of infrastructure investors and state funds
- Core focus on regulated operating company
- Three Sixty: Non-household retail customer management unit; customer book sold to Business Stream and transitional services provided until Mar 2022
- Loop: household customer management
- Keyland: manages, develops and disposes of surplus land assets
- Kelda holdco debt held in Kelda Finance 2



Group Corporate Governance



Yorkshire Water Executive Directors & Chair



Liz Barber
CEO

- Appointed as CEO of Yorkshire Water in 2019 after serving as Director of Finance & Regulation since 2010
- Also serves as CEO for Kelda Holdings Limited
- Previously held senior partner roles at Ernst & Young including leading the firm's water team and the assurance practice across the North Region
- Also serves as a trustee of Leeds University and joined the board of Cranswick PLC as a non-executive director in May 2021



Chris Johns
CFO

- Appointed as CFO of Yorkshire Water and Group CFO of Kelda Holdings Limited in June 2020
- Previously Finance Director of Northumbrian Water Group since 2013
- Before this Chris was Finance Director of Northern Gas Networks, and held previous senior management positions in Finance and Accounting at financial services firms in London and Yorkshire



Vanda Murray
Chair

- Joined Board in July 2021 and succeeded Anthony Rabin as Chair in September 2021
- Also serves as Independent N.E.D and Chair to Kelda Holdings Limited Board
- Non-executive director and Chair of Marshalls PLC, Senior Independent Director of Bunzl plc and non-executive director of Manchester Airport Group