Yorkshire Water

Investor Presentation

20th February 2023

YorkshireWater

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Contents

Presenters :

Nicola Shaw
Chief Executive Officer

Chris Johns
Chief Financial Officer

Chris Offer
Director of Strategy & Regulation

James Lilley
Assistant Treasurer

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Summary & investment highlights

- Fifth largest UK water and wastewater company (WaSC) with over 5 million domestic and 141,000 business properties
- Focussed on driving improved operational and financial performance
- Current short-term financial performance is being impacted by high inflationary cost pressures (especially energy) — actions by management aimed at mitigating pressures
- Regional monopoly underpinned by stable, transparent and consultative regulation — no surprises in the Ofwat Dec 2022 Final Methodology
- Supportive shareholder base
- Strong commitment to Sustainable Finance Framework, aligned with core focus of delivering customers, society, environment and governance priorities

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Performance Overview

Performance overview

Priorities:

FY23/24 — reinforce foundations and improve AMP7 performance

- Ongoing impact of 2022 drought and recovery
- Managing through a difficult period of high inflation
  - input prices; and
  - support to customers
- Continuing energy cost pressures
- Embed performance excellence across the organisation
- Delivering obligations following Ofwat s203 resolution including additional £180m storm overflow investment
- Delivery of Water Industry National Environment Plan (WINEP) schemes to meet regulatory due dates
- Compliance with key regulatory obligations and expectations of AMP8

Be AMP8 ready

- Development of PR24 business plan including a strategy refresh
- Delivery of Modernisation programme — invest in operations, people, planning and assets
- Better understanding of asset performance through data insight

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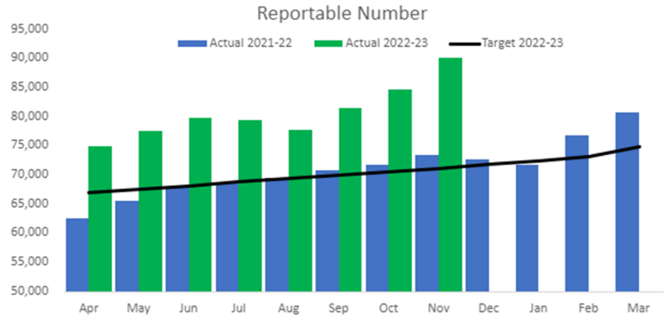
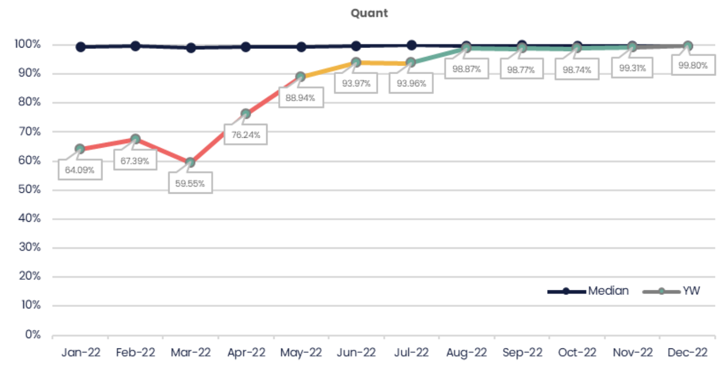
Customer experience and support measures

- **CMex** scores have improved over the year, but our overall ranking hasn't improved – we are working hard to improve satisfaction through operational resolution times and communication channels
- Written **complaints have reduced** across all service areas – developer services, waste, water and billing
- All key transactional journeys for billing are now enabled online and 'self serve' for leakage is available, with the other service journeys to follow
- We are well ahead of our 'direct support' vulnerable customer performance commitment: **delivered >£22m of support** through tariffs, support schemes, meters and payment breaks
- Further **commitment to supporting vulnerable customers**
  - Additional £15m funding committed by shareholders
  - Next year average bills will rise by less than current inflation
- **DMex** scores have improved month on month – the quantitative score is now in the top quartile at 99.7% which will translate into penalty reduction next year

Customers supported



DMex performance



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Water — keeping the water flowing through the drought

- Whilst experiencing the **worst drought since 1995/96** successfully met demand through all extreme hot weather events, with demand 20% higher than normal in August 2022
- Reservoir levels fell to lowest levels in 27 years leading to a requirement for drought orders, permits and Temporary Use Bans being deployed (first time since 1995)
- These measures along with heavy rainfall in December have led to a **full recovery ready 2024**
- **Significant summer water mains failures** and **high leakage** occurred as a result of the exceptional drought 2022, which has been compounded by a very cold December/January
- Despite the challenging network conditions we expect to see a **reduction in customer minutes lost** and drop in significant supply interruptions (12 hour + events)
- **Water quality performance has remained stable** and good progress has been made reducing drinking water quality contacts

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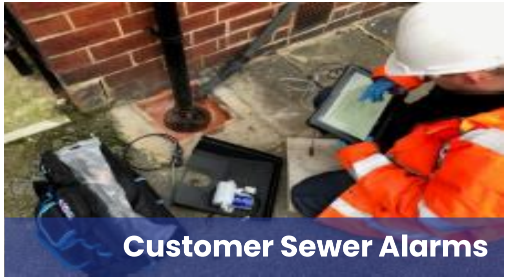
Wastewater – improving service amidst greater environmental scrutiny

- **Environmental Performance Assessment** metrics continue to tighten but our underlying performance is improving: **every metric improved from 2021**
- Wastewater treatment works **discharge compliance is now at the upper quartile** level
- **Sewer flooding performance has improved YoY**
- Implemented new modernised ways of working and a streamlined organisational design including productivity gains in sewer network and wastewater treatment
- **Completed investment programme in anaerobic digestion** (AD), 100% of sewage sludge generating renewable energy and recycling to agriculture
- **On schedule to meet the target of installing 40,000 sewer network monitors by end of FY2024** to transform sewer network ways of working through our modernisation programme
- **£180m programme commenced to reduce Combined Sewer Overflow and spills**, 20% minimum reduction planned by 2025

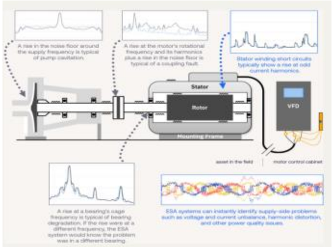


Modernisation progress in 2022

Sewage Pumping Stations + Rotating Equipment

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

292 sensors and 280 pumps installed of a program of 4,000 and 760 respectively



Sewer Alarms

Deployment of 40,000 sewer alarms @ highest risk properties by end of FY2024

YTD **c£2m** saving from clearing 446 blockages.

17,000 devices installed to date (43% of target)

ERP Work Management application

ERP work management application rolled out to 18 pilot sites across Clean & Waste Operations

Plan now to learn from pilot enabling rapid acceleration of rollout across Wastewater sites first during H1 2023 followed by Clean water sites

Private Networks efficiencies

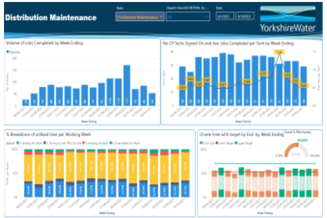
Pilot initiated to create new processes to both identify private demand up front but also make customers aware of what to do / options for who to call if a technician does attend site and determines the job relates to private demand

90% reduction in private jobs in pilot areas

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

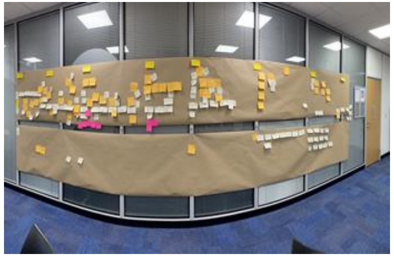


But to realise our ambitions we need to improve further and have a third-party tested plan on a roll in basis across the business

2023 modernisation plan — introducing Operations 2.0
Enhancing the customer experience by considering systemic thinking

Initially focussing on customer triggered work in wastewater with rapid test and learn cycles

The team creating the process will be accountable for the live operation of area



We are ringfencing the Bradford 2 area initially

Minimising conflicting priorities by ringfencing a geographic area and transferred calls into the new standalone 2.0 back office

One desk approach with end-to-end way of working

Brings together operational teams to create enhanced customer experience processes

Business process change at the core

Coupled with system improvements will enable significant improvement to business process

Financial highlights

Delivered solid interim results in challenging conditions

- **Revenue**
  - Growth driven by inflationary annual tariff increases
  - Continue to closely monitor customer payment behaviour and cash recoveries
- **Adjusted EBITDA** impacted by extreme weather and cost inflation
  - Improved revenues offset by significant input cost pressures and drought impact
  - Continued significant increase to energy costs
  - Stated after incurring £13m atypical costs associated with the drought in first six months
- **PAT improvement YoY** reflects FV movements
- **Capital expenditure** focussed on improving resilience, asset performance, environmental performance and Modernisation
  - WINEP commitment delivery focussed on agreed completion dates towards the end of AMP
  - Announced an **extra £180m to be invested in storm overflows** by end of this AMP
- **Reduced Gearing** driven by strong RCV growth
- **No external dividends** for 6th year running

Interim results	Six months ended	
£m	**Sep-22**	**Sep-21**
Revenue	577.2	561.7
Adjusted EBITDA *	297.5	308.6
PAT	698.7	(209.8)
Net cash flow **	265.8	295.4
Capital expenditure	(226.8)	(204.2)
Senior debt interest **	(90.6)	(90.1)
Adjusted net debt **	6,054.5	5,586.0
Senior gearing **	73.51%	76.00%

** Before exceptional costs of £1.8m (2021: £6.3m); and after £13m atypical drought costs*
*** As defined for covenant purposes*

Effective cost management

Effective cost management helping to mitigate extreme weather and cost inflation

- Managing significant supply chain cost pressures; particularly around energy, raw material and chemical costs
- Drought costs treated as exceptional for the purpose of covenant calculation
  - Significant pumping activity to protect drought hit reservoir stocks across the region
  - Exacerbated by exceptionally high energy costs
  - Additional resources deployed in tackling leakage; dry ground increase instances of pipes cracking
  - September 2022 EBITDA included c£13m atypical drought costs

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Impact of high inflation

- **Inflation is creating long-term RCV growth upside but with near-term pressures on ICR**
  - Significant gearing reduction benefit
  - Covenant headroom sensitive to opex cost pressures
  - Revenue increases also lag cost impacts and increased cash collection risk
  - Higher funding costs for remainder of AMP7 will be adjusted in AMP8 revenues
- As at March 2022 inflation linked debt is equal to 42% of RCV. This is partly due to the inflation linked swap portfolio and gives significant inflation protection and value accretion

Ongoing support from shareholders

- **The board of Kelda Holdings Limited note the requirement to repay c£940m of legacy intercompany loans (ICL) to YWSL by March 2027** via capital injections
  - Shareholder support to repaying £300m of ICL by June 2023 which will reduce gearing

- Shareholders also investing an **extra £180m in storm overflows** by end of this AMP

- An **additional £15m of customer support** measures are also being funded through to the end of the AMP

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Regulatory Overview

Regulatory update

EA/Ofwat investigation — update

- With five other WaSCs, YW received s203 request for information from Ofwat in March 2022 (one other company added in June)
- Request made as part of an industry wide investigation into flow to full treatment (FFT) at sewage treatment works
- We have complied fully with the request and will continue to cooperate with Ofwat
- We have been working proactively and transparently with EA on this matter since 2016
- We have a leading position on event duration monitoring and now looking at how we can reduce significantly average spills across remainder of AMP7
- Alongside this and a recent fine for a historic pollution in Bradford we improved our processes significantly raising the bar on our compliance monitoring

Capital investment commitments remain on track

- We are funded to deliver certain outputs — specific in nature with regards to WINEP
- Early AMP focus on environmental catchment solution design rather than traditional engineered solutions
- The AMP7 business plan includes capex spend higher in the later years of the AMP and we remain committed to spending our AMP7 allowance on improving the environment
- To date, over 450 of our 1,041 WINEP regulatory commitment dates have been achieved and we remain on track to hit remaining commitments this AMP

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PR24 Methodology and publications

PR24

- Ofwat **PR24 final methodology** was published on 13 December 2022
  - Final methodology continued regulatory themes and approaches in PR19 and shows little deviation from previously issued discussion papers
  - As well as affordability, there is increased focus on long term investment, delivering environmental value and addressing storm overflows to improve river quality
  - 23 performance commitments to be common across water companies with fewer bespoke commitments
- **Financial Resilience**
  - Ofwat consultation published in July 2022 proposed changes to dividend payments and cash lock-up triggers moving ratings threshold to BBB/Baa2
  - YW will consider Ofwat's review of feedback and final proposals on publication

Two reports published on 8 December 2022

- **Monitoring Financial Resilience**
  - Ofwat note YW's substantial steps this year which should strengthen financial resilience over time
  - YW rated as 'action required' — driven by committed deliverables against the intercompany loan undertaking
- **Water Company Performance Report**
  - Rated on delivery of the 12 common performance commitments
  - YW rated as 'lagging' (rated 'average' in the previous year)
  - Met or exceeded 5 common performance commitments
  - Discussions with Ofwat are progressing as per their request to keep them up to date

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PR24 Timeline

Key dates are the 'early submission' in Apr 2023, and business plan submission in Oct 2023

Jan to Feb 2023
Development meetings for LTDS*

Nov 2023
Engagement with EA, CCW and DWI on business plans

Feb to Jun 2023
'Your Water, your say' sessions

Oct to Nov 2023
'Your Water, your say' sessions

Q4 Jan-Mar 2023	Q1 Apr-Jun 2023	Q2 Jul-Sep 2023	Q3 Oct-Dec 2023	Q4 Jan-Mar 2024	Q1 Apr-Jun 2024	Q2 Jul-Sep 2024	Q3 Oct-Dec 2024	Q4 Jan-Mar 2025
FY23	FY24				FY25			

Apr 2023
Early submission of bespoke PC definitions

2 Oct 2023
Business plan submission

May/Jun 2024
Draft determination

Dec 2024
Final determination

New control period

Early 2023
Indicative ODI rates

Spring 2023
Cost modelling consultation

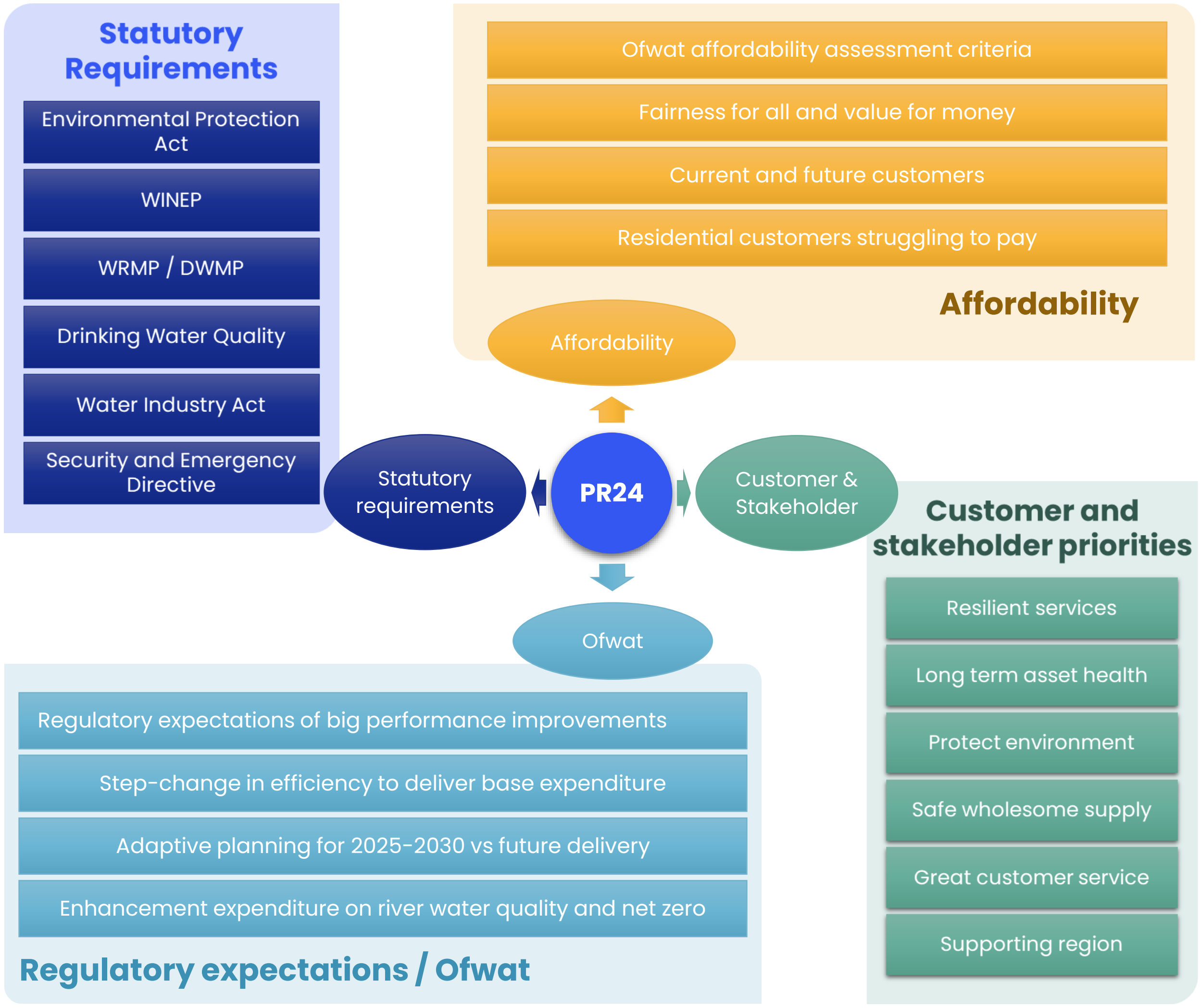
Summer 2023
Cost adjustment claim consultation

Business plan assessment and determinations

* Long Term Delivery Strategies

PR24 Competing Priorities

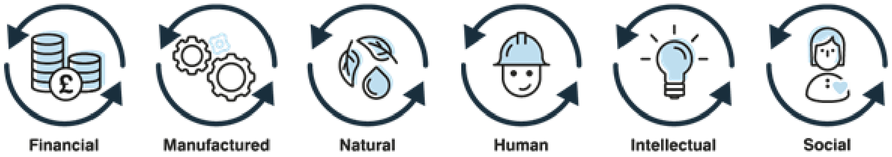
Ofwat has acknowledged that customer prices are likely to rise for the next AMP given that the investment required is increasing somewhere between 2 and 4 times across the industry. The challenges are therefore making sure that delivery and outcomes are what customers expect and that the plan is deliverable given this big increase



Sustainability Update

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:
  - Timeline to reach net zero is under review as the PR24 business plan is being developed
- Underpins **Sustainable Finance Framework (SFF)**
  - Whole business approach aligning with corporate strategy and covering majority of capital and operating expenditures
  - £1.3bn raised since introduction in January 2019; expected to reach £2bn in AMP7

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2021/22 Impact highlights

50km
Length of
river improved

3,000Ml
Reduction in leakage

93%
Customer
satisfaction

£40m
Value generated from waste
or underused
resources in AMP7

340 GWh
Renewable energy
generated

>6,000
Hectares of
land conserved or enhanced

>80,000
Customers
supported financially

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Reducing our greenhouse gas emissions

- Reducing emissions continues to be a priority as we drive towards **achieving net zero** operational emissions
- Achieved **6.8% reduction** in operational carbon emissions for 21/22 against restated baseline (19/20)
- Outperformed against year two ODI target of 4.8%
- **100% of electricity** continues to be supplied from **renewable** sources
- Renewable energy generation through AD, wind, hydro and solar PV – **increasing the internal energy hedge**

- Targeting **reductions in the wider use of fossil fuels** across the business
- Wastewater treatment is a key source of carbon emissions - we are **trialling new treatment methods** to reduce emissions
    - For example (see picture), opening integrated constructed wetland at Clifton in South Yorkshire - uses more than 24,000 plants to create an innovative approach to treat wastewater with no onsite chemicals and extremely low operational carbon emissions
- **Developing a detailed net zero plan to target further reductions in operational emissions**, which will include, for example, transitioning our fleet of 1,200 operational vans to electric vehicles

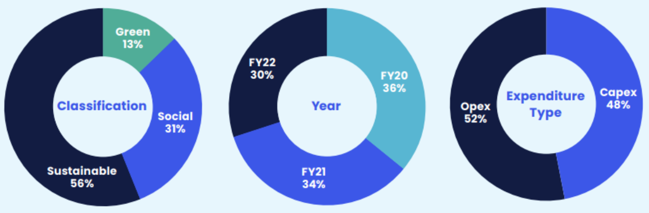
Sustainable Finance Framework

- Whole business approach aligning with corporate strategy and covering majority of capital and operating expenditures
- £1.8bn of eligible projects available for further issuance under the framework
- £1.3bn raised since introduction in January 2019; expected to reach £2bn in AMP7

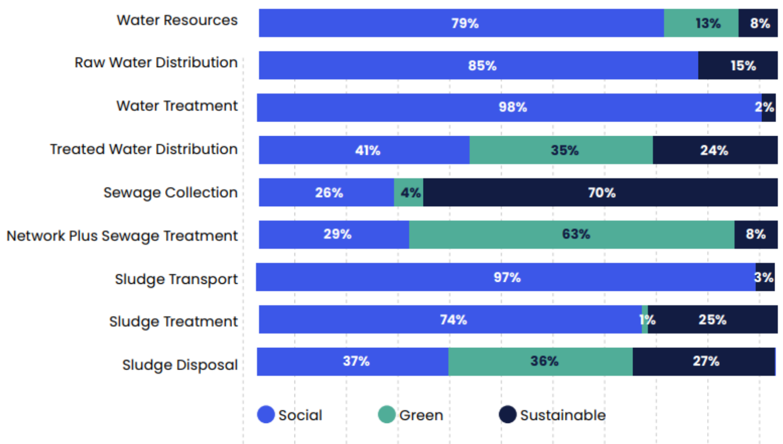
Movement in Portfolio

	Allocated	Unallocated	Total
As at 31 March 2021	**£846m**	**£1,959m**	**£2,805m**
	30.2%	**69.8%**	**100.0%**
Current year portfolio	£25m	£789m	£814m
Previous years' portfolio allocated during the year	£320m	£(320)m	-
Prior year expenditure no longer within portfolio timeframe	£(315)m	£(628)m	£(943)m
As at 31 March 2022	**£876m**	**£1,800m**	**£2,676m**
	32.8%	**67.2%**	**100.0%**

As at 31 March 2022, the Portfolio had the following characteristics:



FY22 Categorisation Assessment by Price Control



Financing Overview

Headlines

- Credit ratings unchanged — S&P outlook changed in November across the sector
- Short-term ICR headroom eroded by high energy prices and being offset by management cost mitigations
- Current exposure profile minimises impact from inflation and rising rates on cash interest
- Well positioned to finance upcoming debt maturities
- Swap valuation liability reduced from £3.0bn to £1.7bn due to rising rates; next swap event is 2025 mandatory breaks for £23m of inflation swaps

	S&P	Moody's	Fitch
Update	Nov 2022	Jan 2023	Feb 2021
Outlook	Negative	Stable	Stable
Class A	A-	Baa2	A-
Class B	BBB	Ba1	BBB-

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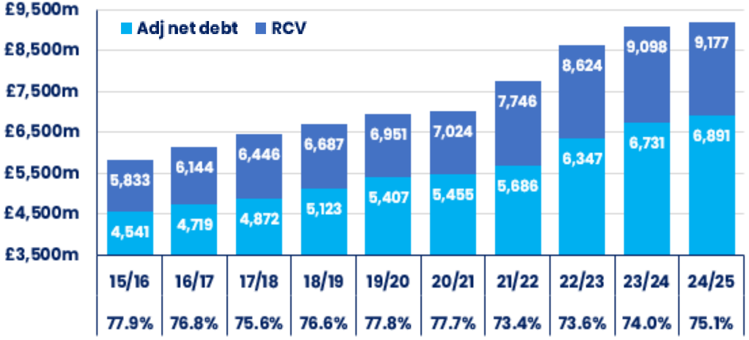
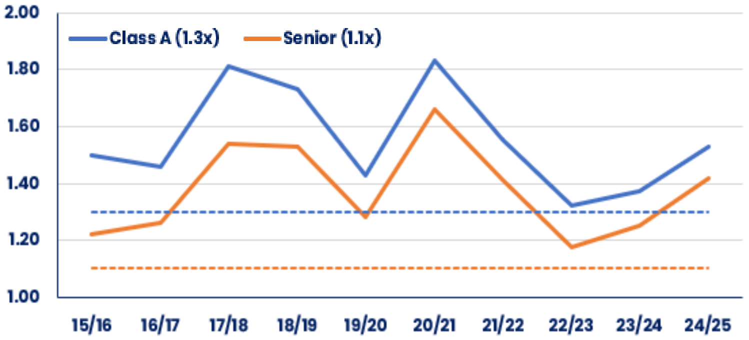
Covenant performance

- Gearing
  - Underlying 30% RCV growth forecast for AMP7
  - Opening AMP 'midnight' adjustment at April 2020 increased gearing by 1.7%
  - Closing AMP7 rate in line with commitment to 72% **regulatory gearing** due to expected accelerated investment into AMP7
- Interest cover
  - Proactive management has maintained headroom to trigger thresholds
  - Benefits of costs saving initiatives and Modernisation projected to be realised in 2023/24 and 2024/25
  - Significant pressure from energy and other inflationary costs in current year that are expected to continue through into 2023/24

Gearing: Covenanted Basis



Interest Cover



Broken lines show Trigger levels

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Source: Published covenant certificates

Liquidity position

Yorkshire Water Financing Group (“YWFG”)	
Revolving Credit Facility (at 30 September 2022)	
Drawings Outstanding	£162m
Committed Facility Size	£480m*
Available Headroom	**£318m**
Cash & Equivalents	
Cash Accounts	£5m
Liquidity Funds	£34m
	£39m
Committed Liquidity Facilities	
Debt Service Reserve	£170m
Operating & Maintenance	£90m
	£260m
Total available liquidity	**£617m**

- Seek to maintain £250m minimum projected headroom between revolving credit facility and available cash and equivalents
- Current drawings to facilitate timing of debt repayment
- Surplus cash held in mix of highly-rated bank deposits and AAA-rated MMFs
- Revolving credit facility replaced in Nov 2022 with £480m facility (*)
  - Five year facility with option to extend for a further year at each of the first and second anniversaries of execution
  - Ability to upsize by up to £180m should it be appropriate

Source: Management analysis as at 30 September 2022 except where stated

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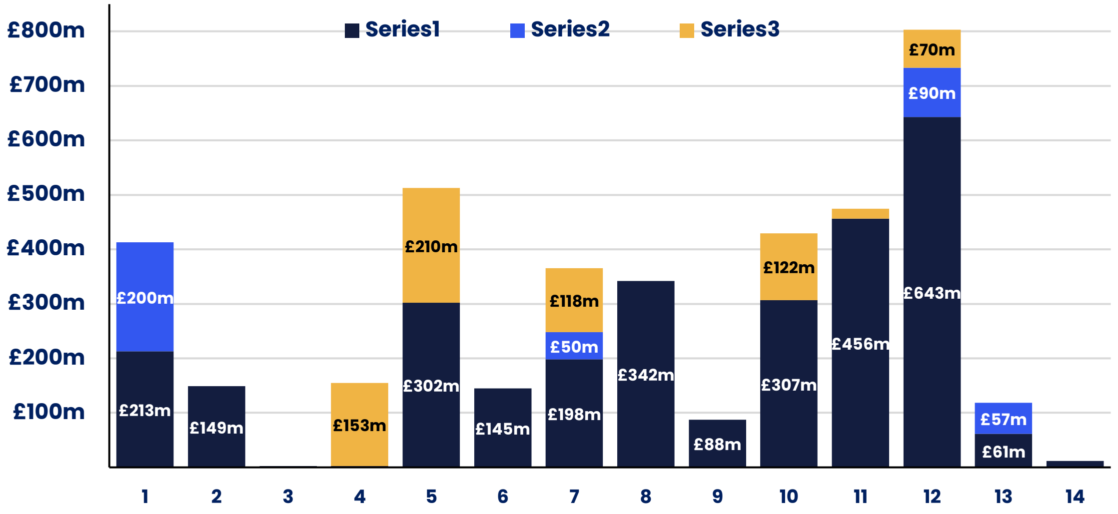
Debt maturities

- Bond and swap accretion liabilities of circa £450m fall due in the current financial year
- Current weighted average life of debt portfolio is just under 14 years
- £230m borrowings repaid during 2021/22 partly refinanced in August 2022 with £100m CPI bilateral loan
- c£560m of debt maturing in rest of AMP7; average cash cost of maturing bonds and notes is c.4.9%
- Further c.£300m additional funding requirement currently forecast for AMP7 including additional storm overflow investment announced recently



Source: Management analysis as at 30 September 2022:

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*

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YW credit summary

- A well run and robust regulated monopoly managed for the long-term
- Growing inflation-linked cash flows generated by our core monopoly services
- Underpinned by transparent, stable and consultative regulation
- Committed to delivering for customers, society and the environment
- Board, CEO and leadership team focussed on driving operational and financial business improvements
- Supportive and committed shareholders
- WBS financing package provides lenders with material credit protections

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Q&A

Appendix
Yorkshire Water at a Glance

Yorkshire Water Executive Directors & Chair

Nicola Shaw
CEO

- Appointed as CEO of Yorkshire Water in May 2022
- Also serves as CEO for Kelda Holdings Limited
- Brings extensive experience in regulated infrastructure: UK Executive Director for National Grid; Chief Executive of High Speed 1: and a director of First Group
- Also serves as a non-executive director (NED) of International Airlines Group

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
- Due to step down this financial year and will be replaced by Paul Inman, the current financial director of the Air Sector at BAE Systems

Vanda Murray
Chair

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

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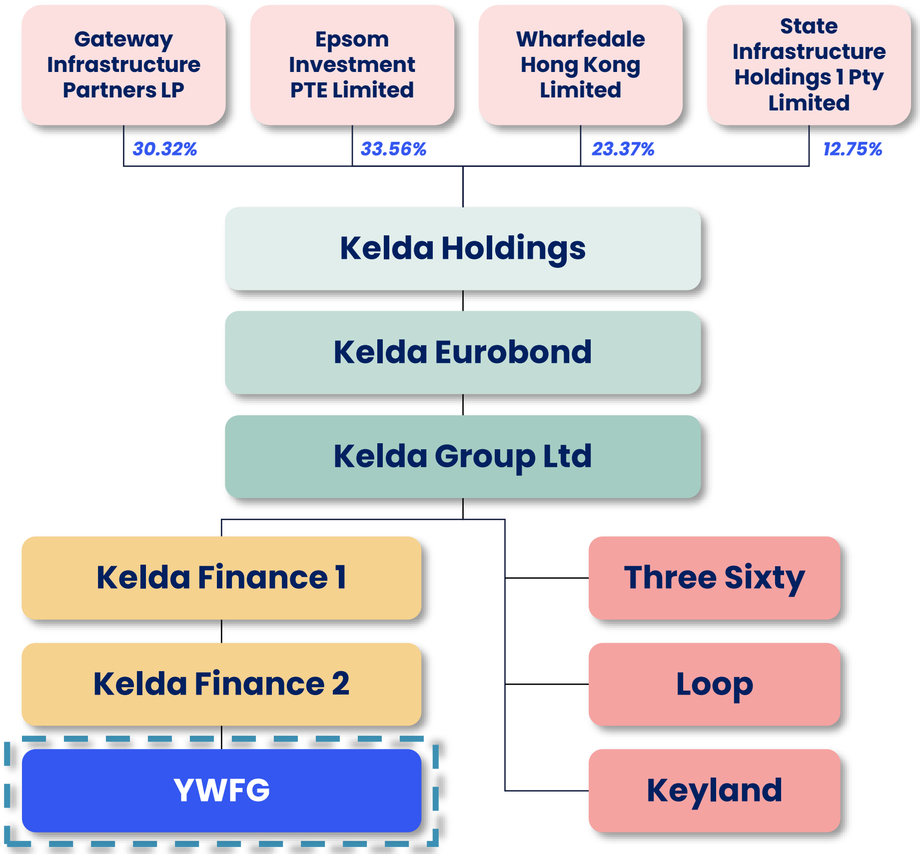
Yorkshire Water overview

	Group	
Regulated Capital Value as at 30 September 2022	£8.24bn	
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 Serviced	Household 2.2m Non-household 0.1m	Household 2.0m Non-household 0.1m
Businesses Served	140,000	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

YorkshireWater

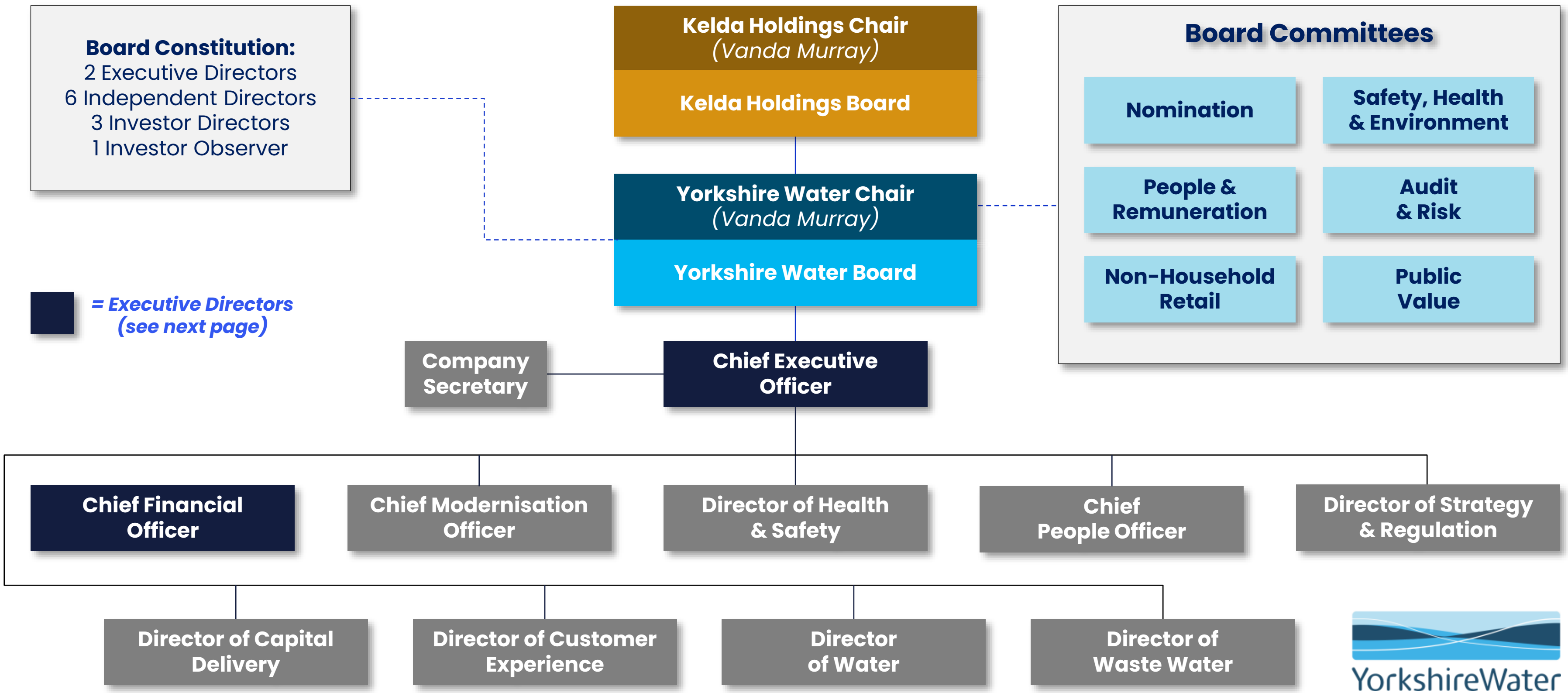
Group Corporate Structure



- Kelda Holdings owned by consortium of infrastructure investors and state funds
- Core focus on regulated operating company
- Loop: household customer management
- Keyland: manages, develops and disposes of surplus land assets
- Three Sixty: Dormant following non-household retail customer book disposal to Business Stream
- Kelda holdco debt held in Kelda Finance 2

Source: Management, as at 30 September 2022

Group Corporate Governance



Source: Management

Yorkshire Water Finance Group ("YWFG")

Yorkshire Water Services Holdings Ltd

Yorkshire Water Services Ltd

Class A
£1,289m RPI-Linked Swaps
$180m Fixed-FRN USD XCCY Swaps
AU$50m Fixed-FRN AUD XCCY Swap
£430 Fixed-FRN IRS
£45 FRN-Fixed IRS
£50m Fixed Loans
£100m Fixed GBP USPPs
£40m Finance Leases
£225m** CPI-Linked Loans

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

Yorkshire Water Finance Plc

Class A
£2,251m Fixed Bonds
$180m 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
£200m Fixed-FRN NC2023 Bonds

Yorkshire Water Services Finance Ltd

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

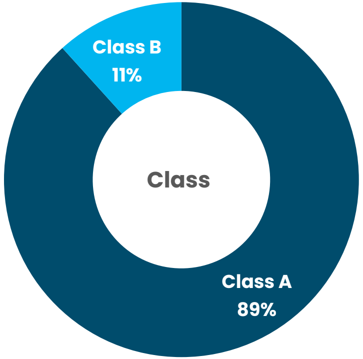
Supported by:

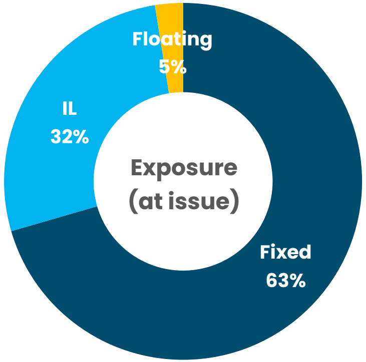
- £560m Revolving Credit Facility*
- £170m DSR Liquidity Facility
- £90m O&M Liquidity Facility

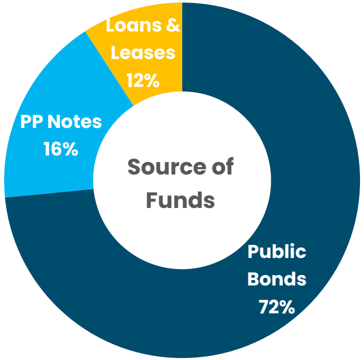
** Replaced by £480m Facility signed 29 November 2022.* *** Outstanding at time of issue.*
Source: Management analysis as at 30 Sept 2022

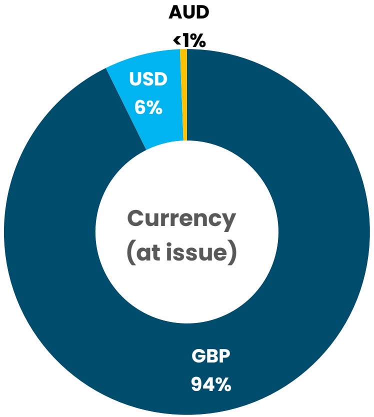
YorkshireWater

Debt breakdown









Source: Management analysis as at September 2022. Exclude RCF, index-linked swaps and accretion.

Derivatives

Index Linked Swaps		Notional Value
With Breaks (break date)	PAYG	£m
2025	N	23.4
2028	N	88.5
2028	Y	217
2030	N	117.5
2033	N	15.4
2033	Y	25.9
Sub total - IL Swaps with breaks		292.4
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	Notional Value
by Type	£m
Floating to Fixed Vanilla Swaps (no breaks)	45.0
Fixed to Floating Vanilla Swaps (no breaks)	250.0
Fixed to Floating Vanilla Swap (no breaks) USPP (2029)	90.0
Fixed to Floating Vanilla Swap (no breaks) Class B debt	90.0
Total £ vanilla swaps	475.0

- Mark to market as at 30 September 2022 of approximately £(1.82)bn and fair value c. £(1.58)bn
- 87% / £1.58bn of the MTM relates to future accretion with historical accretion classed as debt
- Active portfolio management to improve interest cover resilience and manage breaks
- 2023 breaks extended by 5-17 years
- Opportunities for transition to CPI(H) under review

Cross-currency swaps (no breaks)	Notional Value
by Maturity	US$m
2021- 2024	455.0
Total US$ cross-currency swaps	455.0
AUD fixed rate bond : cross-currency swap (no break	Notional Value
by Maturity	AUD m
2023	50.0
Total AUD cross-currency swaps	50.0

YorkshireWater

Source: Management analysis as at 30 September 2022

YorkshireWater