Yorkshire Water Financing Group

Investors Report

For the period ended 30 September 2023

YorkshireWater

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- 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 2023.

2. Business overview

In October 2023, YWS submitted its business plan for Asset Management Period 8 (AMP8), which runs from 2025 to 2030, to our regulator Ofwat. It's a plan focussed on delivering the vision of the YW corporate strategy:

'A Thriving Yorkshire, right for our customers and right for the environment'.

As well as planning for medium-term spending, the business remains focused on delivery within the current AMP (AMP7). With 16 months left, YW is in a key stage for many capital projects. Enhancement solutions can take years to design and construct, and significant projects are underway across Yorkshire which will be delivered prior to April 2025. Progress on these projects has been encouraging and benefits to the region will be felt in the coming years.

YW is an integral part of the fabric of the county of Yorkshire, and very aware of the important role it plays in delivering economic, environmental, and societal benefits for the region. The work undertaken in the first half of the 2024 financial year has ensured that performance will continue to improve and maximise the benefits we provide for our customers and the environment over the long-term.

Financial resources

During June 2023, YW financial resilience was strengthened through the receipt of £400m from a parent company, Kelda Eurobond Co. Limited, as partial repayment of an outstanding loan. A further £100m and a subsequent £437m repayment, settling the remaining loan in full, are planned by 2025 and 2027 respectively. Following on from a £4m repayment during the year ended March 2023, this will see YW satisfy the undertaking agreed with Ofwat for repayment of the full £941m loan balance by March 2027.

Total dividends of £17.7m were paid in the six month period to September 2023 (Six month period to September 2022: £38.3m). None of the dividends paid were available to the ultimate shareholders (2022: £nil).

It is not expected that the ultimate shareholders of YW will receive any dividends from the Kelda group during the rest of AMP7. This means ultimate shareholders will have foregone dividends for nine years during AMP6 and AMP7, demonstrating a continuing commitment to invest in improved performance at YW, to protect the environment and to maintain future financial resilience.

Financing activity during the first half of the 2024 financial year has further strengthened YW liquidity through bond issuance net proceeds of £202m and increasing the total available revolving credit facilities from £480m to £710m by November 2023. As at 30 September, YW held liquidity across cash balances and committed credit facilities in excess of 20 months.

3. Business strategy

YW is a regulated water and wastewater company that provides some of life's most essential services, playing a key role in region's health, wellbeing and prosperity. This is delivered by supplying water and wastewater services and being custodians of essential infrastructure and the natural environment.

YW is regulated to act in the best interests of the society that the Company serves by four main authorities: Ofwat; the EA; the Drinking Water Inspectorate (DWI) and the Health and Safety Executive (HS&E).

In October 2023, YW submitted its PR24 business plan to Ofwat, consisting of £7.8bn of investment in services and assets in the next five-year price control period, AMP8 (up from £4.2bn in AMP7).

It has been a priority for the YW team to ensure that the business plan directs investment to the areas that matter most to customers and stakeholders. While a large majority of proposed investment is mandated by regulators on the wider sector, YW also submitted a smaller amount for additional enhancement programmes with local support. These additional schemes include improvements at all designated bathing waters in the county, investment in flood reduction for Hull, and making significant steps towards reaching net zero.

Delivering the plan will come at a cost and YW remains aware of the need to balance investment in water systems with ensuring bills are affordable for customers. The business plan, if approved, would see average customer bills rise to £553 per annum on average, with a £81 increase in the first year, equivalent to £6.75 per month.

YW remains committed to our financial support programmes and will extend these in the next AMP to help even more people who may be struggling financially. Under the business plan, almost half a million customers will receive financial support between 2025 and 2030, a further 280,000 customers will be provided with help directly for their water bills and the company will implement £250m of targeted bill reductions across the five years. As part of this YW will increase support for customers who are struggling financially by 25%.

YW shareholders have also committed to supporting the aims of the business through further funding to deliver our plans to help Yorkshire thrive. This includes £100m of funding before end of March 2025 and a further £437m before end of June 2027.

Submitting the business plan is the first step and we will now await Ofwat comment as they review and compare plans across the industry. Draft determinations are expected by June 2024 and final determinations in December 2024.

4. Operational performance

Performance commitments (PCs) are the 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. Since 2020 YW has improved performance across the vast majority of these commitments, but understands that there is more to do.

Fortunately, this Summer, YW did not experience a repeat of the drought faced in 2022. However, the need remains to continue to improve the resilience of clean water networks, and it is pleasing that we are on target to meet the regulatory PC on leakage reduction. Improvements have also been seen in water demand (per capita consumption) and supply interruptions.

The wastewater side of the business is on track to meet PCs on pollution incidents, sewer collapses and treatment work compliance.

Improvements are being prioritised in asset health PCs, the resilience of the network and the prevention of service failures. These are all issues that customers tell us are important to them, and we understand how important it is for us to respond to their concerns.

The drought in 2022, followed by a wet 2023, has demonstrated again the need for the water sector to invest in the resilience of networks against extreme weather events. We are doing that in this AMP and have exciting plans for AMP8.

5. Financial performance

The key financial performance indicators for the six months ended 30 September 2023 are as follows:

	Period ended 30 September 2023	Periods ended 30 September 2022	Change
Revenue	£613.2m	£577.2m	6.2%
Operating costs	£(474.7)m	£(453.2)m	4.7%
Operating profit	£138.5m	£124.0m	11.7%
Profit after tax	£173.7m	£698.7m	(75.1%)
Adjusted profit/(loss)[1]	£6.0m	£(55.9)m	110.7%
Adjusted EBITDA[2]	£315.2m	£297.5m	5.9%

[1] *Adjusted profit/(loss) (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 6.2% to £613.2m (six month period ended 30 September 2022: £577.2m) which is largely a result of the inflationary annual price increase.

Operating costs have increased by 4.7% to £474.7m (six month period ended 30 September 2022: £453.2m, driven by inflationary cost increases, principally relating to energy prices. In the comparative six month period to 30 September 2022 YW incurred approximately £13m of atypical drought and £1.8m of severance costs. As such, underlying operating expenses have increased by 8.3% year on year. As a result, operating profit has increased in the period to £138.5m (six month period ended 30 September 2022: £124.0m).

Adjusted EBITDA has increased 5.9% to £315.2m (six month period ended 30 September 2022: £297.5m).

Net interest payable has decreased to £130.2m (six month period ended 30 September 2022: £176.5m) driven by a lower non-cash indexation uplift on inflation linked debt. Whilst inflation indexes are higher, the change in the rate of inflation has been lower than in the prior year period, resulting in a reduced uplift. In addition, interest receivable has risen due to both increased market interest rates, and higher average cash balances held during the period compared to the prior period.

The net fair value movement on financial instruments is a credit of £223.5m (six month period ended 30 September 2022: £1,014.6m credit), primarily representing a non-cash decrease in the net liability valuation of inflation linked swaps.

YW is therefore reporting a profit after tax for the six month period ended 30 September 2023 of £173.7m (six month period ended 30 September 2022: £698.7m profit). This represents an adjusted profit for the six month period ended 30 September 2023 of £6.0m (six month period ended 30 September 2022: £55.9m loss).

6. Director and Leadership Team changes

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

Zoe Burns-Shore stepped down from her role as Director of Customer Experience and left the business in April 2023. Zoe made significant improvements to the customer experience function during her time. Imran Patel, currently Director of Home Services at Sky, will join YW on 2 January 2024 as the new Director of Customer Experience. Imran brings with him a wealth of experience in all things customer and transformation. He spent over 18 years at BT in various roles focussed on leading field teams, contact centres and other service related departments; most recently his work for Sky has focussed on leading the Home Services business ensuring that Sky products are delivered into homes across the UK, managing both the field teams and support services teams.

Neil Dewis stepped down as Director of Water in October 2023. Over his 22 years at YW, Neil helped the Company through some exceptionally challenging times and built a great team of dedicated water specialists. Dave Kaye, former Chief Operating Officer at Abellio Group has joined the Company as Neil's successor. Dave, a native Yorkshireman, has worked in different roles within the transport industry during his career.

In October 2023 it was announced that Chris Offer, Director of Strategy and Regulation, will be leaving the Company in January 2024 to embark on a new challenge with Southern Water. Chris drove YWs exciting plans for PR24 and helped to move forward long term delivery plans during his 2.5 years with the Company. John Thomas, currently Director of Policy at Rail Partners, will join YW as the new Director of Strategy and Regulation in January 2024. John is a policy and regulation specialist with over 30 years' experience, including roles at the Rail Delivery Group, Etihad Rail, the Office of Rail Regulation, and at the consultancy Halcrow.

After nine years as an Independent Non-Executive Directors, Ray O'Toole left the YW Board in July 2023. Ray joined the Board in 2014 and served for five years as Senior Independent Director between 2017 and 2022. Ray brought valuable experience to the Board, particularly from roles in the transport sector including as UK CEO for National Express plc and Chair of Stagecoach plc.

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 2023.

8. Regulated capital investment

Capital expenditure in the period to 30 September 2023 was £307.2m (30 September 2022: £226.8m). The 35% increase is primarily due to the stage of YW's capital delivery programme within the AMP. The WINEP programme remains focussed on hitting agreed completion dates towards the end of the AMP.

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.

In June 2023, Yorkshire Water announced its contract requirements to deliver its capital programme for the AMP8 and potentially AMP9 periods. The overall contract strategy comprises an extension of the infrastructure frameworks, the creation of two non-infrastructure frameworks (one for complex and one for minor works) and a new Storm Overflow Alliance to deliver the storm overflows programme. 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 are progressing well, with positive market interest to date. Contract extensions will be concluded by March 2024 and new contracts entered into by September 2024.

The Wastewater network repair and maintenance contract is due for replacement from April 2025 and work has commenced to confirm the optimal commercial approach. Procurement for this is due to commence in summer 2024.

10. Financing

In June 2023, the Company received £400m of funding from shareholders, effected by the partial paydown of an intercompany loan from Kelda Eurobond Co Limited.

A combined net proceeds of £202m were then raised in July 2023 through tap issuances against two sustainable bonds with 2035 and 2041 maturity dates.

Also in July 2023, the Company entered into a new £80m committed credit facility with a three-year term and options to extend for a further year at each of the first, second and third anniversaries of execution.

During the six months to 30 September 2023, total commitments on the Company's RCF were increased from £480m to £600m and further increased to £630m during November. There remains the ability to upsize the facility by a further £30m. An option was exercised during November to extend the term of facility by 12 months to November 2028. A further 12 month extension option is available at the second anniversary of execution in November 2024.

During September 2023, the Company:

- Managed accrued accretion balances within CTA limits through the voluntarily early termination of two Inflation linked swaps with notional value of £176.9m that were due to mature in February 2026.

- Entered into new RPI to CPI swaps with a notional value of £300m, maturing in 2030, to hedge basis risk exposure on the RCV indexation.

- Entered into new fixed to floating interest rate swaps with a notional value of £1bn, maturing in 2025, which have the impact of fixing the floating receive legs of the Company's inflation linked swaps until the end of AMP7. Consequently, the current level of fixed and inflation linked debt held by the Company has reduced to approximately 92%.

Sustainable Finance

YW launched its Sustainable Finance Framework (the Framework) in January 2019 and to 30 September 2023 the Company has raised £2.1bn 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 2023 was released in October 2023 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 2023 (excluding energy swaps):

Swap Type	Notional Value	MtM	Fair Value	Hedging	Designated Hedge
Inflation Linked	£1,112m	£(1,548.7)m	£(1,304.0)m[1]	Inflation linked income	No
RPI to CPI	£300m	£(1.2)m	£(1.2)m	Inflation basis risk	No
Fixed to Floating Interest Rate	£1,000m	£3.9m	£4.0m	Fixed debt	No
Fixed to Floating Interest Rate	£430m	£(50.4)m	£(51.2)m	Fixed rate bonds	Yes
Floating to Fixed Interest Rate	£45m	£(3.3)m	£(3.2)m	N/A[3]	No
Cross Currency	USD180m	£33.1m	£33.3m	USD USPP notes	Yes
	Total	**£(1,566.6)m**	**£(1,322.3)m**		

[1] *Fair Value of Inflation Linked swaps includes £64.4m 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 2023, the total Mark to Market (MtM) was £(1,566.6)m, reflecting a reduction of £444.2m since the valuation of £(2,010.8)m at 31 March 2023.

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

The maturity profile of the non-inflation linked portfolios is:

RPI to CPI Swaps (no breaks)	Notional Value	MtM
by Maturity	**£m**	
2030	300.0	£(1.2)m
Total RPI to CPI swaps	**300.0**	**£(1.2)m**

Interest Rate Swaps (no breaks)	Notional Value	MtM
by Maturity	**£m**	
2025[1]	1,000.0	£3.9m
2029[2]	340.0	£(39.2)m
2030[3]	20.0	£(1.6)m
2032[3]	25.0	£(1.7)m
2033[2] (Class B)	90.0	£(11.2)m
Total £ vanilla swaps	**1,475.0**	**£(49.8)m**

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

Cross Currency Swaps (no breaks)	Notional Value	MtM
by Maturity	**USDm**	
2023	150.0	£27.6m
2024	30.0	£5.5m
Total USD cross currency swaps	**180.0**	**£33.1m**

The maturity profile of the inflation linked portfolio is:

Break Date	Maturity Date	Notional	MtM	Accretion
None				
	2038	£144.5m	£(135.2)m	£(142.3)m
	2041	£15.4m	£(18.8)m	£(19.7)m
	2043	£318.6m	£(451.0)m	£(387.9)m
	2048	£225.5m	£(341.3)m	£(355.2)m
	2063	£115.5m	£(334.8)m	£(124.7)m
		£819.6m	*£(1,281.0)m*	*£(1,029.8)m*
2025				
	2038	£8.0m	£(4.0)m	£(8.8)m
	2043	£15.4m	£(9.1)m	£(17.3)m
		£23.4m	*£(13.1)m*	*£(26.1)m*
2028				
	2043	£57.4m	£(80.6)m	£(57.7)m
	2048	£7.2m	£(8.6)m	£(9.6)m
	2058	£22.6m	£(43.8)m	£(30.6)m
	2063	£23.0m	£(48.9)m	£(32.5)m
		£110.2m	*£(181.9)m*	*£(130.3)m*
2030				
	2038	£19.4m	£0.0m	£(17.6)m
	2043	£31.3m	£4.5m	£(30.2)m
	2048	£41.0m	£7.2m	£(41.2)m
	2058	£12.8m	£3.2m	£(13.8)m
	2063	£13.0m	£6.5m	£(14.3)m
		£117.5m	*£21.4m*	*£(117.1)m*
2033				
	2048	£5.1m	£(12.2)m	£(8.2)m
	2058	£18.0m	£(38.5)m	£(34.9)m
	2063	£18.2m	£(43.3)m	£(38.1)m
		£41.3m	*£(94.1)m*	*£(81.3)m*
		£1,112.1m	**£(1,548.7)m**	**£(1,384.6)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 2023, the total Mark to Market (MtM) of ILS was £(1,548.7)m, of which £(1,384.6)m (89.4%) 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 Interims and included as indebtedness when calculating gearing for covenants reported under the Finance Documents.

Commodity Price Risk

YW is exposed to commodity price risk, especially energy prices. The risk is managed by fixing contract prices where possible and operating within an energy purchasing policy designed to manage price volatility risk. Currently, 93% of YW's wholesale energy costs for AMP7 baseload requirements are fixed, including 100% for the year to 31 March 2024, through a combination of forward commodity hedges and financial energy swaps. From October 2023, 20% of the forward baseload position will be met through a Corporate Power Purchase Agreement with a UK wind farm development. The percentage figures are presented relative to the purchased baseload volume. YW leaves an additional 10% of the total purchased electricity volume to the Day Ahead index to make allowances for variations in volume due to operational factors.

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 2023
Moody’s	Baa2	Ba1	Stable	January 2023
S&P	A-	BBB	Negative	November 2022

There were no changes to ratings in the six months to 30 September 2023.

The credit ratings reports for all three of the ratings agencies that assign credit ratings to the YWFG can be found within the Investors section of the Kelda Group website at www.keldagroup.com.

12. Surplus

YW’s Board and ultimate shareholders are committed to ensuring compliance with its covenanted financial ratios and, where possible and appropriate, to maintain its current ratings via, amongst other things, the retention of distributions and other balance sheet strengthening measures as and when it is prudent to do so.

During AMP7, as set out in YW’s business plans for PR19, dividends will be determined in line with the following policy:

- Deliver a base dividend from a set yield that recognises the management of economic risks and capital employed.

- Adjust the base dividend to reflect and recognise in-the-round company performance and benefit sharing from service and efficiency performance, particularly performance against relevant targets set in the determination of price limits; the continuing need for investment of profits in the business and the funding of employee interests.

- Transparency in the calculation and payment of dividends and clear justification for payment in relation to the factors outlined above.

- Where it is foreseeable there will be sufficient profits available for distribution and, subject to appropriate financial resilience testing, to continue to pay dividends consistent with the policy.

Prior to the 2023 financial year the YW Board considered and agreed a number of clarifications to the application of the dividend policy given Ofwat guidance on financial resilience. Prior to approval of any dividends the Board considers a number of factors, including but not limited to: delivery of performance commitments that incorporate incentive-based rewards and penalties; circumstances where performance has exceeded or not met targets, customer service, or environmental performance; and the ability to maintain financial resilience.

Total dividends of £17.7m were paid in the six month period to September 2023 (Six month period to September 2022: £38.3m). None of the dividends paid were available to the ultimate shareholders (2022: £nil), as they continue to support the Company's financial resilience.

13. Bank and liquidity facilities held by the YWFG

YWFG had a combination of cash and committed undrawn facilities totalling £1,078.6m at 30 September 2023. This comprised £982.0m undrawn facilities and £96.6m of cash and cash equivalents. The cash and cash equivalents balance comprised £89.9m Authorised Investments and £6.7m operating bank account balances.

At 30 September 2023, there were no amounts drawn on the Company's £600.0m RCF, £80.0m committed credit facility, £120.0m O&M liquidity facility or £182.0m DSR liquidity facility.

14. Non-Participating YWSF Bond Reserve

The balance on the Non-Participating YWSF Bond Reserve at 30 September 2023 was £0.6m.

15. Authorised Investments

Authorised Investments at 30 September 2023 totalled £89.9m. This comprised £39.8m invested in various AAA rated low volatility net asset value money market funds, £16.5m in a term deposit with an AA rated bank, and £33.6m in terms deposits with two A rated banks (including £0.6m standing to the credit of the Non-Participating YWSF Bond Reserve). Term deposits had maturities of three months or less.

16. Ratios

The YWFG confirms that in respect of the Calculation Date on 30 September 2023, 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	30/09/2023 Actual	31/03/2024 Forecast	31/03/2025 Forecast
Class A RAR	67.8%	68.0%	70.3%
Senior RAR	71.6%	71.8%	74.1%

Test Period	31/03/2024 Forecast	31/03/2025 Forecast
Class A ICR	5.48x	4.30x
Class A Adjusted ICR	5.48x	4.30x
Senior Adjusted ICR	4.82x	3.93x
Class A Average Adjusted ICR	4.73x	4.73x
Senior Average Adjusted ICR	4.23x	4.23x
Conformed Class A Adjusted ICR	1.65x	1.71x
Conformed Senior Adjusted ICR	1.45x	1.56x
Conformed Class A Average Adjusted ICR	1.69x	1.69x
Conformed Senior Average Adjusted ICR	1.51x	1.51x
Re-profiled Class A ICR	5.34x	4.13x
Re-profiled Class A Adjusted ICR	1.51x	1.54x
Re-profiled Senior Adjusted ICR	1.33x	1.41x
Re-profiled Class A Average Adjusted ICR	1.54x	1.54x
Re-profiled Senior Average Adjusted ICR	1.38x	1.38x

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		31/03/2024	31/03/2025
Class A and Adjusted ICR		**Forecast**	**Forecast**
Net Cash Flow divided by	£m	603.9	709.1
Class A Debt Interest	£m	110.3	165.1
Class A ICR	**times**	**5.48**	**4.30**
Net Cash Flow	£m	603.9	709.1
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	603.9	709.1
Class A Debt Interest	£m	110.3	165.1
Class A Adjusted ICR	**times**	**5.48**	**4.30**
Net Cash Flow	£m	603.9	709.1
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	603.9	709.1
Senior Debt Interest	£m	125.2	180.5
Senior Adjusted ICR	**times**	**4.82**	**3.93**
Year 1 Class A Average Adjusted ICR	times	4.42	4.42
Year 2 Class A Average Adjusted ICR	times	5.48	5.48
Year 3 Class A Average Adjusted ICR	times	4.30	4.30
Class A Average Adjusted ICR	**times**	**4.73**	**4.73**
Year 1 Senior Average Adjusted ICR	times	3.95	3.95
Year 2 Senior Average Adjusted ICR	times	4.82	4.82
Year 3 Senior Average Adjusted ICR	times	3.93	3.93
Senior Average Adjusted ICR	**times**	**4.23**	**4.23**

Test Period Conformed ICR		31/03/2024 Forecast	31/03/2025 Forecast
Net Cash Flow	£m	603.9	709.1
Less RCV run off (Depreciation)	£m	(339.4)	(346.6)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(82.4)	(80.8)
Fast/Slow Adjustment	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	182.1	281.8
Class A Debt Interest	£m	110.3	165.1
Conformed Class A Adjusted ICR	**times**	**1.65**	**1.71**
Net Cash Flow	£m	603.9	709.1
Less RCV run off (Depreciation)	£m	(339.4)	(346.6)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(82.4)	(80.8)
Fast/Slow Adjustment	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	182.1	281.8
Senior Debt Interest	£m	125.2	180.5
Conformed Senior Adjusted ICR	**times**	**1.45**	**1.56**
Year 1 Conformed Class A Average Adjusted ICR	times	1.71	1.71
Year 2 Conformed Class A Average Adjusted ICR	times	1.65	1.65
Year 3 Conformed Class A Average Adjusted ICR	times	1.71	1.71
Conformed Class A Average Adjusted ICR	**times**	**1.69**	**1.69**
Year 1 Conformed Senior Average Adjusted ICR	times	1.53	1.53
Year 2 Conformed Senior Average Adjusted ICR	times	1.45	1.45
Year 3 Conformed Senior Average Adjusted ICR	times	1.56	1.56
Conformed Senior Average Adjusted ICR	**times**	**1.51**	**1.51**

Test Period Re-profiled Class A ICR		31/03/2024 Forecast	31/03/2025 Forecast
Net Cash Flow	£m	603.9	709.1
Profiling (Revenue Re-profiling) Adjustment	£m	(15.3)	(28.0)
Re-profiled Net Cash Flow	£m	588.6	681.1
Class A Debt Interest	£m	110.3	165.1
Re-profiled Class A ICR	**times**	**5.34**	**4.13**
Net Cash Flow	£m	603.9	709.1
Less Depreciation (RCV run off)	£m	(339.4)	(346.6)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(82.4)	(80.8)
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(15.3)	(28.0)
Re-profiled Adjusted Net Cash Flow divided by	£m	166.8	253.8
Class A Debt Interest	£m	110.3	165.1
Re-profiled Class A Adjusted ICR	**times**	**1.51**	**1.54**
Net Cash Flow	£m	603.9	709.1
Less Depreciation (RCV run off)	£m	(339.4)	(346.6)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(82.4)	(80.8)
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(15.3)	(28.0)
Re-profiled Adjusted Net Cash Flow divided by	£m	166.8	253.8
Senior Debt Interest	£m	125.2	180.5
Re-profiled Senior Adjusted ICR	**times**	**1.33**	**1.41**
Year 1 Re-profiled Class A Average Adjusted ICR	times	1.58	1.58
Year 2 Re-profiled Class A Average Adjusted ICR	times	1.51	1.51
Year 3 Re-profiled Class A Average Adjusted ICR	times	1.54	1.54
Re-profiled Class A Average Adjusted ICR	**times**	**1.54**	**1.54**
Year 1 Re-profiled Senior Average Adjusted ICR	times	1.41	1.41
Year 2 Re-profiled Senior Average Adjusted ICR	times	1.33	1.33
Year 3 Re-profiled Senior Average Adjusted ICR	times	1.41	1.41
Reprofiled Senior Average Adjusted ICR	**times**	**1.38**	**1.38**

Test Period Gearing		30/09/2023 Actual	31/03/2024 Forecast	31/03/2025 Forecast
Class A debt	£m	6,170.5	6,370.3	6,631.9
Less Cash balances	£m	(95.3)	(157.8)	(150.0)
Class A Net Debt	£m	6,075.2	6,212.5	6,481.9
Class B debt	£m	341.1	343.9	350.7
Senior Net Debt	£m	6,416.3	6,556.4	6,832.6
Regulatory Capital Value (RCV)	£m	8,960.3	9,136.0	9,218.0
Class A RAR	**%**	**67.8%**	**68.0%**	**70.3%**
Senior RAR	**%**	**71.6%**	**71.8%**	**74.1%**

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	30/09/2023 Actual
		£m
YWS net debt at 30 September 2023	Note 6 to YWS's Interims	5,293.5
Net amounts owed from group companies	Note 6 to YWS's Interims	537.2
Fair value adjustment to amounts owed to subsidiary companies	Note 6 to YWS's Interims	16.2
Unamortised issue costs	Note 6 to YWS's Interims	119.2
Intercompany loans to / (from) other members of the YWFG that reverse on consolidation	Note 6 to YWS's Interims	(9.2)
RPI-accretion accrued	Note 6 to YWS's Interims	459.4
Senior Net Indebtedness		**6,416.3**
of which Class A Net Indebtedness		**6,075.2**

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

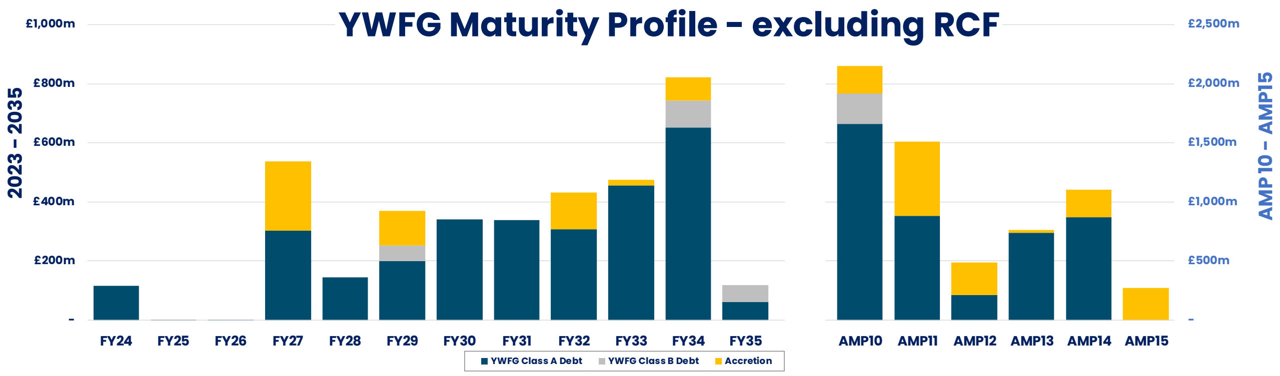
Paul Inman
Director

17. Appendix

17.1 YWFG Capital Structure at 30 September 2023

*Source: Management analysis as at 30 September 2023. * Outstanding at time of issue.*

17.2 YWFG Debt Maturity Profile at 30 September 2023



Source: Management analysis as at 30 September 2023

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/(loss)

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

	Period ended 30 September 2023 £m	Period ended 30 September 2022 £m
Profit before tax	**231.8**	962.1
Deduct net interest and fair value movements	**(93.3)**	(838.1)
Operating profit	**138.5**	124.0
Add back depreciation and impairment	**155.1**	155.6
Add back amortisation of intangible assets	**21.6**	16.1
EBITDA including exceptional items	**315.2**	295.7
Add back exceptional items	**-**	1.8
Adjusted EBITDA	**315.2**	297.5

Adjusted profit/(loss) for the period is calculated as follows:

	Period ended 30 September 2023 £m	Period ended 30 September 2022 £m
Profit before taxation	**231.8**	962.1
Add back exceptional items	**-**	1.8
Deduct net fair value credit	**(223.5)**	(1,014.6)
Adjusted profit/(loss) before the effects of taxation	**8.3**	(50.7)
Effects of taxation*	**(2.3)**	(5.2)
Adjusted profit/(loss)	**6.0**	(55.9)

* 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 3 for the deferred tax associated with the adjusting items noted above.

Contact Details

For further information regarding this Investors Report please contact:

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YorkshireWater