Yorkshire Water Financing Group

Investors Report

For the year ended 31 March 2025

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 audited Yorkshire Water Services Limited (YW or the Company) Annual Report and Financial Statements (ARFS) for the year ended 31 March 2025.

2. Business overview

During the financial year ended March 2025, YW made its largest ever annual investment in the region, completing projects that will reduce sewer discharges, improve wastewater treatment works, enhance water supplies, and lessen impact on bathing waters.

The year also saw the conclusion of the 2025 to 2030 business plan process, which will enable YW to continue investing record amounts in Yorkshire's water infrastructure and make further progress towards achieving the YW vision of 'a thriving Yorkshire, right for customers, right for the environment.'

Investment is key to improving performance and delivering for our customers and Yorkshire. The £889.8m (2024: £684.6m) of capital expenditure last year was the largest ever investment in Yorkshire's water and wastewater networks.

That programme of investment included the delivery of significant projects, including the £60m phosphorus removal scheme at the Knostrop wastewater treatment works. Major schemes like these can be complex to deliver, but when completed they enable delivery of better performance every day for the environment and customers.

YW also faced a number of challenges, with performance against regulatory targets falling short in key areas, and the receipt of a significant fine for historic service failures. It is important that we learn where things have gone wrong, and the YW team has action plans to drive performance improvements and ensure compliance with regulatory requirements.

PR24 Final Determination

YW was pleased to secure regulatory support in the year for the AMP8 Business Plan, which will enable delivery of what is right for Yorkshire and our customers over the next five years.

Following the submission of the Business Plan in October 2023, Ofwat's Final Determination in December 2024 endorsed a significant rise in overall expenditure to £8.3bn across the five-year period, allowing greater investment in areas that matter to customers and stakeholders. It was particularly pleasing that this was the same expenditure amount that was proposed by YW in its Business Plan.

Over the next five years, YW will be spending an average of £3.2m every day on improving water services, tackling pollution and making sure the region's infrastructure is fit for the future.

Building on the strong foundations of the YW Storm Overflow Reduction Plan, the £1.5bn storm overflow programme over the next five years aims to reduce storm overflow discharges from an average of 34 to 16 per year, improving over 450 storm overflows. YW will also spend a further £361million to reduce phosphorous levels in final effluent across over 80 sites in Yorkshire, including Naburn, Wombwell, and Harrogate South.

YW is targeting improved performance by making its network smarter and more intelligent, enabling 24-hour central control teams to access live network performance information, spotting problems before they occur, and taking action sooner. To support these efforts, YW is installing 92,000 new monitoring devices on its wastewater network, and plans to deliver a 25% reduction in internal and external sewer flooding over the next five years. This year alone, initiatives include replacing 225 kilometres of water mains, installing 200,000 smart meters, and enhancing pressure management across key areas of the network.

While the Board had reservations with the overall balance of risk and return in the Final Determination and Ofwat's approach to some issues, it decided in February not to request a referral of Ofwat's decision to the Competition and Markets Authority. Instead, the Board chose to focus the company's efforts on delivering the AMP8 investment programme and advancing service and environmental enhancements for customers.

Regulatory matters

This year saw the conclusion of a three-year investigation by Ofwat into the management of the YW wastewater treatment works and networks. This investigation is sector-wide and YW was one of the first three companies investigated.

Much has been done to improve wastewater management since the investigation began and YW was pleased that this was acknowledged by Ofwat in its conclusions. YW accepts that there is still more to do and has agreed with Ofwat to invest an additional £40 million in improving the quality of rivers in Yorkshire over the next five years, including £36.6m to be invested to reduce discharges from storm overflows across Yorkshire and improve river health; and £3.4m of support to the Great Yorkshire Rivers Partnership to clear artificial barriers in Yorkshire's rivers and support increased biodiversity.

In addition, YW has committed to sharing ongoing improvement plans with Ofwat in October this year and was pleased that this commitment to improvement was recognised by Ofwat in its announcement of the agreed undertakings in March 2025.

Following the General Election in June 2024, the water sector has been a high priority for the new Government, with the introduction of the Water (Special Measures) Act, passed in February this year, and the launch of the Independent Water Commission, led by Sir Jon Cunliffe, to review regulation in the water sector.

This ongoing review of the regulatory framework has been a key area of focus for YW and the Company will continue to engage with the Commission and the Government as it takes forward reforms in due course. YW will engage with policymakers and stakeholders as appropriate to ensure the proposed changes align with the needs of customers and the environment, while fostering a more efficient and collaborative regulatory framework.

Financial resources

As noted in last year's Investor Report, a £100m partial repayment of an outstanding loan balance was received during May 2024 from a parent company, Kelda Eurobond Co Limited. This followed the initial £400m receipt during June 2023. A final £437m repayment, settling the remaining loan, is planned by March 2027, satisfying in full an undertaking agreed by YW with Ofwat.

Total dividends of £52.5m were paid in the year to March 2025 (Year to March 2024: £84.1m). The dividends for the year included distributions of £15.7m (2024: £27.9m) that were subsequently returned to the company in the form of interest receipts on intercompany loans and did not impact the company's liquidity position or its distributable reserves.

None of the dividends in the current year were paid to the shareholders of Kelda Holdings Limited (2024: £Nil), YW's ultimate parent company. Shareholders continue to support the company's financial resilience and improvement plan.

Financing activity during the 2025 financial year included debt issuances totalling £800m, further strengthening YW liquidity. As at 31 March, YW held liquidity across cash balances and revolving credit facilities of £1,201.3m .

YW has no significant debt maturities falling due in the 2026 financial year, with the next debt maturity falling due in November 2026.

3. Business strategy

We provide services to Yorkshire that are essential for life. In 2023, we launched a strategy which sets our vision firmly on helping Yorkshire to thrive, and this remains our vision for the future. During the past financial year we have spent further time reviewing our corporate strategy in detail to ensure it remains fit for purpose. We concluded that the core strategy of "*A thriving Yorkshire, right for customers, right for the environment*" continues to represent what we are striving for, but we did make some refinements to the supporting strategy house for the next five-year period (see Figure 1), including minor updates to the behaviours.

Figure 1: YW strategy for 2025-2030

At Yorkshire Water we are very aware that everything we do has an impact on Yorkshire. We want Yorkshire to thrive, and we want to do what is right for customers and for the environment.

We see ourselves as an anchor institution in the region. Our planned investment over the next five years will help to create and sustain jobs, to support skills development and education, and to work with other organisations to deliver better outcomes across the region. We know that we face many challenges, including a loss of trust in the sector, the effects of climate variability, and the impact of increasing costs, which affects both our business and our customers.

Amongst other things, this year has seen us:

- Doing **right for customers** through the reorganisation of our wastewater response teams into geographical regions and creation of new technical roles within our call centres, to enable faster responses and better identification of issues when customers contact us;

- Doing **right for the environment** through the delivery of over 300 projects under the Water Industry National Environment Programme, to reduce phosphorus in our Yorkshire rivers;

- **Improving asset performance** through almost £890m of investment, including upgrades to sewage pumping stations, improving our water and wastewater treatment works, and creating additional stormwater storage capacity;

- **Creating an engaged high-performing team** through the roll-out of an updated career toolkit across our organisation, to support our people in having careers-based conversations so we can identify how people want to develop and can ensure they are getting the right support; and

- Demonstrating a **joined-up approach** through the start of our new Storm Overflow Alliance, working collaboratively with other organisations to reduce storm overflow discharges through innovation and sharing best practice.

All of this has been done while driving our modernisation programme through to completion, and ensuring our business is on a sustainable footing. This includes a focus on our work being done safely and compliantly, while we continue to ensure we have financial resilience well into the future.

4. Operational performance

Extreme weather events can have a significant impact on the YW networks, and with five named storms in the period from September 2024 to January 2025, and the driest Spring period in some parts of Yorkshire for 90 years, YW saw both sides of weather-related challenges in the past year.

While YW is investing to increase the resilience of its networks, such events can have an impact on resources and overall performance, as YW teams prioritise the delivery of critical day-to-day services.

Previous investment in the YW network, together with future expenditure should help us to be better placed to meet these challenges in the future. Heavy rainfall has the potential to cause capacity issues in the YW sewer networks, leading to the discharge of sewage into waterways as a preventative measure to avoid properties being flooded with sewage. Last year saw the completion of the YW Storm Overflow Reduction Plan, which was launched in 2022 targeting a reduction in overall discharges by 20% by investing £180 million in storm overflow improvements. With all 120 projects now completed, including building extra capacity and removing surface water from the network, YW has already prevented thousands of discharges from assets.

The increased investment programme has provided opportunities to innovate, and the past year has seen the increased use of nature based solutions, including the construction of several wetlands at wastewater treatment works. For example, we commenced work at our wastewater treatment works in South Elmsall, investing £14m to create a wetland spanning over three hectares to improve water quality in Frickley Beck – a tributary of the River Don. These schemes are embedding sustainable practices and the importance attached to improving environmental performance.

During each five-year Asset Management Period ('AMP'), YW is challenged to deliver a range of performance commitments by its regulators, with metrics often becoming steadily more stringent across the five-year period. During 2025, YW improved performance for nine of the 12 key performance commitments compared with the previous financial year. Despite this improving trend, YW only hit regulatory targets for four performance commitments, reflecting the challenges associated with tightening performance commitment levels in many areas.

YW successfully met targets for the Priority Services Register, leakage reduction, mains repairs, and sewer collapses. There was also notable improvements across per capita consumption, supply interruptions, water quality, unplanned outages, and internal sewer flooding, and customer satisfaction however, YW ultimately fell short of meeting performance commitments in these categories. In three areas our performance declined and these were pollution incidents, treatment works compliance, and customer satisfaction.

This level of performance had financial consequences for the company. YW recognises that this is not the standard of service that our customers want. In 2026, the first year of AMP8, YW is seeking to deliver improved performance across all metrics, and is striving for greater customer satisfaction.

Based on performance in the 2024 calendar year, YW expects its Environmental Performance Assessment rating to remain at two-stars. While this is still subject to confirmation by the Environment Agency, this outcome is disappointing and falls short of the level of performance that the YW team is working to achieve.

Looking forward, one of the most critical challenges that YW needs to address is pollution incidents, including the most serious pollution incidents that cause harm to customers and the environment. As part of the YW response to this challenge, the company has instigated a company-wide focus on compliance and adherence to key processes, so that we can achieve '100% compliance, 100% of the time'.

5. Financial performance

The key financial performance indicators for the year ended 31 March 2025 are as follows:

	Year ended 31 March 2025	Year ended 31 March 2024	Change
Revenue	£1,299.4m	£1,227.0m	5.9%
Operating costs	£(975.2)m	£(990.4)m	1.5%
Operating profit	£324.2m	£236.6m	37.0%
Profit after tax	£315.4m	£67.4m	368.0%
Adjusted profit[1]	£83.2m	£13.7m	507.3%
Adjusted EBITDA[2]	£686.4m	£611.9m	12.2%

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

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

Revenue was higher by £72.4m for the year (5.9% increase). This is in line with revenue allowances which rose by around 5.9% due to allowed Consumer Prices Index increases including owner-occupiers' Housing Costs (CPIH) inflation of 4.2%.

Operating costs have decreased by £15.2m from £990.4m to £975.2m in the year (1.5% decrease). Excluding depreciation and amortisation of £362.2m (2024: £375.3m), YW underlying operating costs have decreased slightly from £615.1m in 2024 to £613.0m in 2025 (0.3% decrease). This decrease includes the impact of the lower cost of energy (c£24m); and contracted activity (including repairs and maintenance) (c£9m); offset by increased employee costs (c£12m after capital recharges); charges for bad and doubtful debts (c£9m) following a review of our provision methodology; new water quality permit charges (c£5m); and business rates (c£4m). YW continued to strengthen cost control across the business throughout the year which has mitigated additional operational pressures resulting from severe weather, including five named storms in the period from September 2024 to January 2025, and the driest Spring period in some parts of Yorkshire for 90 years.

Overall, the net impact of the above movements is an increase to EBITDA of £74.5m (12.2% increase) and an increase in operating profit of £87.6m year on year (37.0% increase).

Net interest costs have reduced from a £137.5m charge to a £105.3m credit. This was principally due to a reduction in fair value liabilities recognised on the YW inflation-linked swap portfolio resulting from increases in forecast future interest rates.

YW is reporting a profit for the financial year for 2025 of £315.4m, an increase of 368.0% (2024: £67.4m). This corresponds to an adjusted profit of £83.2m (2024: £13.7m).

6. Director and Leadership Team changes

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

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

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

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

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

Since the year-end, Paul Inman has retired from his role as CFO at Yorkshire Water, leaving the business on 31 May 2025. Paul has achieved a great deal in his short-time with the business and we are extremely grateful for the contribution he has made.

Martin Gee was appointed as the CFO of YW on 1 June 2025. Martin joined YW from Lanes Group, having previously worked in various finance roles within United Utilities for over 18 years. Martin brings strong financial, operational and infrastructure experience to the Board and is a member of the Institute of Chartered Accountants in England and Wales.

One of our investors directors, Russ Houlden, also stepped down from the Board in June 2025, following a change of fund management for one of our ultimate shareholders. Russ has brought much sector expertise to the business and made a significant contribution to our PR24 Business Plan, for which we are very grateful.

7. Permitted Subsidiaries acquired pursuant to a Permitted Acquisition

There were no Permitted Subsidiaries acquired pursuant to a Permitted Acquisition during the year to 31 March 2025.

8. Regulated capital investment

Capital expenditure in the period to 31 March 2025 was £889.8m (31 March 2024: £684.6m). YW continues to see large increases year on year in our capital expenditure. This is due to the phased delivery of the Water Industry National Environment Programme (WINEP) within AMP7 and delivery of other capital schemes with regulatory completion dates in the final year of the AMP.

We anticipate that 2026 expenditure will increase further as we move into AMP 8 with a step change in investment in our infrastructure.

9. Outsourcing

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

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

In support of Operations, a new Wastewater Repair and Maintenance framework, forecast at £550m over 8 years, and a new Developer Services framework were awarded in December 2024, with both going live in April 2025. The Smart Metering programme was also mobilised in April 2025, following a 4 month early start to assist with mobilisation.

10. Financing

In May 2024 the Company received a £100m intercompany loan repayment from Kelda Eurobond Co Limited. This followed a £400m repayment in June 2023. A further £437m plus accrued interest is due by March 2027 to settle the remaining loan in full.

The Company received net proceeds from the following debt issuances during the year:

- £50m drawing of a private placement loan in July 2024;
- £400m sustainability bond issuance in September 2024;
- £100m CPI-linked bond issuance in October 2024; and
- £250m tap issuance in January 2025 against three sustainable bonds with 2030, 2034 and 2035 maturity dates.

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

As noted in the previous Investor Report, the Company took pre-emptive action to address the February 2025 mandatory break date on inflation linked swaps with a total notional value of £23m. An early settlement payment was made in June 2024, cancelling post-February 2025 cash flows. The next tranche of mandatory break dates in the portfolio is February 2028 in relation to swaps with a notional value of £110m.

During September 2023, the Company entered into new RPI to CPIH swaps with a notional value of £350m, maturing in 2030, to hedge basis risk exposure on the RCV indexation.

A further £600m of RPI to CPI swaps, also maturing 2030, were taken out on 8th July 2025. Total RPI to CPI/CPIH hedging undertaken by the Company amounts to £1,250m.

The level of covenanted gearing was 72.6% at March 2025 reflecting the levels of capital expenditure during AMP7. Regulatory gearing was 70.3% at 1 April 2025, meeting the undertaking to Ofwat to be no higher than 72%.

Sustainable Finance

YW launched its Sustainable Finance Framework (the Framework) in January 2019. Since that date and to 31 March 2025 the Company has raised £2.65bn 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 2025 will be released in October 2025. The key information contained within the Allocation Report is assured by a third party, DNV Business Assurance Services UK Limited.

Derivatives Portfolio

YW has the following portfolios of derivatives at 31 March 2025 (excluding energy swaps):

Swap Type	Notional Value	MtM	Fair Value	Hedging	Designated Hedge
Inflation Linked	£1,088.6m	£(1,441.4)m	£(1,193.0)m[1]	Inflation linked income	No
RPI to CPI	£650m	£(1.4)m	£(1.3)m	Inflation basis risk	No
Fixed to Floating Interest Rate	£430m	£(34.0)m	£(33.5)m	Fixed rate bonds	Yes
Floating to Fixed Interest Rate	£45m	£(3.6)m	£(3.5)m	N/A[3]	No
	Total	**£(1,480.4)m**	**£(1,231.3)m**		

[1] *Fair Value of Inflation Linked swaps includes net assets of £60.2m 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 31 March 2025, the total Mark to Market (MtM) was £(1,480.4)m, reflecting a reduction of £302.9m since the valuation of £(1,783.3)m at 31 March 2024.

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

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

RPI to CPI Swaps (no breaks)	Notional Value	MtM
by Maturity		
2030	£650.0m	£(1.4)m
Total RPI to CPI/(H) swaps	**£650.0m**	**£(1.4)m**

Interest Rate Swaps (no breaks)	Notional Value	MtM
by Maturity		
2029[1]	£340.0m	£(25.1)m
2030[2]	£20.0m	£(1.7)m
2032[2]	£25.0m	£(1.9)m
2033[1] (Class B)	£90.0m	£(8.9)m
Total £ vanilla swaps	**£475.0m**	**£(37.6)m**

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

The maturity profile of the inflation linked portfolio is:

Break Date	Maturity Date	Notional	MtM	Accretion
None				
	2038	£144.5m	£(130.9)m	£(137.2)m
	2041	£15.4m	£(18.2)m	£(19.1)m
	2043	£318.6m	£(425.1)m	£(374.2)m
	2048	£225.5m	£(331.5)m	£(342.1)m
	2063	£115.5m	£(299.9)m	£(109.5)m
		£819.6m	*£(1,205.5)m*	*£(982.1)m*
2028				
	2043	£57.4m	£(75.5)m	£(54.1)m
	2048	£7.2m	£(7.8)m	£(9.0)m
	2058	£22.6m	£(37.6)m	£(26.8)m
	2063	£23.0m	£(41.6)m	£(28.2)m
		£110.2m	*£(162.6)m*	*£(118.1)m*
2030				
	2038	£19.4m	£(2.4)m	£(16.9)m
	2043	£31.3m	£0.7m	£(28.3)m
	2048	£41.0m	£4.6m	£(37.3)m
	2058	£12.8m	£3.1m	£(11.6)m
	2063	£13.0m	£6.0m	£(11.9)m
		£117.5m	*£12.0m*	*£(105.9)m*
2033				
	2048	£5.1m	£(11.6)m	£(8.0)m
	2058	£18.0m	£(34.8)m	£(32.6)m
	2063	£18.2m	£(38.8)m	£(35.4)m
		£41.3m	*£(85.2)m*	*£(76.0)m*
		£1,088.6m	**£(1,441.4)m**	**£(1,282.1)m**
			£(1,441.4)m	**£(1,282.1)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 31 March 2025, the total MtM of ILS was £(1,441.4)m, of which £(1,282.1)m (88.9%) represented the present value of forecast accretion payments calculated with reference to prevailing market rates. Historical unpaid accretion on ILS's is reported in YW's statutory financial statements and included as indebtedness when calculating gearing for covenants reported under the Finance Documents.

The ratio of ILS MtM to RCV was 15.2% at 31 March 2025, down from 19.2% at 31 March 2024.

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. As at the date of this report, YW has fully fixed forecast baseload wholesale energy requirements for the year to March 2026 through a combination of forward commodity hedges and financial energy swaps. YW leaves up to 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 latest publication
Fitch	BBB+	BBB-	Stable	April 2025
Moody's	Baa2	Ba1	Stable	February 2025
S&P Global	BBB+	BBB-	Stable	February 2025

On 12 November 2024, S&P Global placed its rating on negative outlook pending publication of Ofwat's Final Determination in December 2024. On 18 February 2025, S&P downgraded its ratings of Class A and Class B debt to BBB+ and BBB- respectively and changed the outlook to stable.

On 13 November 2024, Moody's affirmed its rating but introduced a negative outlook ahead of the publication of Final Determination in December 2024. Subsequently, following release of the Final Determination, Moody's stabilised the outlook on 4 February 2025.

On 6 February 2025, Fitch downgraded its rating of Class A debt to BBB+, affirmed it rating of Class B debt at BBB- and maintained an unchanged stable outlook.

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 has a dividend policy, in compliance with Condition P30 of it's Instrument of Appointment, that requires that distributions will only be made after an appropriate financial resilience analysis has been undertaken, that dividends will be adjusted to reflect and recognise company performance and benefit sharing from service and efficiency performance. The policy ensures that delivery for customers and the environment is not just considered but factored into any amounts that are to be paid out as dividends.

When approving dividends to be paid in a financial year, the Board assesses both company performance to date and that which is expected for the whole of the AMP. As such, dividend payments are considered within the longer-term context of the business and not just on the basis of the previous 12 months. There is explicit consideration of the ability of the business to be able to deliver into the future.

During the year, YW paid dividends totalling £52.5m (2024 £84.1m). All dividends paid during the year were compliant with the current Board approved dividend policy and Condition P30.

The company's approach to recommending the dividend included the following steps:

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

- Applying an 'in-the-round' adjustment to reflect the wider considerations required by our dividend policy and Condition P30; and

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

A base dividend yield of 4.0% was considered appropriate for the year to March 2025, being consistent with Ofwat's guidance that a base dividend yield of 4.0% is reasonable for a company whose in-the-round performance aligns with their determination and has limited real RCV growth. This would imply a base dividend for the year of £112.5m.

In determining an appropriate 'in the round' adjustment, the wider considerations of the Board included, but were not limited to:

- The ability of Yorkshire Water to finance its current and future activities;
- The financial resilience of Yorkshire Water;
- Yorkshire Water's performance against the PR19 Final Determination, including in relation to specific performance commitments;
- Customer service delivery;
- The level of real RCV growth;
- The wider environmental performance of Yorkshire Water; and
- The risk of regulatory fines and penalties.

On balance, the Board determined that a yield reduction of 2.1% was appropriate (a dividend reduction of £60m), resulting in an overall dividend yield for the year of 1.9% (2024: 2.9%). This compares to a Return on Regulated Equity (on an actual equity basis) of 2.15% for the year (4.95% excluding additional storm overflow investment) and cumulatively over the AMP of 3.0% (3.8% excluding additional storm overflow investment).

None of the dividends in the current year were paid to the shareholders of Kelda Holdings Limited (financial year 2024: £nil), YW's ultimate parent company, as they continue to support the company's financial resilience and improvement plan.

The dividends for the year included distributions of £15.7m (2024: £27.9m) that did not impact the company's liquidity position or its distributable reserves as they were returned immediately to the company in the form of interest receipts on intercompany loans.

13. Bank and liquidity facilities held by the YWFG

YWFG had a combination of cash and committed undrawn revolving credit facilities totalling £1,201.3m at 31 March 2025. This comprised £710.0m undrawn revolving credit facilities and £491.3m of cash and cash equivalents. The cash and cash equivalents balance comprised £490.8m Authorised Investments and £0.5m operating bank account balances.

At 31 March 2025, no amounts were drawn on either the Company's £630.0m RCF or the £80.0m committed credit facility.

At 31 March 2025, no amounts were drawn against the YWFG standby credit facilities, being the £148.5m (2024: £120.0m) O&M liquidity facility and £220.0m (2024: £180m) DSR liquidity facility. Both facilities were increased during the year to meet CTA requirements.

14. Non-Participating YWSF Bond Reserve

The balance on the Non-Participating YWSF Bond Reserve at 31 March 2025 was £0.6m.

15. Authorised Investments

Authorised Investments at 31 March 2025 totalled £490.8m. This comprised £233.4m invested in various AAA rated low volatility net asset value money market funds, £256.8m on term deposit with A rated or above relationship banks and £0.6m on term deposit with an A rated bank standing to the credit of the Non-Participating YWSF Bond Reserve. All term deposits had a maturity of less than three months.

16. Ratios

The YWFG confirms that in respect of the Calculation Date on 31 March 2025, 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	31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Class A RAR	68.9%	70.6%	68.0%	67.4%	66.5%	64.9%
Senior RAR	72.5%	74.0%	71.2%	70.4%	69.3%	67.4%

Test Period	31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Class A ICR	4.76x	4.00x	3.95x	4.26x	4.05x	4.27x
Class A Adjusted ICR	4.76x	4.00x	3.95x	4.26x	4.05x	4.27x
Senior Adjusted ICR	4.29x	3.74x	3.74x	4.05x	3.87x	4.10x
Class A Average Adjusted ICR	4.23x	4.07x	4.08x	4.19x	4.19x	4.19x
Senior Average Adjusted ICR	3.92x	3.84x	3.89x	4.01x	4.01x	4.01x
Conformed Class A Adjusted ICR	1.65x	1.50x	1.75x	2.15x	2.03x	2.21x
Conformed Senior Adjusted ICR	1.49x	1.40x	1.65x	2.04x	1.95x	2.12x
Conformed Class A Average Adjusted ICR	1.63x	1.80x	1.98x	2.13x	2.13x	2.13x
Conformed Senior Average Adjusted ICR	1.52x	1.70x	1.88x	2.04x	2.04x	2.04x
Re-profiled Class A ICR	4.55x	4.00x	3.95x	4.26x	4.05x	4.27x
Re-profiled Class A Adjusted ICR	1.45x	1.50x	1.75x	2.15x	2.03x	2.21x
Re-profiled Senior Adjusted ICR	1.31x	1.40x	1.65x	2.04x	1.95x	2.12x
Re-profiled Class A Average Adjusted ICR	1.56x	1.80x	1.98x	2.13x	2.13x	2.13x
Re-profiled Senior Average Adjusted ICR	1.45x	1.70x	1.88x	2.04x	2.04x	2.04x

The YWFG confirms that each of the above ratios has been calculated in respect of each of the relevant periods for which it is required under the CTA and has not breached the Trigger Event Ratio Levels and has not caused

Paragraph 17 (Ratios) of Part 2 (Events of Default - Non-YWH) of Schedule 6 (Events of Default) to the CTA to be breached.

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

Test Period Class A and Adjusted ICR		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Net Cash Flow divided by	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Class A Debt Interest	£m	138.5	190.6	237.1	268.7	302.1	308.7
Class A ICR	**times**	**4.76**	**4.00**	**3.95**	**4.26**	**4.05**	**4.27**
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less CCD and IRC	£m	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Class A Debt Interest	£m	138.5	190.6	237.1	268.7	302.1	308.7
Class A Adjusted ICR	**times**	**4.76**	**4.00**	**3.95**	**4.26**	**4.05**	**4.27**
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less CCD and IRC	£m	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Senior Debt Interest	£m	153.5	203.8	250.5	282.1	315.5	321.7
Senior Adjusted ICR	**times**	**4.29**	**3.74**	**3.74**	**4.05**	**3.87**	**4.10**
Year 1 Class A Average Adjusted ICR	times	4.76	4.00	3.95	4.26	4.26	4.26
Year 2 Class A Average Adjusted ICR	times	4.00	3.95	4.26	4.05	4.05	4.05
Year 3 Class A Average Adjusted ICR	times	3.95	4.26	4.05	4.27	4.27	4.27
Class A Average Adjusted ICR	**times**	**4.23**	**4.07**	**4.08**	**4.19**	**4.19**	**4.19**
Year 1 Senior Average Adjusted ICR	times	4.29	3.74	3.74	4.05	4.05	4.05
Year 2 Senior Average Adjusted ICR	times	3.74	3.74	4.05	3.87	3.87	3.87
Year 3 Senior Average Adjusted ICR	times	3.74	4.05	3.87	4.10	4.10	4.10
Senior Average Adjusted ICR	**times**	**3.92**	**3.84**	**3.89**	**4.01**	**4.01**	**4.01**

Test Period Conformed ICR		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less RCV run off (Depreciation)	£m	(349.1)	(476.7)	(521.7)	(566.9)	(607.8)	(637.0)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0	0.0	0.0	0.0	0.0
Fast/Slow Adjustment	£m	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	229.1	285.3	414.1	576.5	614.4	681.3
Class A Debt Interest	£m	138.5	190.6	237.1	268.7	302.1	308.7
Conformed Class A Adjusted ICR	**times**	**1.65**	**1.50**	**1.75**	**2.15**	**2.03**	**2.21**
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less RCV run off (Depreciation)	£m	(349.1)	(476.7)	(521.7)	(566.9)	(607.8)	(637.0)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0	0.0	0.0	0.0	0.0
Fast/Slow Adjustment	£m	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	229.1	285.3	414.1	576.5	614.4	681.3
Senior Debt Interest	£m	153.5	203.8	250.5	282.1	315.5	321.7
Conformed Senior Adjusted ICR	**times**	**1.49**	**1.40**	**1.65**	**2.04**	**1.95**	**2.12**
Year 1 Conformed Class A Average Adjusted ICR	times	1.65	1.50	1.75	2.15	2.15	2.15
Year 2 Conformed Class A Average Adjusted ICR	times	1.50	1.75	2.15	2.03	2.03	2.03
Year 3 Conformed Class A Average Adjusted ICR	times	1.75	2.15	2.03	2.21	2.21	2.21
Conformed Class A Average Adjusted ICR	**times**	**1.63**	**1.80**	**1.98**	**2.13**	**2.13**	**2.13**

Test Period Conformed ICR		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Year 1 Conformed Senior Average Adjusted ICR	times	1.49	1.40	1.65	2.04	2.04	2.04
Year 2 Conformed Senior Average Adjusted ICR	times	1.40	1.65	2.04	1.95	1.95	1.95
Year 3 Conformed Senior Average Adjusted ICR	times	1.65	2.04	1.95	2.12	2.12	2.12
Conformed Senior Average Adjusted ICR	**times**	**1.52**	**1.70**	**1.88**	**2.04**	**2.04**	**2.04**

Test Period Re-profiled Class A ICR		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	0.0	0.0	0.0	0.0	0.0
Re-profiled Net Cash Flow	£m	630.8	762.0	935.8	1,143.5	1,222.2	1,318.3
Class A Debt Interest	£m	138.5	190.6	237.1	268.7	302.1	308.7
Re-profiled Class A ICR	**times**	**4.55**	**4.00**	**3.95**	**4.26**	**4.05**	**4.27**
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less Depreciation (RCV run off)	£m	(349.1)	(476.7)	(521.7)	(567.0)	(607.8)	(637.0)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0	0.0	0.0	0.0	0.0
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0	0.0	0.0	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	0.0	0.0	0.0	0.0	0.0
Re-profiled Adjusted Net Cash Flow divided by	£m	200.9	285.3	414.1	576.5	614.4	681.3
Class A Debt Interest	£m	138.5	190.6	237.1	268.7	302.1	308.7
Re-profiled Class A Adjusted ICR	**times**	**1.45**	**1.50**	**1.75**	**2.15**	**2.03**	**2.21**

Test Period Re-profiled Class A ICR		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Net Cash Flow	£m	659.0	762.0	935.8	1,143.5	1,222.2	1,318.3
Less Depreciation (RCV run off)	£m	(349.1)	(476.7)	(521.7)	(567.0)	(607.8)	(637.0)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(80.8)	0.0	0.0	0.0	0.0	0.0
Fast/Slow (PAYG) Adjustment	£m	0.0	0.0	0.0	0.0	0.0	0.0
Profiling (Revenue Re-profiling) Adjustment	£m	(28.2)	0.0	0.0	0.0	0.0	0.0
Re-profiled Adjusted Net Cash Flow divided by	£m	200.9	285.3	414.1	576.5	614.4	681.3
Senior Debt Interest	£m	153.5	203.8	250.5	282.1	315.5	321.7
Re-profiled Senior Adjusted ICR	**times**	**1.31**	**1.40**	**1.65**	**2.04**	**1.95**	**2.12**
Year 1 Re-profiled Class A Average Adjusted ICR	times	1.45	1.50	1.75	2.15	2.15	2.15
Year 2 Re-profiled Class A Average Adjusted ICR	times	1.50	1.75	2.15	2.03	2.03	2.03
Year 3 Re-profiled Class A Average Adjusted ICR	times	1.75	2.15	2.03	2.21	2.21	2.21
Re-profiled Class A Average Adjusted ICR	**times**	**1.56**	**1.80**	**1.98**	**2.13**	**2.13**	**2.13**
Year 1 Re-profiled Senior Average Adjusted ICR	times	1.31	1.40	1.65	2.04	2.04	2.04
Year 2 Re-profiled Senior Average Adjusted ICR	times	1.40	1.65	2.04	1.95	1.95	1.95
Year 3 Re-profiled Senior Average Adjusted ICR	times	1.65	2.04	1.95	2.12	2.12	2.12
Reprofiled Senior Average Adjusted ICR	**times**	**1.45**	**1.70**	**1.88**	**2.04**	**2.04**	**2.04**

Test Period Gearing		31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast	31/03/2028 Forecast	31/03/2029 Forecast	31/03/2030 Forecast
Class A debt	£m	7,016.2	7,777.2	7,966.3	8,670.7	9,018.8	9,662.3
Less Cash balances	£m	(491.3)	(433.2)	(225.0)	(375.0)	(300.0)	(850.0)
Class A Net Debt	£m	6,524.9	7,344.0	7,741.3	8,295.7	8,718.8	8,812.3
Class B debt	£m	348.9	356.1	363.1	369.6	376.6	339.3
Senior Net Debt	£m	6,873.9	7,700.1	8,104.4	8,665.3	9,095.3	9,151.7
Regulatory Capital Value (RCV)	£m	9,475.5	10,404.1	11,381.3	12,313.9	13,119.3	13,568.9
Class A RAR	**%**	**68.9%**	**70.6%**	**68.0%**	**67.4%**	**66.5%**	**64.9%**
Senior RAR	**%**	**72.5%**	**74.0%**	**71.2%**	**70.4%**	**69.3%**	**67.4%**

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	31/03/2025 Actual
		£m
YWS net debt at 31 March 2025	Note 16 to YWS's ARFS	5,764.0
Net amounts owed from group companies	Note 16 to YWS's ARFS	437.2
Fair value adjustment to amounts owed to subsidiary companies	Note 16 to YWS's ARFS	31.8
Unamortised issue costs	Note 16 to YWS's ARFS	127.0
Intercompany loans to / (from) other members of the YWFG that reverse on consolidation	Note 16 to YWS's ARFS	(7.6)
RPI-accretion accrued on swaps	Note 17 to YWS's ARFS	522.3
Yorkshire Water Finance Plc cash at bank		(0.8)
Senior Net Indebtedness		**6,873.9**
of which Class A Net Indebtedness		***6,524.9***

Cash Flow	**Reference**	**31/03/2025 Actual**
		£m
YWS EBITDA excluding exceptional items	YWS's ARFS Strategic Report	686.4
Exclude profit on sale of assets	Table 1D Line 8 YWS's APR	(1.1)
Tax paid / received	Note 8 to YWS's ARFS	0.0
Recoverable VAT included in changes in working capital	-	1.2
Changes in working capital	Table 1D Lines 5 & 7 YWS's APR	(27.5)
Net Cash Flow		659.0
Less Depreciation (RCV run off)	YWS's FD (inflated to outturn)	(349.1)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation		
• FD Allowance	YWS's FD (inflated to outturn)	(80.8)
• IRE already deducted	-	0.0
		(80.8)
Fast/Slow (PAYG) Adjustment	YWS's FD (inflated to outturn)	0.0
Profiling (Revenue Re-profiling) Adjustment	YWS's FD (inflated to outturn)	(28.2)
Re-profiled Adjusted Net Cash Flow		**200.9**

Interest	Reference	31/03/2025 Actual
		£m
Net interest paid	Table 1D Line 10 YWS's APR	168.0
Interest received on subordinated intercompany loans	Note 6 to YWS's ARFS	15.7
Intercompany amortising loan repayments to fund interest payments on exchange bonds issued by subsidiary companies	Note 16 to YWS's ARFS	2.7
Derivatives interest	Table 1D narrative YWS's APR	(29.3)
Debt refinancing fee included in Net interest paid	Note 16 to YWS's ARFS	(0.7)
Settlement timing difference on interest paid	-	(2.9)
Senior Debt Interest		**153.5**
of which Class A Debt Interest		***138.5***

The YWFG certifies that on 31 March 2025 the Annual Finance Charge for the twelve months to 31 March 2026 is forecast at £220.5m. Excess Funds of £42.9m were held in the Debt Service Payment Account as at 31 March 2025. Therefore, the Monthly Payment Amount is forecast at £14.8m.

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

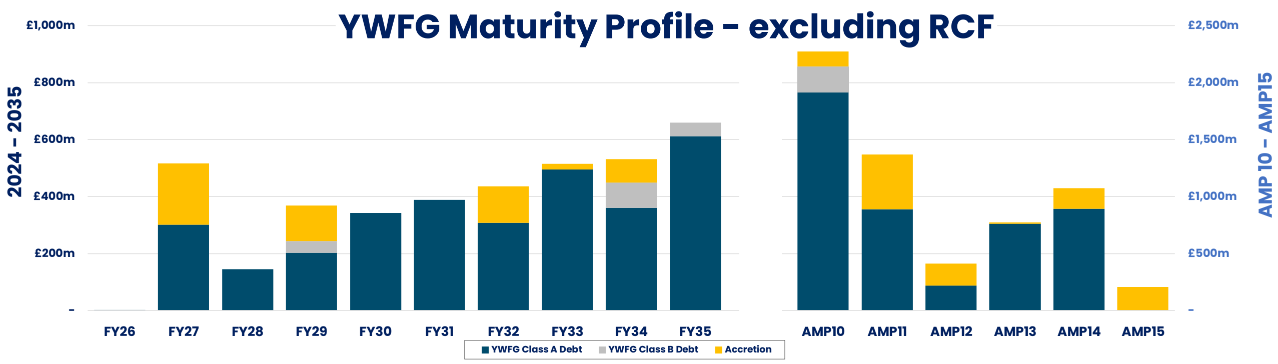
For and on behalf of Yorkshire Water Services Limited
 Martin Gee Chief Financial Officer
For and on behalf of Yorkshire Water Services Finance Limited
 Martin Gee Director
For and on behalf of Yorkshire Water Finance Plc
 Martin Gee Director

17. Appendix

17.1 YWFG Capital Structure at 31 March 2025

*Source: Management analysis as at 31 March 2025. * Outstanding at time of issue.*

17.2 YWFG Debt Maturity Profile at 31 March 2025



Source: Management analysis as at 31 March 2025

1. Proforma analysis assuming long term CPI and RPI at 2%
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

Note: The above is not representative of Financial Indebtedness as calculated in accordance with Schedule 4 Covenants, Part 3 General Covenants, Clause 11 Financial Indebtedness of the Common Terms Agreement

17.3 Reconciliations to Adjusted EBITDA and Adjusted profit

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Profit before tax	**429.6**	99.1
(Deduct)/add back net interest (income)/charge	**(105.4)**	137.5
Operating profit	**324.2**	236.6
Add back depreciation and impairment	**311.7**	331.9
Add back amortisation of intangible assets	**50.5**	43.4
Adjusted EBITDA	**686.4**	611.9

Adjusted profit after taxation:

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

Adjusted profit for the year is calculated as follows:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Profit before taxation	**429.6**	99.1
Deduct fair value movement on derivatives	**(309.6)**	(71.6)
Adjusted profit before the effects of taxation	**120.0**	27.5
Effects of taxation*	**(36.8)**	(13.8)
Adjusted profit after taxation	**83.2**	13.7

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

Contact Details

For further information regarding this Investors Report please contact:

debtIR@keldagroup.com

YorkshireWater