

Half-year investor update

Presenting team



Paul Fiddaman
Group Chief Executive

Paul trained as an accountant with Price Waterhouse and qualified in 1990.

Prior to the creation of Karbon Homes in 2017, Paul served as Chief Executive of the Isos Group.

He also holds leading roles within the housing sector including being a member of the North East Combined Authority's 'A North East we are proud to call home' Board, Chair of the North East Housing Partnership and shortly to take over as Chair of Homes for the North. Paul is also a non-executive director of A2 Dominion.



Scott Martin
Executive Director of Resources

Scott (FCA) started his career with KPMG before moving into senior finance and management roles in the housebuilding sector.

He spent 10 years at Barratt Homes North East as Finance Director, then Managing Director, before taking the position as Group Finance Director at Storey Homes.

Scott is responsible for Finance, ICT and People and Organisational Development. Scott is a member of the National Housing Federation's Housing Statement of Recommended Practices working party, an audit committee member of Prosper Procurement Limited, and a governor at Teesside University.



James Clifford
Group Director Strategic Finance

James (ACMA) began his career in the NHS before moving to the housing sector with roles at Your Homes Newcastle.

James was Director of Finance at Byker Community Trust from 2017 until Byker merged with Karbon in 2021.

Since joining Karbon, James has overseen the financial aspects of Karbon's subsidiaries, development programme and merger and acquisition work.

Since September 2024, James also leads on treasury and business planning for the Group.

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Agenda

- 1. Overview and strategic update**
- 2. Operational performance**
- 3. Asset investment and development**
- 4. Environmental and social**
- 5. Financial performance and funding**
- 6. Outlook**



1. Overview and strategic update

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Strategic overview

We have refreshed our strategy for 2024 -2029. We have recommitted to the three key themes of Homes, Customer and Place, underpinned by sound management and governance arrangements.

Key matters in the six months to September have included:

- Setting up Graphite Living as a for-profit RP to attract investment for new homes.
- Getting the remaining sites underway for our Homes England Strategic Partnership, with 918 out of 2,324 homes completed at September 2025.
- Our regulatory inspection
- Focus on repairs performance and investment in existing homes although prices continue to rise above rent inflation rates.
- Preparing for the implementation of Awaab's Law
- Ensuring compliance with building safety regulation
- Our transformation programme delivering quality improvements and efficiency savings.
- We continue to deliver benefits to the community well beyond housing alone.



Credit highlights

34,144

Homes owned or managed

A (stable)

S&P Global, May 2025

G1/V1/C2

RSH rating, Sep 2025

Merger track record – Proven track record of successful merger and stock acquisition integration, with sustained financial performance.

Homes England Strategic Partner – Well on the way to deliver 2,324 new homes to 2028.

Strong ESG foundations – On track to deliver EPC Band C across existing homes by 2030. Placemaking and community building an integral part of our strategy.

Low risk business model – A focus on core social housing and low exposure to market sales risks.

Robust performance metrics – Strong interest coverage and liquidity levels, low gearing and high levels of customer satisfaction.

27.0%
Social housing
operating margin
Mar 25

37.6%
Gearing ratio

162.6%
EBITDA MRI
Interest Cover

87.2%
Social housing
lettings turnover
as a % of Group
Mar 25

Numbers in this presentation are as at 30 Sept 2025 unless otherwise stated

Our geography

Our footprint covers the North East of England and Yorkshire, where we own or manage over 34,000 homes across diverse communities. We also provide services to a further 14,000 homes for other organisations in our region and the North West.



Key updates: Graphite Living

- We have incorporated our for-profit Registered Provider Graphite Living.
- Enables us to deliver housing without putting pressure on Karbon Group balance sheet.
- Passed initial registration. Second stage underway from early December and expected to take around six months.
- In discussions with preferred investor.
- Aim is to deliver £500m of investment through Graphite in a mixture of new homes and Karbon's existing stock.
- Karbon to manage and maintain all homes on behalf of Graphite.



Key updates: regulatory inspection

- Regulatory inspection visit in early summer 2025.
- G1 – Positive assessment of Karbon's planning, delegations, governance, risk management and control frameworks.
- V1 - "Karbon has a strong financial profile, and its stress testing demonstrates that financial capacity is built into its business plan."
- C2 – Regulator received assurance of our safety procedures and knowledge of our property assets. The Regulator noted we had not yet achieved our internal metric to reduce customer wait for non-emergency repairs. Now achieving that target and performance is among best in sector.
- We are engaging with the Regulator to agree a timetable to return to C1.



Key updates: building safety

- Among our 34,000 units, we have 600 blocks of two or more units.
- No blocks in the high-risk External Wall Survey (EWS) category.
- No exposure to Reinforced Autoclaved Aerated Concrete (RAAC), aluminium composite materials (ACM) or the fire safety assessment company Trifire where significant concerns have been raised.
- Only two high rise schemes: one is scheduled for demolition and almost all residents have been rehoused.
- Sprinkler system required at Byker Wall. Full cost of £13.7m included in the current business plan and in S&P credit assessment. Works to begin 2026-27.
- Re-programming some discretionary spend to accommodate. Preparing grant bid to Building Safety Fund.
- Fire and Rescue Service satisfied with pace of progress, no interim measures required.



Key updates: Awaab's Law

Awaab's Law came into force 27 October for damp and mould cases.

Sets mandatory timescales to investigate hazards, including a 24hr timeframe for emergencies.

Karbon undertook significant preparation including:

- Creation of specialist team to maximise responsiveness
- Accelerated workflows for any severe cases
- Specialist in-house app developed to generate findings letters to customers quickly and efficiently.
- At end of November 2025: 13 severe cases.



Key updates: Good to Great

We launched the operational phase of our Good to Great programme at the beginning of the year. This is a multi-year efficiency programme designed to improve customer experience and reduce inefficiencies in customer transactions.

Our successes to date:

- Launch of new customer portal
- New service charge software.
- Web chat rolled out in our contact centre.
- Awaab's Law response.

Still to come:

- Complaints handling, end-to-end review of the repairs service, automation, review of our core housing, finance and payroll systems.



Key updates: 54North Homes and Leazes



- Karbon in-house property services team expanded operations to the Yorkshire area. Delivering a key merger goal and reflecting the importance of this geography to our strategy.
- Karbon's Group Director of Property Services appointed as interim Managing Director after recent resignation of MD.



- Leazes Homes – since joining the Group, services are fully integrated, and customer satisfaction has increased.
- In summer 2026, Leazes Board is expected to consider full amalgamation into Karbon Homes Limited.

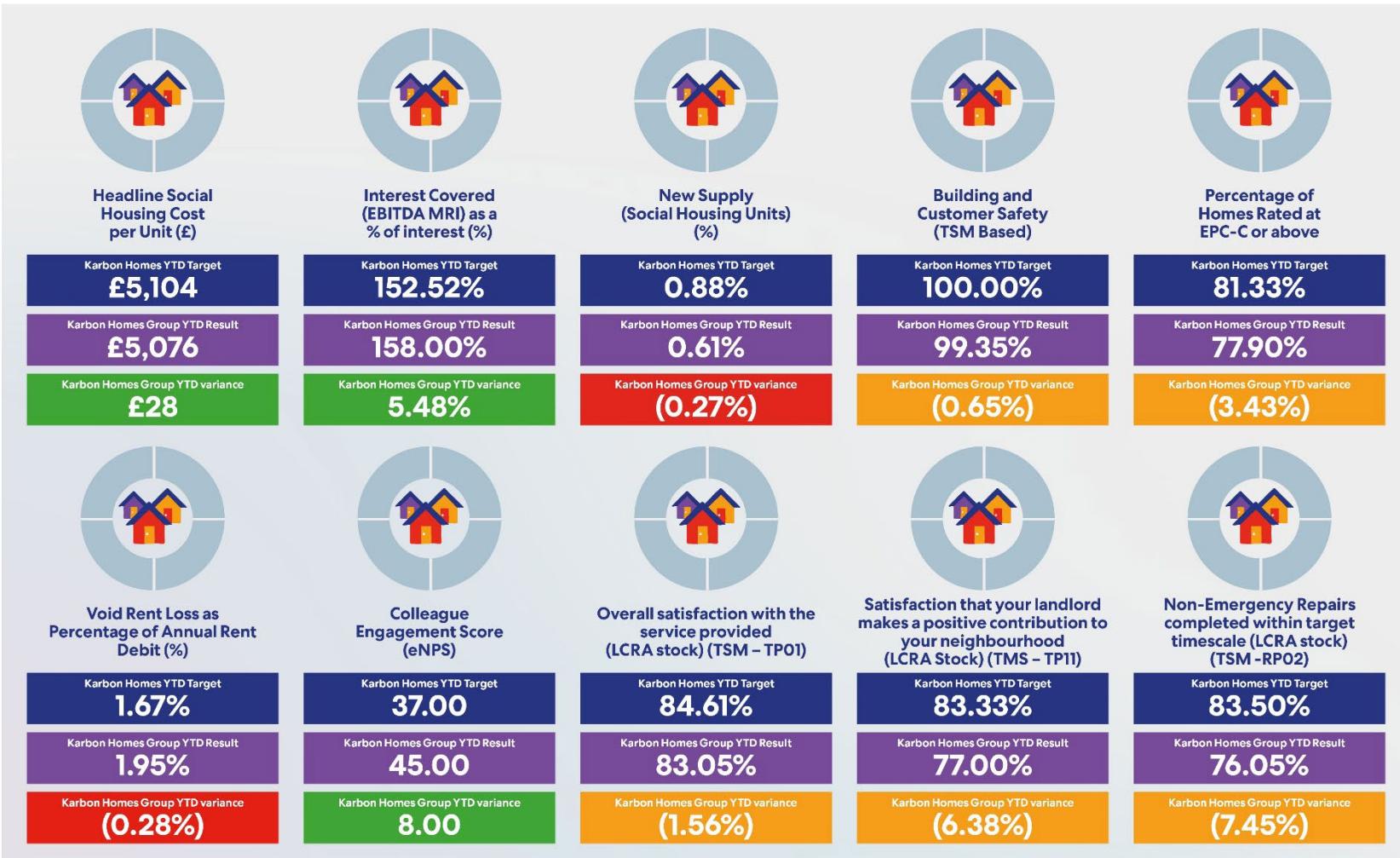


2. Operational performance

Key performance indicators

Karbon Homes Group

Headline Indicators
as at September
2025



Safety

Safety measures		
Gas	Annual safety certificate	99.96%
Electrical	Certificates (5 years)	98.78%
Fire	Assessments	100.00%
Lifts	Inspections	96.43%
Legionella	Testing	100.00%
Asbestos	Management surveys	100.00%
Damp and Mould	Severe cases	13



Tenant satisfaction (2024-25)



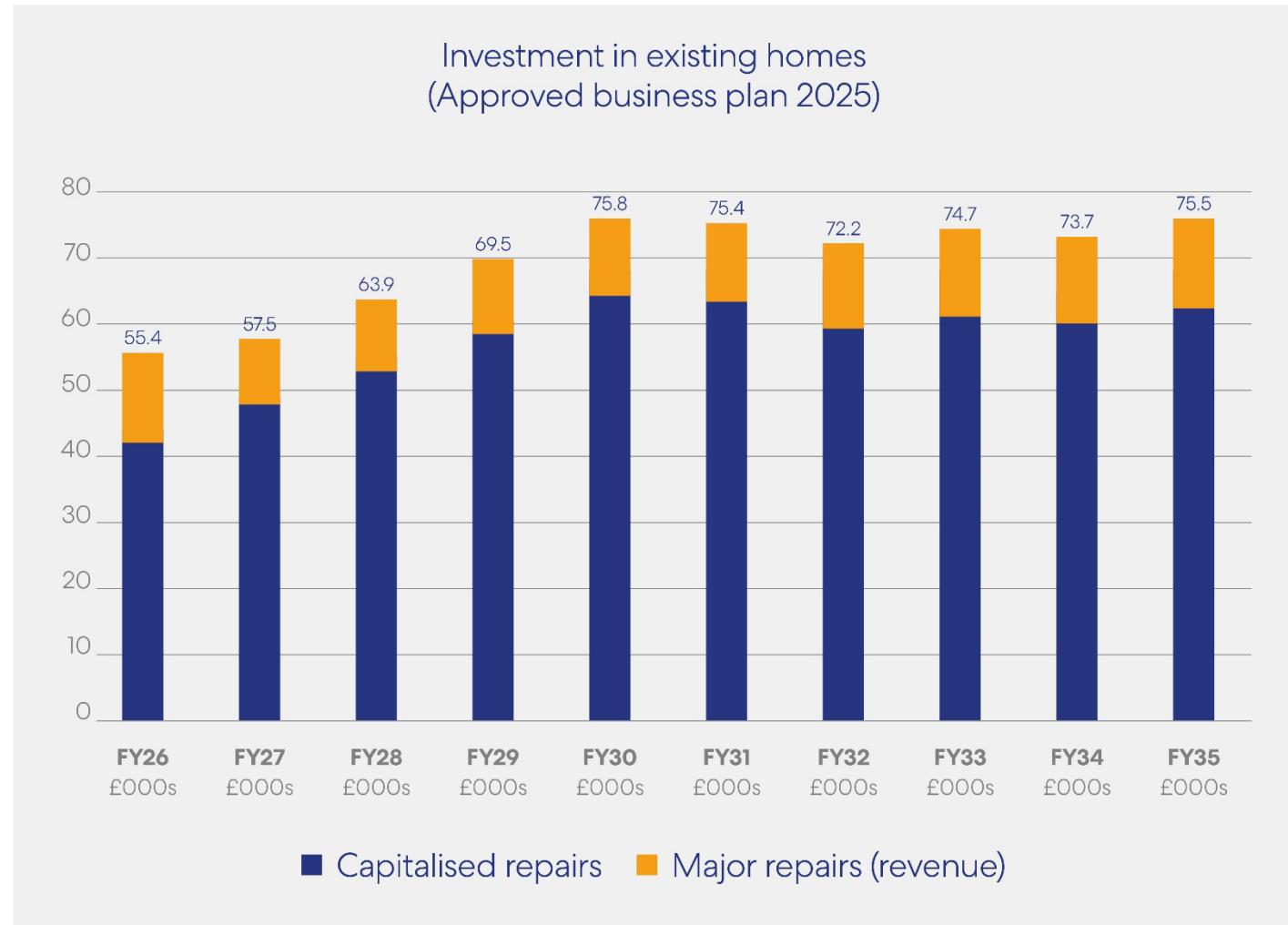


3.

Asset investment and development

Planned maintenance

- Rolling access rates for stock condition surveys at 84% - good knowledge of our stock.
- £19.6m invested in existing homes in the six months to September.
- Focus on meeting Decent Homes Standard and energy efficiency improvements.
- Investment in existing homes will continue to rise through to 2030 as part of the planned cycle.

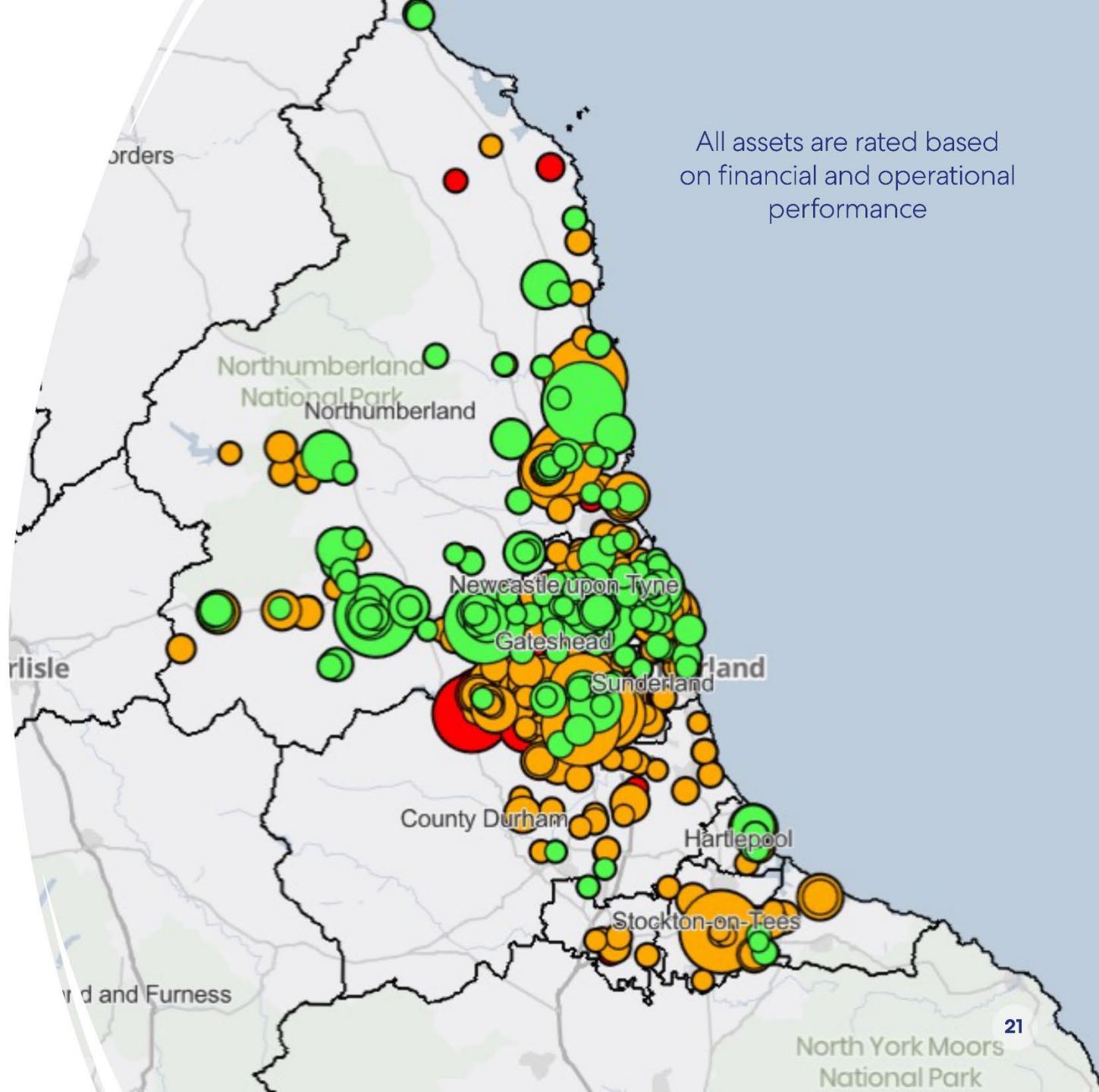


Disposals

- First year of Group's small-scale disposals programme.
- Where it is uneconomical and impractical to invest in costly refurbishment of homes, we will seek to dispose of them

• **At the half year point:**

- 49 properties cleared for sale
- Estimated £4.5m gross receipt
- £0.8m cost avoidance



Development

- Homes England Strategic Partnership 2,324 homes target. £16.25m top-up grant received.
- All starts required by March 26 and on track. 504 starts forecast this year.
- To September, we have completed 205 homes. Forecasting **541** completions in the current year.
- Completed 918 of the 2,324 strategic partnership funded homes we're delivering by 2028.
- Local RPs now delivering 125 units in the programme as part of a collaboration. Reducing capital expenditure in Karbon.





4. Environmental and social

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Energy efficiency

SHIFT

- We use the SHIFT (Sustainable Homes Index for Tomorrow) independent assessment scheme to assess our environmental performance. The annual assessment helps us to measure our performance and identify and target improvements.
- We moved to a gold rating in 2025. SHIFT recognised in particular our levels of attainment in our new build standards and the quality of our latest Environmental Strategic Plan.

Energy efficiency works

- During 2024-25, Karbon Homes Ltd invested £32.4m in planned works to existing homes.
- £17.5m of this spend related to energy improvement works, through heating system changes, windows and doors replacements, and solar PVs installed during roof replacements.
- This work was supplemented by £0.59m from the Social Housing Decarbonisation Fund, used to deliver external wall insulation, loft insulation and other specialist measures.
- This work has continued in the first half of 2025-26.
- Across the Group, 77.9% of properties are now at EPC C or above.



Climate change and ecology

Ecology

- Our targets for biodiversity net gain are outlined in our Environmental Strategic Plan which challenges us to meet the following measures of success:
- All Karbon owned land and vegetation types categorised and GIS mapped.
- Increased biodiversity value of existing land in line with 10% biodiversity net gain target:
 - **6.7 tonnes per hectare by 2030**
 - **8.7 tonnes per hectare by 2035**
 - **11.9 tonnes per hectare by 2043**
- Biodiversity net gain on new build sites in accordance with legislation
- Increased neighbourhood customer satisfaction

Climate risks

- Our Environmental Strategic Plan considers flooding and overheating as part of our approach to climate resilience.
- SHIFT carries out an independent assessment of our flood risk data and its latest analysis shows that 95.28% of our homes are classified as being at 'low risk of flooding'.
- SHIFT's analysis also tells us that 98.6% of homes are estimated to be at low risk of overheating.



Economic impact

In July 2025 we commissioned Metro-Dynamics to prepare a report on Karbon's economic impact. They found that:

"On top of Karbon Group's direct impact through expenditure and employment, the Group's activities stimulated £157 million of economic output indirectly and through induced effects, which contributed £126 million in GVA and sustained 2,847 FTE jobs.

"Combined [with direct effects], this equates to a total impact of £425 million in economic output, £214 million in GVA, and 3,874 FTE jobs sustained within the wider economy in 2023/24 alone.

This equates to:

£12,500 of economic impact per household.



Place

Case study: Turning hobby rooms into community assets

Byker Mutual Aid, a resident-led neighbourhood group, was established to support the community throughout the pandemic and beyond. With funding from Karbon Homes for refurbishments, Byker Mutual Aid is transforming a hobby room on the Byker Estate into a community hub where residents can socialise, share meals and access advice. Karbon has provided legal and asset management advice, and funding, which has helped Byker Mutual Aid to secure additional grants and expand their services tackling food poverty, social isolation and skills development.

Karbon has also secured approximately £240,000 from the Heritage Lottery Fund, alongside its own funds, to transform a further hobby room on the estate, which will be turned into a community archive to preserve Byker's cultural history, run by Northern Cultural Projects.

In addition, Karbon has been awarded a further £99,000 by Historic England to bring two more hobby rooms back into use. These spaces, together with a project installing street art at key locations on the estate, are integral to the broader regeneration of Byker, enhancing community pride safety, and future investment.

By supporting these initiatives, Karbon is strengthening and shifting the dynamic of relationships with residents, fostering long-term, resident-driven regeneration.



Social investment

Money Matters

In-house benefits and budgeting advice team.

- £90k hardship grants distributed to over 600 customers.
- £6.05m financial gains achieved for customers.

Foundations for Life

Empowering and coaching customers to build life skills, experience and qualifications.

- £2m external funding secured.
- 230 employment placements.
- Over 1,000 customers engaged with the team.

Social value

£2.8m of social value delivered through Karbon's procurement power.

- 87.5 FTE local employees hired
- 575+ weeks of apprenticeships and T-Levels.
- 142 volunteer hours.
- £225k of funding or in-kind contributions to community projects.

Karbon Foundation

Our plan is to bring this good work under the banner of the Karbon Foundation, and we are registering a new CIO which will help us expand this work.



5. Financial performance and funding

Historical annual results

Metric		Mar-20 Actual	Mar-21 Actual	Mar-22 Actual	Mar-23 Actual	Mar-24 Actual	Mar-25 Actual
SH as % of Turnover*	%	86.9%	84.5%	87.0%	87.5%	88.0%	87.2%
SH Core EBITDA margin*	%	37.2%	38.1%	38.0%	38.9%	37.0%	37.0%
EBITDA Margin	%	38.6%	40.4%	45.0%	40.0%	38.7%	38.7%
EBITDA MRI Margin**	%	32.0%	31.7%	33.0%	22.2%	24.0%	18.6%
Debt to EBITDA MRI**	x	9.3x	11.5x	9.9x	14.2x	11.7x	14.4x
Gearing (Historic cost)	%	38.3%	35.8%	34.5%	34.8%	34.3%	36.1%
EBITDA MRI Interest Cover **	%	227.4%	213.2%	236.3%	171.0%	207.5%	163.6%
Capitalised Major Repairs	£m	10.6	14.0	20.3	30.5	29.4	44.9

* Excludes surplus from first tranche shared ownership and outright sales

** S&P Global methodology

Financial performance

Turnover

Turnover has grown with the development programme, with 707 homes added during 2024-25 and a further 205 homes completed in the half-year to September.

Operating costs

Operating costs have grown faster relative to income due to inflation and increased activity in repairs. We expect Awaab's Law to increase our costs in this area from late October onwards. There has been over £1m of transformation spend during the half year which is yielding efficiencies and avoiding future costs.

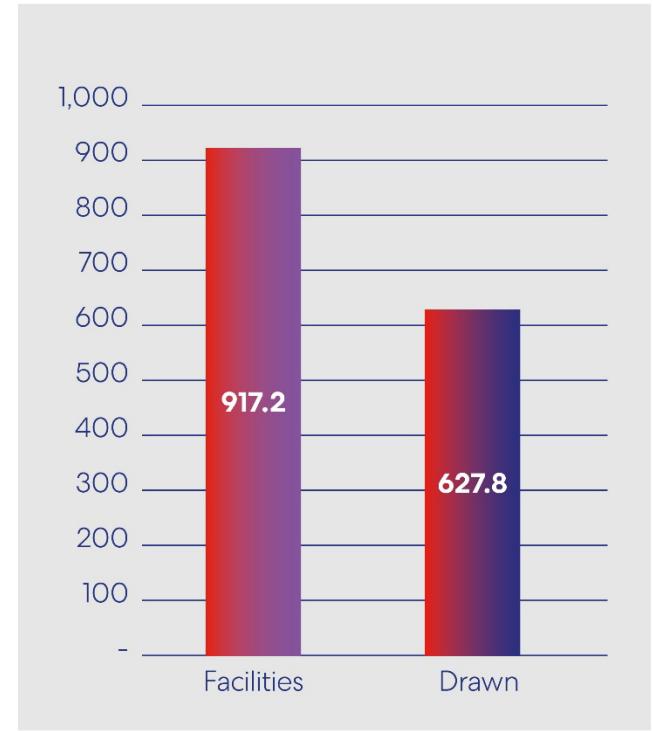
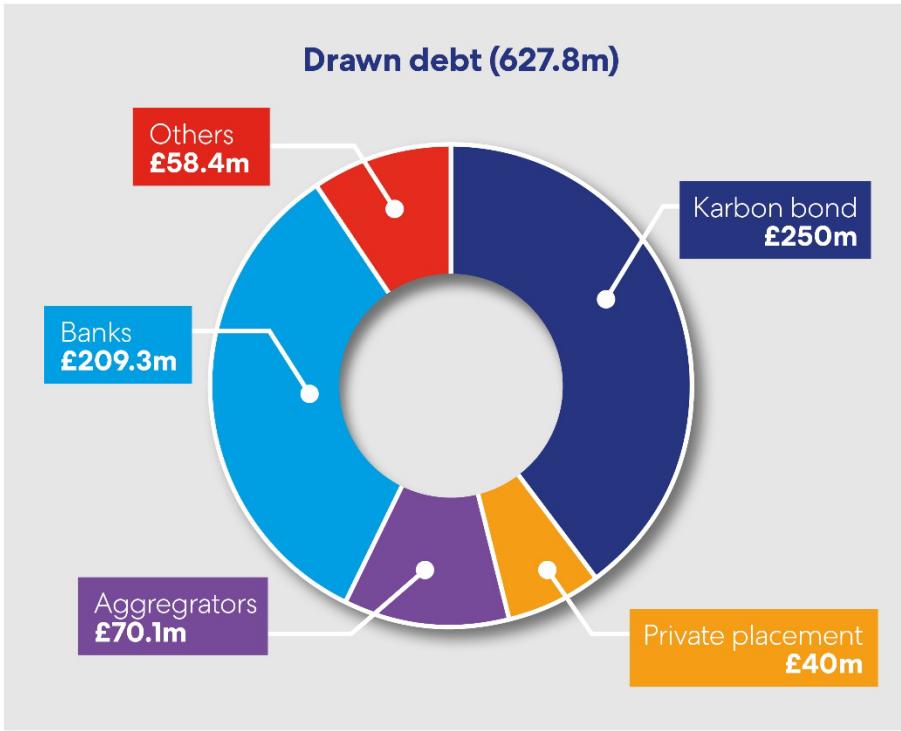
Financial ratios

Interest cover (including major repairs) remains well above sector average, although it is dropping as expected as we increase planned investment in our assets.

Our unaudited six monthly Group results and other key indicators are displayed below		30 Sep 2025	30 Sep 2024
		Actual	Actual
		£'000	£'000
Statement of Comprehensive Income			
Turnover		111,124	107,950
Operating surplus (incl. asset sales)		28,165	27,220
Surplus before tax		15,280	16,939
Margins			
Overall operating margin (incl. asset sales) (Note 1)		24.5%	26.4%
Overall operating margin (excl. asset sales) (Note 2)		23.4%	25.4%
Key financial ratios			
Interest cover (EBITDA MRI)		162.6%	199.0%
Gearing		37.60%	35.0%
Return on Capital Employed (ROCE)		1.70%	1.86%

Treasury

- Drawn debt: **£627.8m, 85% fixed**
- WACC of drawn debt: **4.25%**
- **£22m** cash
- Golden rules maintained
- EBITDA-only covenants
- **£229m** excess security charged
- **8,066** properties uncharged
- **£289.4m** undrawn facilities
- All facilities secured



Major group borrowers:		
	Karbon Homes Limited	54North
WACC	4.15%	4.90%
WALD (years)	13.0	11.8
Funded until	Apr-29	Oct-27

6. Outlook



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Outlook

- Financially secure, high interest cover metrics, low impact arising from building safety issues.
- Continued high operating performance shown through tenant satisfaction scores and landlord compliance.
- Entering cycle of high investment in assets and EPC C delivery before 2030.
- We are building capacity in advance through our transformation programme and by attracting new investment through Graphite Living.
- We await clarity from the Government on policy including: rent convergence, minimum energy efficiency standards (MEES), Decent Homes 2, the Future Homes Standard and Warm Homes funding.

