

20 July 2010

**Severn Trent Plc Interim Management Statement  
for the period 1 April to 19 July 2010**

The Board of Severn Trent Plc confirms that trading across the group has been in line with its expectations and prior guidance. No new material trading events or transactions have occurred during the period 1 April to 19 July 2010.

Sales prices in Severn Trent Water decreased by 0.7% (including inflation) from 1 April 2010. Consumption across our measured income base, principally non-household customers, has remained relatively stable year on year in the period.

The bad debt level has remained at around 2.5% of turnover, the level reported for the prior financial year.

Operating expenditure continues to be in line with the Board's expectations for the year. Operating costs are expected to rise year on year, due to the impact of higher inflation and power costs, partially offset by efficiency savings already achieved.

It is expected that net capital expenditure (UK GAAP after deducting grants and contributions) will be around £425 to £445 million. The level of net infrastructure renewals expenditure included in this figure is anticipated to be broadly in line with the previous year, 2009/10.

Higher average debt levels and higher inflation (on around £1bn of index linked debt) will also impact on the interest charge for the year. Therefore it is expected the interest charge will rise by around £15m vs. the prior year, before adjustments related to pension accounting.

The expected effective current tax rate for 2010/11 remains 25% to 27%. Changes to the UK corporation tax and capital allowances regime announced in the budget on 22<sup>nd</sup> June will not impact the current financial year. The company is reviewing the impact on future years. Based on current information, initial analysis indicates that the changes will be broadly neutral over the AMP5 period.

Severn Trent Plc will announce its interim results for the financial year ending 31 March 2011 on 23 November 2010.

As previously announced, at the close of Severn Trent Plc's annual general meeting, to be held today at 11am, Sir John Egan will retire as Chairman of the Boards of Severn Trent Plc and Severn Trent Water Limited.

Andrew Duff, appointed a non-executive director of both boards on 10 May 2010, will be appointed Chairman to the Boards, Chairman of the Nominations Committee and a member of the Corporate Responsibility and Remuneration Committees following Sir John's retirement.

**Enquiries:**

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**Forward-Looking Statements:**

This document contains certain “forward-looking statements” with respect to Severn Trent’s financial condition, results of operations and business, and certain of Severn Trent’s plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans”, “targets”, “goal” or “estimates”. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; changes in the markets from which the group raises finance; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Severn Trent does not intend to update these forward-looking statements.