

## Shareholder summary 2009

Welcome to our shareholder summary 2009. This summary is distributed with your Notice of Meeting each year. It provides high level information from our financial results together with details of our performance against our

KPIs, and brief details of this year's final dividend and our AGM. The full report and accounts, together with additional company information, is available on our website [www.severntrent.com](http://www.severntrent.com)



**Sir John Egan**  
Chairman




**Tony Wray**  
Chief Executive



### Managing a sustainable business

I am pleased to report today on a second successive year of encouraging progress. Despite the impact of the current economic environment on consumption and bad debts, and our already announced increase in investment in infrastructure renewals, Tony Wray, our Chief Executive, and his team delivered stable group profit before interest, tax and exceptional items. That's because we continue to deliver on our plans to raise standards and keep down charges through our focus on continuous improvement in all our processes.

Severn Trent is a high quality business whose investment programme drives strong growth prospects. The management team has a clear and focused strategy and is engaged in the single minded pursuit of higher standards as the means to achieve both higher levels of customer satisfaction, and also sustained strong financial returns to shareholders.

### Delivering continuous improvement

This year we have been delivering continuous improvement throughout our businesses and making it part of the way we work every day.

These results demonstrate continued improvement across Severn Trent Water. We now have 14 of our 20 Key Performance Indicators at upper quartile. We continued to drive significantly higher customer service standards, have outperformed against our leakage target for the second year running and maintained high standards across our key environmental obligations.

Continuous improvement is at the heart of Severn Trent Services, our international water and waste water solutions business. It is the engine driving the Severn Trent Services growth plan focused on four key strategic initiatives.

Our approach of always challenging ourselves to do better is designed to ensure that we take our businesses forward in a responsible and sustainable way and one that delivers for all our stakeholders.

Group turnover £m

**£1,642.2m**

2009 ——— £1,642.2m  
2008 ——— £1,552.4m

Group profit before tax £m

**£167.6m**

2009 ——— £167.6m  
2008 ——— £192.4m

Group profit\* £m

**£273.5m**

2009 ——— £273.5m  
2008 ——— £292.2m

Dividend pence per share

**+2.6%**

2009 ——— 67.34p  
2008 ——— 65.63p

\* before tax, losses/gains on financial instruments and exceptional items.

Earnings per share\* pence

**92.7p**

2009 ——— 92.7p  
2008 ——— 97.8p

\* from continuing operations before exceptional items, gains/losses on financial instruments and deferred tax.

Severn Trent group is delivering in key areas:

- > group profit before interest, tax and exceptional items £469.9m
- > delivered planned operating cost savings
- > strong liquidity position; funded for up to the next two years
- > dividends to increase by 3% above RPI inflation to 2010

# Severn Trent Water

Delivering against our KPIs



Basis

Key performance indicator

Severn Trent Water measures performance and progress against 20 Key Performance Indicators. Our aim is to achieve upper quartile performance across all 20 KPIs.

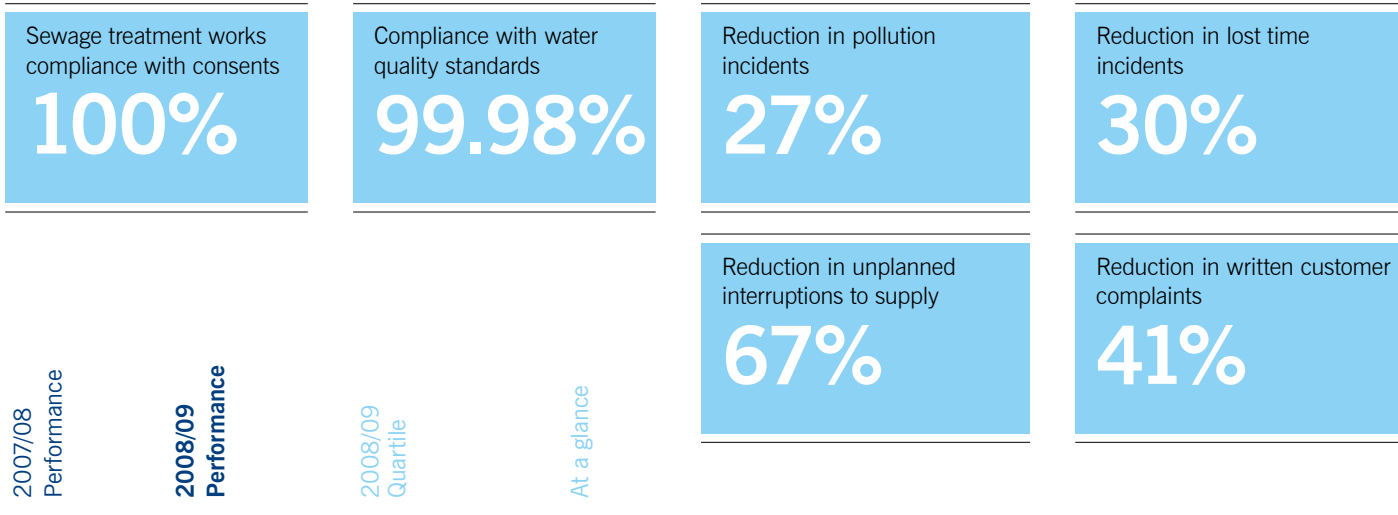
Our 20 KPIs are the result of a detailed and thorough examination of the key aspects of Severn Trent Water's performance. This includes benchmarking against comparable companies in the water and sewerage sector and other companies with similar characteristics in other sectors. We use a range of publicly available and internally generated data to identify the population that we should compare ourselves to. This process involves a number of judgments to ensure we used appropriately comparable data points for each measure.

Throughout 2008/09, we have been measuring ourselves against our KPIs and the updated benchmarks we established last year. The results are presented here.

We are committed to continually review and reset our KPI targets and expectations, in line with our Strategic Direction Statement.



MAT	Lost time incidents per 100,000 hrs worked <sup>2</sup>
QR	Employee motivation % <sup>3</sup>
MAT	Water quality (test failure rate) ppm <sup>13</sup>
MAT	Customer written complaints per 1,000 properties <sup>1,5</sup>
MAT	First time call resolution for billing % <sup>6</sup>
MAT	Unplanned interruptions > 6 hours per 1,000 properties <sup>1,7</sup>
NPR	Properties at risk of low pressure per 1,000 properties <sup>8,9</sup>
MAT	First time job resolution % <sup>6</sup>
QR	Non performance against regulatory obligations % <sup>6,12</sup>
ATD	Capex (Gross) vs final determination % <sup>10</sup>
MAT	Capital process quality (no defects per £100k) <sup>6</sup>
	Debtor days <sup>8,10</sup>
MAT	Opex vs final determination (UK GAAP) £m <sup>10</sup>
MAT	Cost to serve per property – £ <sup>11</sup>
MAT	Pollution incidents (cat 1, 2 and 3) per 1,000 properties <sup>4</sup>
MAT	Sewer flooding incidents – other causes per 1,000 properties <sup>1</sup>
PPS	Sewage treatment works – breach of consents % <sup>4</sup>
	Security of supply <sup>8</sup>
MAT	Net energy use – kWh/MI <sup>6</sup>
MLE	Leakage MI/d <sup>1</sup>



2007/08 Performance	2008/09 Performance	2008/09 Quartile	At a glance
0.61	<b>0.43</b>	Upper	Improved
77%	<b>83%</b>	Upper	Improved
240.1	<b>200.4</b>	Upper	Improved
10.90	<b>6.44</b>	Upper	Improved
85%	<b>88%</b>	Upper	Maintained high standards
21.86	<b>7.29</b>	Lower	Improved
0.46	<b>1.21</b>	Upper	Improved
85%	<b>96%</b>	Upper	Improved
15%	<b>10%</b>	Median	Improved
1.7%	<b>5.0%</b>	Upper	Improved
0.03	<b>0.00</b>	Upper	Improved
37.4	<b>33.1</b>	Median	Improved
480.9	<b>500.9</b>	Median	Maintained high standards
236.82	<b>236.53</b>	Upper	No change
0.11	<b>0.08</b>	Upper	Improved
0.21	<b>0.17</b>	Median	Improved
0.0%	<b>0.0%</b>	Upper	Maintained high standards
95	<b>98</b>	Median	Improved
608	<b>622</b>	Upper	Maintained high standards
491	<b>492</b>	Upper	No change

**Key**

- Improved
- Maintained high standards
- No change

**Notes:**

All measures are for the period to 31 March 2009, except as stated.

MAT = Moving Annual Total

QR = Quarterly Review

NPR = Number of properties on register

ATD = AMP4 to date

PPS = Percentage of population served

MLE = Maximum Likelihood Estimate

1. As reported in June Return to Ofwat. Performance figures are provisional at this stage as the June Return will be submitted to Ofwat on 12 June 2009.
2. Actual performance across all employees and agency staff.
3. Performance based on quarterly survey of 10% of permanent employees.
4. Measure for calendar year to 31 December 2008.
5. Performance excludes properties billed by other water companies.
6. Actual performance based on internal data.
7. 2008 performance excludes impact of Summer 2007 flooding. 2008 performance is 184.5 if impact of Summer 2007 flooding included.
8. Measure as at 31 March 2009.
9. 2009 and 2008 performance includes impact of new pressure loggers installed in 2007/08. Excluding pressure loggers, 2009 performance is 0.005 (2008: 0.06) as there has been a significant reduction in reactive identification.
10. Actual performance based on audited UK GAAP financial statements for the year ended 31 March 2009 and expressed in absolute terms.
11. Actual performance based on audited regulatory accounts for the year ended 31 March 2009.
12. Measure expressed as percentage non performance against regulatory obligations.
13. Measure now expressed as test failure rate (parts per million). 2008 performance restated accordingly.

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## Outlook

We continue to drive performance improvements across Severn Trent Water. We have accelerated some of our improvement plans and expect to incur around £20 million of restructuring costs in 2009/10 which will deliver around £5 million of additional operating cost efficiencies in 2009/10, beyond our previous plans and further cost efficiencies in AMP5.

The capital programme is proceeding according to plan. We continue to expect to deliver on our regulatory commitments and anticipate total capital expenditure (UK GAAP, net of grants, contributions and other income) of £2.6 billion for the AMP4 period. The three key areas we are focused on are:

- Accelerating our renewable energy programme to deliver greater operational efficiency, enhance our natural hedge to energy costs and reduce our carbon footprint,
- To engage with our supply chain to further our early start contracting strategy, delivering benefits in the AMP5 investment programme, and
- Investments in economically enhancing technology and locations, principally the construction of the new Severn Trent Centre.

In April 2009, we submitted our Final Business Plan to Ofwat. We believe it is a high quality, holistic and balanced plan that has customers at its heart, is supported by all the key stakeholders and will enable a fair and appropriate return for our investors. The plan proposes a capital programme of £2.6 billion (net of efficiencies, grants and contributions at 2007/08 prices), challenging efficiencies and an assumed weighted average cost of capital of 5%.

In Severn Trent Services, the market for all three areas of activity still provides the opportunity for growth. We are working to a focused growth strategy, capitalising on organic and other growth opportunities in the downturn economy by building on our brand recognition and reputation, our strong market positions, our international scale and our advanced technologies.

The group has a strong liquidity position and is funded for its investment and cash flow needs for up to the next two years.

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## Dividend information

The directors are recommending a final dividend of 41.05p per ordinary share, for the 2008/09 financial year.

If approved by shareholders, at the company's AGM, the dividend will be paid on 31 July 2009 to shareholders on the register of members on 19 June 2009.

Together with the interim dividend of 26.29p per ordinary share, paid on 16 January 2009, this will bring the total dividend, for 2008/09, to 67.34p per ordinary share.

The company's financial calendar, with details of future results announcement dates and dividend payment dates is available at [www.severntrent.com](http://www.severntrent.com)

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## Details of our AGM

This year's AGM will be held at the International Convention Centre, Broad Street, Birmingham B1 2EA at 2pm on Tuesday 21 July 2009. Full details, including the business to be considered and explanatory notes for each resolution, can be found in the enclosed Notice of Meeting.

The doors will open at 1pm. Please note that light refreshments will be available but, due to the time of the meeting, there will be no lunch.

The exhibition area planned for the AGM will include informative, as well as some interactive stands based around a selection of the company's operational areas of the business and our approach to corporate responsibility. There will also be the opportunity to meet with your board of directors before the meeting begins and to register for this year's Shareholder Networking Programme.

Whether you are planning to attend the AGM or not, you can still register your vote by returning the enclosed Form of Proxy or, alternatively, by registering your vote electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk)

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## Contact information

### For shareholders:

Visit [www.severntrent.com](http://www.severntrent.com) to access the full report and accounts and for additional company information.

If you have any queries relating to your Severn Trent shareholding you can contact our registrar, Equiniti, via one of the following:

By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Tel: 0871 384 2967\*

Textphone: 0871 384 2255\*

Email: [severntrent@equiniti.com](mailto:severntrent@equiniti.com)

\* Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers' costs may vary.

A range of frequently asked questions is also available at [www.shareview.co.uk](http://www.shareview.co.uk)

### For customers:

Customers of Severn Trent Water can find further information by visiting [www.stwater.co.uk](http://www.stwater.co.uk)

If you have any queries related to our services you can contact us via one of the following:

Email: [customer.relations@severntrent.co.uk](mailto:customer.relations@severntrent.co.uk)

For billing queries call 08457 500 500 (8am to 8pm Mon-Fri and 8am to 1pm Sat).

For operational emergencies (24 hour service) please call 0800 783 4444.

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**SEVERN**  
**TRENT**

This Shareholder summary is extracted (without material adjustment) from, and should be read as an introduction to and in conjunction with, Severn Trent Plc's 2009 Annual Report and Accounts (ARA). This Shareholder summary is provided for information only, and is not intended to be a substitute for reading the ARA. In particular, this Shareholder summary does not constitute Summary Financial Statements and it does not contain sufficient information to allow for as full an understanding of the results of the group. Shareholders may view a copy of the ARA on [www.severntrent.com](http://www.severntrent.com) or obtain a hard copy of the ARA free of charge, by contacting the company using the above details. If you have sold or transferred all your shares in Severn Trent Plc, you should send this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.