



Full Year 2019/20 results

20 May 2020



WONDERFUL ON TAP



DISCLAIMERS

Cautionary statement regarding forward-looking statements

This document contains statements that are, or may be deemed to be, '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', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, 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 may or may not occur in the future.

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LIV GARFIELD

Chief Executive





MANAGING THE IMPACT OF COVID-19

Supporting people through the COVID-19 crisis

Colleagues



- Committed to no **redundancies** or **furloughing** from COVID-19
- Supporting financial wellbeing with **full sick pay**, payment of 2019/20 **bonus** and three year **pay deal**
- Caring for our Colleagues** campaign

Customers



- Helping customers **struggling to pay** with established **WaterSure** and **Big Difference** schemes
- Supporting vulnerable customers through **Priority Services Register**
- £3.5m** donation to **Severn Trent Trust Fund**

Communities



- £1m **emergency fund** – £500k supporting c.200 organisations so far
- Supporting **supply chain** with **immediate payment** and secure **future work** in Midlands
- Working with **Business in the Community** and **local forums**



MANAGING THE IMPACT OF COVID-19

Preparation, agility and culture enable delivery of essential services and AMP7 plans

Delivering essential services



- Quickly enabled well-practised **incident management**
- **Flexible working** to keep frontline colleagues **safe**
- **Almost half** of colleagues working from **home**
- Embracing **technology** with increased use of virtual technicians and at-home network monitoring
- Quickly identified and trained **reserve teams** to ensure **adequate skilled resource** for essential tasks

Continued focus on AMP7



- Well prepared through **fast-track status** and **substantial investment** in final year of AMP6
- **Re-focusing** customer ODI delivery plans to counteract impact on some measures, e.g. Per Capita Consumption
- Teams with capacity working on **new projects**
- Taking advantage of **reduced traffic**, pulling forward **network renewal** in normally busy streets



2019/20 HIGHLIGHTS

A good end to AMP6 operationally

Net customer ODIs of **£36m¹** taking AMP6 total to **£174m**

Delivering consistent **improvements in Water**

Anticipate **4* EPA status** from the Environment Agency

A substantial year of investment

£800m of capital invested, taking AMP6 total to **£3bn**

Birmingham Resilience completed on time and to budget

Improved **1,600km** of rivers with **Water Framework Directive**

Entering AMP7 in a strong position

Expect to deliver **positive customer ODIs** from year one

80% of year one capital programme already **contracted**

Effective **interest cost of 3.7%** as we enter the AMP



JAMES BOWLING

Chief Financial Officer



2019/20 FINANCIAL HIGHLIGHTS

Good results in line with expectations, strong financial resilience

Underlying PBIT¹

£570.3m
-0.6%

Underlying basic EPS²

146.0p
+0.1%

Effective interest cost

3.7%
down 20 bps, 170 bps in AMP6

Net customer ODI reward

£36m
totalling £174m across AMP6

AMP6 cumulative RoRE³

8.5%
delivering on all three levers

Strong liquidity

£755m
available facilities at 31 March

Full-year dividend of 100.08p

1. Underlying profit before interest and tax (PBIT) excludes exceptional items and amortisation of acquired intangible assets. Reported PBIT of £568.2m (2018/19: £563.3m) includes amortisation of acquired intangible assets of £2.1m (2018/19: £0.7m) and nil exceptional operating costs (2018/19: £9.6m).
2. Underlying earnings per share (EPS) before exceptional items, amortisation of acquired intangible assets, net losses/gains on financial instruments, current tax on exceptional items and on net losses/gains on financial instruments, exceptional current tax and deferred tax. Reported basic EPS of 66.7p (2018/19: 133.4p).
3. AMP6 cumulative Return on Regulated Equity quoted net, pre-tax at 2012/13 prices, using Ofwat's RoRE methodology.

COVID-19 IMPACT ON PBIT

Limited impact on 2019/20 PBIT; direct costs largely absorbed; bad debt provision increased

No material step up in operating costs as a result of COVID-19 to date

March/April cash receipts strong; low levels of direct debit cancellations

Direct impact to bad debt of £2m; indirect impact of some activity restrictions on older debt recovery plan

Potential impact in 2020/21:

Lower non-household
revenue; recovered
later in AMP7

£50m to £85m impact

Increased household
bad debt risk from
economic recession

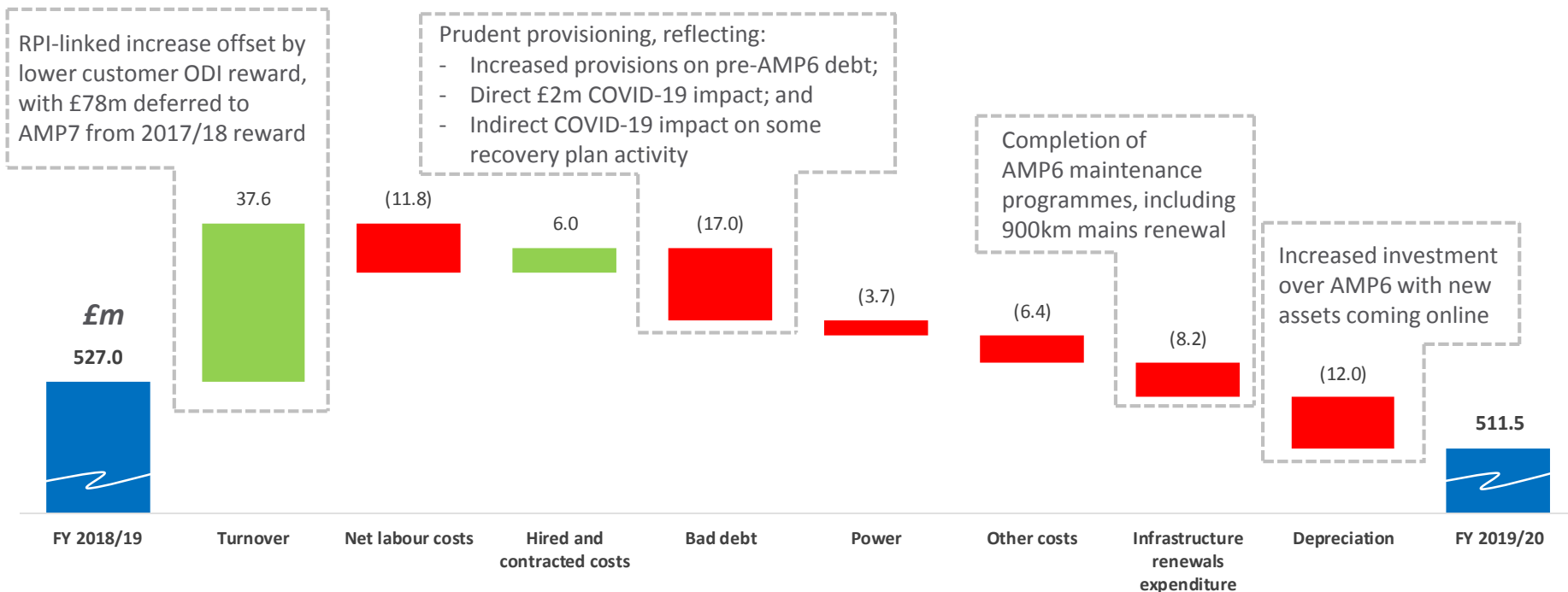
Reduced property
sales; deferred to later
in AMP7

£1m to £5m for year



REGULATED WATER AND WASTE WATER

Underlying PBIT down 2.9% reflecting higher bad debt and increased activity to close AMP6





Energy generation

A significant contributor to the early achievement of our target for 100% energy from renewable sources. Generation **increased 19%** to **491 GWh**, through Bioresources and our non-regulated activity

Operating Services

Increase in profits from improved performance and higher expected whole life profits on key contracts

Property Development

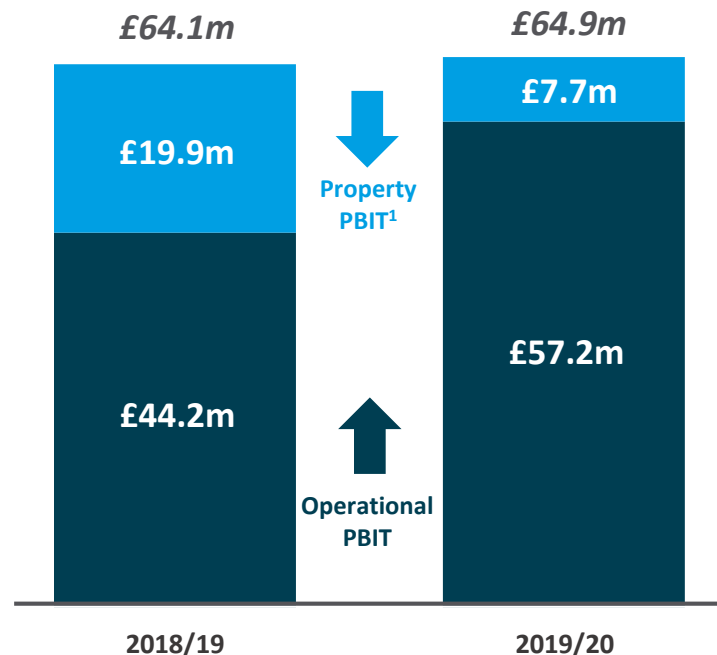
£7m¹ property sales delivered this year, **£34m of 2027 £100m** target now delivered

BUSINESS SERVICES

Turnover
£240.4m
+20%

PBIT
£64.9m
+1%

PBIT
(excl. Property)
£57.2m
+29%



1. Property Development PBIT of £7.7m includes £0.7m adjustment for provision for unrealised profit from internal sales and rental income of £0.1m; external property sales were £6.9m.

WATER PLUS

Improving performance in H2; overtaken by economic impact of COVID-19

Recovery plans drove improved performance in H2

Marked **improvement** in cash collections after a challenging first half...

...but **tail-off in receipts** seen post lockdown

£14.3m

FY share of underlying trading loss
(H1: £9.3m; H2: £5.0m)

Economic impact of COVID-19 on Water Plus recovery

Additional **bad debt provision** at year end for expected COVID-19 business failures

Impairment of **goodwill and intangibles** based on expected impact on Water Plus recovery plan

£37.4m

Share of write-downs
(Equity: £32.5m; Debt: £4.9m)

On 30 April Ofwat announced code changes to cap bad debt exposure and provide short-term liquidity for retailers

£51.7m

Total losses reported as exceptional

WHOLESALE REGULATOR REGULATORY FRAMEWORK

Effective regulatory framework mitigates NHH COVID-19 consumption risk over AMP7

Impact of lower volumes

COVID-19 lockdown will significantly decrease business **consumption** with some offset in higher household demand

We are anticipating c.**£50m-£85m impact** on 2020/21 revenue, assuming government's published path out of lockdown

The Ofwat regulatory model allows us to **recover this revenue** in two years



Ofwat
Consultation
April 2020

- Ofwat announced **protection for wholesalers** against retailer default from COVID-19
- **Capped exposure** from providing retailers with liquidity
- Wholesalers can charge interest on deferred payments; amounts to be **fully repaid by March 2021**

FINANCING PERFORMANCE

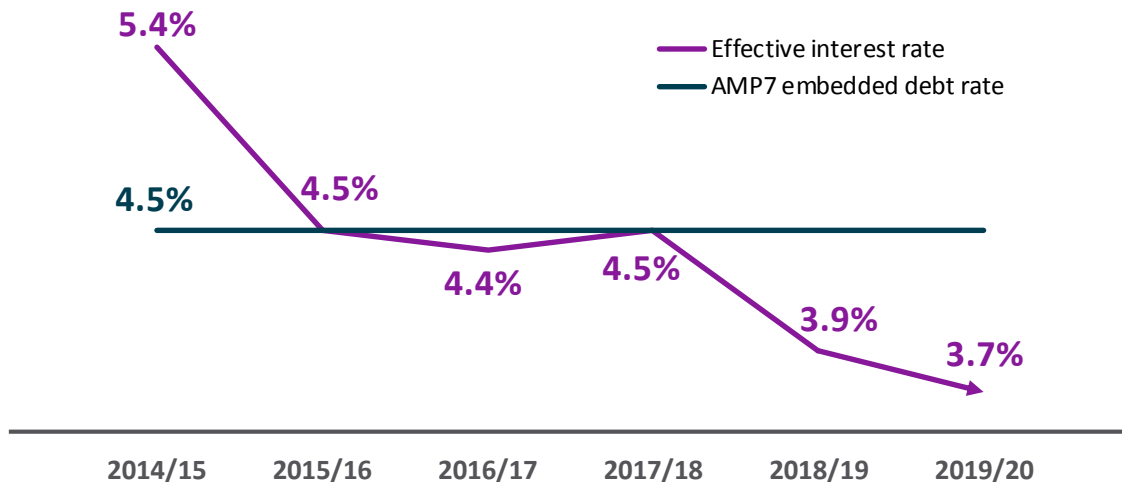
Strong AMP6 performance through effective management of our debt

£188.4m

Lower net finance costs as higher average debt is offset by lower effective interest cost

170 bps

Reduction in effective interest cost¹ in AMP6



£194.2m

£39.7m

RPI rolled up

£13.8m

Net pension finance cost

£140.7m

Cash interest²

£188.4m

£34.0m

£11.1m

£143.3m

2018/19

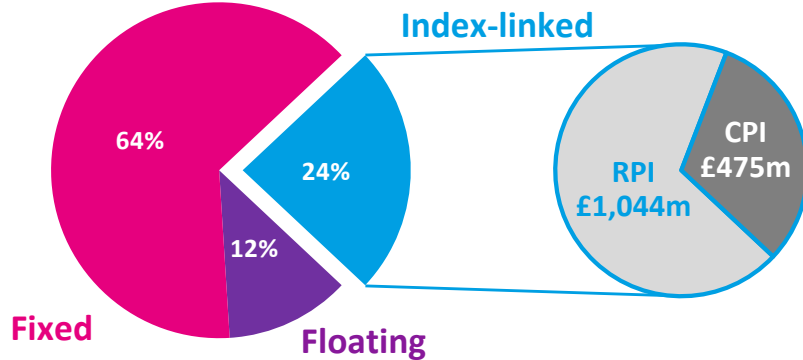
2019/20

1. Before net pension finance costs but including capitalised interest.
 2. Net of capitalised interest of £44.2 million (2018/19: £33.2 million). Gross cash interest cost was £187.5 million (2018/19: £173.9 million).

FINANCIAL RESILIENCE

Strong fundamentals and effective treasury strategy providing resilience

Gross debt
£6,433m



- Facilities of **£1.1bn**, with **£0.8bn** available at 31 March 2020
- **Less than 2.5% (£150m)** of debt maturing in the next 12 months
- Strong track record of **flexible, risk-based** treasury management through AMP6

Net debt of
£6,232m

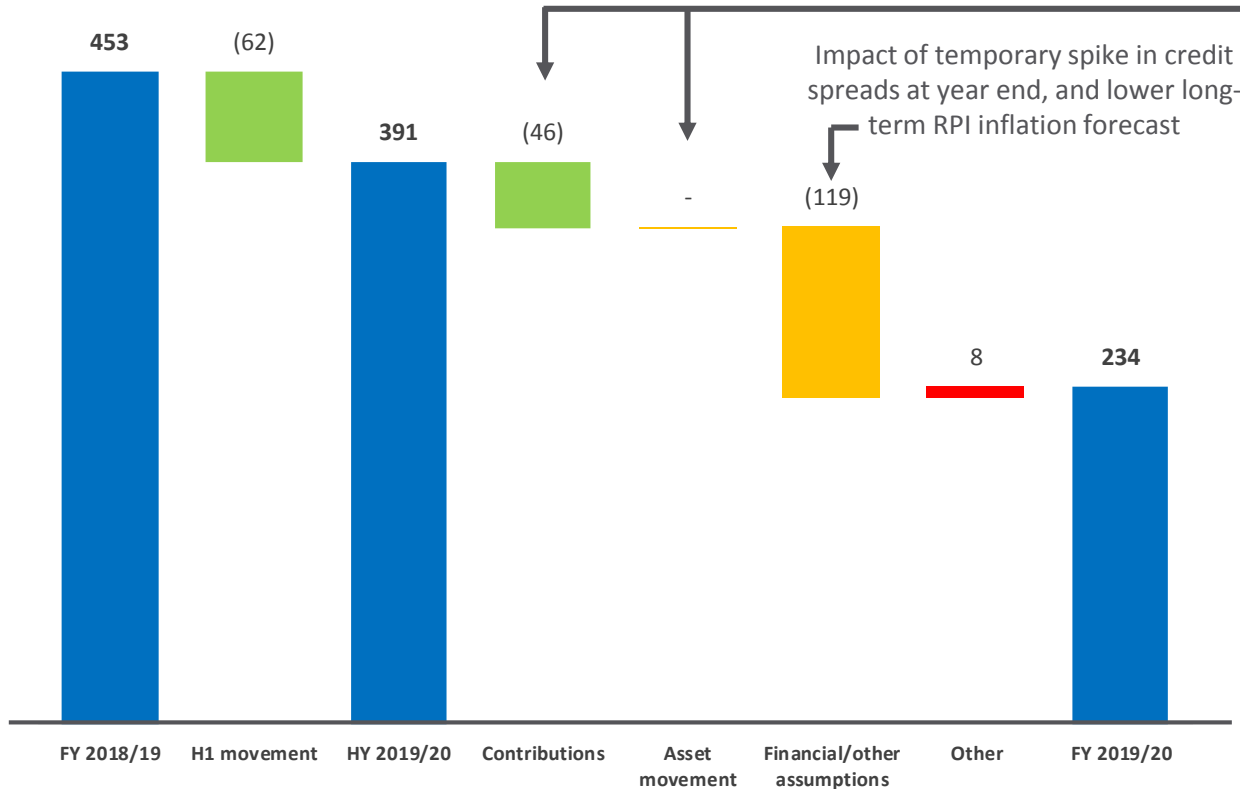
Gearing¹ of
64.4%

£200m USPP
March 2020
in Plc

- Favourable rates, long average maturity
- First issue under Sustainable Finance Framework
- New US ESG investors attracted to our business

PENSIONS

Deficit reduction strategy on track; AMP7 average contributions of £60m to continue



Successful underlying management

Effective hedging strategy

Protection in place against equity and gilt yield shocks

Asset performance

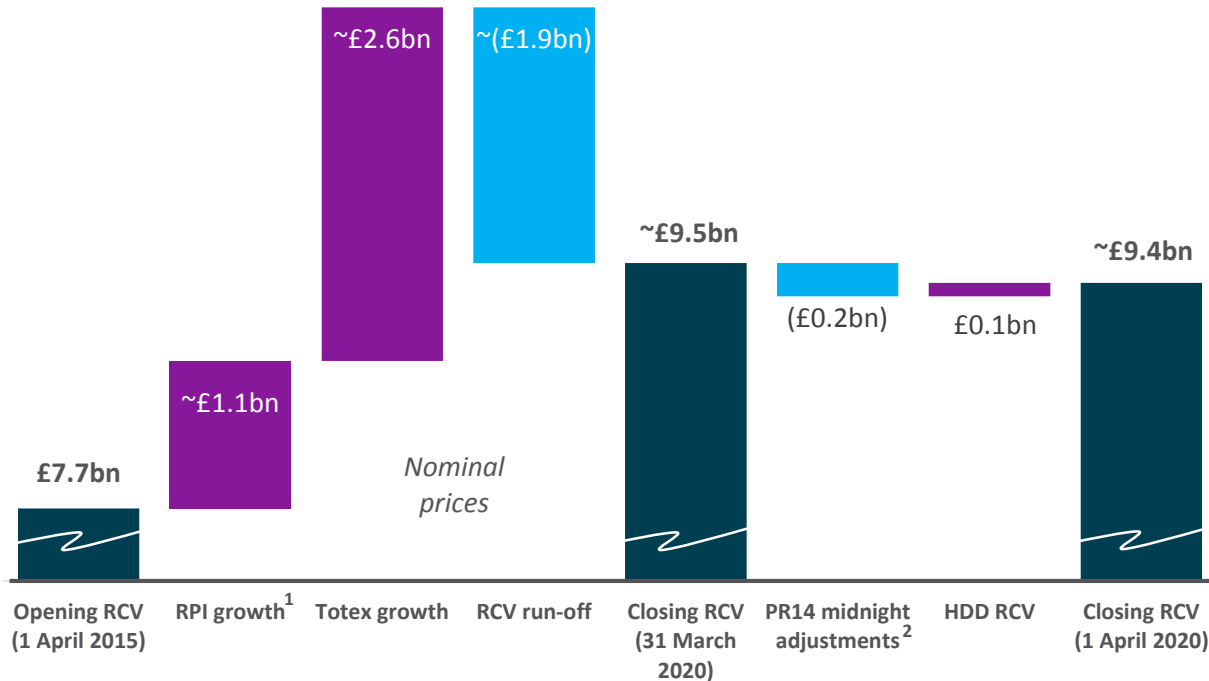
Maintained value despite difficult March conditions

Sustainable cash contributions

Affordable average annual contributions of **£60m** agreed with the Trustees in 2019, built into our AMP7 plan and **expected to continue**

AMP6 RCV GROWTH

Cost efficiencies and targeted investment contributed to strong real RCV growth



Efficient spending, with a **7% real** reduction in STW operating costs across AMP6

Over **£3bn capex** invested, completing some of our largest ever schemes

Contributing to **9% real RCV growth³** over AMP6

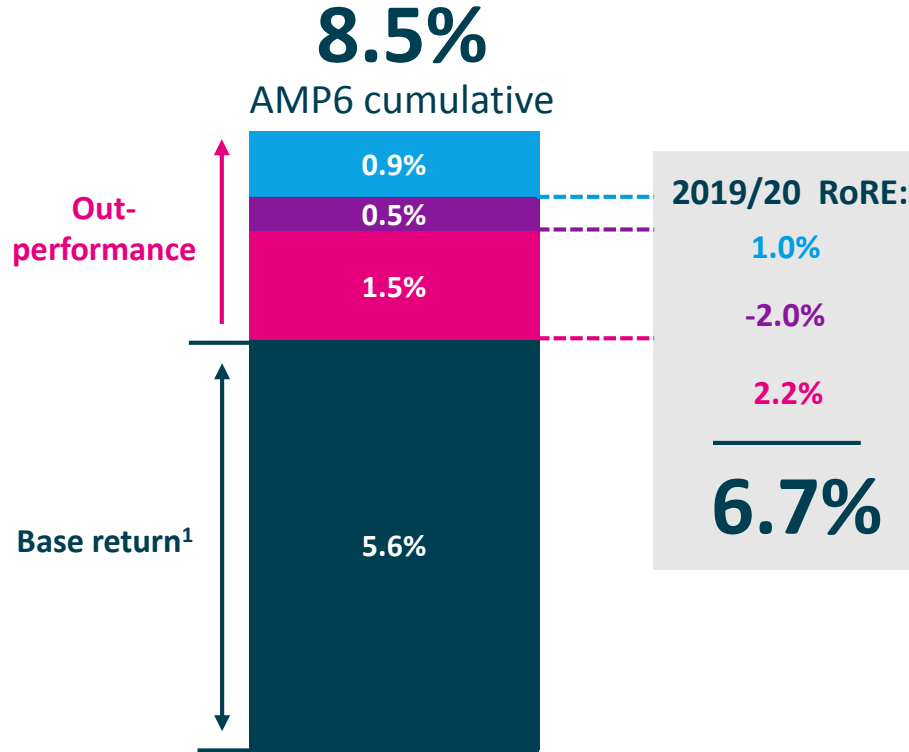
1. Based on actual RPI of 1.6% for 2015/16, 3.1% for 2016/17, 3.3% for 2017/18, 2.4% for 2018/19 and 2.6% for 2019/20.

2. PR14 midnight adjustments as per Ofwat's PR19 Final Determination published in December 2019.

3. Growth rates as per Final Determination, pre midnight adjustments and excluding Hafren Dyfrdwy expected RCV of c.£100m (in nominal prices).

RETURN ON REGULATED EQUITY

Outperformance across all three levers delivering strong AMP6 RoRE



CUSTOMER ODIS

Sustained strong ODI performance, £174m net reward across the AMP including £36m delivered in 19/20

TOTEX

Focused reinvestment of early AMP6 efficiencies; confident in our ability to deliver AMP7 plan within allowance, despite COVID-19 disruption

FINANCING

170 bps reduction in effective interest cost in AMP6 driven by our flexible financing strategy

2020/21 TECHNICAL GUIDANCE

Regulated Water and Waste Water		Year-on-Year	2019/20
Turnover	<p>£1.51 billion to £1.55 billion. Lower year-on-year as a result of:</p> <ul style="list-style-type: none"> • £50 million to £85 million from the expected impact of COVID-19 (non-household consumption down, partly offset by increased household usage). <p><i>Assumes government's published path out of lockdown, with a gradual recovery in economic activity over the year. We will provide an update on expected outturn at our quarterly trading update in July. The Ofwat regulatory model allows us to recover this revenue in two years.</i></p> <ul style="list-style-type: none"> • £24 million of regulated revenue now allocated to Bioresources (reported in the Business Services segment) in line with the FD. 	▼	£1.62bn
Operating costs (incl. IRE)	Higher year-on-year due to increasing chemical usage to meet tighter effluent consents and expected COVID-19 related increases in household bad debt, partially offset by our insourcing strategy and a reduction in our IRE programme following completion of AMP6 programmes.	▲	£782m
Customer ODIs	We expect to be in positive territory and earn a net reward across Water and Waste measures.	▼	£36m
Business Services			
Underlying PBIT (excl. Property)	Higher year-on-year. Corresponding £24 million increase in Bioresources revenue allocated from Regulated Water and Waste Water, partially offset by the impact of lower energy prices on renewable energy revenue and COVID-19.	▲	£57m
Underlying Property PBIT	Between £1 million and £5 million, based on an expected pause in property market activity. We remain on track with commitment to deliver £100 million PBIT over ten years to 2027.	▼	£8m
Group			
Interest charge	Higher year-on-year due to increased total debt and lower capitalised borrowing costs.	▲	£188m
Tax rate	Total tax rate of c.19% and underlying effective current tax rate between 9% and 11%.	↔	10.4%
Group capex	£430 million to £510 million. Lower capital expenditure year-on-year following completion of significant AMP6 programmes.	▼	£800m
Dividend¹	Annual dividend growth of CPIH. 2020/21 dividend 101.58p.	▲	100.08p

1. 2020/21 dividend growth is based on November 2019 CPIH of 1.50%.

FINANCIAL SUMMARY

A good set of results rounding off a strong AMP6



Underlying PBIT
£570m

Strong cost control, good non-regulated growth and increased IRE investment for a good start to AMP7

Effective interest cost
3.7%

20 bps reduction this year, 170 bps reduction in AMP6, strong start point for AMP7

RoRE
6.7%

Reflecting reinvestment in the final year of the AMP, cumulative RoRE of 8.5% delivered across all three levers

Full-year dividend
100.08p

In line with policy

A strong balance sheet and an efficient cost base – ready for outperformance in AMP7

LIV GARFIELD

Chief Executive





AMP6 SUMMARY

Balancing the needs of key stakeholders across AMP6

COLLEAGUES

- Engagement in the **top 5%** of utilities globally
- **75,000 days** of **training** delivered
- Recruited c.**400 graduates** and **apprentices**
- Sharing success with **all-employee bonus** scheme
- **Top 3** company in **Hampton-Alexander** review and **Social Mobility** Index



INVESTORS

- Cumulative **RoRE of 8.5%**, delivered across all 3 levers
- **£174m** of customer **ODIs** delivered over 5 years
- Invested for real **RCV** growth of around **9%**
- Effective **finance cost** reduced 170bps to **3.7%**
- Sharing success through RPI+4% **dividend policy**



AMP6 SUMMARY

Balancing the needs of key stakeholders across AMP6



CUSTOMERS

- Maintained **lowest bills** in England and Wales
- **£3bn invested** in assets for future generations
- Improved **accessibility** and **digital** experience
- Annually **supported 50,000** customers with bills
- Improvements across range of **service measures**

COMMUNITIES/ ENVIRONMENT

- **800,000** customers **educated** about water and waste
- **£17m donated** to the Severn Trent Trust Fund
- Anticipate **4* EPA status** for third time in AMP
- Improved quality of **1,600km** of local **rivers**
- **100% renewable** energy – **51% self-generated**

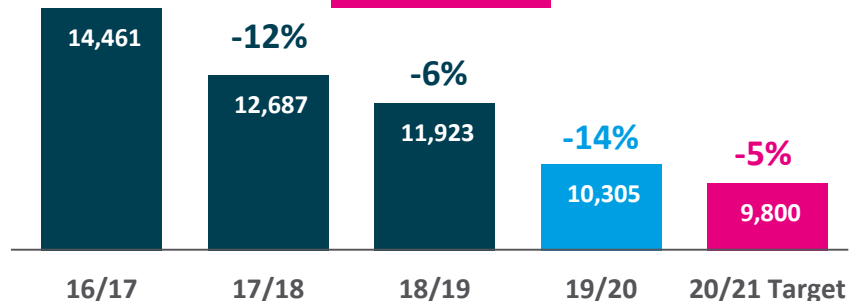




STRONG WATER PERFORMANCE

Water quality complaints

AMP6: -28%

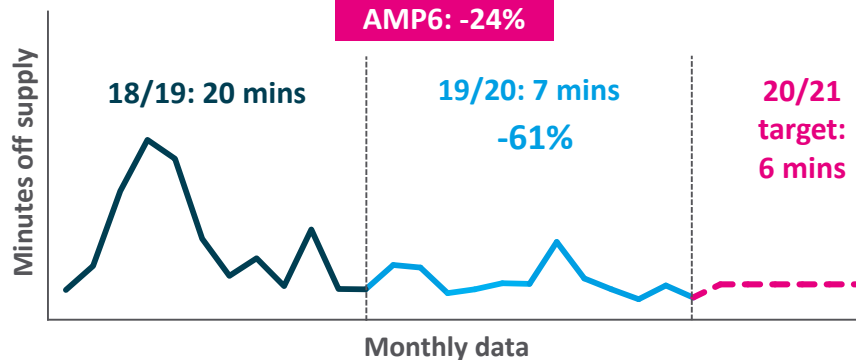


Targeted **reinvestment**, innovative **technology** and refreshed **strategies** driving continuous improvement

On the **right trajectory** to meet year one targets

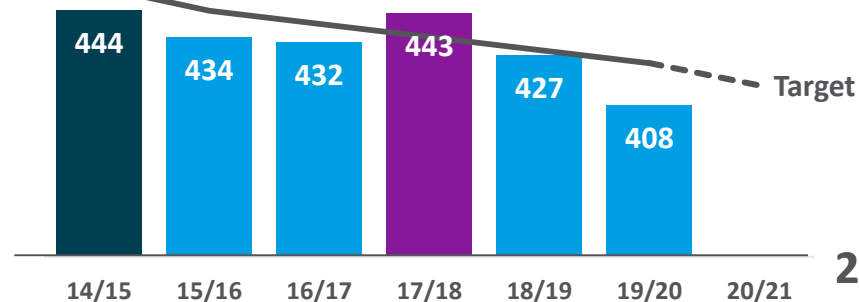
Supply interruptions

AMP6: -24%



Leakage

AMP6: -8%



CONFIDENT IN LEAKAGE AMBITION

Consistent improvements give confidence in AMP7 and longer term targets

Leakage reductions:

Delivered

8%

in AMP6

Plan

15%

by 2025

Ambition

50%

by 2045

**Empowering
our people**

New geographical ownership model enhances **local knowledge** and **accountability**

Volunteers from across the business are **looking out for assets** in their local areas

**Embracing
new
technology**

£10m invested in 35,000 acoustic loggers

Fast followers on Vacuum-Excavator

Internal innovation such as Seek-A-Leak

**Exciting
future plans**

Installing **500,000 meters** in AMP7

Exploring **robotics** and trialling **fibre optics**

World Water Innovation Fund collaboration

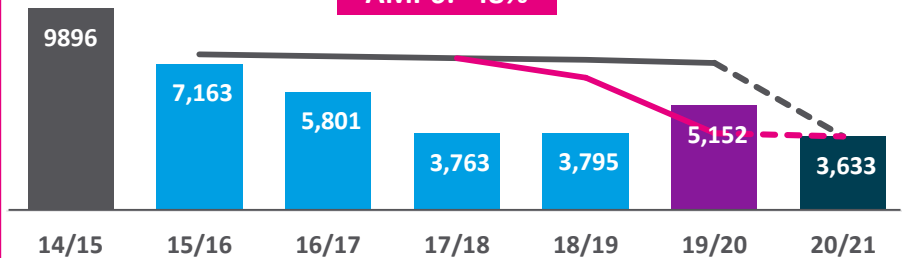


One of our teams with a Vacuum-Excavator

— Target (revised)
— Target (FD)

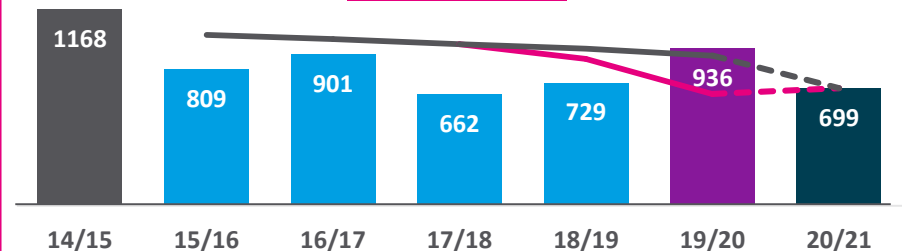
External sewer flooding

AMP6: -48%



Internal sewer flooding

AMP6: -20%



Penalties on flooding measures follow tougher targets and record-breaking wet weather

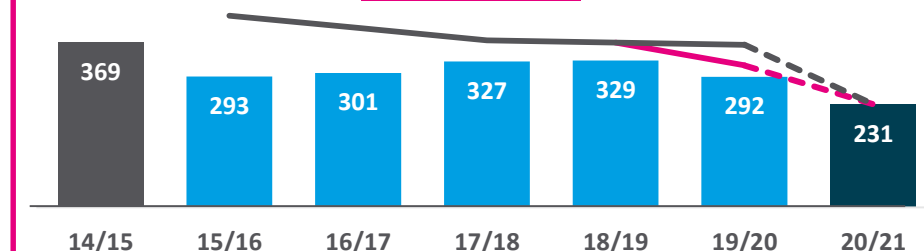
A TOUGH YEAR BUT STRONG AMP IN WASTE

£226m

in waste customer
ODIs over AMP6

Pollutions (Category 3)

AMP6: -21%



Ambition to reduce pollutions by 50% by 2025
— going further than regulatory target



INVESTING IN THE ENVIRONMENT

Caring for the environment delivers multiple benefits

Reducing costs

Improving **water quality** upstream reduces cost of treatment

Natural solutions require less power and maintenance

Extracting more **resources** from our waste **creates value**

Rewards for environmental improvement

Water Framework Directive
£42.6m

Sustainable Sewage Treatment
£9.9m

Biodiversity
£0.9m

Catchment Management
£11.4m

Making a positive impact

Over AMP6 we have delivered:

1,600km **river quality** improvement

244 Ha enhanced for **Biodiversity**

Carbon emissions reduced by 42%





AMP6 PROGRAMME: COMPLETE

Substantial investment in final year completes ambitious AMP6 programme

£800m

2019/20 Capex

**Birmingham
Resilience**
Second source of
water to Birmingham



Mains Renewal
900km of network
renewed



£3bn

AMP6 Capex



Newark
protecting
customer homes
from flooding



Ambergate Reservoir
increasing capacity
and operational
flexibility

£689m

AMP6 IRE

Delivered efficiently with increased standardisation, plug and play construction, and working with suppliers to reduce overheads



AMP7 PROGRAMME: ON TRACK

We are **on track**:

- **80% of** year one programme spend **contracted**
- **Manageable impact** from COVID-19 – **safeguards** in place

Capital expenditure of **£430m to £510m** in year one

AMP7 will operate differently with a **broader range of suppliers** and **in-house design** team

Key role in **Triple Carbon Pledge** with:

- New **Thermal Hydrolysis Plants** to increase generation
- **Natural solutions** to waste water treatment



Generating more energy with new THPs



Exploring natural solutions such as Wetlands



EMBEDDING SUSTAINABILITY

Taking care of the environment

100% renewable energy –
now achieved

100% electric fleet by 2030¹

Net zero carbon emissions
by 2030

Committed to
Science-Based Targets

Planting 1.3 million trees by
2030

Improving quality of
2,100km of rivers by 2025

5,000 Ha enhanced for
Biodiversity by 2027

Leakage reduction of 15%
by 2025; 50% by 2045

Ambition to reduce
pollutions by 50% by 2025

Educating 500,000 children
on water scarcity

Helping people to thrive

Working to end water poverty

Investing £10m in our
new Academy

Accredited real living wage
employer

Helping 195,000 customers
with their bill by 2025

1% of STW profits to
Community Fund

Being a company you can trust

Embedding new Purpose
and Values

Reporting in line with
TCFD and GRI guidance

Embedding social purpose in
our Licence

Accredited with the
Fair Tax Mark

A third of bonus linked to
sustainability

1. Assumes suitable specialist vehicles such as tankers become available within that time window.

SUMMARY

Strong final year and fast-track preparation means we are ready for AMP7

Operationally strong

- **Balanced performance** across water and waste measures
- **£36m** customer ODIs earned in final year; expect **net reward** in 2020/21

Capital investment

- **£800m** invested in final year completes **£3bn programme**
- On track for **£430-£510m** in FY21 with **80% of spend** contracted

Environment

- Quality of **1,600km** rivers improved
- Anticipate **EPA 4* status**
- **100%** energy from **renewables**

Sustained outperformance

- Cumulative AMP6 **RoRE of 8.5%**
- Delivered across **all three levers**
- **3.7% finance cost** entering AMP7



APPENDIX

SUSTAINABLE DEVELOPMENT GOALS

We have outlined our most significant contributions to the 17 goals through our core businesses and the way we run our company

Core Business Impact



6 CLEAN WATER AND SANITATION
Ensure availability and sustainable management of water and sanitation for all



7 AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all



13 CLIMATE ACTION
Take urgent action to combat climate change and its impacts

Significant Impact



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Ensure sustainable consumption and production patterns



15 LIFE ON LAND
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Moderate Impact



4 QUALITY EDUCATION
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



5 GENDER EQUALITY
Achieve gender equality and empower all women and girls



8 DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



10 REDUCED INEQUALITIES
Reduce inequality within and among countries



11 SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable

UNDERLYING EBITDA¹ YEAR ENDED 31 MARCH 2020

2019		2020	Variance	Variance
£m		£m	£m	%
841.9	Regulated Water and Waste Water	838.5	(3.4)	(0.4)
94.7	Business Services	102.9	8.2	8.7
(8.1)	Corporate and other	(5.5)	2.6	32.1
(9.7)	Eliminations	(0.8)	8.9	91.8
918.8	Severn Trent Group	935.1	16.3	1.8

1. Earnings before interest, tax, depreciation, amortisation, amortisation of acquired intangible assets and exceptional items.

BUSINESS SERVICES UNDERLYING EBITDA¹

YEAR ENDED 31 MARCH 2020

	Regulated £m	Non Regulated £m	Total £m
Operating Services	–	16.4	16.4
Green Power	(0.3)	17.6	17.3
Bioresources	55.2	–	55.2
Property Development	4.6	3.1	7.7
Other	3.1	3.2	6.3
Underlying EBITDA	62.6	40.3	102.9
Depreciation	(25.5)	(11.3)	(36.8)
Amortisation ²	–	(1.2)	(1.2)
Underlying PBIT	37.1	27.8	64.9

1. Earnings before interest, tax, depreciation, amortisation, amortisation of acquired intangible assets and exceptional items.

2. Excluding amortisation of acquired intangible assets.

DEPRECIATION¹

YEAR ENDED 31 MARCH 2020

2019		2020	Variance	Variance
£m		£m	£m	%
315.0	Regulated Water and Waste Water	327.0	12.0	3.8
30.6	Business Services	38.0	7.4	24.2
0.1	Corporate and other	0.1	–	–
(0.5)	Eliminations	(0.3)	0.2	40.0
345.2	Severn Trent Group	364.8	19.6	5.7

POWER

YEAR ENDED 31 MARCH 2020

	2020			2019		
	Segmental analysis	Self generation	Group	Segmental analysis	Self generation	Group
	£m	£m	£m	£m	£m	£m
Turnover						
Business Services	96.3	(15.1)	81.2	72.6	(26.4)	46.2
Cost						
Regulated Water and Waste Water	(105.8)	14.8	(91.0)	(102.1)	17.2	(84.9)
Business Services	(3.8)	0.3	(3.5)	(14.3)	8.9	(5.4)
Severn Trent Group			(94.5)			(90.3)

NET FINANCE COSTS

YEAR ENDED 31 MARCH 2020

2019				2020		
Income statement charge £m	Capitalised interest £m	Gross interest incurred £m		Income statement charge £m	Capitalised interest £m	Gross interest incurred £m
140.7	33.2	173.9	Cash interest (including accruals)	143.3	44.2	187.5
13.8	–	13.8	Net pension finance cost	11.1	–	11.1
39.7	–	39.7	Inflation uplift on index-linked debt	34.0	–	34.0
194.2	33.2	227.4		188.4	44.2	232.6

UNDERLYING EARNINGS PER SHARE

YEAR ENDED 31 MARCH 2020

2019		2020	Variance	Variance
£m		£m	£m	%
573.6	Underlying profit before interest and tax	570.3	(3.3)	(0.6)
(194.2)	Net finance costs	(188.4)	5.8	3.0
379.4	Underlying profit before tax	381.9	2.5	0.7
(43.8)	Tax at the underlying effective rate of 10.4% (2019: 11.6%)	(39.7)	4.1	9.4
9.4	Current tax in respect of prior years	5.2	(4.2)	(44.7)
(0.4)	Share of net loss of joint ventures	–	0.4	100.0
344.6	Earnings for the purpose of underlying basic and diluted earnings per share	347.4	2.8	0.8
236.3	Weighted average number of ordinary shares for basic earnings per share	238.0	1.7	0.7
145.8	Underlying basic EPS	146.0	0.2	0.1

GROUP BALANCE SHEET AT 31 MARCH 2020

2019 £m		2020 £m	Variance £m	Variance %
9,300.7	Property, plant and equipment, right-of-use assets, intangible assets and goodwill	9,954.8	654.1	7.0
37.0	Investments in joint ventures	–	(37.0)	(100.0)
109.7	Working capital	43.2	(66.5)	(60.6)
(1,093.0)	Deferred income	(1,188.3)	(95.3)	(8.7)
(452.9)	Net retirement benefit obligations	(234.0)	218.9	48.3
(51.4)	Provisions	(44.0)	7.4	14.4
(9.3)	Current tax	3.1	12.4	133.3
(747.5)	Deferred tax	(901.1)	(153.6)	(20.5)
(95.1)	Other derivative financial instruments	(158.5)	(63.4)	(66.7)
6,998.2	Capital employed	7,475.2	477.0	6.8
1,164.1	Equity	1,243.7	79.6	6.8
5,834.1	Net debt	6,231.5	397.4	6.8
6,998.2		7,475.2	477.0	6.8

CAPITAL EXPENDITURE (NET CASH)¹

YEAR ENDED 31 MARCH 2020

2019		2020	Variance	Variance
£m		£m	£m	%
757.7	Regulated Water and Waste Water	790.0	32.3	4.3
12.6	Business Services	9.4	(3.2)	(25.4)
0.9	Corporate and other	0.1	(0.8)	(88.9)
(1.9)	Eliminations	–	1.9	100.0
769.3	Severn Trent Group	799.5	30.2	3.9

1. Including purchases of property, plant and equipment, intangible assets, proceeds on disposal of property, plant and equipment and contributions and grants received.

NET DEBT AT 31 MARCH 2020

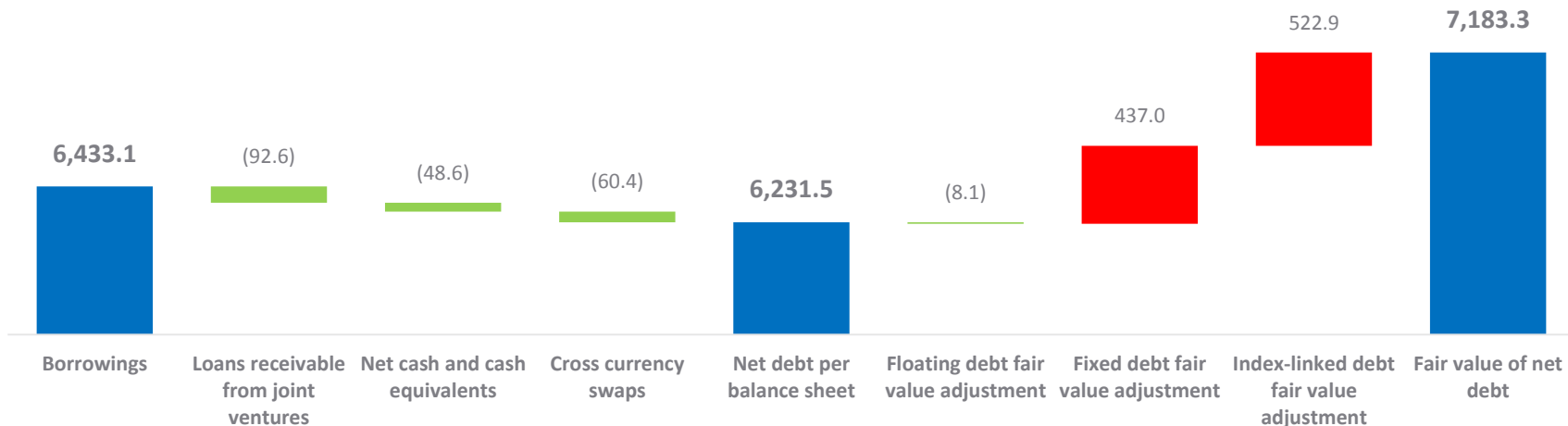
2019 £m		2020 £m	Variance £m	Variance %
(1,120.1)	Bank loans	(1,251.9)	(131.8)	(11.8)
(4,820.5)	Other loans	(5,058.5)	(238.0)	(4.9)
(112.2)	Finances leases/lease liabilities	(122.7)	(10.5)	(9.4)
39.6	Net cash and cash equivalents	48.6	9.0	22.7
37.1	Cross currency swaps	60.4	23.3	62.8
142.0	Loans receivable from joint ventures	92.6	(49.4)	(34.8)
(5,834.1)	Net debt	(6,231.5)	(397.4)	(6.8)

1. Average monthly debt was £5,972.2 million (2019: £5,547.7 million).

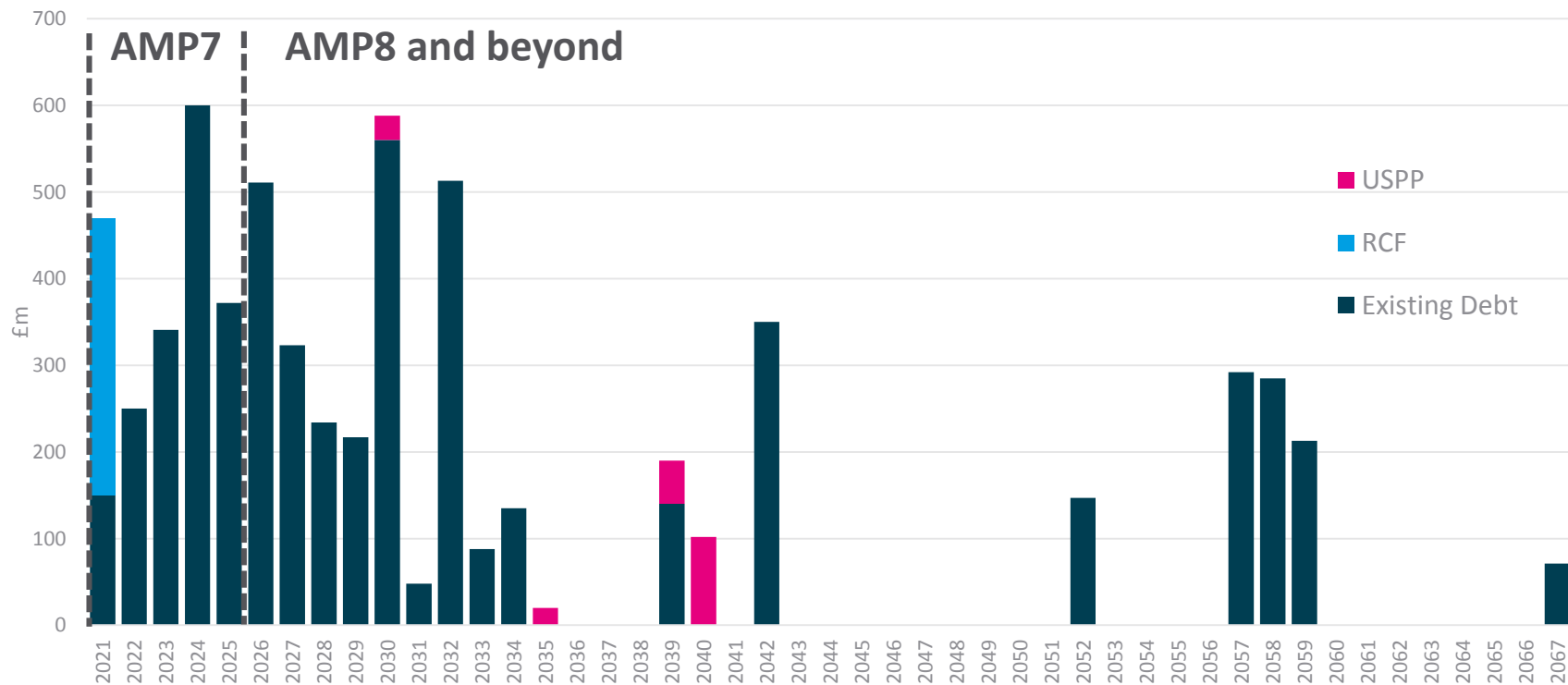
FAIR VALUE OF DEBT AT 31 MARCH 2020

2019 £m		2020 £m	Variance £m	Variance %
(1,004.2)	Floating rate debt	(1,128.0)	(123.8)	(12.3)
(3,969.9)	Fixed rate debt	(4,214.7)	(244.8)	(6.2)
(2,298.3)	Index-linked debt	(2,042.2)	256.1	11.1
(7,272.4)		(7,384.9)	(112.5)	(1.5)
39.6	Net cash and cash equivalents	48.6	9.0	22.7
142.0	Loans receivable from joint ventures	92.6	(49.4)	(34.8)
37.1	Cross currency swaps	60.4	23.3	62.8
(7,053.7)	Fair value of net debt	(7,183.3)	(129.6)	(1.8)
(5,834.1)	Net debt (previous slide)	(6,231.5)	(397.4)	(6.8)
(1,219.6)	Difference	(951.8)	267.8	22.0

ANALYSIS OF BORROWINGS & NET DEBT AT 31 MARCH 2020



DEBT MATURITY AS AT 31 MARCH 2020



GEARING AND CREDIT RATINGS

AS AT 31 MARCH 2020

	2019	Net debt/RCV ¹	2020
	63.0%	Severn Trent Group ²	64.9%
	62.3%	Severn Trent Water Group ³	64.4%

2019			2020		
Severn Trent Water	Severn Trent Plc		Severn Trent Water	Severn Trent Plc	Outlook
A3	Baa1	Moody's	Baa1	Baa2	Stable
BBB+	BBB	Standard and Poor's	BBB+	BBB	Stable

1. Estimated RCV at 31 March 2020.

2. Based on statutory net debt of £6,232m (31 March 2019: £5,834m).

3. Based on Severn Trent Water Group regulated net debt of £6,187m (31 March 2019: £5,777m).