

## Severn Trent Plc Trading Update

Severn Trent Plc today announces the following trading update for the period to 18 July 2023.

### Strong operational and environmental performance

We are pleased to have been awarded the highest possible 4-star Environmental Performance Assessment ('EPA')<sup>1</sup> status by the Environment Agency for 2022, becoming the first company to maintain this position for four consecutive years.

We remain on track with 100% of our environmental performance commitments for this year and are making good progress with our Get River Positive pledges and our programme to deliver the world's first carbon-neutral waste water treatment works in 2024.

We have made a strong start to the year operationally and, with reservoir levels at 77%, more than 10% higher than at this point last year, are well-positioned for the summer months.

### Financial performance in line with expectations

Financial performance remains on track and we expect to deliver in line with expectations, including a net reward of at least £50 million in customer ODIs<sup>2</sup>, reflecting our sector-leading performance for customers.

Across the Group, our natural economic energy hedge provides protection against energy price volatility and we now have 45% of our net energy exposure for 2024/25 locked in at significantly lower rates than those for 2023/24.

We continue to manage our totex programme efficiently, benefitting from our in-house engineering capabilities, advance procurement strategy and direct relationships with a broad supply chain. Our investment programme is moving at pace, with capital expenditure expected to be between £850 million and £1 billion this year, as we step up our delivery capacity ahead of AMP8, which is expected to be one of the most significant investment periods in the sector's history.

We remain well-positioned for this step up in investment with regulatory gearing<sup>3</sup> of 60% at the most recent financial year end. We are consistently named in the top category of financial resilience by our economic regulator, Ofwat.

### Liv Garfield, Chief Executive, Severn Trent Plc, said:

*"We're pleased to have made a good start to the year, as we continue to focus on delivering the operational, environmental and financial performance our stakeholders expect of us. We recognise that there is more we can do and we are committed to going further, faster, to deliver the best possible outcomes for our customers and the environment. The business is well placed to deliver the progress needed with a highly engaged workforce, sustained operational leadership and a strong balance sheet, supporting future investment."*

### Reporting and investor timetable

In recent months we have published a number of documents which provide our investors, customers and wider stakeholders with clear and transparent information on our performance, including:

- Annual Report and Accounts
- Sustainability Report
- ESG data book
- Annual Performance Report

These documents can be found on our website at [www.severntrent.com](http://www.severntrent.com). We welcome stakeholder feedback on our reporting.

Our business plan for AMP8 (1 April 2025 to 31 March 2030) will be submitted on 2 October 2023 and we look forward to bringing this plan to life at our Capital Markets Day on 12 October 2023.

## Footnotes

### 1. Environmental Performance Assessment (EPA)

A non-statutory tool for comparing performance between water and sewerage companies (WaSCs) operating mainly in England. It uses measurable environmental indicators to provide a meaningful comparison of performance across the nine WaSCs in England. The 2022 assessment can be found at the following link: <https://www.gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2022>.

### 2. Outcome Delivery Incentives (ODIs)

A framework made up of outcomes, measures, targets and incentives which provides companies with rewards for achieving stretching performance targets and compensates customers if performance is below performance targets. Outcome Delivery Incentives are quoted pre-tax in 2017/18 prices. We assume a 25% rate of corporation tax to be in place when ODIs are taken into revenue.

### 3. Regulatory Gearing

Shadow regulatory gearing was 60.0% at 31 March 2023 (2022: 59.2%). This measure is calculated as net debt of our regulated businesses, expressed as a percentage of estimated RCV, taking into account amounts that will be included in the RCV at the end of the AMP but which we have already incurred (namely our Green Recovery programme).

## Enquiries

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### 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.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: the Principal Risks and uncertainties detailed in this document; the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; 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. No assurances can be given that the forward-looking statements in this document will be realised. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

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