

15 July 2020



Severn Trent Plc Trading Update

Severn Trent Plc today announces the following update for the period to 15 July 2020.

We have remained focused on taking care of one of life's essentials through the unprecedented COVID-19 pandemic. Our front-line key worker teams have kept customers' taps flowing as we have continued to support our local communities. Overall, the first quarter of the financial year has been in line with our expectations, and the Board continues to expect that the Group will deliver full-year trading performance consistent with prior guidance. Our AMP7 plans remain unchanged as we benefit from the clarity a finalised regulatory settlement brings.

We have not yet seen evidence that would change our initial estimates for the impact of COVID-19. We continue to guide a £50 - £85 million negative impact to 2020/21 revenue, and the Ofwat regulatory model allows this to be recovered in 2022/23. We have been encouraged by cash collections broadly in line with the same period a year ago, but continue to anticipate COVID-19 bad debt increases in line with guidance previously given as government support schemes come to an end. We will update the market at the interim results on 26 November 2020 as we see more data on the impact of COVID-19 on households and businesses.

AMP7 on track; good underlying performance

- **Operational performance** - We made a strong start to the year, and remain confident of a net positive outcome on Customer ODIs.
- **Capital schemes** – We entered AMP7 in a strong position with 80% of our year one capital programme contracted, and we have made a fast start on delivering this, with minimal impact from COVID-19. We are on track to invest £430 - £510 million this year in infrastructure.
- **Energy generation** – Our Solar and Bioresource assets both helped to increase renewable energy generation by 4% versus a year ago to 127Gwh for the quarter.
- **Financing** - On 2 June 2020, we issued our inaugural Sustainable Bond in Severn Trent Water, raising £300 million at a fixed rate of 2% over 20 years. Our balance sheet remains strong with committed facilities of £1.1 billion, all of which are undrawn.

Supporting our communities

We remain committed to supporting our communities as they recover from the impact of COVID-19, with essential funding, practical support, job security and creation, and continued infrastructure investment through local companies. To date:

- We have distributed £500k of our £1 million COVID-19 emergency fund to around 200 organisations.
- We have awarded nearly £700k from our new community fund to 39 projects across our patch, ranging from an eco-friendly community space in Shropshire, to community health and wellbeing projects.
- We have paid over £80 million to our small and medium suppliers on zero payment terms.
- In addition to upholding our pledge to not make anyone redundant or furlough any of our staff as a result of COVID-19, we re-emphasised our commitment to helping young adults leaving education at this time, with 44 apprentices and 15 graduates starting in September.

We have made significant strides in becoming a more sustainable company in the past five years. As we continue on our sustainability journey, we are incredibly proud to have been recognised as one of the leading FTSE100 companies for our commitment to sustainable business for the long term, recently ranking second in the Responsibility100 Index¹.

On 10 June 2020, alongside our Annual Report and Accounts, we published our first ever stand-alone Sustainability Report, setting out our sustainability strategies and ambitions and showcasing who we are and what we stand for as a business. The full report can be found [here](#).

¹ The Responsibility100 Index is a ranking of the FTSE 100 companies' social and environmental leadership, inspired by the UN Sustainable Development Goals. The latest rankings can be found [here](#).

Enquiries

Investors & Analysts

Rich Eadie	Severn Trent Plc	+44 (0) 7889 806578
<i>Head of Investor Relations</i>		

Rachel Martin	Severn Trent Plc	+44 (0) 7824 624011
<i>Investor Relations Manager</i>		

Media

Jonathan Sibun	Tulchan Communications	+44 (0) 207 353 4200
Press Office	Severn Trent Plc	+44 (0) 247 771 5640

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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 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.

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