

Half Year Results 2024/25

20 November 2024

WONDERFUL ON TAP

SEVERN
TRENT

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



AMP7 REFLECTIONS

A successful AMP7 setting us up for a strong AMP8

Generating Growth

Nominal RCV growth of **40%**, boosted by Green Recovery

PR24 Plan **fully equity funded**, raised £1.25bn in AMP7

Delivered **40%** Total Shareholder Return

Enhancing the Environment

30% reduction in emissions¹ and created sector blueprint for Net Zero

Delivering over **1,000** commitments under National Environmental Programme

Enhancing biodiversity on **15,000 hectares**, **3%** of UK Govt target

Driving Performance

Awarded **4* EPA status** each and every year of AMP7

Achieving **over 80%** of ODI targets to deliver around **£420m²** of ODI reward

More than doubled the base return, over **13%** in nominal prices

Giving Back

Supported families with **c. £200m** affordability programme

Supported communities through Societal Strategy and donation of **1% of all profits** to local projects

Engagement scores in **top 5% of utilities globally**



¹ Based on scope 1 and 2 emissions from a 2019/20 baseline.

² Quoted pre-tax, post-sharing, in nominal prices.

HALF YEAR HIGHLIGHTS

Expect to deliver
>£100m¹
net ODI reward this
year, pre-sharing

4* EPA status
confirmed for a
fifth consecutive
year

Delivered
900
interventions
to reduce spills
this year

On track for upper
end of
£1.3-£1.5bn
capital investment
guidance range

Achieved
Outstanding
status
for our PR24 plan

¹ Quoted pre-tax in 2017/18 prices.

HELEN MILES

Chief Financial Officer



HALF YEAR FINANCIAL HIGHLIGHTS

Strong financials
including **PBIT** and
EPS growth
year-on-year

£13.6bn
expected closing
AMP7 RCV

58.6%
economic
regulated gearing¹

Strong liquidity,
with over **£2bn** in
cash and facilities

Interim
dividend of
48.68p
in line with policy

¹ Economic regulated gearing includes the full expected impact of end-of-AMP RCV adjustments earned to date in AMP7.

COST EFFICIENCY

Driving efficiency to deliver more today while investing for the future

Delivering more for our allowance

Supplying
10%
more water than
forecast in PR19



Treating
15%
more waste than
forecast in PR19

c. 85%
increase in activity to
reduce leakage vs
AMP6



Treating
9%
more sludge than
forecast in PR19

Investing totex to drive long-term success

30%
more direct labour in
operations and
engineering



£220m
in Net Zero and
climate change
adaptation

£100m
enhancing our
technology and
systems



75%
increase in fleet of
water tankers

While also investing to deliver higher ODI rewards, with nominal £420m reward expected across AMP7

REGULATED WATER AND WASTEWATER PBIT

21% higher PBIT with higher turnover and lower power costs

Turnover

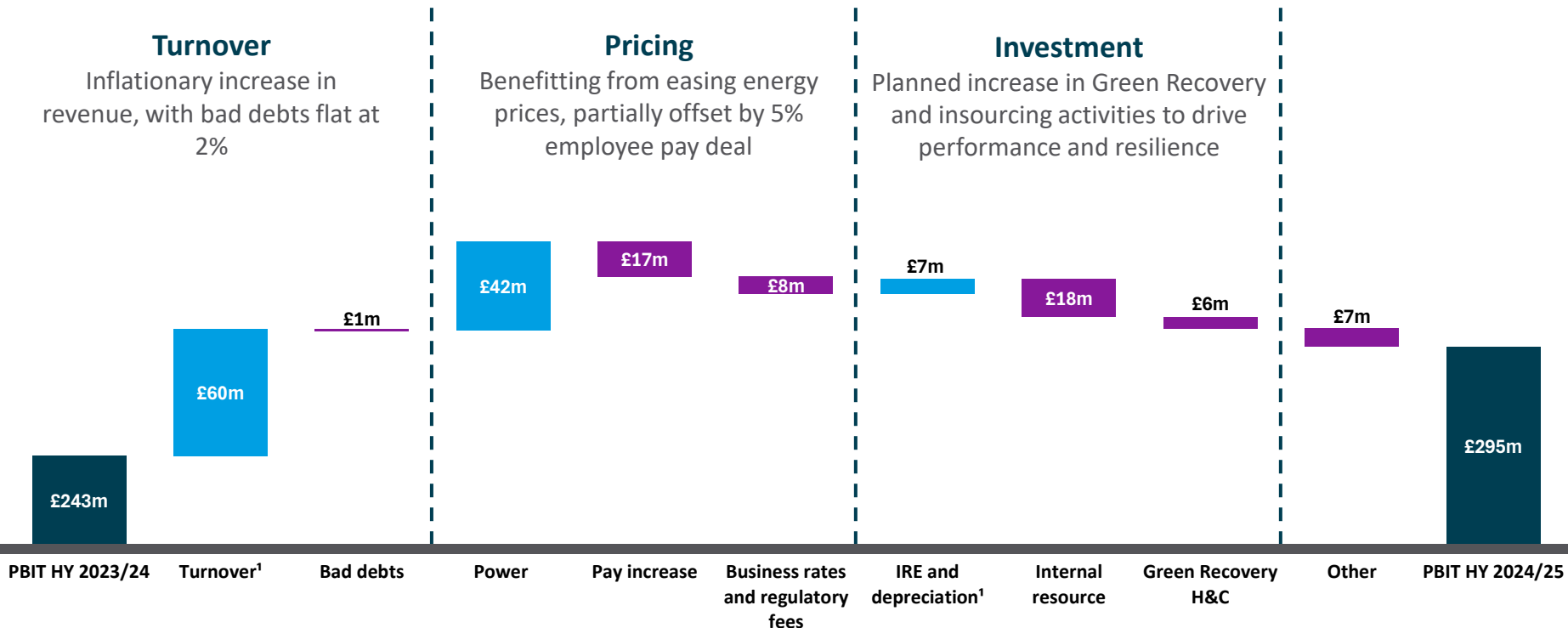
Inflationary increase in revenue, with bad debts flat at 2%

Pricing

Benefitting from easing energy prices, partially offset by 5% employee pay deal

Investment

Planned increase in Green Recovery and insourcing activities to drive performance and resilience



¹ Turnover and IRE stated net of diversions income, which is £9.8m lower this half year mainly related to lower HS2 activity. Including diversions income, the variance on turnover is £51m and on IRE and depreciation is £17m.

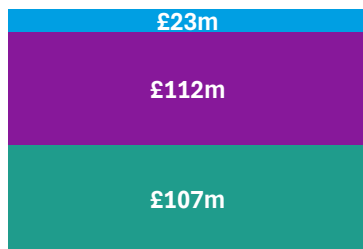
BUSINESS SERVICES

Supporting our net zero ambitions and contributing £242m EBITDA to the Group during AMP7

EBITDA: reliable earnings supporting the group

Business Services EBITDA – AMP7 to date

Total = £242m

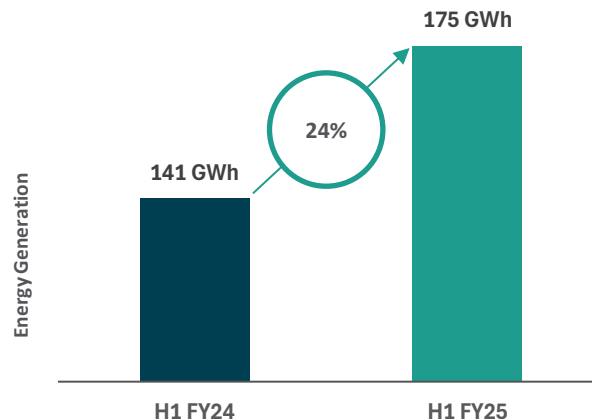


Business Services

■ Green Power ■ Operating services & Other ■ Property Development

Green Power: growth in generation offsets lower energy prices

Asset optimisation and Andigestion acquisition significantly boosting energy generation, taking group self-generation to **66%** of consumption



FINANCING STRATEGY

Resilient financial position and access to markets gives confidence in AMP8 outperformance

Balance sheet strength

Credit ratings reaffirmed by Moody's and S&P
Ahead of pension funding plan

Stable debt book

68% of debt is fixed
Average tenure of **13 years**

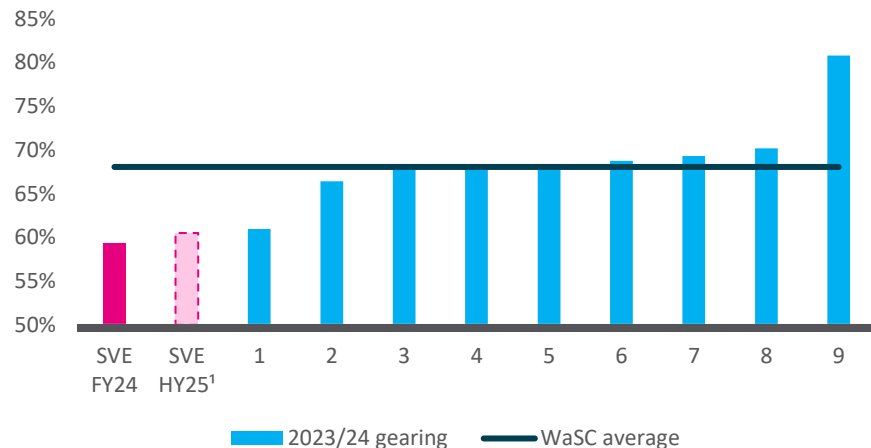
Access to markets

Over £400m raised in new markets this year
Flexibility provided by healthy **liquidity**

Track record of successful debt raises

£600m raised during the first half
Credit spreads amongst the lowest in the sector

Shadow regulated gearing well below sector average



Economic Regulated Gearing: 58.6%
including end-of-AMP RCV adjustments earned to date

¹ Severn Trent Water shadow gearing.

STRONG FINANCING PERFORMANCE

Strong track record on financing performance and well positioned versus sector

3.4% RoRE

Financing outperformance AMP to date (real)

4.4%

Effective cost of interest¹ down 120bps

3.3%

Effective cash cost of interest² down 10bps

Lower

30% reduction in finance costs versus prior HY

Strong position on embedded debt compared to the sector

Industry Comparison – Effective Cost of Interest



¹ Includes inflation accretion on index-linked debt but excludes net pension finance costs.

² Excludes inflation accretion on index-linked debt and net pension finance costs.

³ HY25 STW effective interest cost, calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs, divided by the monthly average net debt during the year.

LONG-TERM RCV GROWTH

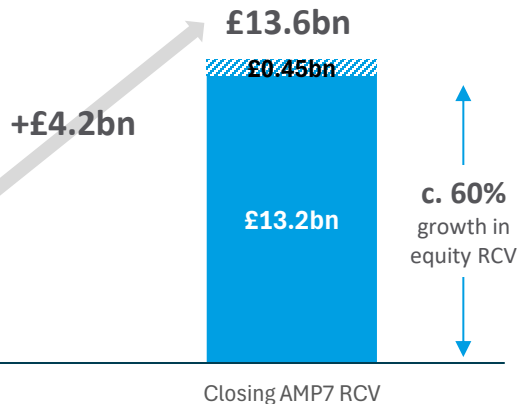
Highest ever RCV growth in AMP7

Green Recovery
boosting growth

Capital structure
increasing
inflation benefit

£1.4bn end-of-
AMP RCV
adjustments

Closing AMP7 with **12% real** and **40% nominal** RCV growth¹



AMP8 investment accelerated into AMP7, to be added to RCV at 31 March 2025

Step change in growth in AMP8

At least **28%**
real RCV growth¹

Equivalent to **c. 40%**
nominal RCV growth¹

£1bn
raised for fully equity funded PR24 plan

Unlocked growth drivers to 2050



The need for 13 enhancement cases has been approved by Ofwat and backed by statutory requirements



Investment driven by population growth, urbanisation and climate change



Visibility of multi-AMP investment programme

¹ Transition Expenditure is included in AMP8 RCV growth rate.

TECHNICAL GUIDANCE

		FY24	FY25
Regulated Water and Wastewater	Turnover	£2.15bn	Higher year-on-year ↑
	Operating costs & IRE	£1.3bn	Lower year-on-year ↓
	ODIs	£55m	Over £100m pre-sharing ↑
	Economic RCV	£12.5bn	Growing to £13.6bn ↑
Group	Interest charge	£282m	Lower year-on-year ↓
	Capital investment	£1.2bn	Higher: £1.3bn-£1.5bn ↑

See appendix (slide 24) for details

LIV GARFIELD

Chief Executive



TACKLING SPILLS



Watch: [Our progress so far](#)

Watch: [Our YouTube Playlist](#)

Delivering solutions at speed and at scale, innovating to reach global best practice

2,472

Storm overflows in our patch

900

Interventions delivered this year

Over 500

People working on our spills programme

24.9

Average spills last year

£1.2bn

Storm Overflow spend approved for AMP8

923

Priority sites

600

Further interventions delivered next year

24,000

Spills prevented this year¹

<18

Average spills targeted for the year 2025

Halving

Average spills by 2030



Weir raise completed at Ironville storm overflow



Submerged Aerated Filtration units installed at Hurley



Storm tanks installed at Braunston

¹ Based on preliminary analysis of interventions delivered so far this year.

SCALED UP INVESTMENT

In a strong position to deliver our AMP8 capital programme

Record capital run rate

- Delivering a **record year of investment**
- **£600m** Green Recovery programme, enabling step up in capacity
- **£450m** transition spend providing head start on AMP8 commitments



Important strategic calls made

- **Embedded design team** unlocking digital and automation capability
- **Programme of insourcing** strengthening in-house skills
- Speed and efficiency increased through **Plug and Play programme**



Supply chain in place

- Work underway on **£3.5 billion** of AMP8 capital programme
- Supply chain resource secured on over **£2 billion** of projects
- Over **£1 billion** of AMP8 capital costs locked in



SUSTAINING OPERATIONAL EXCELLENCE IN WATER

Green on c. 90% of water measures

Significant progress on water measures over AMP7

Low pressure

Expected outturn of a **95%** total reduction

Leakage

On track for a **15%** total reduction

Supply
Interruptions

Best ever performance, on course for a **30%** total reduction

While achieving our targets every year this AMP



Water quality contacts



Unplanned outage



Speed of response



Metering

Spotlight: Leakage

- Increased internal resource enabling us to detect leaks significantly earlier
- Brought over **300 leakage roles** in house, moving to a fully insourced model which increases internal capability
- Creating new **440-strong team** to prevent leaks through renewal of **1,400km** of water mains in AMP8
- Trained 100 leakage apprentices through **Severn Trent Academy**, strengthening skills for the long term



CONTINUED STRENGTH IN WASTEWATER

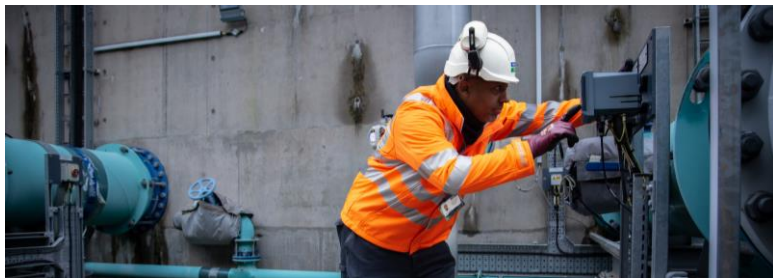
Strategic investments to maintain leading performance into AMP8

Spotlight: Insourcing in Wastewater

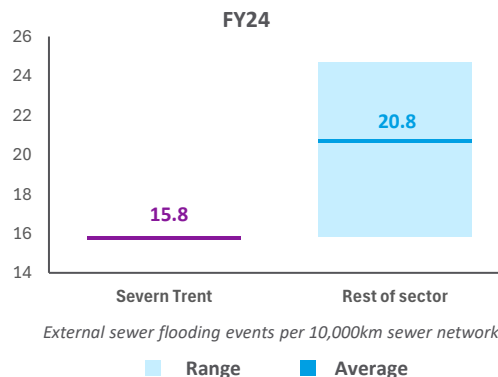
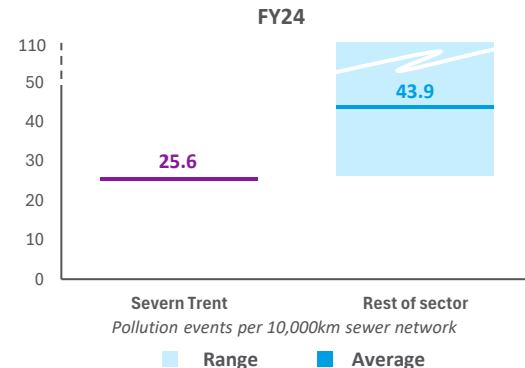
40 jobs created in new Waste Control Centre

c. 400 jobs insourced in Networks last year

- Resolving jobs **three times** faster in wet periods, with fewer chase calls and complaints
- New Waste Operational Control Centre taking learnings from Water
- Better utilisation of live data, meaning **quicker response to prevent spills**, prevention of pollutions, and identifying blockages sooner



Pollutions performance leading the sector ahead of AMP8, when the incentive rate will more than triple



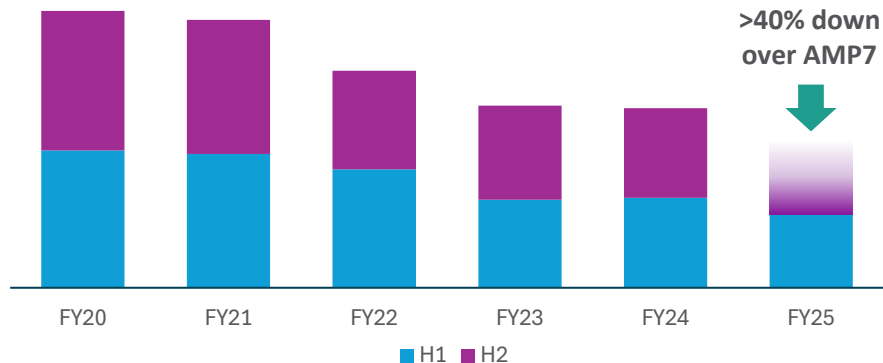
External sewer floodings performance top in the industry ahead of the measure becoming a common ODI for the first time

IMPROVING CUSTOMER SERVICE

Good progress in AMP7

But more to do to improve C-MeX

Total Complaints



Issue identified

Solution underway

Outdated customer system

Rolling out Kraken, improving service through AI and new operating model

Too many hand-offs

Insourcing to drive end-to-end ownership, including new contact centre in Leicester

Upper Quartile

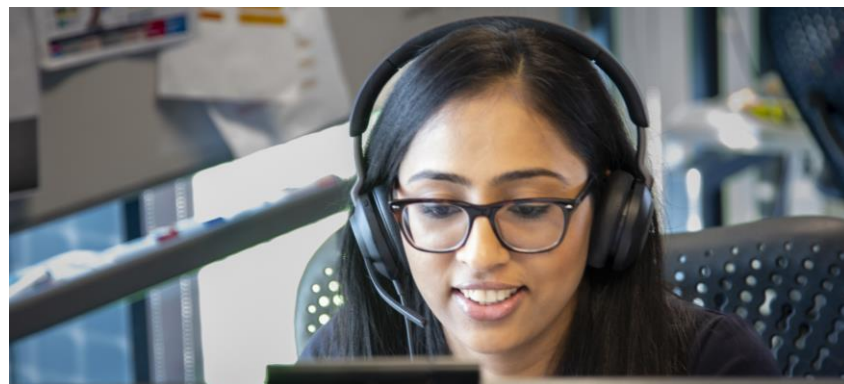
STW and HD in top 3 performers on complaints

4.8

Trustpilot rating joint highest in the FTSE100

Top 3

D-MeX performance every year of the AMP



SUSTAINING OUR PERFORMANCE

Our unique culture positions us strongly for the future

Invested in skills

Direct access to **critical skills** gives us additional **control** and **resilience**

Insourced vital teams like capital design, network response and waste networks

Bespoke **Training Academy** ensures we have the skills and knowledge to deliver

Performance-driven culture

Embedded '**Communication Cells**' drive accountability and quick interventions

Bonus measures **aligned from top to bottom**

Around **3 in every 4** employees participating in Sharesave schemes

An experienced and engaged workforce

Engagement score of **8.6** out of 10, placing us in the **top 5% of utilities** globally

Providing **fair reward**, investment in **skills**, and **meaningful** work

Average employee tenure of nearly a **decade**



SUMMARY

PR24

Final Determination: 19 December 2024
Investor presentation and Q&A: 20 December 2024

AMP7

Closing a successful AMP as the standout performer

AMP8

Well positioned to outperform as we grow

SPILLS

Made major progress on key sector reputational issue

Capital Markets Day: 5 March 2025

APPENDIX

TECHNICAL GUIDANCE 2024/25

Regulated Water and Wastewater		FY24	Year-on-year
Turnover ¹	Higher year-on-year including inflation increase, partly offset by an expected reduction of diversions income mainly relating to HS2.	£2.15bn	▲
Operating costs & IRE ²	Lower year-on-year, driven by a reduction in energy cost and diversions expenditure mainly relating to HS2, partly offset by an increase in growth-related opex investment, and above inflation cost increases.	£1.3bn	▼
ODIs ³	Net reward of over £100 million (pre-customer sharing), which would result in a net reward of around £60 million (post-customer sharing) dependent on the mix of net rewards earned. Both include end-of-AMP ODI rewards.	£55m	▲
Business Services			
EBITDA	Lower year-on-year due to the impact of lower energy prices on Green Power revenue.	£59m	▼
Group			
Interest charge ⁴	Lower year-on-year with higher cost of new debt offset by reducing inflation on index-linked debt and increased capitalised borrowing costs.	£282m	▼
Adjusted effective current tax rate	Adjusted effective current tax rate of nil due to "full expensing" and other accelerated capital allowances on our substantial capital investment programme.	0.2%	▼
Capital investment	Set to deliver our largest annual investment programme investing between £1.3 billion - £1.5 billion.	£1.2bn	▲
Dividend ⁵	2024/25 dividend of 121.71 pence, in line with our policy of annual growth by CPIH.	116.84p	▲
AMP7			
Cumulative ODIs ⁶	Cumulative AMP7 ODI rewards of around £320 million in 2017/18 prices and around £420 million in nominal prices (post-customer sharing).		
Totex	We expect totex to impact RoRE by around 1%, reflecting 0.7% of energy costs, as previously guided, and reinvestment of 0.3% of our RoRE outperformance to set us up for success in AMP8 while delivering benefits for customers and the environment.		
RCV ⁷	Expected 2024/25 RCV of £13.6 billion which is inclusive of transitional expenditure.		

1. Including Green Recovery allowance.

2. Including AMP8 preparation expenditure, Transitional expenditure and Green Recovery related Opex.

3. Customer 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. A net reward of £100 million (pre-sharing) would deliver a net reward of £60 million +/- 10% (post-sharing), dependent on the mix of ODI net rewards earned.

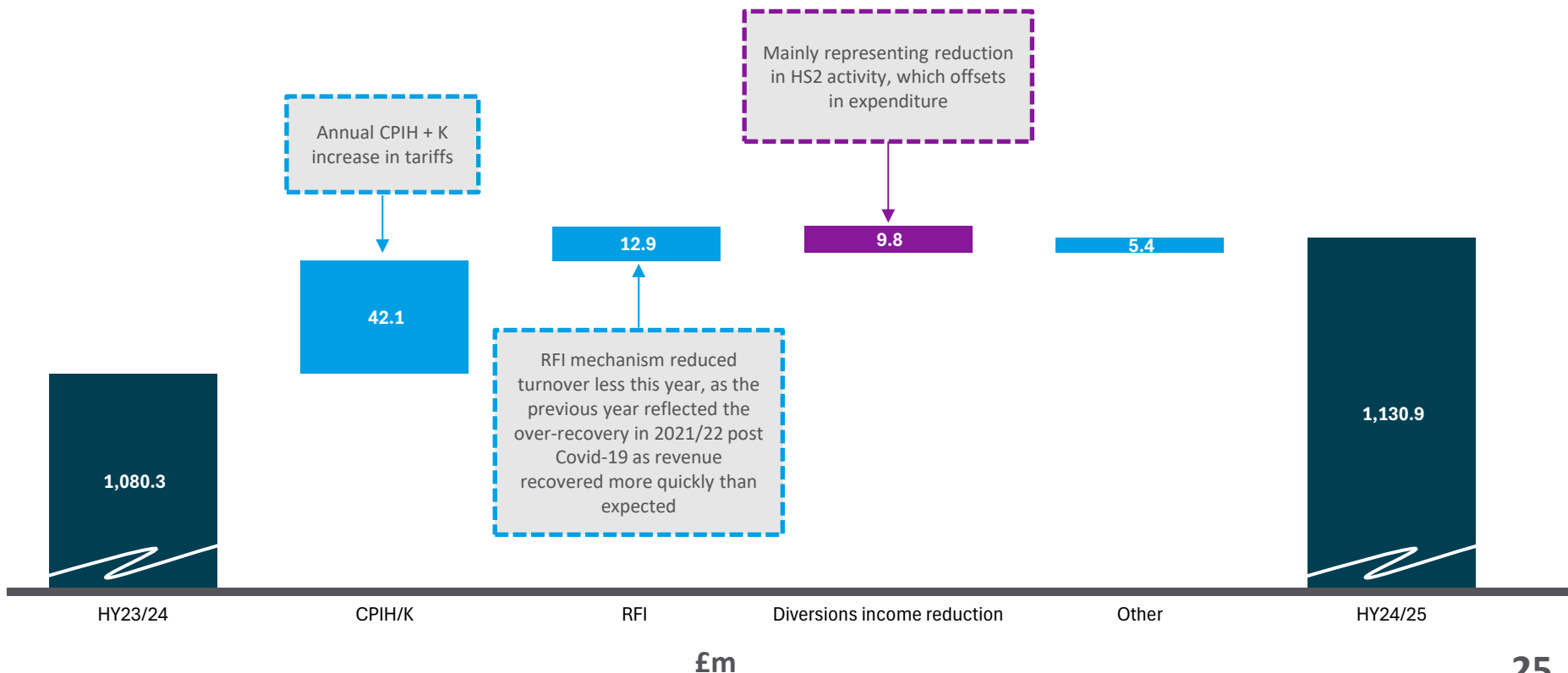
4. Based on Oxford Economics April inflation forecast. Index-linked debt comprising around a quarter of our total debt.

5. 2024/25 dividend growth rate based on November 2023 CPIH of 4.17%.

6. Based on inflation of the year in which ODI rewards are taken into revenue, post-sharing and assuming 2023/24 ODI rewards are taken into revenue in 2025/26 and 2024/25 ODI rewards are taken into revenue in 2026/27. ODIs are quoted gross of tax.

7. AMP7 nominal Regulatory Capital Value is measured including expected additions from Green Recovery, real options and transitional expenditure, as well as other estimated midnight adjustments. Expected Nominal RCV at 1 April 2025 assumes forecasted CPIH of 2% for 2024/25 and RPI of 2.9% for 2024/25 as per Oxford Economics April 2024 forecast.

REGULATED WATER AND WASTEWATER REVENUE



EBITDA¹

H1 2023 £m		H1 2024 £m	Variance £m	Variance %
450.2	Regulated Water and Wastewater	510.6	60.4	13.4
24.7	Business Services	24.4	(0.3)	(1.2)
12.6	<i>Operating Services and Other</i>	13.0	0.4	3.2
10.7	<i>Green Power</i>	10.5	(0.2)	(1.9)
1.4	<i>Property Development</i>	0.9	(0.5)	(35.7)
(3.9)	Corporate and other	(10.8)	(6.9)	(176.9)
–	Consolidation adjustments	(0.6)	(0.6)	–
471.0	Severn Trent Group	523.6	52.6	11.2

1. Earnings before interest, tax, depreciation and amortisation.

NET FINANCE COSTS

H1 2023				H1 2024		
Income statement charge £m	Capitalised interest £m	Gross interest incurred £m		Income statement charge £m	Capitalised interest £m	Gross interest incurred £m
90.3	31.1	121.4	Cash interest (including accruals)	79.9	43.0	122.9
6.6	–	6.6	Net pension finance cost	5.0	–	5.0
82.3	–	82.3	Inflation uplift on index-linked debt	39.7	–	39.7
179.2	31.1	210.3		124.6	43.0	167.6

ADJUSTED EARNINGS PER SHARE

H1 2023 £m	H1 2024 £m	Variance £m	Variance %
255.1 Profit before interest and tax	297.8	42.7	16.7
(179.2) Net finance costs	(124.6)	54.6	30.5
(1.1) Share of current year profit/(loss) of joint venture	0.6	1.7	154.5
74.8 Adjusted profit before tax	173.8	99.0	132.4
– Current tax	(0.2)	(0.2)	–
74.8 Earnings for the purpose of adjusted basic and diluted earnings per share	173.6	98.8	132.1
251.8 Weighted average number of ordinary shares for basic earnings per share	299.4	47.6	18.9
29.7 Adjusted basic EPS (pence)	58.0	28.3	95.3

ADJUSTED NET DEBT

31 March 2024 £m		30 September 2024 £m	Variance £m	Variance %
(783.5)	Bank loans	(785.1)	(1.6)	(0.2)
(7,357.9)	Other loans	(7,904.4)	(546.5)	(7.4)
(120.0)	Lease liabilities	(119.1)	0.9	0.8
951.4	Net cash and cash equivalents	1,046.0	94.6	9.9
29.8	Fair value accounting adjustments	26.5	(3.3)	(11.1)
19.7	Exchange on currency debt not hedge accounted	0.6	(19.1)	(97.0)
72.6	Loans receivable from joint ventures	70.1	(2.5)	(3.4)
(7,187.9)	Adjusted net debt	(7,665.4)	(477.5)	(6.6)

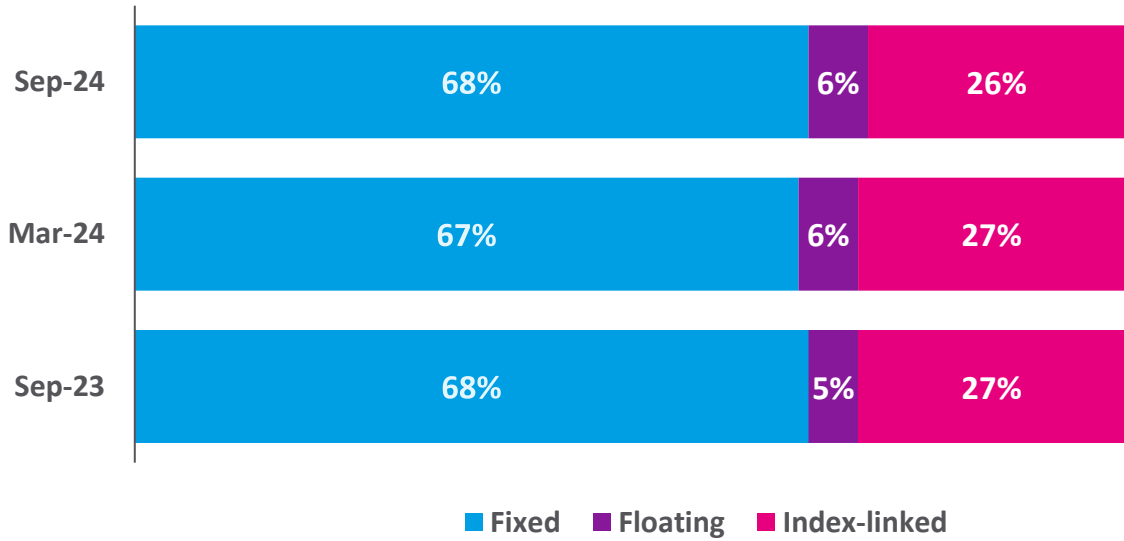
FAIR VALUE OF DEBT ¹

31 March 2024 £m		30 September 2024 £m	Variance £m	Variance %
(788.7)	Floating rate debt ²	(791.9)	(3.2)	(0.4)
(5,049.5)	Fixed rate debt	(5,357.0)	(307.5)	(6.1)
(1,957.9)	Index-linked debt	(1,777.0)	180.9	9.2
(7,796.1)		(7,925.9)	(129.8)	(1.7)
951.4	Net cash and cash equivalents	1,046.0	94.6	9.9
72.6	Loans due from joint venture	70.1	(2.5)	(3.4)
29.8	Fair value accounting adjustments	26.5	(3.3)	(11.1)
19.7	Exchange on currency debt not hedge accounted	0.6	(19.1)	(97.0)
(6,722.6)	Fair value of net debt	(6,782.7)	(60.1)	(0.9)
(7,187.9)	Adjusted net debt (previous slide)	(7,665.4)	(477.5)	(6.6)
(465.3)	Difference	(882.7)	(417.4)	(89.7)

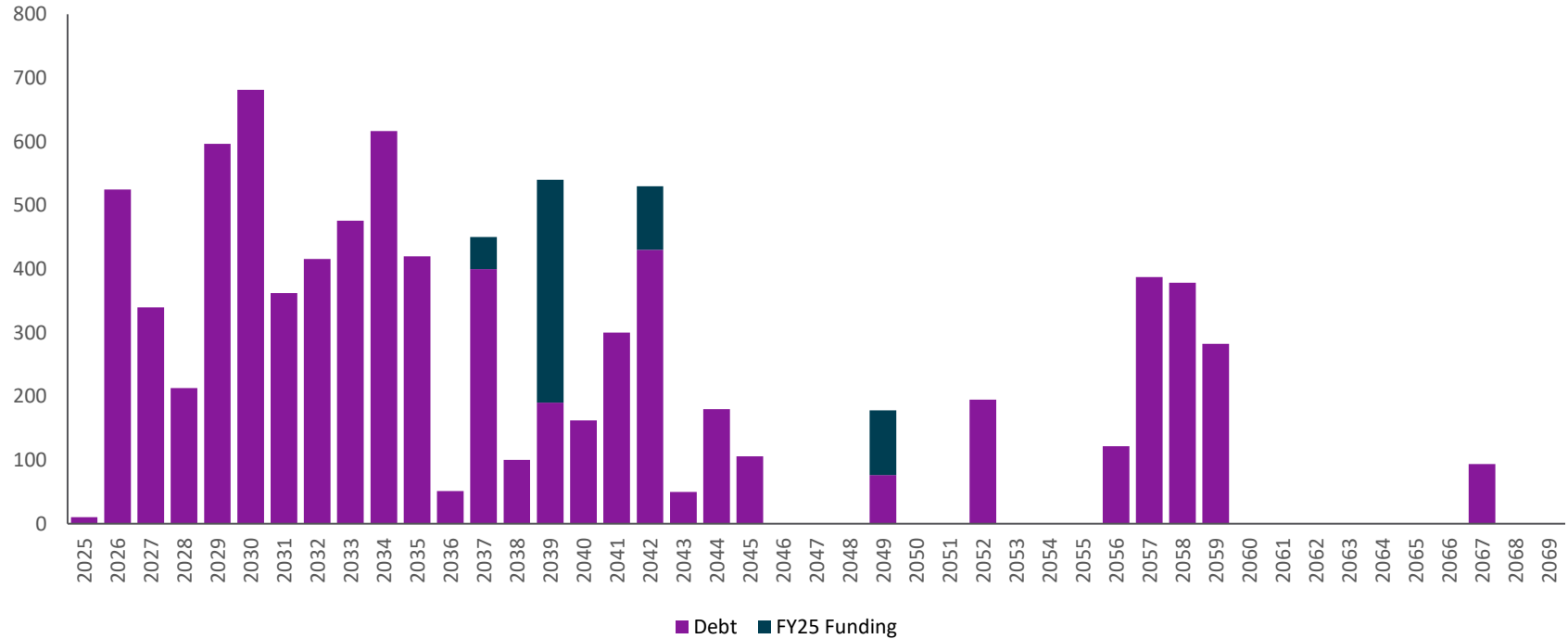
1. The floating, fixed and index-linked debt classification above is shown before the impact of interest rate swaps or cross currency swaps

2. The floating rate debt excludes the overdraft amount as this is included within net cash and cash equivalents

GROSS DEBT MIX



DEBT MATURITY



GEARING

31 March 2024	Adjusted net debt/RCV	30 September 2024 ¹
58.3%	Severn Trent Plc Group Shadow Gearing ²	60.7%
59.7%	Shadow Regulated Gearing ³	60.6%
58.7%	Economic Regulated Gearing ⁴	58.6%
61.3%	Regulated Gearing ⁵	62.8%

1. Based on estimated RCV at 30 September 2024.

2. Based on statutory adjusted net debt of £7,665m (31 March 2024: £7,188m) divided by Shadow RCV, being FD RCV plus adjustments for Green Recovery.

3. Based on Severn Trent Water Group regulated adjusted net debt of £7,583m (31 March 2024: £7,292m) and Hafren Dyfrdwy regulated adjusted net debt of £70m (31 March 2024: £66m) divided by Shadow RCV.

4. Based on the same measure of regulated adjusted net debt as used in Shadow Regulated Gearing plus adjustments to the FD RCV such as Green Recovery, Real Options and Transition Expenditure.

5. Based on the same measure of regulated adjusted net debt as used in Shadow Regulated Gearing and FD RCV.

CREDIT RATINGS

31 March 2024			30 September 2024		
Severn Trent Water	Severn Trent Plc		Severn Trent Water	Severn Trent Plc	Outlook
Baa1	Baa2	Moody's	Baa1	Baa2	Stable
BBB+	BBB	Standard and Poor's	BBB+	BBB	Stable
BBB+	BBB	Fitch	BBB+	BBB	Stable