INVESTOR ROADSHOW

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.

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.

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.

Nothing in this document should be regarded as a profit forecast.

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States, absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

CONTACT DETAILS

Richard Eadie

Head of Investor Relations

richard.eadie@severntrent.co.uk

+44 (0) 7889 806578

Rachel Martin

Investor Relations Manager

rachel-f.martin@severntrent.co.uk

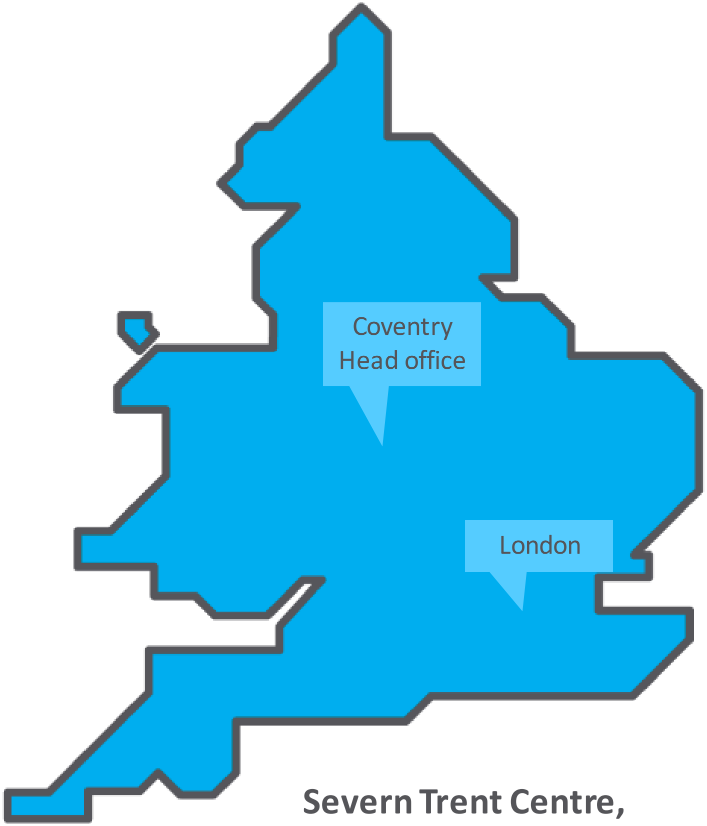
+44 (0) 7824 624 011

Vicky Owens

Investor Relations Analyst

victoria.owens@severntrent.co.uk

+44 (0) 7824 432 128



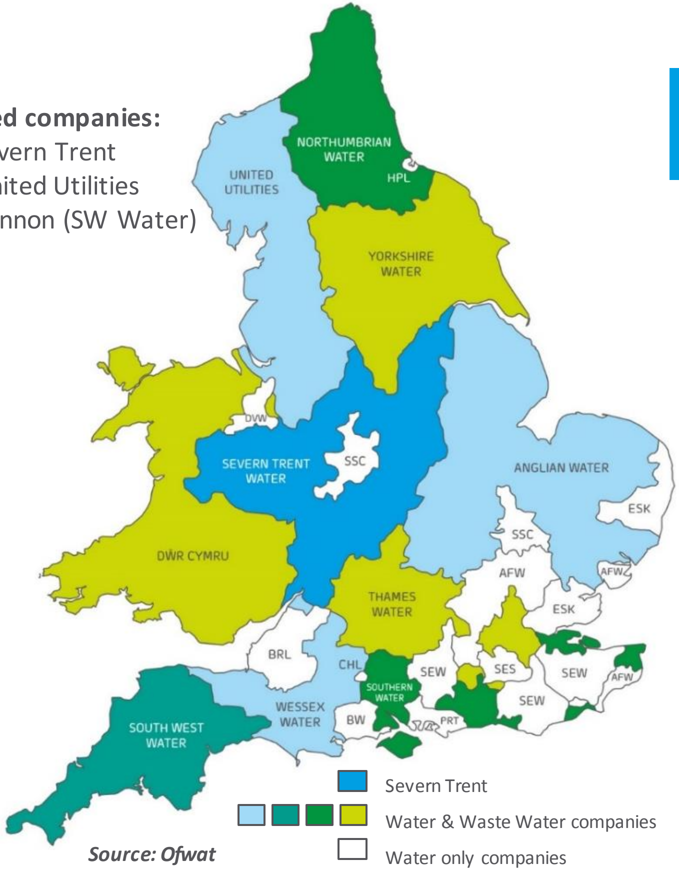
Severn Trent Centre,
2 St John's Street, Coventry, CV1 2LZ

CONTENTS

OUR EQUITY STORY

THE WATER SECTOR IN ENGLAND AND WALES

Listed companies:
- Severn Trent
- United Utilities
- Pennon (SW Water)



Source: Ofwat

Inflation-linked regulatory model offering attractive dividend yields

Value accretion through a growing asset base (RCV[1]) with long-term investments in essential assets

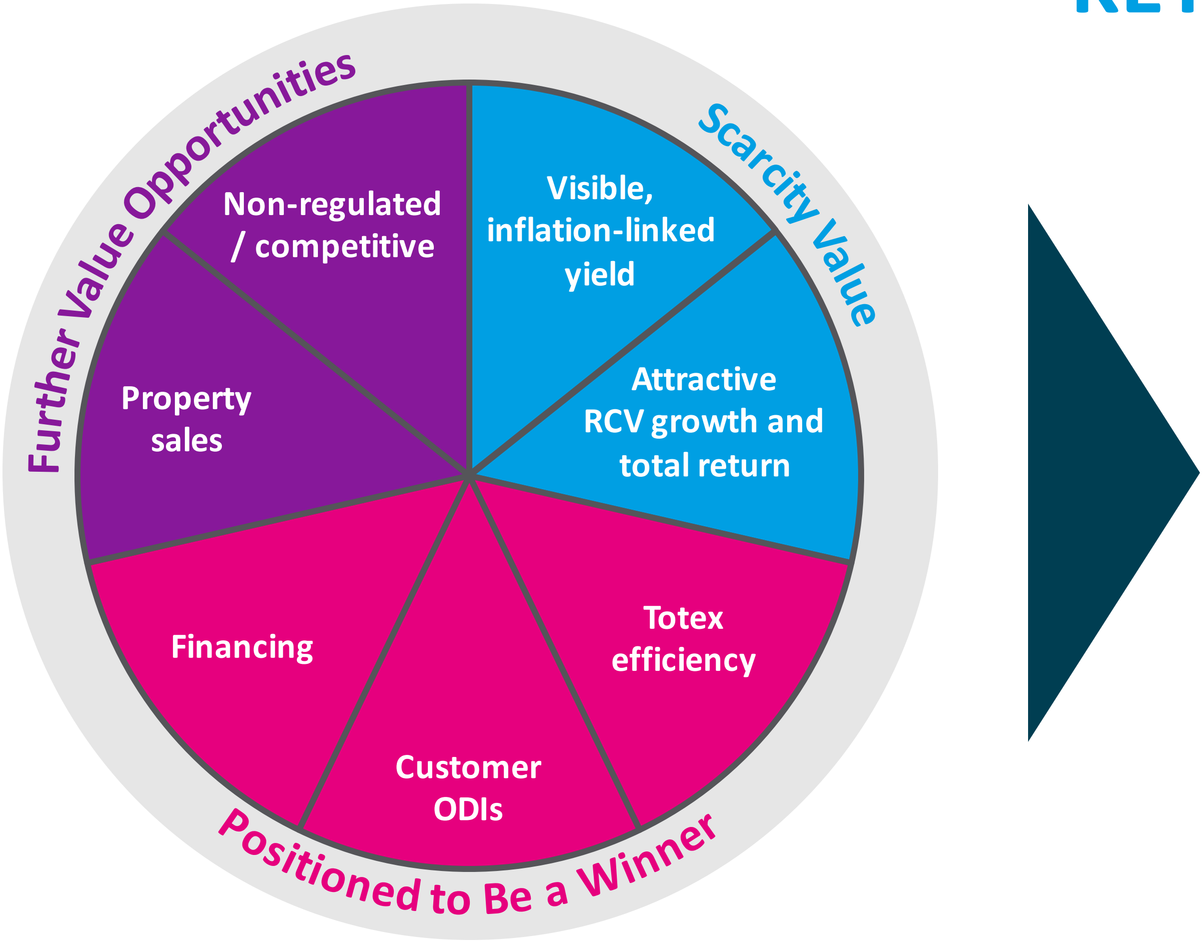
One of the best regulatory frameworks in Europe, with a long and stable track record of independent regulation

Effective incentive mechanisms that reward strong operational performance

Emerging commercial opportunities through greater competition in non-household retail and Bioresources

1. *RCV = Regulatory Capital Value*

KEY VALUE DRIVERS



Well positioned to continue to deliver enhanced returns to shareholders

ATTRACTIVE LONG TERM RETURNS

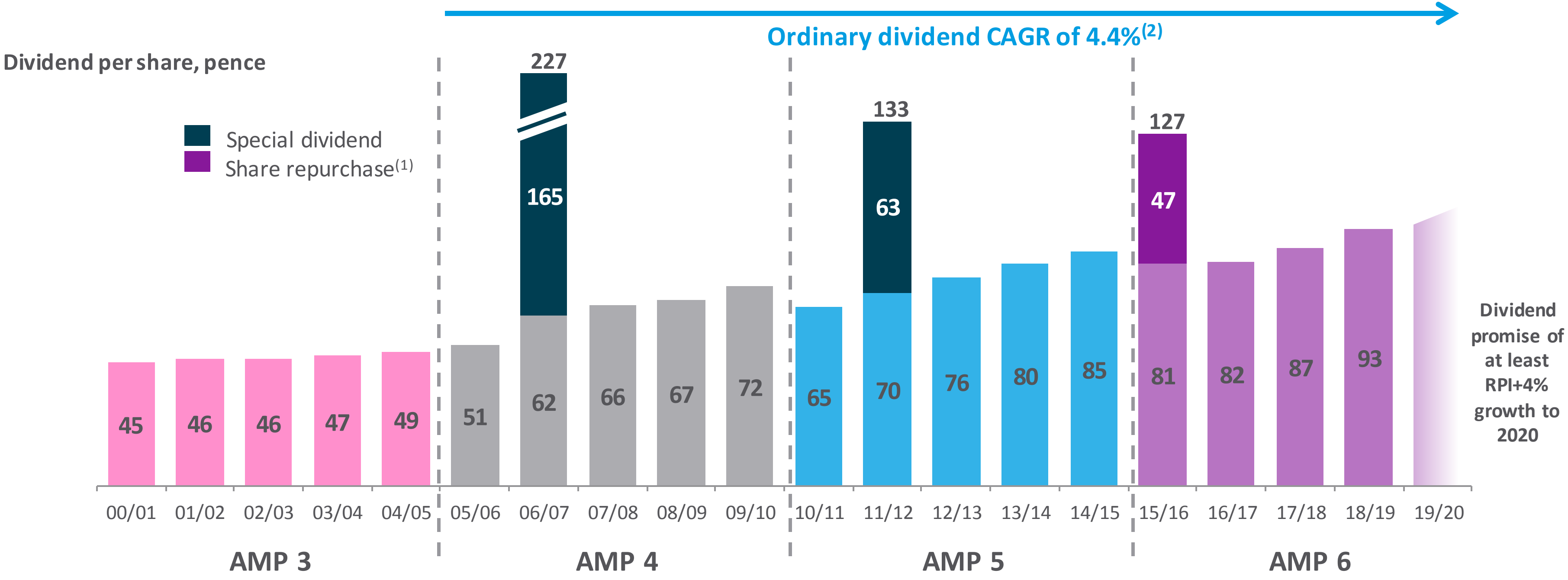
Severn Trent offers an appealing combined return:

- High near-term dividend yield, reflecting strong AMP6[1] performance
- Continued need for investment growth in AMP7[1] and beyond
- Underpinned by a stable, independent, incentive-based regulatory regime

1. *AMP6 = Asset Management Plan for period 2015-2020. AMP7 = Asset Management Plan for period 2020-2025*
2. *Based on 2017/18 dividend of 93.4p and a share price at 28th September 2018 of 1,849p*
3. *Annual average over AMP6. Assumes forecast RPI of 3.5% and 3.1% for years 2019-2020 (average 3.3%), based on Oxford Economics inflation assumptions March 2018*

TRACK RECORD OF DELIVERING RETURNS FOR SHAREHOLDERS

RPI linked dividend growth with additional capital return



1. *Based on £111m share buyback divided by 237m shares (average number over buyback period)*
2. *CAGR calculated from 2006 to 2019*

OUR STRATEGY

Our vision is to be the **most trusted** water company by 2020: delivering an **outstanding customer experience**, the **best value service** and **environmental leadership**

- Most trusted in England[1]
- Upper Quartile UKCSI position
- Lowest bills in England & Wales
- 4* EPA performance 2 of last 3 years

Helping achieve an appropriate stakeholder balance

- Customers
- Colleagues
- Communities
- Investors

1. *Based on most recent Independent Survey cross referencing Severn Trent survey data with other Water and Waste companies*

OUR PURPOSE

To serve our communities and build a lasting water legacy

Creating value through purpose…

Customers

Colleagues

Investors

A PR19 plan packed with initiatives to engage and inspire the **Communities** we serve

….in a sustainable way

CUSTOMER

What our customers said they wanted from us

4. Be a company customers can trust

We'll use **1%** of profits for a new community fund

tap chat

Customer panel with c.15,000 customers providing instant feedback and insight

£3.5m Trust Fund donations annually. 2.62 social return on investment

40% of employees volunteering to improve local communities

Improved customer engagement including first TV adverts in over a decade

3. Do more for communities and play a bigger part in society

Environment

We'll improve c.**2100km** of river ecology by 2025

Biodiversity improvements on the equivalent of 1,500 football pitches by 2025

Community

4m days out at our visitor sites each year and our top 5 sites have received certificates of excellence from Tripadvisor

WaterAid

Founding partner of WaterAid charity and almost £30 million pounds has been raised thanks to Severn Trent's support

Education & training

WONDERFUL WATER TOUR

Offering everyone in a generation of school children the inspiration to change water usage behaviours, leaving a legacy of reduced consumption

Vulnerable customers

We'll help **47%** more struggling customers to pay their bills by 2025

We'll increase the number of customers on our Priority Services Register to up to **400k,** and we're the only company to commit to help 100% of vulnerable customers during an incident by 2025

2. Treat customers as individuals. Listen, understand and respond - especially if we get something wrong

1. Prevent the problems - from the little irritations to the bigger inconveniences that disrupt customers' days

85% Customer satisfaction

The Institute of Customer Service

Upper quartile for utilities on UKCSI Index

Sector leading Customer ODI performance for all 3 years of the AMP on the things that matter most to our customers

Environment Agency

4 Star status 3 years in 4

82% performance commitments on track (2017/18)

Applying Maslow's hierarchy

COLLEAGUE

4. Be a company that we're inspired to work for

97% retention rates on all apprentices and graduates

Employee engagement which is an amazing **7%** points ahead of UK and Ireland average benchmark

78% proud to be part of Severn Trent

Leading by example: rated **4th in the FTSE 100** by Hampton Alexander for gender diversity

85% feel trusted by Severn Trent to do their job

3. Do more to support our development and wellbeing

70% of leaders trained in mental health, and **over 400** mental health first aiders available

£10m investment in new technical academy for the Midlands

Silver award achieved in MIND (wellbeing) index

DYING TO WORK

Pioneering company to shape the **Dying to Work pledge** that supports employees with critical illnesses

Named as **trail-blazers** for **Menopause Awareness** in Government research and finalist for **People Initiative of the Year 2018**

Above EU average for training investment with over **16,000 training days** plus **25,000 e-learning hours**

First in sector to adopt and achieve new 'Trail-blazer' Apprenticeship qualification

CERTIFICATE

Free Employee Assistance programme offering free independent advice for key life issues, including financial support and personal counselling

Enhanced health care provision for employees including free Virtual GP services

2. Recognise and fairly reward everyone's contribution

Performance related pay for all managers linked to the service our teams deliver for customers

Only company in sector to offer **all-employee** bonus scheme

Flexible benefits programme available to all employees

1. Provide everyone the opportunity to succeed in a job that the community depends upon

Employability scheme to **support people with learning difficulties** to gain work experience

Sector leading **health and safety** performance

Top 20 company in the UK's social mobility index and offering 1,000 jobs in social mobility cold spots

Increasing our BAME representation with **15% of apprentices, 21% of new starters and 34% of graduate roles**

Applying Maslow's hierarchy

INVESTOR

4. Be a company that creates more value for society

FTSE4Good

FTSE4Good status since 2001

SUSTAINABLE DEVELOPMENT GOALS

Positively contributing to 11 of 17 of the UN Sustainable Development Goals

Only utility company to be selected as a **Pathfinder for the Purposeful Company**

Held the Carbon Trust standard since 2009 in recognition of our ongoing carbon reduction

CARBON TRUST STANDARD

Ambition to self-generate over **50%** of the energy we consume reducing cost and carbon impact

3. Do more to push the frontier and let stakeholders share in that success

ODI, Financing and TOTEX performance delivered for customers yielding sector upper quartile cumulative RoRE of **9.3%** over AMP6

Investing in Farming for Water Scheme to enhance Biodiversity and reduce cost of treatment for future generations

Doubled the funding for innovation in the 5 year period with a culture that nurtures best innovative ideas worldwide

Greatest opportunity to outperform with ODI RoRE range for AMP7 at **-3% to 2.6%**

Cumulative ODI performance in AMP6 of **£147m**

BILLS

Long term planning with **£220m reinvested** this AMP to improve service and keep bills low for future generations

3.5% Largest listed RCV growth secured by improved services for future generations

Investing in **Non-Regulated Assets** with attractive IRRs

2. Provide a fair return, commensurate to risk

Dividend policy **reflects the performance it delivers** for its customers

Responsibly financed with gearing close to notional levels

11% TSR since beginning of AMP6

Active treasury policy reducing cost of debt from **5.4% to c.4%**

1. Deliver a solid performance, achieved in a responsible way

The Institute of Customer Service

Upper quartile for utilities on UKCSI Index

One of 2 companies to link Executive remuneration to **UQ performance** over the long term

Environment Agency

4 Star status 3 years in 4

82% performance commitments on track (2017/18)

Applying Maslow's hierarchy

BUSINESS SERVICES

Property Development
Non-Regulated

- Developments in technology frees up surplus land which can be developed and sold
- Experienced team to manage portfolio
- Benefits customers, communities, investors
- Expect to deliver £100m profit by 2027 – delivered 25% of total in the past 18 months

Operating Services
Non-Regulated

- Long term contracts for running and maintaining water assets
- Largest contract is with UK Ministry of Defence – halfway through 25 year contract
- Portfolio now wholly based in UK and Ireland

Other
Non-Regulated

- Includes affinity and searches business

Bioresources
Regulated

- Activities relating to treatment of sludge and energy generation from sludge
- Market opens to competition from 2020
- Streamlined logistics and optimised treatment strategy in preparation
- Already active in the market, completing trades with neighbouring companies

Energy
Non-Regulated

- Diverse portfolio of renewable energy sources including 3 food waste AD plants, 1 crop AD digester, 6 wind turbines, and 33 solar sites
- Provides group wholesale electricity hedge to protect against rising power costs
- £120m acquisition of Agrivert near completion, adding 106GWh of capacity to our portfolio

RENATIONALISATION SENTIMENT

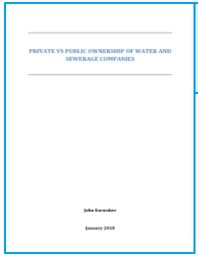
The debate is far from over, but there is a growing body of research and opinion on the challenges of renationalisation

The sector has a strong defence through its achievements since privatisation

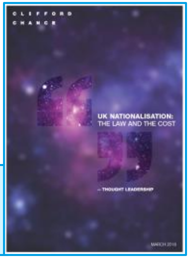
- Invested £150bn
- 70% improvement in bathing water compliance with standards
- Serious pollution incidents have fallen by 86%
- Leakage has reduced by 35%
- Customers are five times less likely to suffer from supply interruptions and 100 times less likely to have low water pressure

Working4Water.org.uk

Publication of reports in 2018 has raised important issues in the debate



First Economics



Clifford Chance

Centre for Policy studies

Social Market Foundation

Opinions in the Labour Party are divided

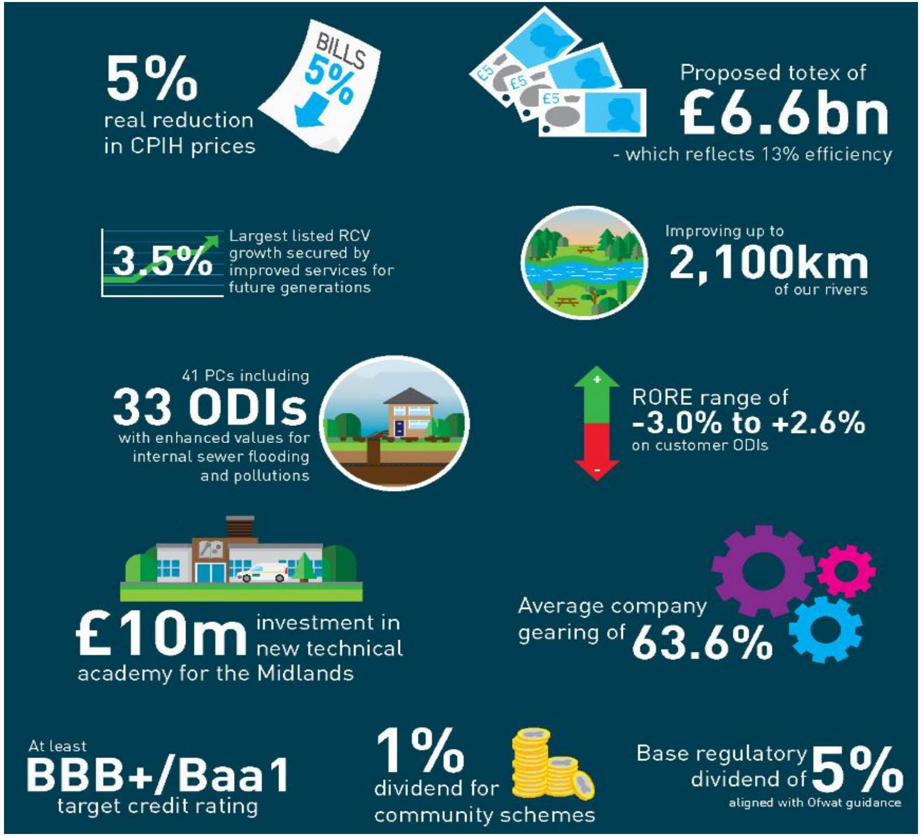
> "It would be cost free"
>
> John McDonnell

> "An expensive indulgence in the politics of the past"
>
> Angela Smith

AMP7 BUSINESS PLAN

OUR AMP7 BUSINESS PLAN

31 Jan
Ofwat initial assessment



PR19 HIGHLIGHTS

A robust, ambitious and balanced plan

Largest bill reduction in two decades

A real reduction of **5%** in CPIH prices

Challenging ourselves on Totex

Total spend of **£6.6bn**, reflecting **13%** efficiency

Continued strong growth in our RCV

Growth of **13.6%** in nominal prices

Backing ourselves on Customer ODIs

Proposing the largest RoRE range for ODIs in the sector **-3.0% to +2.6%**

Stable and responsible financing

Average gearing[1] of **63.6%**

Supporting our Community

Introducing a community dividend of **1%** of profits

Delivering for all of our stakeholders

[1] This differs from the average of 64.1% in our pro-forma business plan presentation which is calculated by applying year end indexation to closing net debt and average indexation to RCV. Our calculation uses year end indexation for both net debt and RCV, consistent with our existing APR reporting.

THE SHAPE OF OUR PLAN

A plan built through the eyes of our customers

Our plan contains:

Nine customer outcome chapters (Part 3)

Key additional chapters to also address the nine Ofwat IAP tests, covering:
- Designing better outcomes (Part 2)
- Financing, efficiency and innovation (Part 4)

The plan is supported by a number of technical appendices, and also embraces the four Ofwat themes of great customer service, affordability, resilience and innovation.

The nine Ofwat 'IAP' tests:

Engaging Customers	Affordability & Vulnerability	Securing long term resilience
Delivering outcomes for customers	Accounting for past performance	Securing cost efficiency
Markets and innovation	Aligning risk and return	Securing confidence & assurance

A plan that meets our regulators and stakeholders' expectations

CUSTOMER BILLS

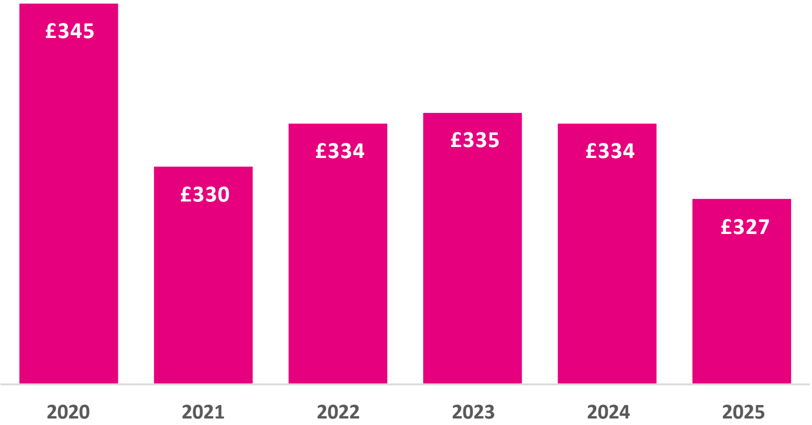
Our Principles

- ❑ Each generation of customers should pay its fair share
- ❑ Bills should be stable over time, where possible, avoiding big fluctuations
- ❑ We should be able to maintain a stable, low cost funding platform for investment

Applying a CPIH-based approach from 2020

Balancing debt interest costs paid by current and future consumers

Average bill reduces by 5%



Note: Bill profile is shown in 2017/18 prices and includes revenue from AMP 6 deferred ODIs

Financial assumptions

	PR14		PR19	
	Water	Wastewater	Water	Wastewater
PAYG rate	62%	55%	62%	55%
RCV run-off rate	3.8%	5.0%	4.6%	5.3%

- Average PAYG rate unchanged from PR14
- RCV run-off rate increased to:
  - Apply CPIH indexation from 2020
  - Crystallise some RCV inflationary return to smooth bills and maintain financeability

REVENUE SUMMARY

All figures in £m at 17/18 prices	2020-21	2021-22	2022-23	2023-24	2024-25
Pay as you go	679.2	697.6	691.9	683.6	688.8
Pension deficit repair contributions	9.8	9.8	9.8	9.8	9.8
RCV run-off	469.6	478.0	480.8	477.4	470.3
Return on RCV	253.4	257.2	262.6	267.8	271.3
Tax	17.3	16.7	16.7	16.9	18.6
Revenue legacy adjustments[1]	16.7	17.2	17.7	18.2	18.7
Re-profiling of revenue	(12.9)	(13.0)	(1.1)	16.5	10.3
Total wholesale revenue requirement	**1433.2**	**1463.6**	**1478.4**	**1490.2**	**1487.9**
Retail revenue	94.1	96.4	93.8	88.7	88.2
Grants & contributions	78.9	62.3	51.6	53.1	55.5
Total appointee revenue	**1606.1**	**1622.2**	**1623.8**	**1631.9**	**1631.5**

1. Includes revenue from AMP6 carry-over ODIs and other legacy adjustments.

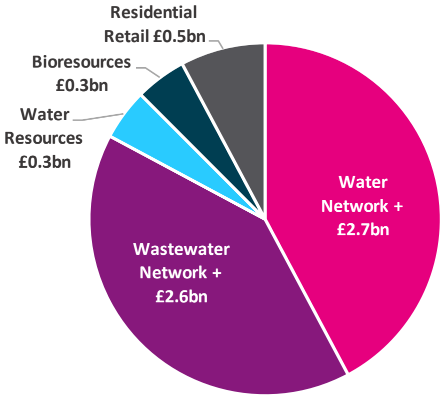
TOTEX

Our plan includes £6.6bn of totex – reflecting efficiency of 13%

Total Totex: £6.6bn

Enhancement expenditure
£1.7bn

Maintenance expenditure
£4.9bn



Key enhancement schemes include:

Environmental programme £0.46bn	**Resilience** £0.14bn
Supply demand balance £0.30bn	**Sewer flooding** £0.14bn

Real options:

An innovative approach to managing uncertainty

- Delivering better outcomes for customers
- Applicable where material outcome uncertainty exists
- Gives the right but not the obligation to act upon a defined trigger
- Totex figures shown do not include expenditure of up to £1bn over our water resource management plan period
- We have identified four areas in which a real option mechanism could be used – metering, climate change, wastewater environmental programme and a water trading interconnector

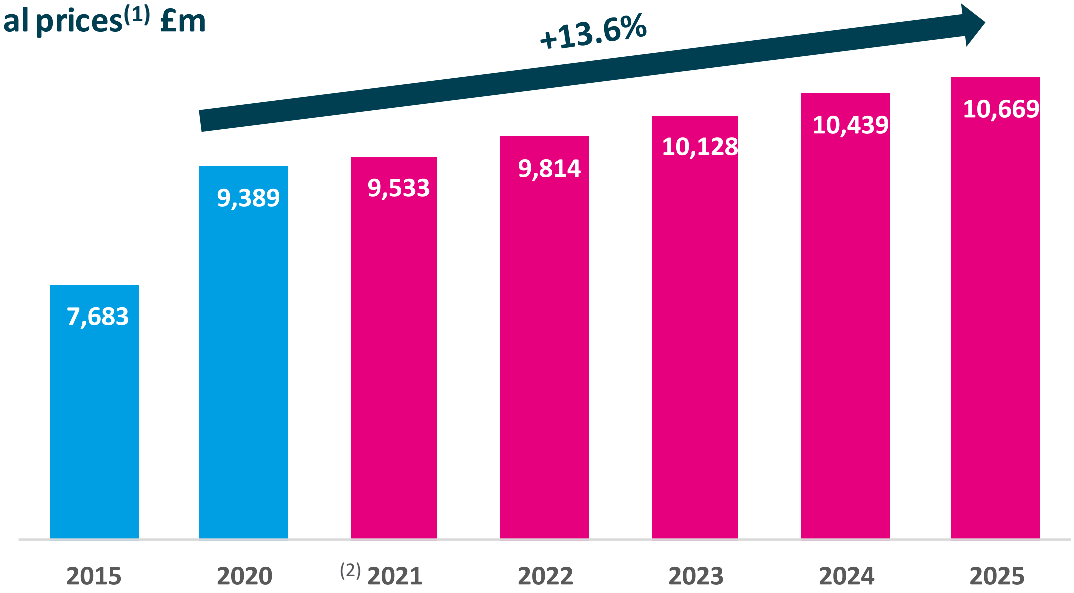
Reinvesting £100m in AMP 6 for a fast start to AMP 7

Note: All spend shown is in 2017/18 prices.

RCV GROWTH

Investment in our business generating RCV growth of 13.6%

RCV growth in nominal prices[1] £m



Growth of:
- **13.6%** nominal
- **3.5%** in CPIH prices

50/50 indexation of opening RCV at RPI/CPIH

All new additions will be indexed at CPIH

RCV run off increased so that RCV inflation is brought into line with CPIH

[1] Assumptions:

	2020	2021	2022	2023	2024	2025
RPI	3.09%	3.32%	3.55%	3.47%	3.25%	3.00%
CPI	1.72%	1.76%	1.83%	1.90%	1.96%	2.00%

[2] Closing RCV in 2020 is stated post midnight adjustments of £191m in nominal prices and excludes the portion of RCV associated with our NAV

CUSTOMER ODIS

+2.6%

RoRE range

-3.0%

41 Performance Commitments

33 Financial incentives			**8** Reputational incentives	
3 Comparative	**11** Common	**19** Bespoke	**5** Common	**3** Bespoke
Measured on: **UQ**	Measured on: **Company performance**			

We have chosen to apply for enhanced rates on two comparative ODIs

Pollution incidents

- Normal rate: **£597k** per incident per 10,000km of waste network
- Enhanced rate: **£895k** per incident per 10,000km of waste network

Internal sewer flooding

- Normal rate: **£22.6m** per 10,000 sewer connections
- Enhanced rate: **£33.9m** per 10,000 sewer connections

A complete list of our proposed financial customer ODIs can be found on the following page

Note: All Customer ODIs are shown in 17/18 prices, post-tax.

CUSTOMER ODIS

Comparative ODIs

- ****Internal sewer flooding (enhanced)**
- ****Pollutions (enhanced)**
- **Supply interruptions**

Common ODIs

- Water quality compliance
- Mains bursts
- Unplanned outage
- Leakage
- Per Capita consumption
- Risk of severe restrictions in a drought
- Treatment works compliance
- Sewer collapses
- Risk of sewer flooding in a storm
- C-Mex = Customer experience measure
- D-Mex = Developer experience measure

Bespoke ODIs

- External sewer flooding
- Public sewer flooding
- Blockages
- Farming for Water
- Protecting schools from lead
- Persistent low pressure
- Resolution of low pressure complaints
- Biodiversity (water)
- Biodiversity (waste)
- AIM (Abstraction Incentive Mechanism)
- Water Quality complaints
- Speed of response to visible leaks
- Reducing residential void properties
- Satisfactory sludge use and disposal
- Inspiring our customers who use water wisely
- Reducing business void and gap site supply points
- Green communities
- Help to pay when you need it
- Collaborative flood resistance

FINANCING

63.6%
Gearing average 2020-25[1]

£1.2bn
New funding requirements

£1.8bn
Required refinancing

BBB+/Baa1
Targeted minimum credit rating

Maintaining a stable and low cost funding platform

- Starting AMP7 with a balanced debt portfolio and gearing at the current notional level
- Average gearing of 63.6% - well below the trigger for sharing financing outperformance of 70%
- We have applied extensive scenario analysis to ensure we maintain our strong track record of financial resilience

As a reminder, the draft components of Ofwat's notional WACC are as follows:

Ofwat notional WACC	Nominal	Real CPIH	Real RPI
Cost of equity	7.1%	5.0%	4.0%
Cost of debt	4.4%	2.3%	1.3%
Appointee WACC (vanilla)	5.5%	3.4%	2.4%
Retail net margin	0.1%	0.1%	0.1%
Wholesale WACC (vanilla)	**5.4%**	**3.3%**	**2.3%**

Embedded debt 4.6%
New debt 3.4%

[1] This differs from the average of 64.1% in our pro-forma business plan presentation, which is calculated by applying year end indexation to closing net debt and average indexation to RCV. Our calculation uses year end indexation for both net debt and RCV, consistent with our existing APR reporting.

DIVIDENDS

Our dividend policy core principles

- ❑ Dividends will be fair and balanced
- ❑ Dividends will be transparent
- ❑ Dividends should promote continued outperformance
- ❑ Dividends will support appropriate gearing

Group dividend policy to be announced in early 2020

Components of our Group dividend will include:

- A base regulatory dividend of **5%** in line with Ofwat guidance from Severn Trent Water
- Carryover ODI incentives from AMP6 and any outperformance in AMP7
- Our Welsh regulated business – **Hafren Dyfrdwy**
- Our **non-regulated** business – including Operating Services, Property Development and our recently expanded Green Power

Our community dividend

Our community dividend	Illustrative figures
Helping our most vulnerable customers – Trust Fund	£3.5m
Enhancing our local environment - Volunteering	£1.0m
NEW Creating social infrastructure – 1% profit	£2.5m
Community dividend (annual value)	**£7.5m**

OUR WELSH BUSINESS
HAFREN DYFRDWY

Serving future Welsh generations through low bills, better service and a healthier environment

The lowest bills in Wales despite a small annual increase of 0.5% above inflation

Total totex of £156m including £19m on dams and treated water reservoirs

Proposed RoRE range on Customer ODIs of -0.46% to +0.24%

Investment in Lake Vyrnwy for customers, communities and the environment

TIMETABLE

Upcoming key dates

12 Dec 2018	Ofwat publishes decision on customer ODI uncapping application
31 January 2019	Ofwat publishes **initial assessment** of business plans
March/April 2019	**Draft determinations** published for exceptional and fast track plans
July 2019	**Draft determinations** published for slow track and significant scrutiny plans
December 2019	**Final Determinations** published
Early 2020	**Announcement of AMP7 dividend policy**

FROM AMP6 TO AMP7

AMP6 PERFORMANCE

Sector leading performance in AMP6 providing a strong platform for AMP7

Driving efficiency to keep bills low	**£870m** totex efficiencies	**160 bps** reduction in finance costs	**Lowest bills** in England and Wales – now and for the future
Delivering for customers and communities	**£150m**[1] in customer ODIs to date	**UQ customer service**[2] for customers and developers	**4* EPA status** for 2 out of 3 years of this AMP
Sustainably investing for the long-term	**Over 50%** energy self-generation by 2020	**£220m** reinvested into the business for the future	**8.9%** real RCV growth forecast for the AMP

Upper Quartile RoRE: 9.3% cumulative for first 3 years of AMP6

1. *Pre-tax in 2012/13 prices. Subject to outcome of Ofwat consultation.*
2. *Based on UKCSI and developer services measure*

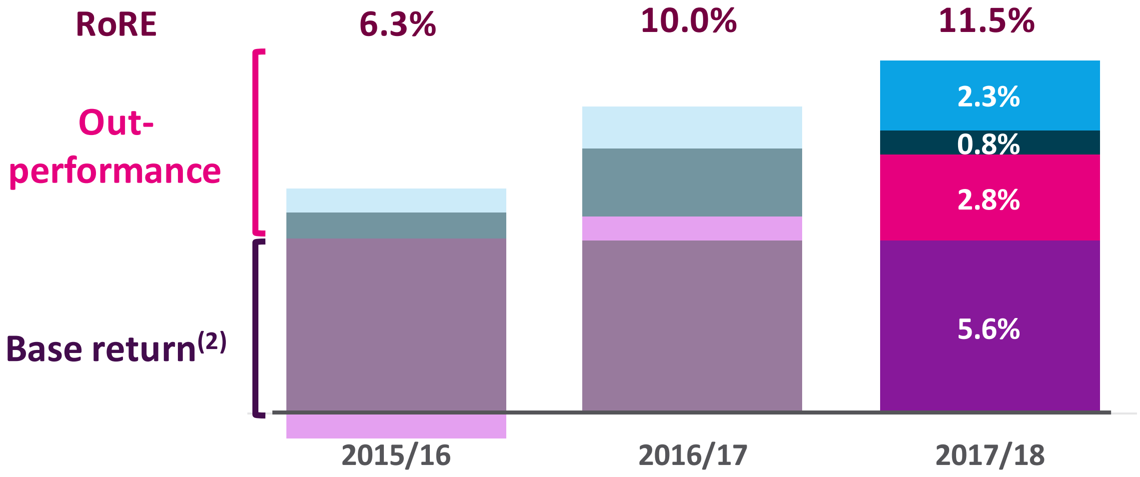
Note: RoRE is a full year measure

RETURN ON REGULATED EQUITY (RoRE)[1]

11.5% For 2017/18, our highest RoRE to date

9.3% AMP6 cumulative RoRE

6.3% Sector average RoRE for years 1&2 of AMP6



CUSTOMER ODIs
- £80m of ODI reward from strong performance in most key metrics

TOTEX/RETAIL
- Continued delivery of totex efficiencies

FINANCING
- Effective balanced debt strategy
- Benefitting from high RPI in 2017/18

ODI outperformance capping, £220m totex reinvestment and forecasted falling RPI limit future RoRE outperformance in AMP6

1. *Calculated in accordance with Ofwat guidance*
2. *2016/17 onwards adjusted to exclude the non-household retail return now being earned by Water Plus*

AMP6 TOTEX EFFICIENCIES

How have we unlocked totex efficiencies?

Some examples…

- We worked across the supply chain to continue to reduce overheads
- ‘Plug and play’ construction – using prefabricated components, making it safer, faster and cheaper to construct on-site
- Smart programming – revised planning to share assets and resources across projects
- Rolling out standard products, which gives us a benefit in design costs, but also a single procurement route
- Taken a more appropriate view of where risks should sit between us and our suppliers

£870m of totex efficiencies achieved this AMP

£410m
We committed to deliver in our PR14 plan

£460m
Outperformance, shared between us and our customers

£120m
Reinvestment in:

- Security
- Water quality
- Vulnerable customers

£100m
Reinvestment in:

- Smart data
- Efficiency
- Proactive asset management
- People

A fast start in AMP7

£100M OF ADDITIONAL REINVESTMENT

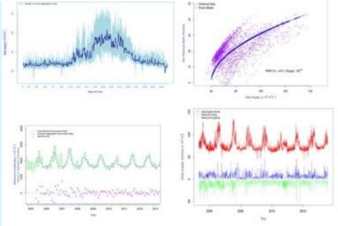
USING OUR DATA

ROBOTIC PROCESS AUTOMATION, INTELLIGENT PROCESSING AND DIGITAL ASSISTANTS

Automate repetitive and transactional tasks and introduce digital assistants facilitating fast end user assistance across the organisation

ADVANCED ANALYTICS AND DECISION MANAGEMENT

Building our capability to use the power of analytics to make better decisions, including areas such as leakage detection, flooding root cause, asset performance management and abstraction management.



ENERGY EFFICIENCY

Invest in energy efficiency opportunities throughout our sites and network, driving down energy consumption and maximising our energy generation.

PROCESS IMPROVEMENTS

Investing in process areas such as customer case management and sludge thickening and dewatering, to drive efficiencies in our operation and reduce waste and customer service impacts.

DRIVING EFFICIENCY

PROACTIVE ASSET MANAGEMENT

MONITOR AND CONTROL OUR NETWORK

Improving our monitoring and control capability in our water network, investing in areas such as acoustic and pressure loggers, to pinpoint failure early and minimise customer impacts.

ENHANCING OUR RESILIENCE

Review of the assets at 3 major sites prioritising investment to enhance asset health and build resilience. Creation of an in-house trunk repair team dedicated to the timely response of issues

INVESTING IN OUR PROPERTIES AND TRANSPORT

Changes required to our operational sites to get us ready for AMP 7, including optimising business continuity provisions and rationalising and consolidating underutilised sites.

INVESTING IN OUR COLLEAGUES

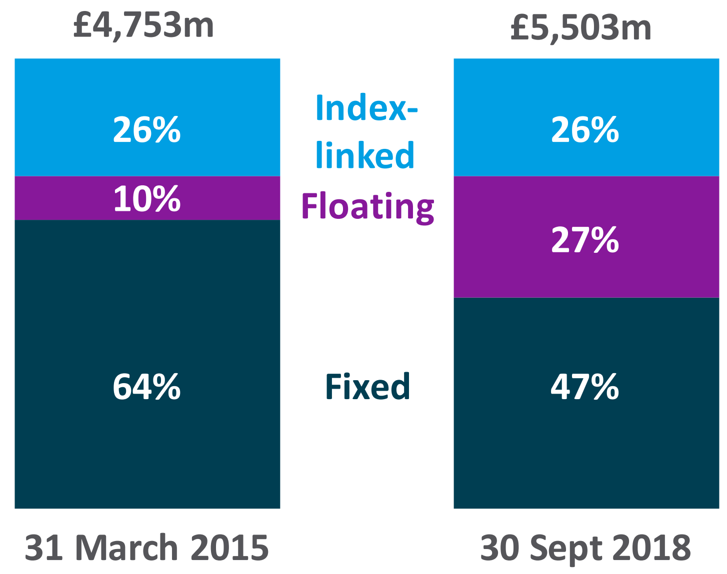
Create our own in-house Technical Training Academy, a world class centre of technical excellence enabling us to invest in our colleagues' capability for the future.

ENHANCING OUR RESOURCES

FINANCING

Actions taken to balance our debt portfolio since 2015 have driven reductions in our effective interest rate and place us in a strong position going into AMP7

Gross debt mix



Effective interest rates

31 March 2015		30 Sept 2018
5.4%	Effective interest rate	3.8%
4.9%	Effective cash interest rate	3.1%

Gearing

- At 30 Sept 18 our gearing was **59%** - in line with the AMP7 notional gearing of 60%
- Our submitted PR19 plan indicates an average gearing over AMP7 of **63.6%**

BIORESOURCES
GETTING READY FOR COMPETITION

Moved Bioresources business into Business Services, effective from 1 April 2018

Early actions taken to ready ourselves for competition:

- **Created regional treatment hubs** - six regions to deliver optimised treatment routes
- **Streamlined logistics** - rationalised tanker bases, reducing miles travelled
- **Optimised treatment strategy** - advanced treatment techniques, offering economies of scale and greater gas generation
- **Rationalised sites** - least efficient sites identified for closure

Resulting in a £17m accelerated depreciation charge and £4m other restructuring costs - included as exceptional costs this year

Already active in the market, completing our first trial trade

H1 18/19 RESULTS

H1 2018/19 IN SUMMARY

PR19
Submitted a high quality plan we are proud of

Investment
On track for our biggest capex spend of the decade

Financing
Improved position through diverse sources

76.2p
Underlying EPS + 16.3%

Resilience
Managed increased summer demand, minimising customer impact

Green Power
Enhancing our portfolio through Agrivert acquisition

Pathfinder
A company with a clear social purpose

37.35p
Interim dividend +7.9%

EMBED CUSTOMERS AT THE HEART OF ALL WE DO

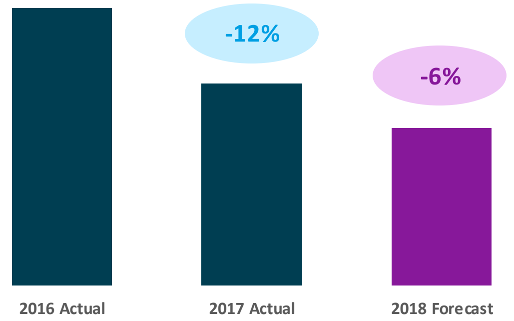
PR19: A plan built on our customers needs	Set to have the **lowest bills** in England and Wales until at least 2025
	Ongoing engagement through **Tap Chat** – an online community of **15,000** of our customers
In a strong position for CMEX / DMEX in AMP7	Upper quartile among utilities in the **UK Customer Service Index**
	Upper quartile for the fifth consecutive quarter on services for **developers**
Exploring new ways of engaging with customers	New **Wonderful on Tap** customer campaign increasing awareness of water usage and celebrating the role that water plays in everyday life
	Faster resolution and increased efficiency by offering a **FaceTime** service with engineers

PROGRESSING IN WATER

Catchment Management ODI

- Improving water quality on farmland
- Unique **Farm to Tap** scheme reducing peak metaldehyde concentrations by 57%
- Lower cost of treatment for customers
- Enhancing biodiversity in the environment
- On track to deliver up to £11 million customer ODI

Further reductions in water quality complaints



On track to deliver **6%** reduction this year

On track to hit target by the end of AMP6

Measured by CRI in AMP7 – ambition to **halve our score** by end of AMP6

Focused on leakage targets

- Significantly increasing **fix and find** activity
- Installed 10,000 of 35,000 **acoustic loggers**
- Award-winning **leakage detection robot**
- Refining use of **satellite imagery**

WEATHER RESILIENCE

Preparation enabled us to deliver more for our customers

We saw a **22%** increase in demand for water – the equivalent of an additional **400ML/d** at its peak

Remain on track to **halve** supply interruptions year-on-year

We entered the summer well prepared, with reservoirs at **98%** of capacity

Hot weather cost **£10m** in first half, expecting to spend a similar amount on **recovery** in H2

EXCELLING IN WASTE

Our catchment approach to waste water has set us apart in AMP6…

Invest

Protect

Prevent

Intercept

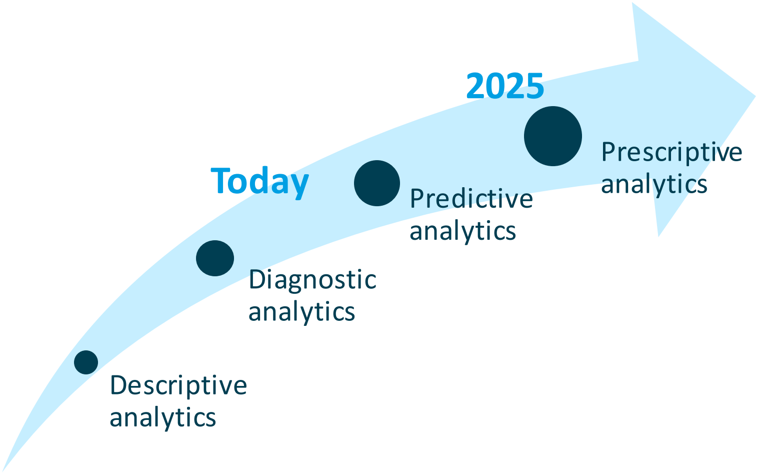
React

- ✓ Frontier cost efficiency in AMP6
- ✓ Industry leading waste ODI performance of £180m to date
- ✓ Continuing to deliver on measures important to customers in AMP7
- ✓ 4* EPA status awarded by the Environment Agency in July 2018
- ✓ Frontier Bioresources operation

…And waste performance will be even more important in AMP7

Largest RoRE range on customer ODIs	Enhanced ODIs: internal sewer flooding & pollutions	New and Bespoke ODIs for AMP7

Our innovation, big data and lean performance culture will continue to make the difference



AWESOME PLACE TO WORK

Supporting our colleagues how and when they need it most

Top 20 employer and only water company in the Social Mobility Index

Trained over 70% of people managers in mental health awareness

'Blazing a trail' on menopause awareness and sharing with other companies

Top utility and 4th overall in Hampton-Alexander Review into women in leadership

We brought our 900 people managers and investors with us on our AMP7 journey

H1 2018/19 FINANCIAL HIGHLIGHTS

Good results – on track to deliver in line with expectations

Turnover[1]	Underlying PBIT[1,2]	Effective interest rate
£881.5m +3.6%	**£299.1m** +4.3%	**3.8%** down 70 basis points

Property Development	Underlying basic EPS[1,3]	Interim dividend
£18.4m profit from sale of land	**76.2 pence** +16.3%	**37.35 pence** +7.9%

1. *Prior year comparatives are restated to reflect adoption of IFRS15 – see the Interim Results RNS for further detail.*
2. *Underlying Profit before interest and tax (PBIT) excludes exceptional items. There are no exceptional items in the current period so reported profit is £299.1m. An exceptional credit of £8.3m in 2017/18 resulted in a reported PBIT of £295.0m.*
3. *Underlying Earnings per Share (EPS) before exceptional items, net gains/losses on financial instruments, current tax on exceptional items and on financial instruments, exceptional current tax and deferred tax. Reported basic EPS from continuing operations of 69.8p (2017/18: 62.2p).*

REGULATED WATER AND WASTE WATER

Turnover £823m

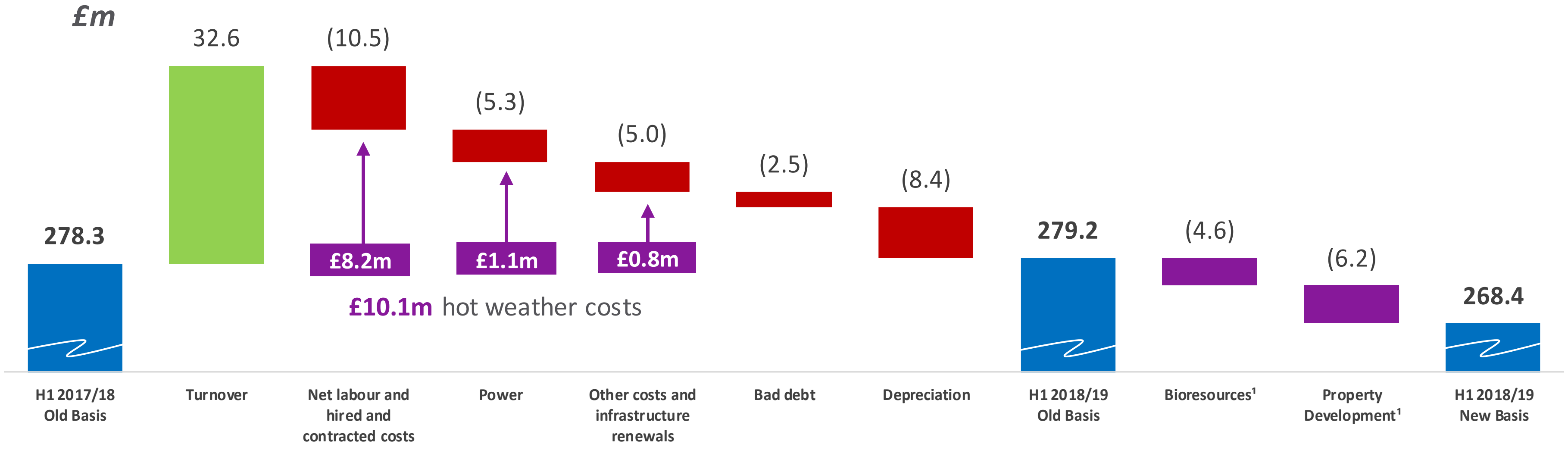
- Up 4% driven by RPI-linked price increases in Severn Trent Water and Hafren Dyfrdwy (£27.9m)
- Revenue uplift from 2016/17 customer ODI rewards (£8.2m) partially offset by WRFIM[1] adjustment for the same period (-£5.4m); other items have a net increase of £1.9m

1. *WRFIM = Wholesale Revenue Forecasting Incentive Mechanism.*
2. *As of 1 April 2018, our Bioresources and property development activity has been managed in the Business Services segment. For ease of comparison, commentary for this financial period has been shown on the old basis. See note 2 of our Interim Results RNS for more detail.*

REGULATED WATER AND WASTE WATER

Underlying PBIT £279m

- Broadly flat, with turnover up 4%, offset by an increase in net operating costs
- Largely driven by the costs of hot weather experienced over summer (£10.1m), higher depreciation (£8.4m), and anticipated cost pressures



1. *As of 1 April 2018, our Bioresources and property development activity has been managed in the Business Services segment. For ease of comparison, commentary for this financial period has been shown on the old basis. See note 2 of our Interim Results RNS for more detail.*

BUSINESS SERVICES

Agrivert North London plant
Winner of Best UK Food Waste AD Plant 2018

An exciting year in our non-regulated business

- £18 million[1] profit from sale of land near Nottingham; enabling 830 homes to be built
- Acquisition of Agrivert for £120 million near completion, adding 106 GWh of generation

Results on old segmental basis[2]

Turnover £70m
down £1.3m
PBIT £14m
down £1.0m

- Lower MOD activity reducing turnover and PBIT in Operating Services
- In Energy, additional capacity and increasing energy prices are offset by set-up costs associated with our new Derby food waste plant

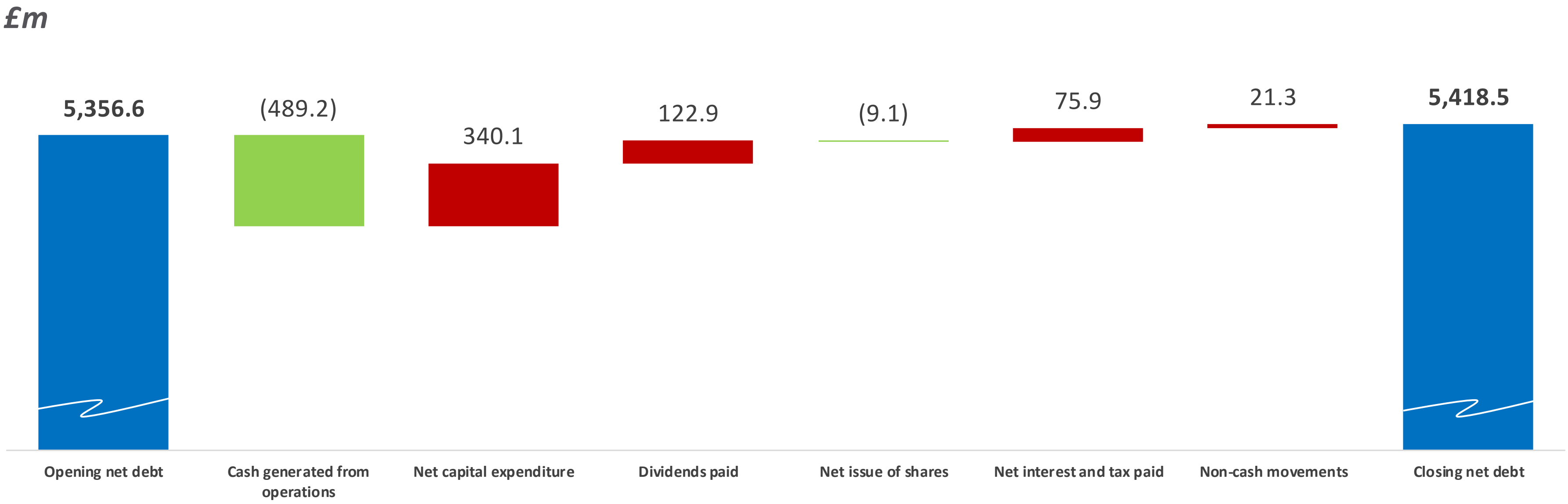
Under the new segments, turnover increases to £97m, PBIT increases to £37m

1. *Under old segments, this profit is split between the Regulated Water and Waste Water and Corporate and Other segments. It is not included in the Business Services segment on the old basis.*
2. *As of 1 April 2018, our Bioresources and property development activity has been managed in the Business Services segment. For ease of comparison, commentary for this financial period has been shown on the old basis. See note 2 of our Interim Results RNS for more detail.*

GROUP CASH FLOW AND NET DEBT

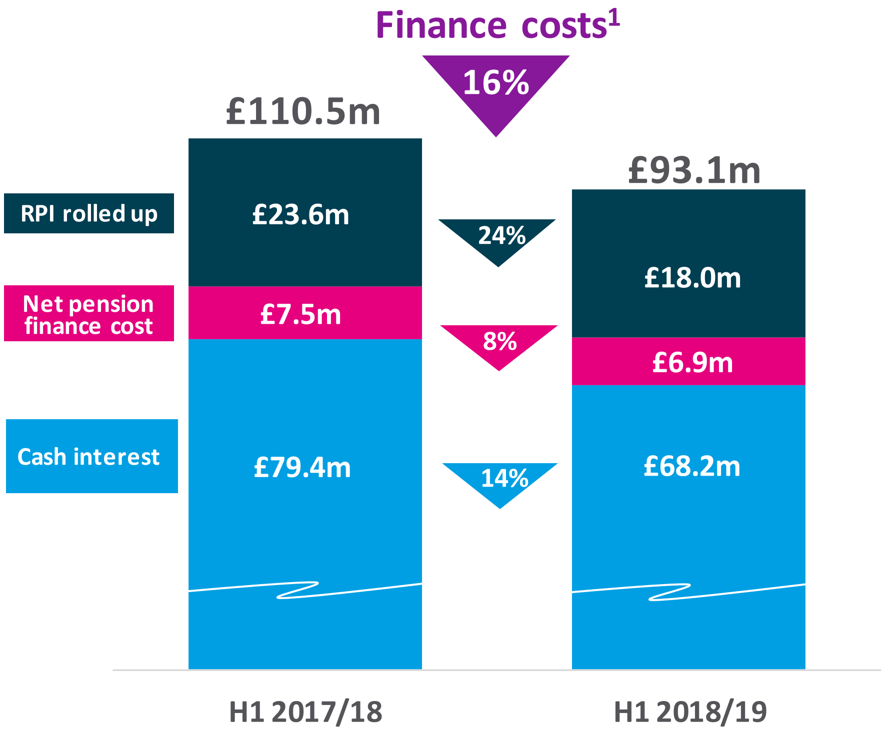
Net debt £5,419m

Increase in net debt of £62m following an increase in net capital expenditure to £340m – on track to deliver our biggest annual capital spend in a decade



FINANCING PERFORMANCE

Financing strategy drives further reduction in interest cost



3.8% — **Effective interest rate[2]**
Down **70 basis points** from 2017/18

3.1% — **Effective cash interest cost[3]**
Down **50 basis points** from 2017/18

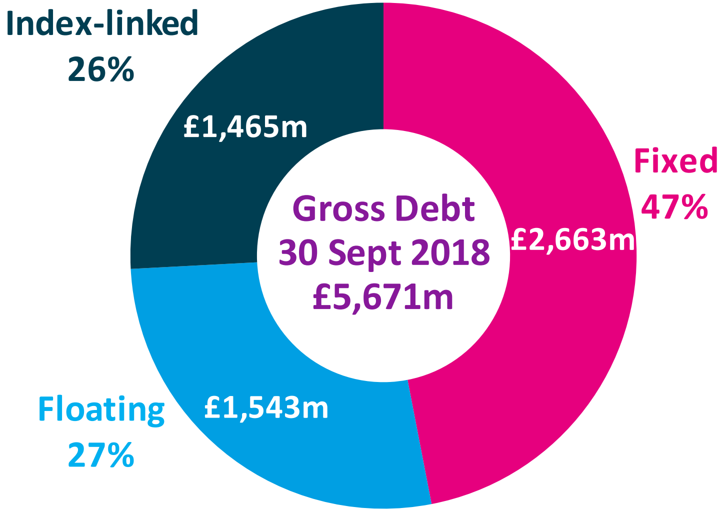
2018/19 Performance

- **£17m** decrease in finance cost, **£11m** reduction in cash interest
- Finance costs benefiting from actions taken since 2015 to re-balance our debt portfolio
- Effective interest rate is down significantly from the start of AMP6 (5.4%). Full year rate expected to be **c.4%** based on current interest rate and inflation forecasts

1. *Average inflation applied to index-linked debt 2018/19: 3.4% (2017/18: 3.5%); after deducting capitalised interest*
2. *Before net pension finance costs but including capitalised interest*
3. *Before net pension finance costs and RPI rolled up but including capitalised interest*

A BALANCED DEBT PORTFOLIO

Preparing for AMP7 with a strong balance sheet and a diversified, low cost debt portfolio



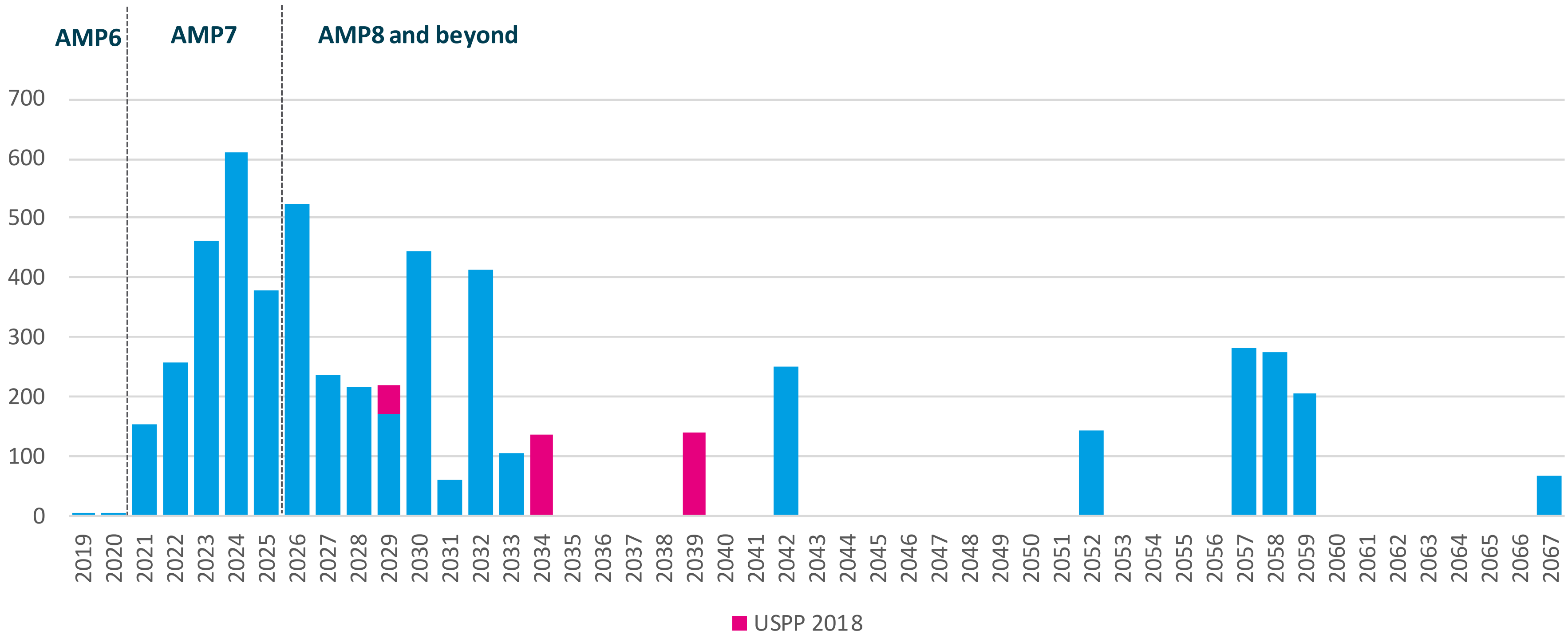
£5,419m
Group net debt

59.0%
STW net debt/RCV

Sourcing low cost debt	▪ Raised **£323m**[1] in USPP at **low cost** fixed rates ▪ Liquidity to early **2021**
Managing interest rate risk	▪ Balanced portfolio, taking advantage of both short and long-term **low interest rates**
Strong gearing position	▪ Expecting to exit AMP6 close to AMP7 notional gearing of **60%**
Reduction in pension deficit	▪ Pension deficit down to **£466m** reflecting market conditions at 30th September

1. *US Private Placement (USPP) funding was agreed at 30 September but not drawn down until November 2018 therefore not reflected in gross debt figures shown*

DEBT MATURITY AT 30 SEPTEMBER 2018



Based on carrying value of debt at 30 September 2018

GEARING & CREDIT RATINGS AT 30 SEPTEMBER 2018

30 September 2017	31 March 2018	**Net Debt/RCV[(1)]**	**30 September 2018**
59.2%	60.6%	Severn Trent Group [(2)]	**59.6%**
59.8%	60.8%	Severn Trent Water Group[(3)]	**59.0%**

31 March 2018			**30 September 2018**		
Severn Trent Water	Severn Trent Plc		**Severn Trent Water**	**Severn Trent Plc**	**Outlook**
A3	Baa1	Moody's	**A3**	**Baa1**	**Negative**
BBB+	BBB	Standard and Poor's	**BBB+**	**BBB**	**Stable**

1. *Estimated RCV at 30 September 2018*
2. *Based on statutory net debt of £5,419m (31 March 2018: £5,357m)*
3. *Based on Severn Trent Water Group regulated net debt of £ £5,372m (31 March 2018: £5,375m)*

FY18/19 TECHNICAL GUIDANCE

Guidance in bold has been revised since the last trading update. Please note that all technical guidance is presented under the old segmental basis for comparative purposes.

Regulated Water and Waste Water		FY17/18 (restated)	Year-on-Year
Turnover	£1.62 billion to £1.65 billion.	£1.57bn	▲
Opex	Higher year-on-year as upward cost pressures of EA licence fees and continued higher energy pass-through costs offset ongoing efficiency programmes.	£604m	▲
IRE	£135 million to £155 million.	£135m	▲
Customer ODIs	***Guiding to a broadly neutral position. A proposal from Ofwat to increase this cap is currently out for consultation; if necessary, an update to technical guidance will be provided following the conclusion of this process.***	***£80m***	▼
Business Services[1]			
Turnover	Higher year-on-year.	£141m	▲
PBIT	Marginally higher year-on-year, impacted by new plant start up costs.	£35m	▲
Group			
Property PBIT	Around £20 million, including the sale of land near Nottingham.	£7m	▲
Interest charge	Down year-on-year due to lower interest rates on new and replacement debt, and lower forecast RPI.	£220m	▼
Tax rate	Total tax rate expected to be around 19% and underlying effective current tax rate between 11% and 13% due to higher capital allowances from increased capex.	12.7%	▼
Group capex	£650 million to £750 million.	£591m	▲
Dividend	Annual dividend growth of at least RPI+4% until March 2020. 2018/19 dividend set at 93.37p.	86.55p	▲

1. *Prior year restated following change in accounting policy under IFRS15 – see note 1 to the financial statements in the RNS for detail. Guidance includes acquisition of Agrivert Holdings Limited.*

REGULATORY MODEL

PRICE CONTROL EVOLUTION INTO AMP7

Privatisation to PR09

- **One price control**
  Wholesale water, waste, household and non-household

PR14: Four controls

- **Wholesale controls**
  - **Water** – Resources, treatment, distribution
  - **Waste Water** – Collection, treatment, sludge disposal
- **Retail controls**
  - **Household** – Billing, contact
  - **Non-Household** – Billing, contact

PR19: Six controls

- **Wholesale controls**
  - **Water resources** – Reservoirs, water sources
  - **Water network plus** – Treatment, distribution pipes
  - **Waste network plus** – Sewers, treatment
  - **Bio resources** – Sludge
- **Retail controls**
  - **Household** – Billing, contact
  - **Non-Household** – Billing, contact

CALCULATING ALLOWED PRICES

In real terms

2015-2020 Totex (total expenditure)

“Slow money”
(1 – PAYG rate applied to totex spend)

RCV

“Fast money”
PAYG rate (58.6% average for AMP6) applied to totex spend

PAYG	Customer ODIs	Tax	Interest	Return on equity RCV	RCV run-off (depreciation)

Allowed wholesale revenue (expressed as K-factor)(1)

+

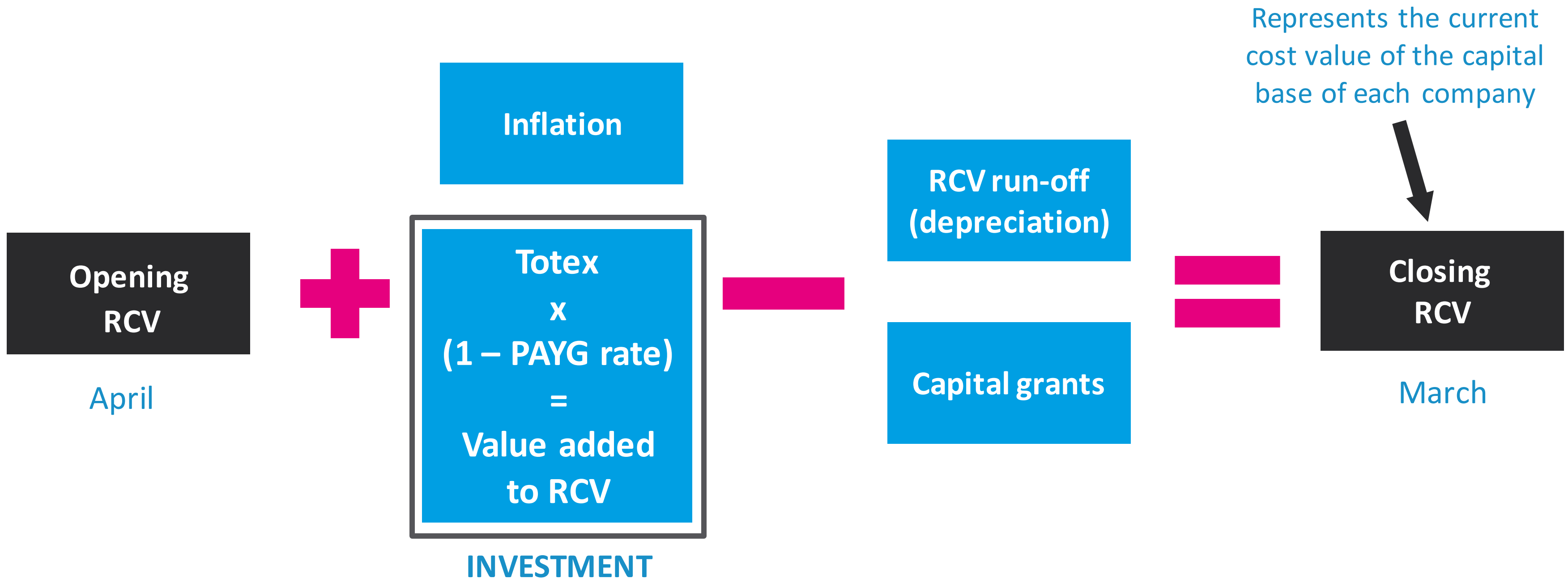
Retail allowed costs and margin

=

Severn Trent Water regulated revenue

1. “K factors” are real change in wholesale revenue year on year. Adjusted by RPI from November of previous year. (i.e. K factor for 2016/17 adjusted by November 2015 RPI)

REGULATORY CAPITAL VALUE (RCV)



REAL COST OF CAPITAL AMP7 VS AMP6

AMP 7

(Provisional and subject to change. To be finalised by Ofwat in 2019)

Cost of Debt 1.3%

Risk free rate = -0.88%
Debt premium = 2.21%

Gearing(1) 60%

Cost of Equity 4.0%

Risk free rate = -0.88%
Equity beta = 0.77
Equity risk premium = 6.3%

Vanilla Weighted Average Cost of Capital 2.4%

AMP 6

Cost of Debt 2.6%

Risk free rate = 1.25%
Debt premium = 1.35%

Gearing(1) 62.5%

Cost of Equity 5.65%

Risk free rate = 1.25%
Equity beta = 0.8
Equity risk premium = 5.5%

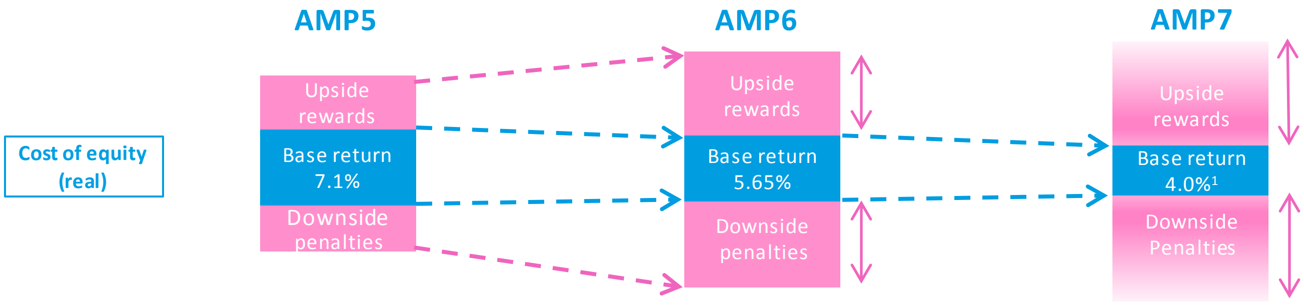
Vanilla Weighted Average Cost of Capital 3.74%

1. Gearing = net debt to RCV. Ofwat uses a notional balance sheet

THE GROWING IMPORTANCE OF INCENTIVES

- **There has been a shift in the proportion of company returns that come from the base allowed return**
- **Companies must focus on outperforming on incentive mechanisms to deliver attractive returns**

- At **PR14**, Ofwat changed the balance of risk and reward in the price control package by:
  - Reducing the base return companies can earn on their RCV
  - Increasing the risk and reward associated with companies performance and service levels
- At **PR19**, we see an extension of this approach



- The range of potential upside and downside returns that good and poor performing companies can achieve over the base return is growing
- There will be winners and losers and the gap between them is increasing

1. AMP7 base return is provisional and subject to change. To be finalised by Ofwat in 2019

PROPERTY SALES
CUSTOMER SHARING MECHANISM

- Under our licence conditions, we share regulated property disposal proceeds with Severn Trent customers
- There is a well-established mechanism to do this

Surplus land in the regulated business is either:

1. Sold directly to a third party
2. Sold to the Group's specialist property subsidiary for further value creation, through:
   - Obtaining planning permission and selling on; or
   - Collaborating with others to develop the land

The terms of sale of any land from Severn Trent Water are approved by an independent valuer, appointed by OFWAT

Both stages of the sale are subject to customer sharing of the profit through the RCV

The RCV adjustment is applied at the end of the AMP and consists of two elements:

1. Customers receive half of the profits from the initial sale of Severn Trent Water land to the property company or the third party
2. The subsequent sale by the property company is subject to an 'overage', which is returned to the regulated business. This will be between 15-60% and is determined by Ofwat's independent valuer. The more difficult the land is to develop, the lower the percentage. 50% of the overage is then shared with customers.

We forecast around 40% of the profit generated by the Group will be returned to customers through the RCV adjustment at the end of each AMP