

Severn Trent plc

What we do

Our purpose is to serve our communities and build a lasting water legacy. We do this by providing clean water and waste water services and developing renewable energy solutions through our businesses:

- Severn Trent Water and Dee Valley Water (together our regulated water and waste water business).
- Severn Trent Business Services.

Where we operate

Our regulated water and waste water business provides services in the Midlands and Wales.

Severn Trent Business Services operates across the UK and Ireland.



Our vision

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

Our strategic goals

- Embed customers at the heart of all we do.
- Drive operational excellence and continuous innovation.
- Invest responsibly for sustainable growth.
- Change the market for the better.
- Create an awesome place to work.

Investment proposition

We are focused on creating long-term value for shareholders through:

- An inflation linked dividend, with growth of at least RPI +4% to 2020.
- A growing Regulatory Capital Value (RCV), through long-term investments in essential assets.
- Driving customer service and earning rewards through customer Outcome Delivery Incentives (ODIs).
- Delivering efficiencies to reduce costs and benefit under the totex incentive mechanism.
- A balanced debt portfolio, with diversified funding sources.
- Nurturing emerging commercial opportunities created through increased competition.
- Investment in non-regulated businesses which remain core to our strategy.

Regulator

Our water and waste water business operates within a trusted regulatory framework, with Ofwat, the industry's economic regulator, setting limits on the prices we can charge our customers during each five year Asset Management Plan (AMP) period. They also ensure we perform our functions properly and that company plans are financeable.

Five-year financial summary

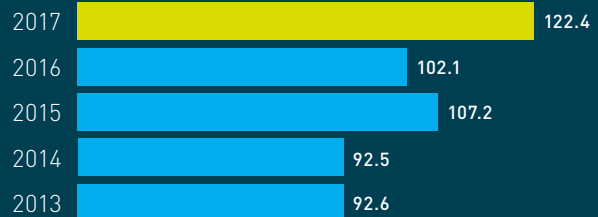
Turnover (£m)



Profit before interest and tax (£m)



Underlying basic earnings per share (pence)



Dividends per share (pence)



Litres of waste water treated per day

2.6bn

Number of employees in the Group

over **6,000**

Households and businesses served

4.5m

Litres of drinking water supplied each day

1.9bn

**SEVERN
TRENT**

How we create value

Operational

- A leading business with an upper quartile ambition.
- Top performer in 2015/16 and 2016/17 on customer ODIs.
- Lowest combined average bills in Britain.

Regulatory

- Strong voice in driving change and innovation.
- Leading position in a world of incentivisation.
- Well placed for competitive water resource and bio-resource markets.
- Significant RCV growth potential.

Capital structure

- Good progress made in AMP6 to reduce cost of debt and diversify funding.
- Close to notional capital structure of 62.5% (61.6% in FY16/17).
- Less exposed to change to CPIH indexation than many peers due to less than a third RPI linked debt.

Retail

- Upper quartile company for household retail cost to serve.
- Water Plus JV progressing well in non-household market.
- Material market share in household.
- One of the leading water companies on bad debt.

Management

- Expertise and experience in a broad range of sectors.
- Delayed organisation with universal alignment of incentives.
- Proven ability to drive business transformation and deliver significant successes.

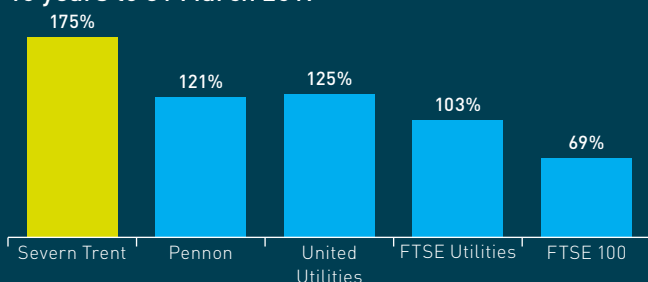
Technology

- At the forefront of adopting new technology and best practice.
- A digital strategy focused on improving the customer experience, cost efficiencies and workforce productivity (e.g. apps, predictive maintenance, energy management).

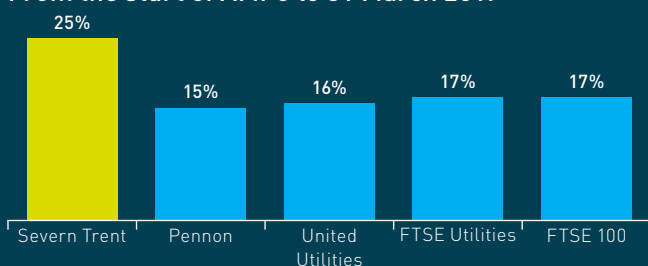
Total Shareholder Return (TSR)

Measures the performance of stocks over time including both share price appreciation and dividends paid.

10 years to 31 March 2017



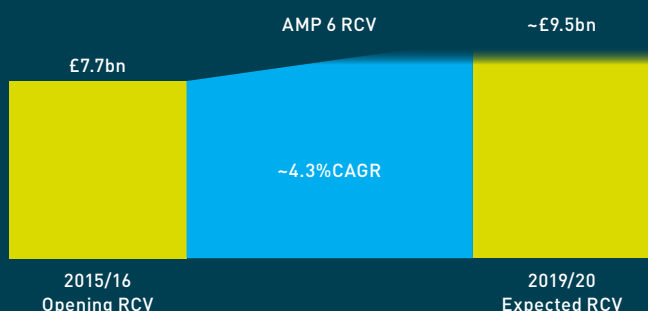
From the start of AMP6 to 31 March 2017



Regulatory Capital Value (RCV)

A key component of the regulatory model used in the determination of company price limits.

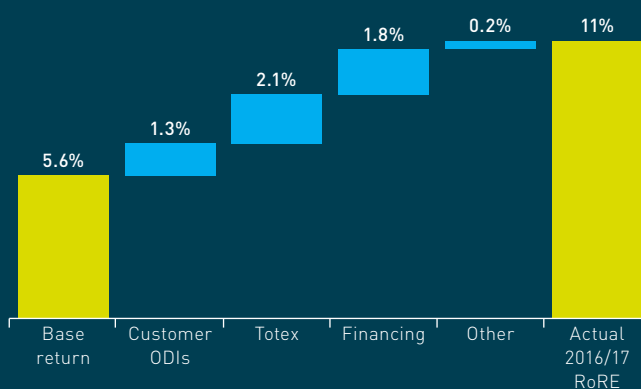
Severn Trent has the fastest growth rate of the listed water companies for AMP 6 as per final determinations.



Return on Regulated Equity (RoRE)

RoRE is a key measure used in the industry to compare company performance versus allowed returns.

In FY 2016/17, we delivered a 260 basis points increase in RoRE to reach 11.0%.



Customer ODIs

- An exceptional year of delivery; £47.6m net reward.
- New technology and better processes driving results.

Totex

- Delivering on our totex efficiency commitments.
- £138m of outperformance achieved in 2016/17.

Financing

- Debt strategy continues to deliver outperformance.
- More balanced debt portfolio delivering results.

Investor Relations contacts

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