

H1 18/19 RESULTS

22 November 2018



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).

LIV GARFIELD

CHIEF EXECUTIVE



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%



JAMES BOWLING

CHIEF FINANCIAL OFFICER



H1 2018/19 FINANCIAL HIGHLIGHTS

Good results – on track to deliver in line with expectations

Turnover¹

£881.5m
+3.6%

Underlying PBIT^{1,2}

£299.1m
+4.3%

Effective interest rate

3.8%
down 70 basis points

Property Development

£18.4m
profit from sale of land

Underlying basic EPS^{1,3}

76.2 pence
+16.3%

Interim dividend

37.35 pence
+7.9%

1. Prior year comparatives are restated to reflect adoption of IFRS15 – see the Interim Results RNS for further detail.

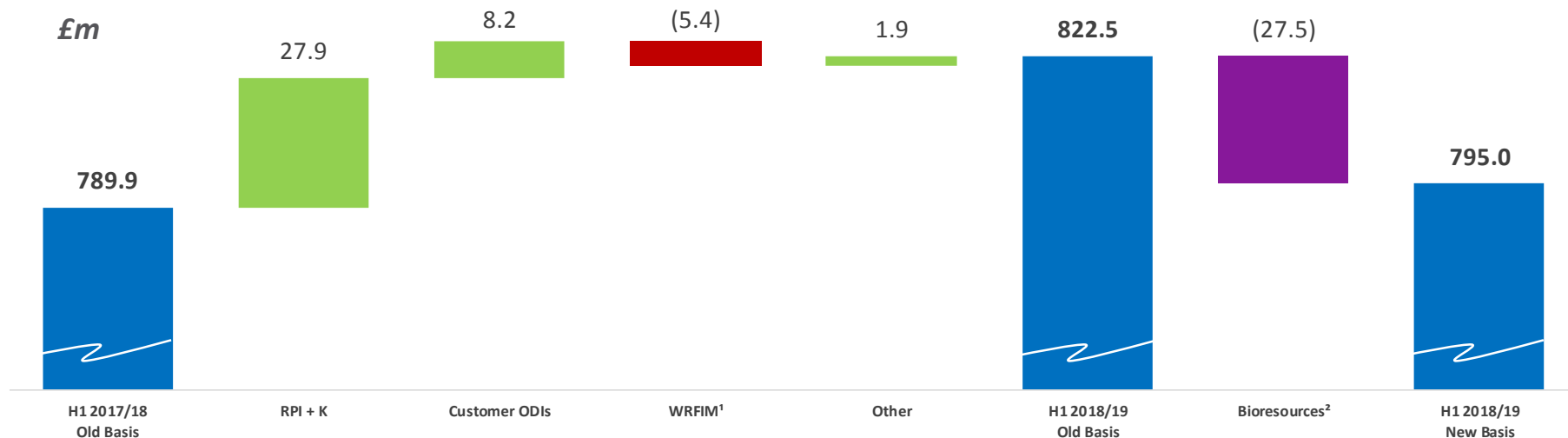
2. Underlying Profit before interest and tax (PBIT) excludes exceptional items. There are no exceptional items in the current period so reported profit is £299.1m. An exceptional credit of £8.3m in 2017/18 resulted in a reported PBIT of £295.0m.

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 WRFIM¹ 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 million¹ 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 basis²

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

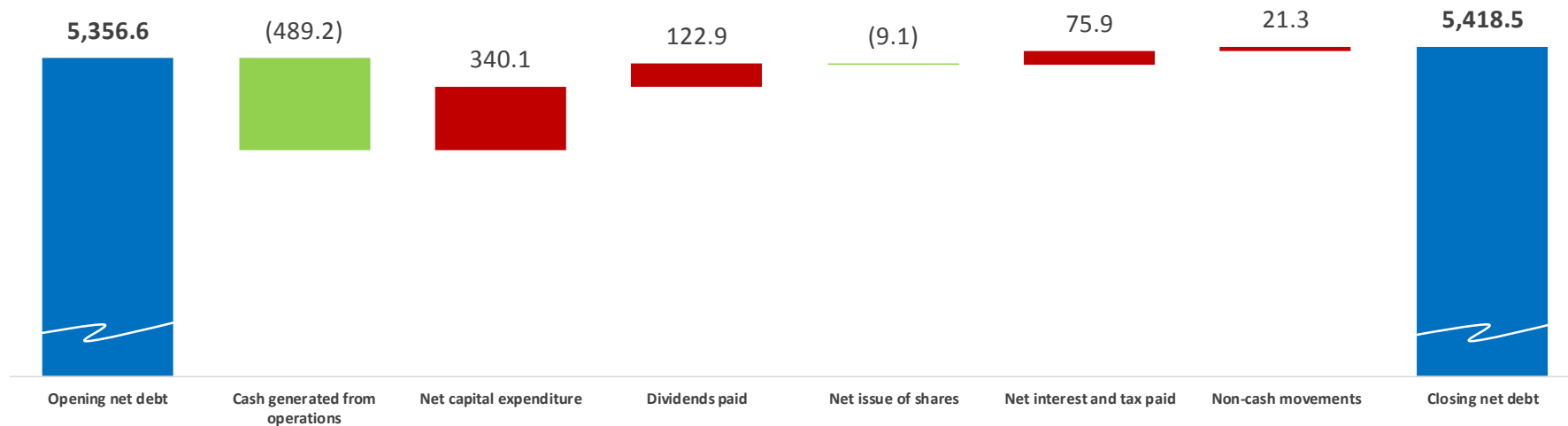
1. Under old segments, this profit is split between the Regulated Water and Waste Water and Corporate and Other segments. It is not included in the Business Services segment on the old basis.
2. As of 1 April 2018, our Bioresources and property development activity has been managed in the Business Services 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**

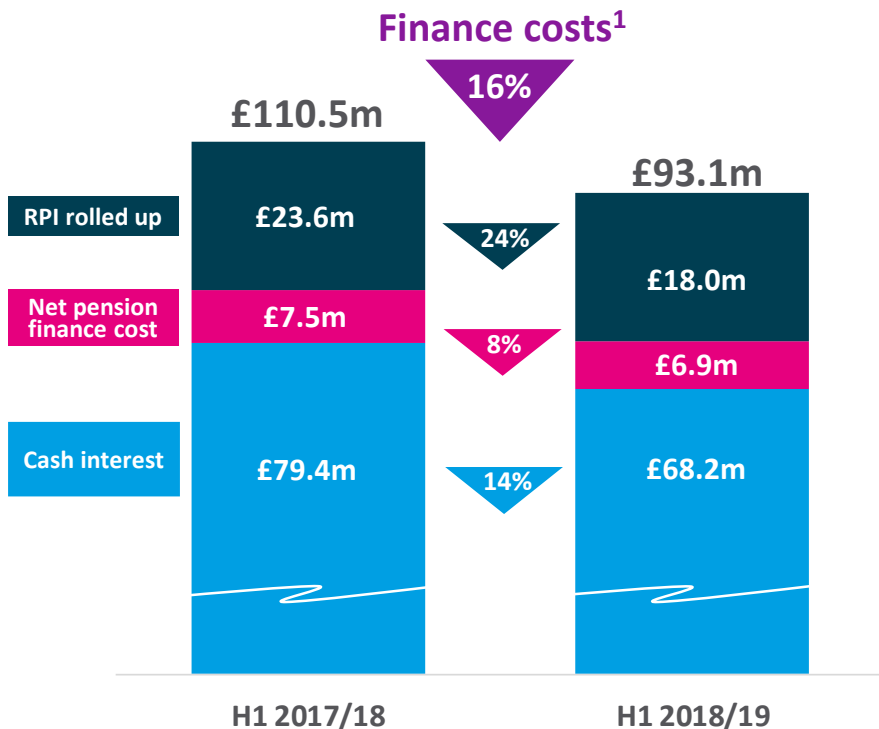
Increase in net debt of £62m following an increase in net capital expenditure to £340m – on track to deliver our biggest annual capital spend in a decade

£m



FINANCING PERFORMANCE

Financing strategy drives further reduction in interest cost



3.8%

Effective interest rate²
Down 70 basis points from 2017/18

3.1%

Effective cash interest cost³
Down 50 basis points from 2017/18

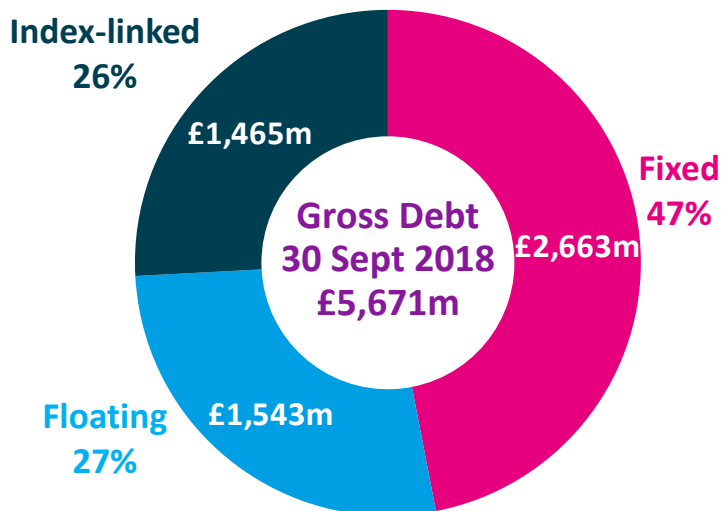
2018/19 Performance

- **£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 **£323m¹** 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

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.

LIV GARFIELD

CHIEF EXECUTIVE



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
England¹

Upper Quartile
UKCSI position

Lowest bills in
England &
Wales

4* EPA
performance
3 of last 5 years

Helping achieve an appropriate stakeholder balance

Customers

Colleagues

Communities

Investors

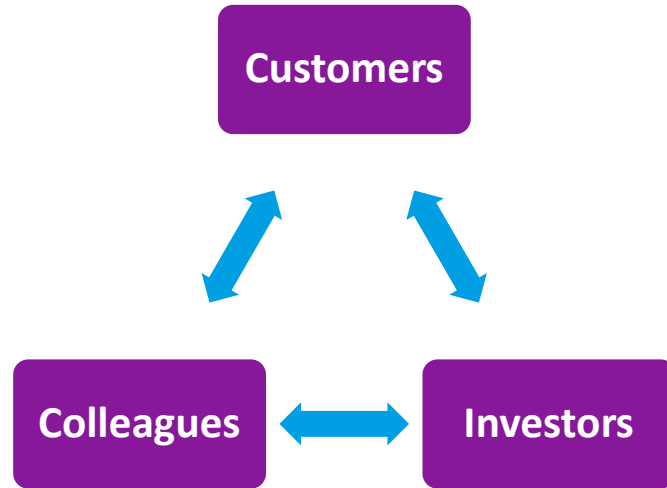
1. Based on most recent Independent Survey cross referencing Severn Trent survey data with other Water and Waste companies

OUR PURPOSE

To serve our communities and build a lasting water legacy

Creating value through purpose...

....in a sustainable way



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



OUR AMP7 BUSINESS PLAN

31 Jan

Ofwat initial
assessment



5%

real reduction
in CPIH prices



Proposed totex of
£6.6bn

- which reflects 13% efficiency

3.5%

Largest listed RCV
growth secured by
improved services for
future generations



Improving up to
2,100km
of our rivers

41 PCs including
33 ODIs
with enhanced values for
internal sewer flooding
and pollutions



RORE range of
-3.0% to +2.6%
on customer ODIs



£10m investment in
new technical
academy for the Midlands

Average company
gearing of

63.6%

At least
BBB+/Baa1
target credit rating

1%

dividend for
community schemes



Base regulatory
dividend of **5%**
aligned with Ofwat guidance



EMBED CUSTOMERS AT THE HEART OF ALL WE DO



PR19: A plan built on our customers needs

In a strong position for CMEX / DMEX in AMP7

Exploring new ways of engaging with customers

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

Upper quartile among utilities in the **UK Customer Service Index**

Upper quartile for the fifth consecutive quarter on services for **developers**

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



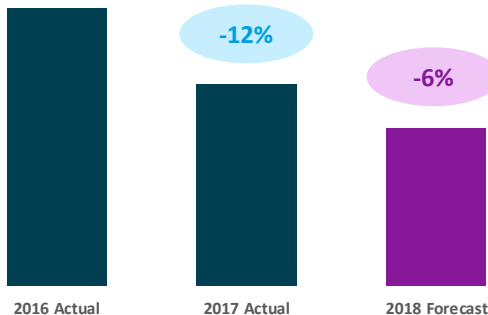
PROGRESSING IN WATER

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

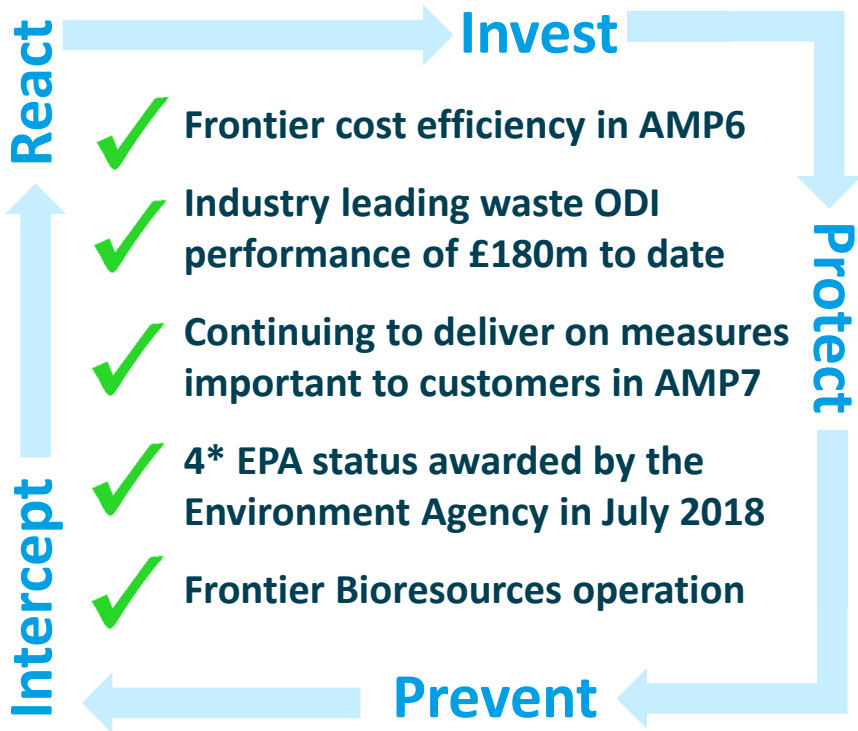


Hot weather cost **£10m** in first half, expecting to spend a similar amount on **recovery** in H2





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



EXCELLING IN WASTE

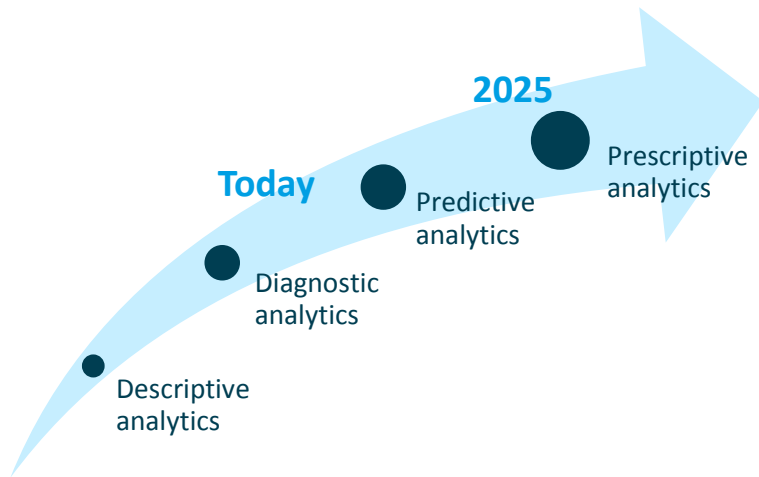
**...And waste performance will be even
more important in AMP7**

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

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

£150m¹
in customer ODIs to date

UQ customer service²
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

Q&A

APPENDIX

U.N. SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



SUSTAINABLE
DEVELOPMENT
GOALS

PR19 TIMETABLE

Key dates

Late January 2019

Ofwat publish **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

UNDERLYING EBITDA¹

PERIOD ENDED 30 SEPTEMBER 2018

2017 ² (restated) old basis £m		2018 new basis £m	2018	Variance	Variance
			old basis £m	£m	%
439.8	Regulated Water and Waste Water	428.0	449.1	9.3	2.1
19.2	Business Services	51.5	18.2	(1.0)	(5.2)
(6.6)	Corporate and Other	(6.8)	3.9	10.5	159.0
(0.3)	Eliminations	0.1	1.6	1.9	633.3
452.1	Severn Trent Group	472.8	472.8	20.7	4.6

1. Earnings from continuing operations before interest, tax, depreciation and amortisation and exceptional items.

2. Restated for adoption of IFRS 15 – see note 1 to the financial statements in the RNS for detail.

DEPRECIATION¹

PERIOD ENDED 30 SEPTEMBER 2018

2017 (restated) old basis £m		2018	2018	Variance	Variance
		new basis £m	old basis £m	£m	%
162.5	Regulated Water and Waste Water	159.8	170.1	7.6	4.7
3.9	Business Services	14.2	3.9	–	–
–	Corporate and Other	–	–	–	–
–	Eliminations	(0.1)	(0.1)	(0.1)	N/A
166.4	Severn Trent Group	173.9	173.9	7.5	4.5

1. Including amortisation of intangible assets.

POWER

PERIOD ENDED 30 SEPTEMBER 2018

2017				2018		
Segmental analysis £m	Self generation £m	Group £m		Segmental analysis £m	Self generation £m	Group £m
Turnover						
29.7	(9.5)	20.2	Business Services	31.0	(8.6)	22.4
Costs						
(45.2)	9.3	(35.9)	Regulated Water and Waste Water ¹	(49.2)	8.2	(41.0)
(1.1)	0.2	(0.9)	Business Services	(3.0)	0.4	(2.6)
		(36.8)	Severn Trent Group			(43.6)

1. Includes both Severn Trent Water and Hafren Dyfrdwy

NET FINANCE COSTS

PERIOD ENDED 30 SEPTEMBER 2018

Income statement charge 2017 £m	Capitalised interest 2017 £m	Gross interest incurred 2017 £m		Income statement charge 2018 £m	Capitalised interest 2018 £m	Gross interest incurred 2018 £m
79.4	11.3	90.7	"Cash" interest (including accruals)	68.2	15.7	83.9
7.5	–	7.5	Net pension finance cost	6.9	–	6.9
23.6	–	23.6	RPI interest	18.0	–	18.0
110.5	11.3	121.8		93.1	15.7	108.8

UNDERLYING EARNINGS PER SHARE

PERIOD ENDED 30 SEPTEMBER 2018

2017 (restated) ¹ £m		2018 £m	Variance £m	Pence per share
286.7	Underlying profit before interest and tax	299.1	12.4	5.2
(110.5)	Net finance costs	(93.1)	17.4	7.4
176.2	Underlying profit before tax	206.0	29.8	12.6
(23.3)	Tax at the underlying effective rate of 12.1% (2017: 13.2%)	(25.0)	(1.7)	(0.7)
1.4	Share of net profit/(loss) of joint ventures	(0.9)	(2.3)	(1.0)
154.3	Earnings for the purpose of underlying basic and diluted earnings per share	180.1	25.8	10.9
235.7	Weighted average number of ordinary shares for basic earnings per share	236.4	0.7	(0.2)
65.5	Underlying basic EPS from continuing operations	76.2	10.7	10.7

1. Restated for adoption of IFRS 15 – see note 1 to the financial statements in the RNS for detail.

GROUP BALANCE SHEET AT 30 SEPTEMBER 2018

31 March 2018 (restated) ¹ £m		30 September 2018 £m	Variance £m	Variance %
8,622.5	Property, plant and equipment; intangible assets and goodwill	8,835.7	213.2	2.5
37.6	Joint ventures, associates and other investments	36.5	(1.1)	(2.9)
76.5	Working capital	52.5	(24.0)	(31.4)
(1,023.9)	Deferred income	(1,057.2)	(33.3)	(3.3)
(519.8)	Net retirement benefit obligations	(465.5)	54.3	10.4
(51.3)	Provisions	(51.3)	–	–
(8.6)	Current tax	(21.8)	(13.2)	(153.5)
(675.2)	Deferred tax	(707.5)	(32.3)	(4.8)
(104.3)	Other derivative financial instruments	(87.0)	17.3	16.6
6,353.5	Capital employed	6,534.4	180.9	2.8
996.9	Equity	1,115.9	119.0	11.9
5,356.6	Net debt	5,418.5	61.9	1.2
6,353.5		6,534.4	180.9	2.8

1. Restated for adoption of IFRS 15 – see note 1 to the financial statements in the RNS for detail.

CAPITAL EXPENDITURE (NET CASH)¹

PERIOD ENDED 30 SEPTEMBER 2018

2017 £m		2018 £m	Variance £m	Variance %
260.0	Regulated Water and Waste Water	333.1	73.1	28.1
10.8	Business Services	4.2	(6.6)	(61.1)
–	Corporate and Other	2.8	2.8	–
(0.4)	Eliminations	–	0.4	100.0
270.4	Severn Trent Group	340.1	69.7	25.8

1. Including purchases of property, plant and equipment, intangible assets, proceeds on disposal of property, plant and equipment and contributions and grants received.

NET DEBT AT 30 SEPTEMBER 2018

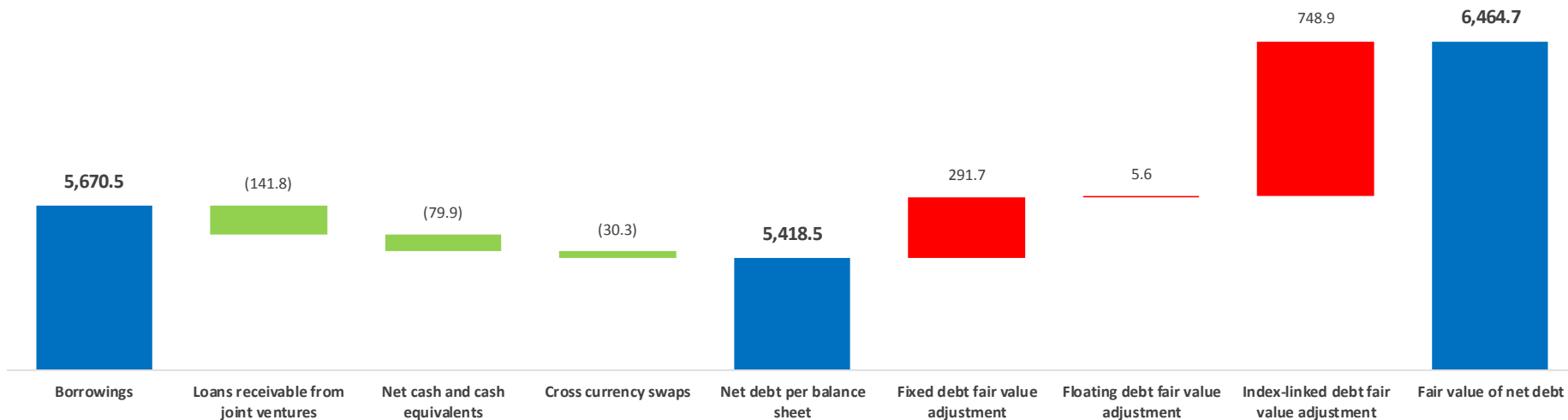
31 March 2018 £m		30 September 2018 £m	Variance £m	Variance %
38.5	Net cash and cash equivalents	79.9	41.4	107.5
(1,217.4)	Bank loans	(1,309.6)	(92.2)	(7.6)
(4,223.9)	Other loans	(4,245.5)	(21.6)	(0.5)
(113.9)	Finance leases	(115.4)	(1.5)	(1.3)
135.6	Loans receivable from joint ventures	141.8	6.2	4.6
24.5	Cross currency swaps	30.3	5.8	23.7
(5,356.6)	Net debt	(5,418.5)	(61.9)	(1.2)

Average monthly net debt was £5,405.7 million (2017: £5,098.3 million)

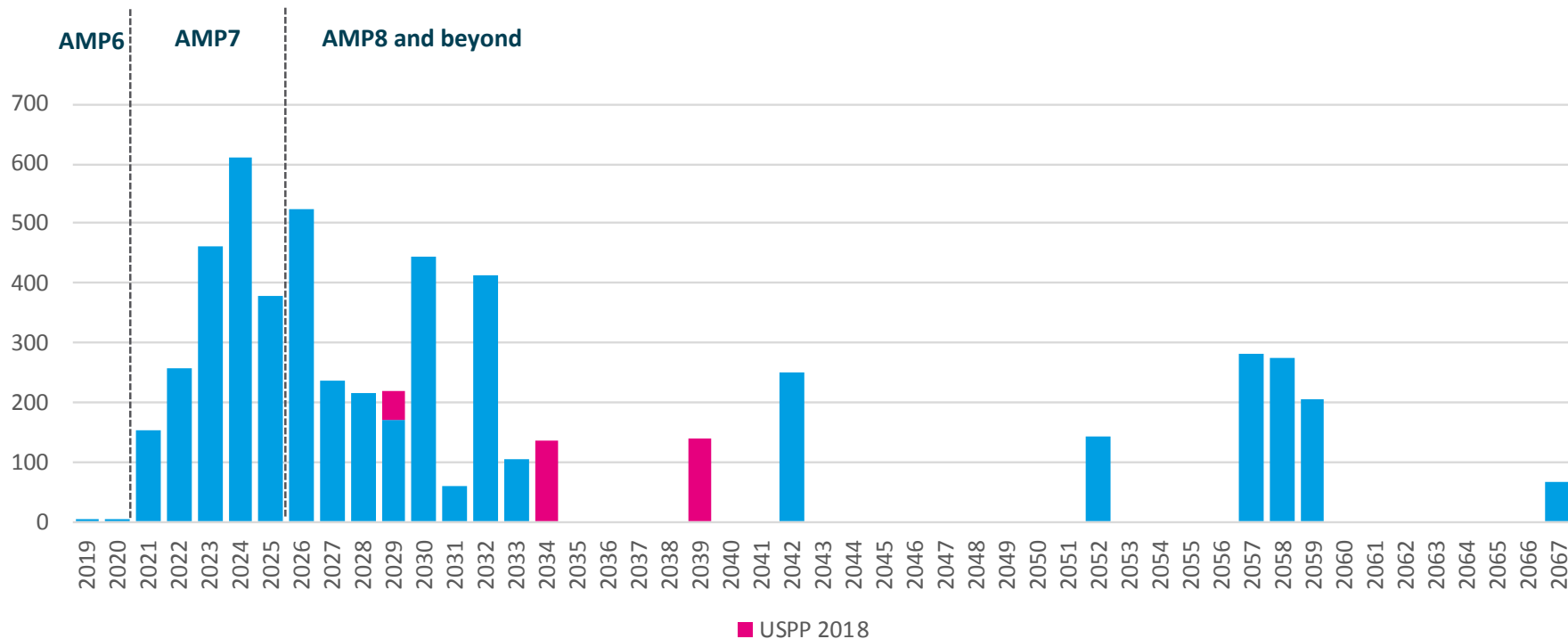
FAIR VALUE OF NET DEBT AT 30 SEPTEMBER 2018

2017 £m		2018 £m	Variance £m	Variance %
(978.5)	Floating rate debt	(1,198.9)	(220.4)	(22.5)
(3,467.4)	Fixed rate debt	(3,304.5)	162.9	4.7
(2,277.1)	Index-linked debt	(2,213.3)	63.8	2.8
(6,723.0)		(6,716.7)	6.3	0.1
44.6	Net cash and cash equivalents	79.9	35.3	79.1
108.6	Loans receivable from joint ventures and associates	141.8	33.2	30.6
43.4	Cross currency swaps	30.3	(13.1)	(30.2)
(6,526.4)	Fair value of net debt	(6,464.7)	61.7	0.9
(5,082.4)	Net debt (previous slide)	(5,418.5)	(336.1)	(6.6)
(1,444.0)	Difference	(1,046.2)	397.8	27.5

ANALYSIS OF BORROWINGS & NET DEBT AT 30 SEPTEMBER 2018



DEBT MATURITY 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)

WONDERFUL ON TAP

