

Investor News

Issue 1

December 2018

Hello, and welcome to our first ever investor newsletter

Creating opportunities for direct interaction with our investment community is really important to us – we want to keep you updated with what's happening in our world; from the big things, like PR19 or ODI uncapping, to the stories that give you a broader insight into our business, like the launch of our Refill scheme.

That's why we've decided to launch a newsletter specifically for this community, aimed at providing you with a more in-depth understanding of particular areas of our business. It's new to us and we'll be working hard to make sure we get it just right, so if you

have any feedback please don't hesitate to get in touch with me or the team.

As we look ahead, 2019 is set to be a busy year for Severn Trent, with Ofwat's initial assessment of our plan due at the end of January, the reinvestment we're making for a fast start in AMP7, our biggest capital year in a decade, integrating our newly acquired food waste business and not to mention continuing to deliver for our customers on our performance commitments.

I look forward to keeping you updated with all things Severn



Trent, but for now I hope you all have a lovely Christmas break and I'll see you in the New Year.

Liv Garfield
Chief Executive Officer
Severn Trent

Increased customer ODI cap creates further opportunity for outperformance

At Severn Trent we have long been advocates of incentivisation which we firmly believe is in the best interests of our customers, investors and the environment.

So far this AMP we have pushed forward the frontier in waste water performance, and increasing the cap will enable us to go even further. Furthermore, we will have end of AMP customer ODIs, such as those on the Water Framework Directive, which we have been investing in and working hard on for the past three and a half years.

We were therefore pleased to accept a proposal from Ofwat which would:



- Increase the waste water customer ODI cap from 2% to 2.6% of RoRE;
- Reset the targets for internal and external sewer flooding and category 3 pollutions to levels achieved in 2017/18, locking in the significant improvement in performance already achieved;
- Reduce the incentive rate on external sewer flooding to £2,967 per incident.

It is important to note that the new targets and incentive rate will only apply from 1 Jan 2019.

We are excited by the opportunity this presents, we're looking at how we invest to push further and maximise our performance in the final 15 months of AMP6, setting ourselves on the right track for AMP7 and beyond.

WONDERFUL ON TAP

SEVERN
TRENT

Agrivert completion

We were delighted to complete our acquisition of Agrivert Holdings Ltd at the end of November. For the total consideration of £120 million, we acquired the UK operating business, including five food waste sites and five co-mingled waste sites. These sites will add to our existing portfolio of three food waste plants, two of which were in fact built by Agrivert.

We're excited about the opportunity that the food waste industry offers. A growing anti-

waste culture, and accompanying regulation, mean that food waste separation is likely to grow in the coming years. Just yesterday in fact, the UK Government published the paper 'Resources and Waste strategy for England' which included a consultation to ensure that every house in England has a weekly separate food waste collection.

See [here](#) for more detail.

In total the acquisition will add 106GWh of additional energy

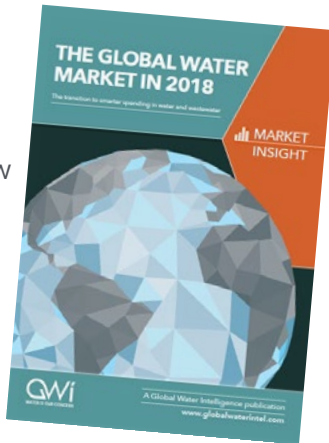


generation to our portfolio, taking us above our 50% self-generation by 2020 target.

Global Water Intelligence benchmarking report

Global Water Intelligence has released a new report comparing the UK industry with its counterparts across Europe.

The main findings show the UK sector in a very positive light, with the water and waste water companies in England and Wales having outperformed their peers in France, Ireland, Italy and Spain since 1990 in the most important service indicators.



These include overall compliance with drinking water regulations, customer service and system efficiency measured by leakage.

While the German utility sector has delivered better outcomes in terms of leakage, it has come at a higher price. In terms of sewage treatment, England and Wales have outperformed Germany since 2001, reaching almost 100% in the last five years.

The study finds that *'there is a strong case for stating that the UK regulated system delivers the best value for money of all the utility sectors in this study.'*

'Our conclusion is that the regulatory regime introduced with privatisation in the UK in 1989 has been very effective at reducing the overall cost of water while delivering higher standards.'

You can find the full report at [www.gwi-intel.com](#)



Our role in the national Refill scheme

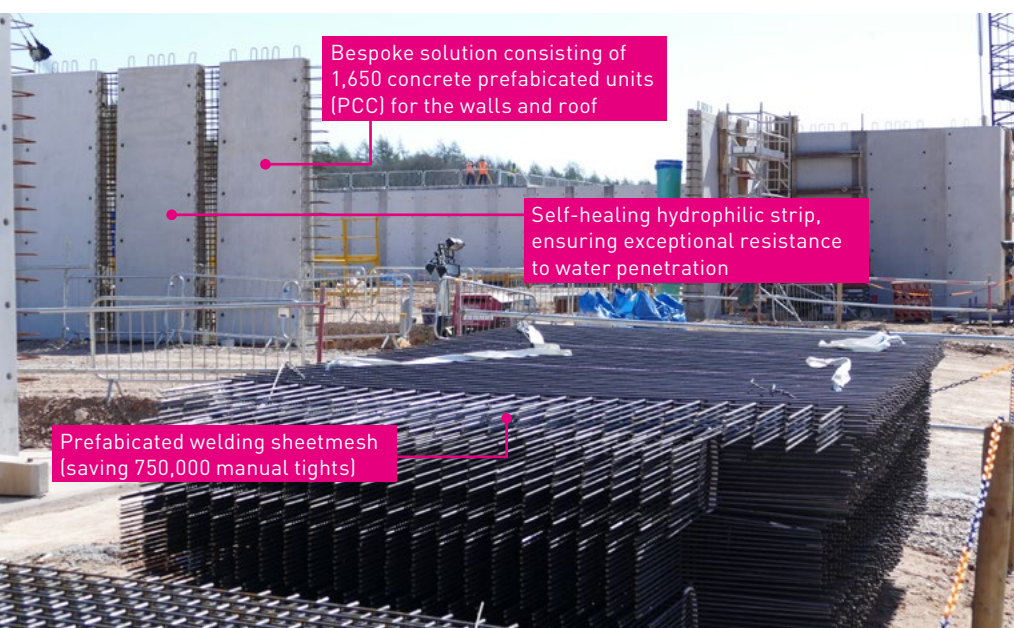
This summer Severn Trent signed up to City to Sea's national Refill campaign - an initiative which will provide free water fill up points in every major city in England by 2021.

Severn Trent is launching Refill in 10 major towns and cities across the region, in England and Wales, with businesses such as cafes, restaurants and pubs signing up as Refill Stations.

In total, over 100 businesses in the region have so far signed up to the scheme which encourages people to stay hydrated, provides the opportunity to promote the benefits of tap water, and helps to address growing concerns about the effects of plastic pollution across the UK.

For more information on our role in Refill, please visit [www.refillsevern-trent.co.uk](#)

Capital Programme case study: Hanchurch District Service Reservoir



As we deliver the final two years of our capital programme, we're challenging ourselves to work closer with our partners to deliver projects efficiently, engage with our customers and neighbours to minimise disruption, and be more innovative in our approach to ensure we're always delivering the most cost-beneficial solution.

An example of this can be found in Stoke-on-Trent where we've invested £11 million to improve water quality and resilience for 136,000 customers. Some of the key features of the project include:

- An innovative design (above)
- Enhanced monitoring – we've laid 5km of fibre optic cable which will enable efficient monitoring and maintenance

- Customer engagement – using current communication tools like YouTube videos and BBC online interviews to keep customers informed

This is just one of the many capital programmes we're working on, in what is shaping up to be our biggest year of capital delivery in the past decade.

Investor Events Timetable: Q4 FY19

9 January	Citi European Utilities and Infrastructure Conference
31 January	Ofwat publishes Initial Assessment of Plans
6 February	Q3 Trading Update Webcast - PR19 update (details to follow)
7 February	Investor Roadshow - London
w/c 11 February	Investor Roadshow - Australia, North America and Canada

We are always happy to host site visits for investors, so you can see our business first hand. Please let us know what you would like to see, and we can arrange it.

Investor Relations team

If you have any feedback or queries on this newsletter or the information within, please do not hesitate to contact a member of the Severn Trent Investor Relations team.

Richard Eadie
Head of Investor Relations
+44 7889 806578

Rachel Martin
Investor Relations Manager
+44 7824 624011

Vicky Owens
Investor Relations Analyst
+44 7824 432128