

FULL YEAR 2016/17 RESULTS

23 May 2017



SEVERN
TRENT

New pipeline from Lickhill on the River Severn to Frankley water treatment works

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.

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LIV GARFIELD

Chief Executive

2016/17: KEY HIGHLIGHTS

Our vision

By 2020 to be the most trusted water company:
delivering an outstanding customer experience, the best value service and environmental leadership

£47.6m
customer ODI reward⁽¹⁾

£100m
additional AMP6 totex⁽²⁾
efficiencies



11.0%
Return on Regulated
Equity (RoRE)⁽³⁾

Upgrade to AMP6 dividend
policy to growth of
at least RPI+4%

1. Customer Outcome Delivery Incentives. Overall pre-tax reward at 2012/13 prices. Subject to review and confirmation by Ofwat. Post-tax reward of £38.6m using the 2018/19 tax rate of 19%

2. Totex = total expenditure at nominal prices

3. Calculated on the same basis as reported in 2015/16. Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis our estimated RoRE would be 10%.



JAMES BOWLING

Chief Financial Officer

2016/17 HIGHLIGHTS

Group turnover⁽¹⁾

£1,819.2m
+3.7%

Underlying PBIT^(1,2)

£525.1m
+4.3%

Effective finance cost

4.4%
down from 4.5%

Customer ODI reward⁽³⁾

£47.6m

Underlying basic EPS^(1,4)

122.4 pence
+19.9%

RoRE⁽⁵⁾

11.0%
+260bps

Full-year dividend: 81.5 pence

Dividend policy upgraded to growth of at least RPI + 4%

1. 2015/16 comparative restated to exclude discontinued operations

2. Underlying PBIT = Profit Before Interest, Tax and exceptional items. Reported PBIT of £543.7m (2015/16: £504.4m) includes exceptional credits of £18.6m (2015/16: £1.0m)

3. Customer Outcome Delivery Incentives. Overall pre-tax reward at 2012/13 prices. Subject to review and confirmation by Ofwat. Post-tax reward of £38.6m using the 2018/19 tax rate of 19%

4. Underlying EPS = Earnings Per Share before exceptional items, net losses/gains on financial instruments, current tax on exceptional items and on financial instruments and deferred tax. Reported basic EPS from continuing operations of 140.1p (2015/16: 133.5p)

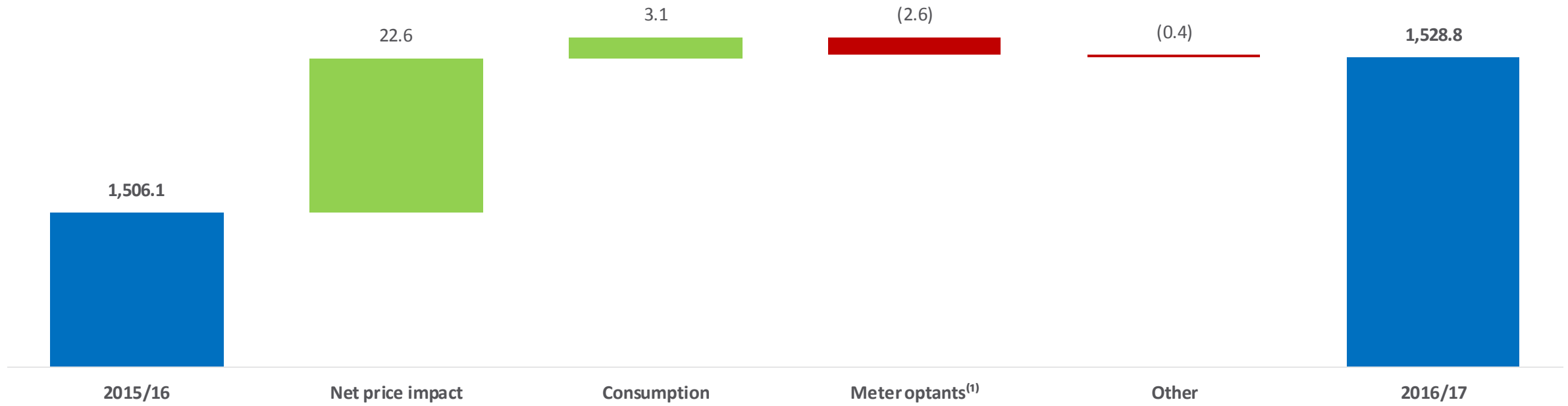
5. Calculated on the same basis as reported in 2015/16. Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis our estimated RoRE would be 10%.

REGULATED WATER AND WASTE WATER

**Turnover
£1.53bn**

- 1.5% higher, driven by £22.6m RPI-linked price increases

£m



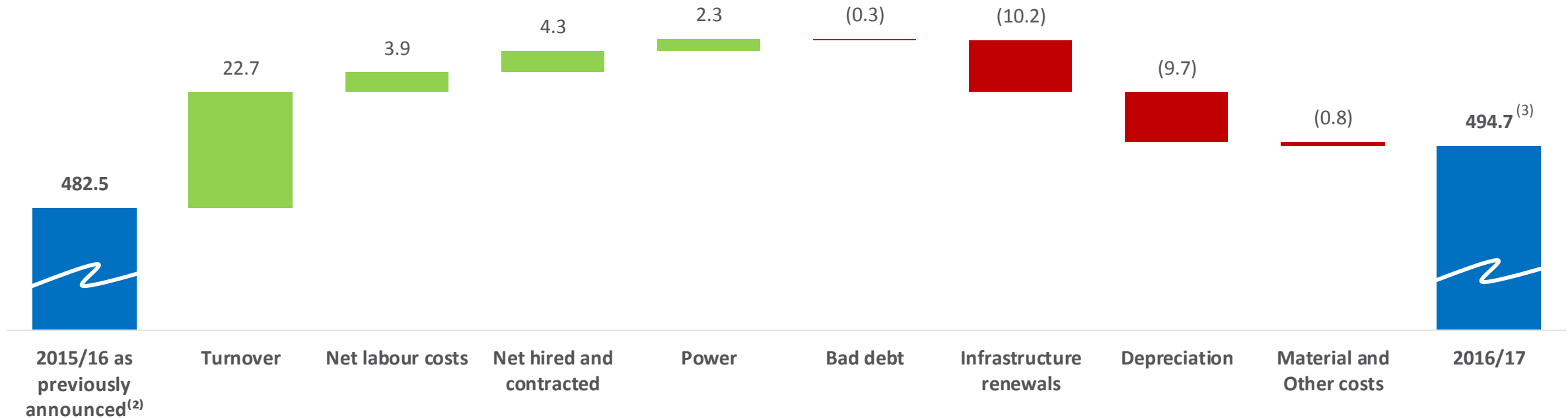
1. Reflects customers switching from unmeasured to measured supply

REGULATED WATER AND WASTE WATER

Underlying PBIT
£495m

- Up 2.5% driven by higher turnover and efficiency savings
- Offset by planned higher IRE⁽¹⁾ spend and increased depreciation

£m



1. IRE = Infrastructure renewables expenditure

2. As previously announced in the RNS dated 8th September 2016 – “SVT restatement of results following Water Plus JV”

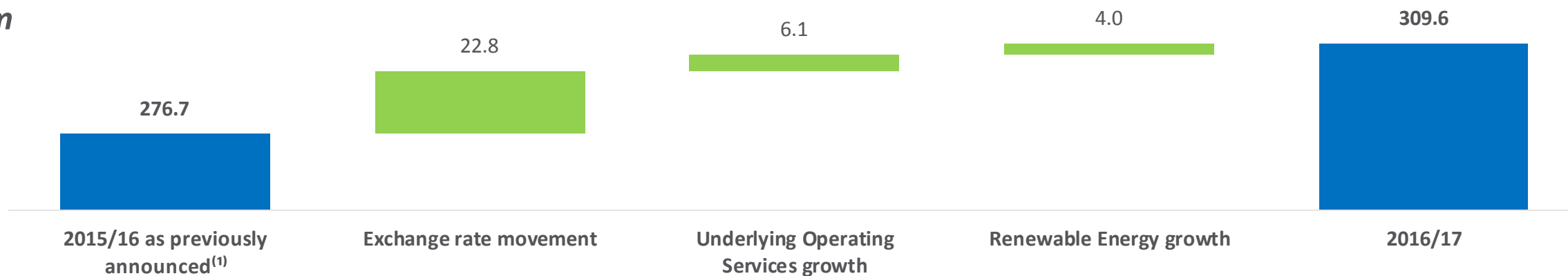
3. Includes £0.2m of Dee Valley PBIT, representing one month of results from 1st March 2017

BUSINESS SERVICES

Turnover: £310m

- 11.9% increase driven by favourable US\$:£ movements, and good underlying growth in Operating Services and Renewable Energy

£m



Underlying PBIT: £37m

- Up 31% driven by strong growth and improved margins in US Operating Services, and increased profitability in Renewable Energy

£m

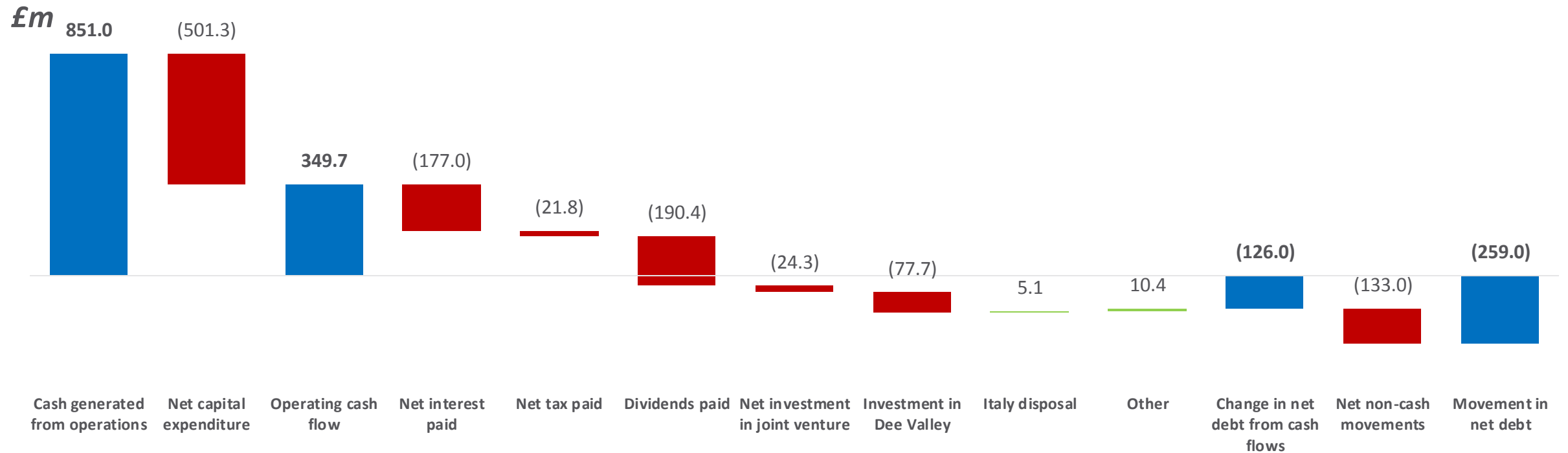


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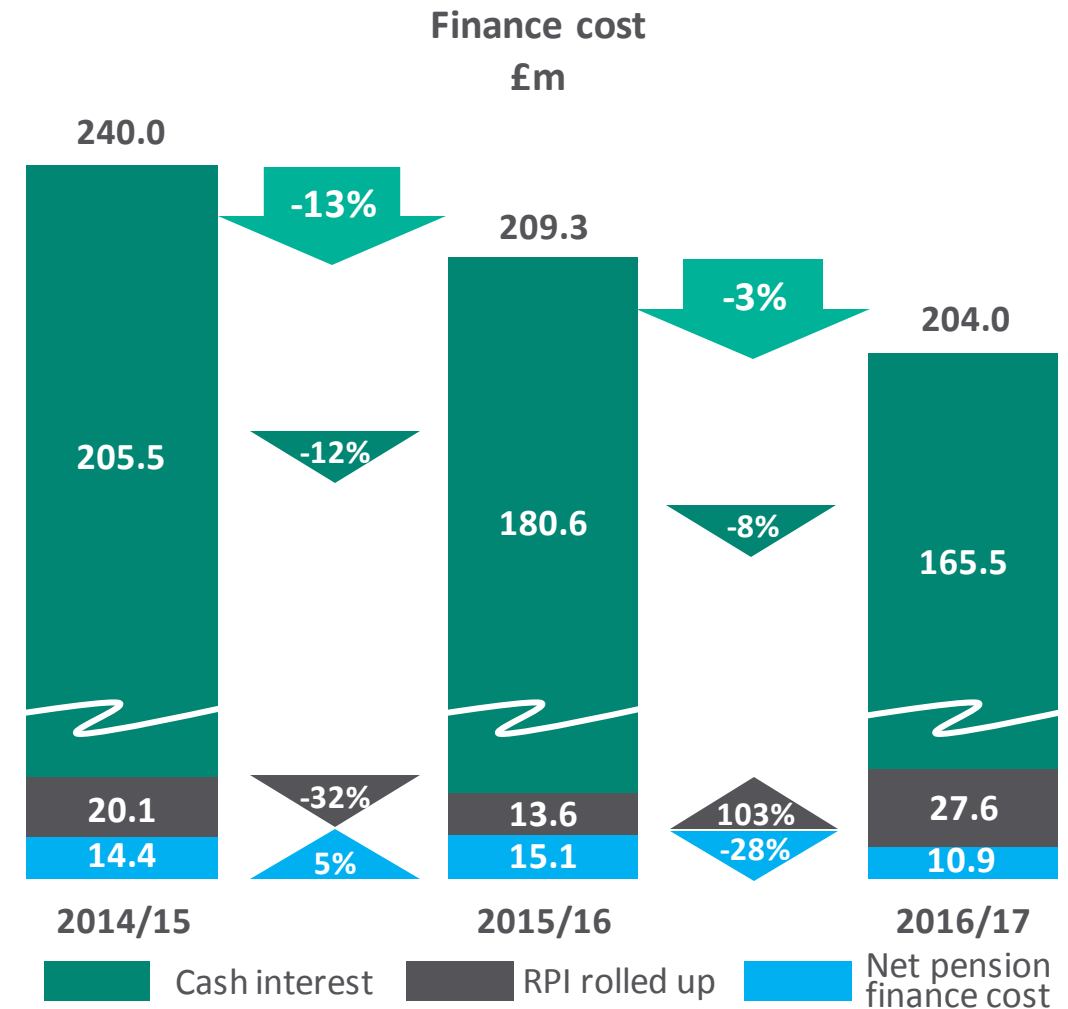
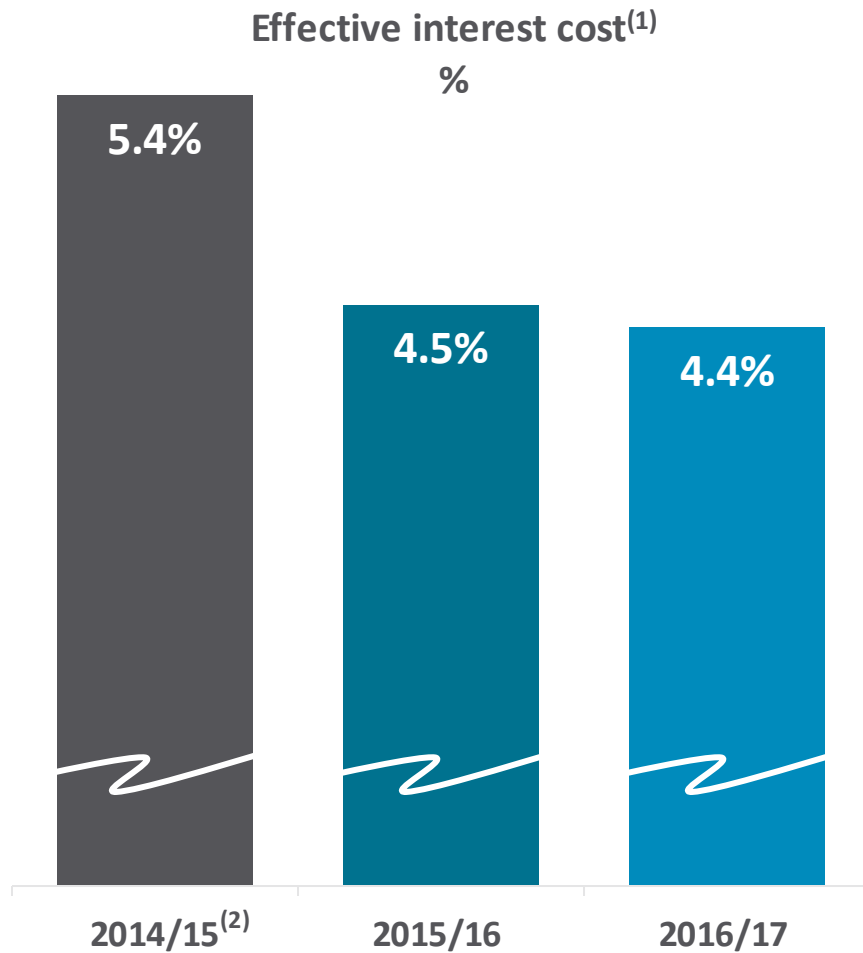
GROUP CASH FLOW

**Operating cash flow up
£54m**

- Strong cash generated from operations, building on H1 2016/17



DELIVERING FINANCING OUTPERFORMANCE

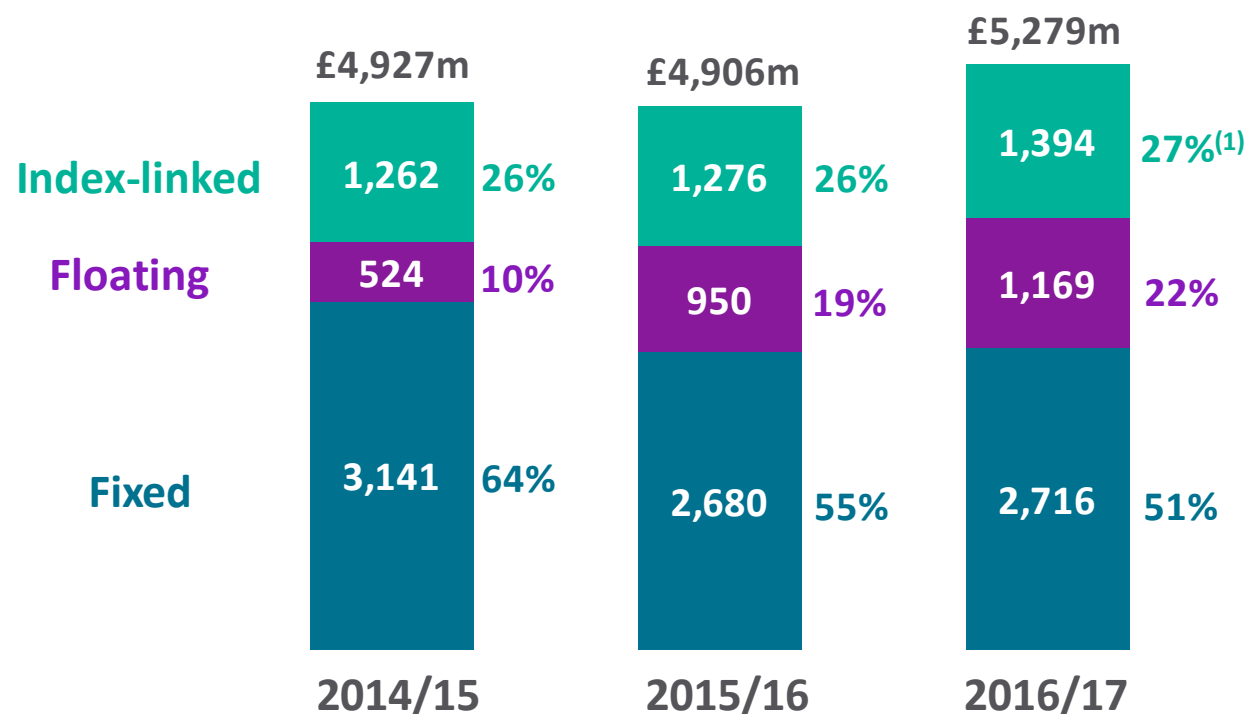


1. Effective cash interest cost (before net pension finance costs and RPI rolled up): 3.8% down 40bps from 4.2% in FY2015/16

2. Before Eurobond buyback costs

A MORE BALANCED DEBT PORTFOLIO

Gross Debt Profile (£m)



Net debt^(2, 3) £5,082m
(31st March 2016: £4,823m)

Net debt/RCV⁽⁴⁾ at 61.6%

Key actions and plans

- Strong liquidity position with £1 billion undrawn facilities and £44.6 million cash
- £400m 15 year bond issued in November 2016; swapped to floating rate in line with floating rate strategy
- Diversification of sources and in-filling of maturities on track
- Balanced and floating rate strategy delivering results; interest rate exposure carefully monitored
- ~£1 billion of debt still to raise or refinance in AMP6

1. Includes Dee Valley index-linked debt of £88m
 2. Includes cross currency swaps but excludes the pension deficit
 3. Regulated net debt £5,027m (31st March 2016: £4,814m)
 4. Estimated Regulatory Capital Value (RCV) at 31st March 2017

PENSIONS MANAGEMENT

Active management of pension scheme risks

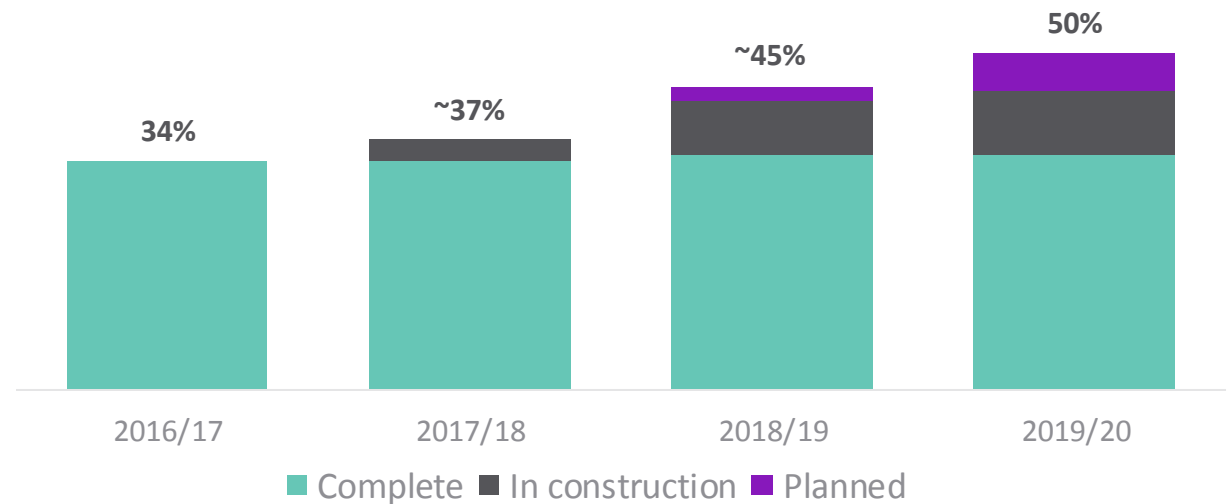
- IAS19 net deficit down by £137m since HY2016/17 to £575m
- New asset backed financing structure implemented
- Exposure to interest rate and inflation volatility reduced with new hedging strategy underway
- Triennial pension valuation complete

ENERGY: CONTINUED PROGRESS

On track for generating 50% of our energy needs by 2020



Generation profile to 2020⁽¹⁾



- **£130m** of the **£190m** AMP6 renewables investment programme has been spent or committed to date
- All new investments delivering **double-digit** post-tax returns
- Renewables EBITDA⁽²⁾ of **£26m** in 2016/17, up **16%** year-on-year
- Improved energy management via **lower consumption and cost**: down 10 GWh⁽³⁾ year-on-year

1. Graph shows generation as a percentage of Severn Trent Water energy needs

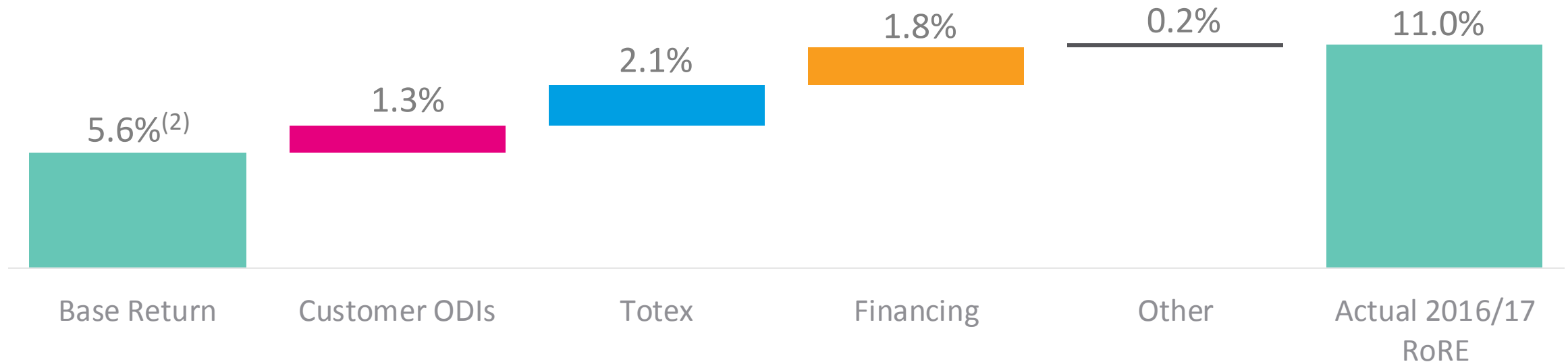
2. EBITDA = Earnings before interest, tax, depreciation and amortisation

3. GWh = Gigawatt hour

RETURN ON REGULATORY EQUITY

11.0%

- Delivered a 260 basis points increase in RoRE⁽¹⁾



CUSTOMER ODIs

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

TOTEX

- Delivering on our totex efficiency commitments
- £138m⁽³⁾ of outperformance achieved in 2016/17

FINANCING⁽⁴⁾

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

1. RoRE = Return on Regulatory Equity (at 2012/13 prices)

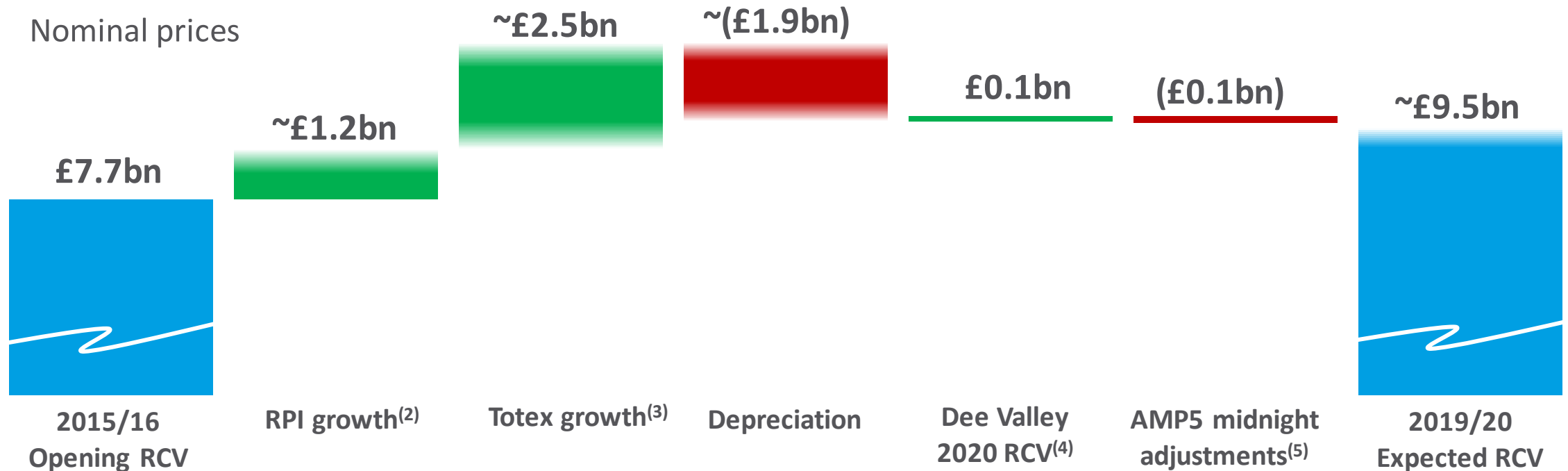
2. Adjusted to exclude the non-household retail return now being earned by Water Plus

3. Includes wholesale totex outperformance of £124m (pre-tax and pre-customer sharing) and £14m of retail cost outperformance (pre-tax)

4. Calculated on the same basis as reported in 2015/16. Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis our estimated RoRE would be 10%.

REGULATORY CAPITAL VALUE

Fastest growth rate of the listed water companies for AMP 6⁽¹⁾



1. Growth rates as per Final Determinations

2. Based on actual RPI of 1.6% for 2015/16, 3.1% for 2016/17 and assumes an average of 3.3% year end RPI for 2017-2020, based on Office of Budget Responsibility forecasts

3. Includes the impact of £360m of announced forecast totex outperformance and £120m of reinvestment

4. £103m estimated RCV at March 2020, in nominal prices

5. Includes the forecast adjustment for the Capital Incentive Scheme (CIS) indexation error and the capex true up for 2014/15, which Ofwat are due to finalise by summer 2017. Total adjustment of £149m

FY2017/18 TECHNICAL GUIDANCE

Regulated Water and Waste Water ⁽¹⁾		FY16/17	Y-on-Y
Turnover	£1.57 billion to £1.60 billion (including Dee Valley)	£1.53bn	▲
Opex	Higher y-o-y due to the inclusion of Dee Valley's costs and upward pressure from two sector-wide changes to business rates and energy pass-through costs	£581m	▲
IRE	£135 million to £155 million	£136m	▲
Customer ODIs ⁽²⁾	~£23 million reward	£47.6m reward	▼
Wholesale totex ⁽³⁾	£1.2 billion to £1.3 billion (42.1% of 17/18 wholesale totex will be added to RCV)	£1.06bn ⁽⁴⁾	▲
Business Services			
Turnover	Flat due to the sale of Italy and growth in the remaining business	£309.6m	↔
PBIT	Higher	£37.2m	▲
Group			
Interest charge	Higher y-o-y as higher inflation (c.1%) and Dee Valley impacts RPI linked debt	£204m	▲
Tax rate	Effective tax rate between 12% and 14% due to lower tax rate and higher capital allowances from higher capex	16.6%	▼
Group Capex	£620 million to £700 million	£501m	▲
Dividend	Annual dividend growth of at least RPI+4% ⁽⁵⁾ until March 2020. 2017/18 dividend set at 86.55p	81.5p	▲

1. Regulated Water and Waste Water will include a full year of Dee Valley in 2017/18

2. Overall pre-tax reward at 2012/13 prices. If we continue our exceptional operating performance into FY2017/18, the tougher regulatory targets, a lower number of deadbands for those targets and factoring in the potential for less benign weather patterns after two very mild winters, will reduce net rewards to around £23m

3. A reconciliation of wholesale totex is provided in the appendix

4. Includes an exceptional pension service credit of £12.8m

5. 2017/18 dividend growth is based on November 2016 RPI of 2.2% plus 4%



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

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

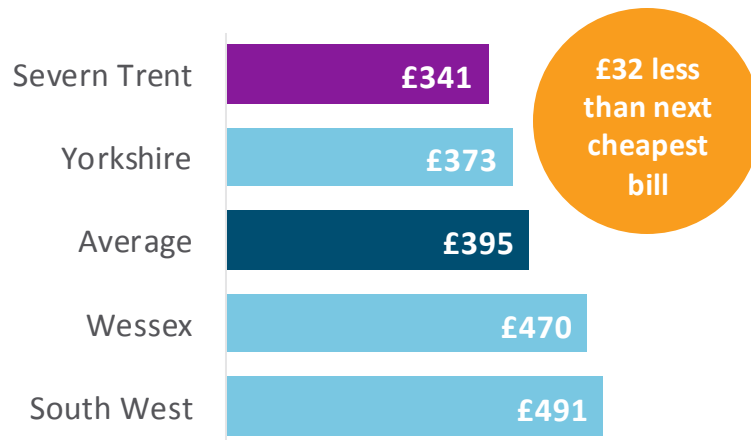
Create an
awesome place
to work

EMBEDDING CUSTOMERS AT THE HEART OF ALL WE DO

Affordability for all

- Lowest combined average bills in Britain⁽¹⁾
- Helped over 50,000 vulnerable customers

Average water bills in England & Wales⁽²⁾
2017/18



1. Average bill in Scotland, per Scottish Water's website, is £357
2. Graph shows the two highest and lowest bills compared to the sector average for England and Wales.
See <http://www.discoverwater.co.uk/annual-bill> for more details

Customer Service

- Sector leading customer ODI performance
- Outperformed on commitments customers care most about



Customer Experience

- Customer experience is still too variable when things go wrong

Changes in motion to bring improvements:



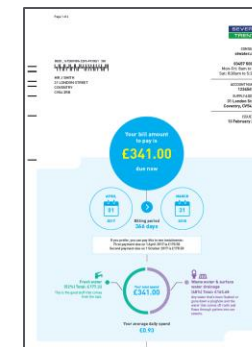
New technology

- New customer management portal (CMP)
- New Website

24/7 Customer service

Opening hours extended to 24/7
– including digital channels

24/7



Improved customer comms

- New bill design
- New Keeping Customers Informed (KCI) team

DRIVING OPERATIONAL EXCELLENCE AND CONTINUOUS INNOVATION

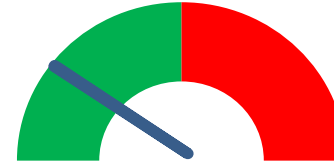
Category 3 pollutions



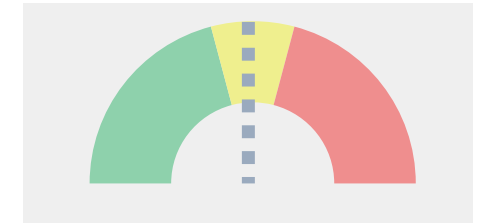
Water quality complaints



Internal sewer flooding



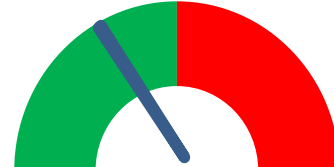
SIM^(1,2)



Supply interruptions



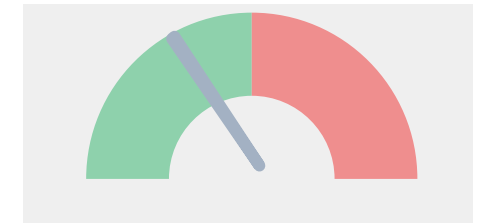
Leakage



External sewer flooding



Coliform detections⁽²⁾



End of AMP measures

2016/17 performance versus Final Determination performance commitment

Category 3 pollutions	Water quality complaints	Internal sewer flooding	External sewer flooding	Leakage	Supply interruptions	Coliform detections
25% ahead	32% behind	9% ahead	23% ahead	2% ahead	17% ahead	29% ahead

1. SIM = Service Incentive Mechanism

2. These forecast customer ODIs are measured annually but the reward/penalties are end of AMP adjustments

INVESTING RESPONSIBLY FOR SUSTAINABLE GROWTH

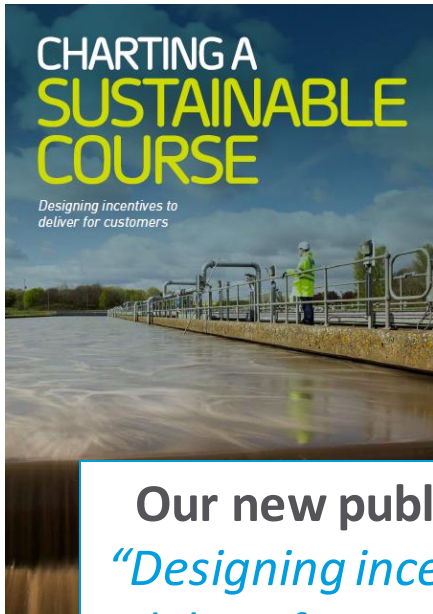
£770m Total AMP6 efficiencies



AMP6 totex programme of over £6 billion, equivalent to ~£1,400 per customer

CHANGING THE MARKET FOR THE BETTER

Thought leadership



Our new publication:
"Designing incentives to deliver for customers"

Creative markets



Waterplus

Prepared for new competition



Water resource competition

Bioresource competition



CREATING AN AWESOME PLACE TO WORK

Investing in our people –
20% increase in training
days and award winning
apprentice scheme



Investing in digital
technology to make our
colleagues' lives easier

Cultural change and
increasing employee
engagement



Employee volunteering
scheme – encouraging our
people to give back to the
community

2016/17: KEY HIGHLIGHTS

Delivering sustained outperformance

£47.6m

Customer ODI
reward

£100m

More efficiencies
identified

11.0%

Return on Regulated
Equity (RoRE)

**Growth of at
least RPI+4%**

Upgrade to
ordinary dividend



Liv Garfield

Chief Executive



Sarah Bentley

Chief Customer Officer



Martin Kane

Chief Engineer



Evelyn Dickey

Director of Human Resources



Helen Miles

Group Commercial Director



James Bowling

Chief Financial Officer



Emma FitzGerald

*Managing Director,
Wholesale Operations*



Andy Smith

*Managing Director,
Business Services*



Bronagh Kennedy

*Group General Counsel
and Company Secretary*



Tony Ballance

*Director, Strategy &
Regulation*

APPENDIX

RETURN ON REGULATORY EQUITY

5.6%⁽¹⁾

Base allowed return

ODIs
1.3%

- Overall pre-tax reward of £47.6m, using the relevant tax rate for FY2018/19 of 19%
- Post-tax reward of £38.6m
- Reward or deadband territory for all the majority of in-year ODIs

TOTEX
2.1%

- Actual FY2016/17 wholesale totex (12/13 prices) of £987m vs. FD allowance of £1111m⁽²⁾ = £124m of outperformance, £50m⁽³⁾ after customer sharing and tax
- Actual retail⁽⁴⁾ costs of £86m vs. £100m of FD allowed expenditure = £14m outperformance. Post-tax outperformance = £11m

FINANCING
1.8%

- Actual financing costs of £188m⁽⁵⁾ (12/13 prices) vs. FD allowance of £254m = £66m of financing outperformance
- Post-tax outperformance of £53m
- Outperformance is a combination of treasury management actions and the impact of continued low interest rates

Other
0.2%

- Other adjustments including non-household revenue, land sales and disposals, other income and Wholesale Revenue Forecasting Incentive Mechanism (WRFIM)

11.0%

FY2016/17 RoRE⁽⁶⁾

1. Adjusted to exclude the non-household retail return now being earned by Water Plus

2. Adjusted for the re-profiling of expenditure within the AMP

3. Includes company share of interest on over/underspent totex

4. Includes both household and two months of non-household (not Water Plus) cost allowances

5. Net interest cost excluding pension income and capitalised interest

6. Based on actual gearing of 60.3%, using Ofwat Final Determination average RCV for 2016/17 of £7,413m. Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis our estimated RoRE would be 10%.

RORE RECONCILIATION

RoRE	11.0%	Calculated on the same basis as reported in 2015/16
Adjustment for notional gearing	0.2%	Ofwat's methodology uses Final Determination notional gearing (62.5%) to calculate regulatory equity and performance
Financing approach	(1.0%)	Ofwat's revised approach compares the difference between the actual real cost of debt and the Final Determination real cost of debt (2.59%) on notional debt. Our approach (consistent with 2015/16) compares actual financing costs and net debt deflated using actual RPI against the nominal finance cost from the Final Determination financial model deflated using Ofwat's RPI assumptions
Other	(0.2%)	Includes run-off rate impact plus adjustments (for non-household revenue, land sales and disposals, other income and WRFIM) not included in Ofwat's RoRE
Ofwat RoRE	10.0%	Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis we estimate our RoRE would be 10%.

RETURN ON REGULATED EQUITY⁽¹⁾

YEAR ENDED 31 MARCH 2017

2015/16 ⁽¹⁾ year %		2016/17 year %	AMP6 to date %
5.7	Base return	5.6	5.6
0.7	Totex outperformance	2.1	1.4
0.7	ODI outperformance	1.3	1.0
1.4	Financing outperformance	1.8	1.6
(0.1)	Other	0.2	0.1
8.4	Regulatory return for the year	11.0	9.7

1. Calculated on the same basis as reported in 2015/16. Ofwat have provided further clarificatory guidance on RoRE to ensure consistency across companies and will be reporting on this shortly. On this basis our estimated RoRE would be 10%.

GROUP EARNINGS

YEAR ENDED 31 MARCH 2017

2016 ⁽¹⁾ (restated) £m		2017 £m	Variance £m	Variance %
330.0	Profit for the year attributable to owners of the company	342.8	12.8	3.9%
(14.9)	Adjusted for discontinued operations attributable to owners of the company	(13.6)	1.3	(8.7%)
315.1	Profit for the year from continuing operations attributable to owners of the company	329.2	14.1	4.5%
pence		pence	Variance pence	Variance %
Basic EPS from continuing operations				
102.1	Underlying basic EPS ⁽²⁾	122.4	20.3	19.9%
133.5	Basic EPS	140.1	6.6	4.9%
Diluted EPS from continuing operations				
101.6	Underlying diluted EPS ⁽²⁾	121.9	20.3	20.0%
132.8	Diluted EPS	139.5	6.7	5.0%

1. 2015/16 comparative restated to exclude discontinued operations

2. Underlying EPS = Earnings Per Share before exceptional items, net losses/gains on financial instruments, current tax on exceptional items and on financial instruments and deferred tax

GROUP BALANCE SHEET

AT 31 MARCH 2017

2016 £m		2017 £m	Variance £m	Variance %
7,805.6	Property, plant and equipment and intangible fixed assets	8,278.3	472.7	6.1%
5.2	Joint ventures, associates and other investments	37.4	32.2	619.2%
91.0	Working capital	41.7	(49.3)	(54.2%)
(878.3)	Deferred income	(965.8)	(87.5)	10.0%
(309.5)	Net retirement benefit obligations	(574.6)	(265.1)	85.7%
(30.0)	Provisions	(33.8)	(3.8)	12.7%
(1.1)	Non-controlling interests	–	1.1	–%
6,682.9	Capital employed	6,783.2	100.3	1.5%
1,017.4	Equity	923.3	(94.1)	(9.2%)
4,823.4	Net debt	5,082.4	259.0	5.4%
166.3	Other derivative financial instruments	161.1	(5.2)	(3.1%)
11.1	Current tax	(7.3)	(18.4)	(165.8%)
664.7	Deferred tax	623.7	(41.0)	(6.2%)
6,682.9		6,783.2	100.3	1.5%

MOVEMENT ON EQUITY

YEAR ENDED 31 MARCH 2017

2016 £m		2017 £m
769.0	At 1 April	1,018.5
461.6	Total comprehensive income for the year	82.8
(197.0)	Dividends paid to shareholders of Severn Trent Plc	(190.4)
1.3	Share based payments charge (after tax)	7.1
7.3	Shares issued	6.1
(10.0)	Share buy back	–
(13.7)	Disposal of minority interest	(0.8)
1,018.5	At 31 March	923.3

GEARING AT 31 MARCH 2017

2016	Net debt/RCV ⁽¹⁾	2017
61.6%	Severn Trent Group	61.6%
61.5%	Severn Trent Water Group	61.0%

1. March RCV is at year end actual prices

UNDERLYING PBITD⁽¹⁾

YEAR ENDED 31 MARCH 2017

2016 ⁽²⁾ (restated) £m		2017 £m	Variance £m	Variance %
789.6	Regulated Water and Waste Water	811.5	21.9	2.8%
39.1	Business Services	48.6	9.5	24.3%
(9.7)	Corporate and Other	(6.9)	2.8	(28.9%)
819.0	Severn Trent Group	853.2	34.2	4.2%

1. Profit from continuing operations before interest, tax, depreciation and amortisation (see next slide) and exceptional items
2. 2015/16 comparative restated to exclude discontinued operations

DEPRECIATION⁽¹⁾

YEAR ENDED 31 MARCH 2017

2016 £m		2017 £m	Variance £m	Variance %
307.1	Regulated Water and Waste Water	316.8	9.7	3.2%
10.7	Business Services	11.4	0.7	6.5%
(2.2)	Corporate and Other	(0.1)	2.1	(95.5%)
315.6	Severn Trent Group	328.1	12.5	4.0%

1. Including amortisation of intangible assets

CAPITAL EXPENDITURE (NET CASH)⁽¹⁾

YEAR ENDED 31 MARCH 2017

2016 £m		2017 £m	Variance £m	Variance %
385.8	Regulated Water and Waste Water	453.6	67.8	17.6%
21.7	Business Services	55.0	33.3	153.5%
2.5	Corporate and Other	(7.3)	(9.8)	(392.0%)
410.0	Severn Trent Group	501.3	91.3	22.3%

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

WHOLESALE TOTEX RECONCILIATION

YEAR ENDED 31 MARCH 2017

Opex ⁽¹⁾ £m	2016 Capex ⁽²⁾ £m	Totex ⁽³⁾ £m		Opex ⁽¹⁾ £m	2017 Capex ⁽²⁾ £m	Totex ⁽³⁾ £m
592.7	–	592.7	Severn Trent Water Group operating costs	587.0	–	587.0
–	385.8	385.8	Severn Trent Water Group capital expenditure	–	453.6	453.6
–	126.0	126.0	Infrastructure maintenance expenditure	–	136.2	136.2
(8.3)	–	(8.3)	ROC income reclass from revenue	(17.8)	–	(17.8)
2.9	12.6	15.5	Profit/(loss) on sale of fixed assets	(0.8)	–	(0.8)
–	6.8	6.8	Change in capital creditors	–	3.8	3.8
10.5	–	10.5	Amortisation of grants and contributions	13.9	–	13.9
(100.3)	(8.4)	(108.7)	Retail opex ⁽¹⁾ /capex ⁽²⁾	(92.1)	(13.1)	(105.2)
(9.2)	–	(9.2)	Non-appointed opex ⁽¹⁾	(3.2)	–	(3.2)
3.2	–	3.2	Other income	3.1	–	3.1
2.1	–	2.1	Developer Services and 3 rd party recharges to revenue	3.0	–	3.0
1.4	–	1.4	Management recharge	–	–	–
–	–	–	Pensions service credit	(12.8)	–	(12.8)
–	–	–	Discontinued operations	4.1	–	4.1
–	–	–	Dee Valley totex ⁽³⁾	(2.0)	(0.6)	(2.6)
495.0	522.8	1,017.8	Wholesale totex⁽³⁾	482.4	579.9	1,062.3

1. Operating expenditure

2. Capital expenditure

3. Combined operating and capital expenditure

BUSINESS SERVICES PERFORMANCE

YEAR ENDED 31 MARCH 2017

2016 ⁽¹⁾ (restated) £m	Turnover					2016 ⁽¹⁾ (restated) £m	Underlying PBIT ⁽²⁾		
	2017 £m	Variance £m	Variance %				2017 £m	Variance £m	Variance %
276.7	309.6	32.9	11.9%	As reported		28.4	37.2	8.8	31.0%
22.8				Exchange rate impacts		(0.3)			
299.5	309.6	10.1	3.4%	Like for like ⁽³⁾		28.1	37.2	9.1	32.4%

1. 2015/16 comparative restated to exclude discontinued operations
2. Profit from continuing operations before interest, tax and exceptional items
3. On constant currency excluding acquisitions and disposals

NET FINANCE COSTS

YEAR ENDED 31 MARCH 2017

Income statement charge £m	2016	Gross interest incurred £m			Income statement charge £m	2017	Gross interest incurred £m
	Capitalised interest £m					Capitalised interest £m	
180.6	15.3	195.9	'Cash' interest (including accruals)		165.5	15.9	181.4
15.1	–	15.1	Net pension finance costs		10.9	–	10.9
13.6	1.2	14.8	RPI interest		27.6	2.7	30.3
209.3	16.5	225.8			204.0	18.6	222.6

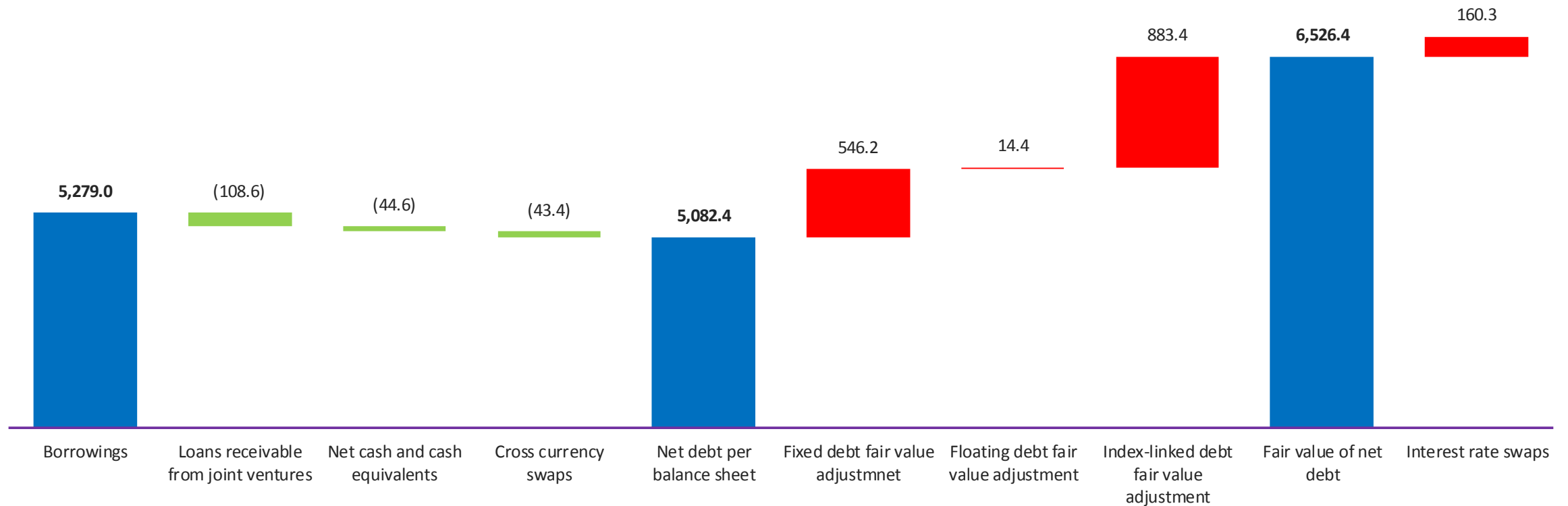
NET DEBT AT 31 MARCH 2017

2016 £m		2017 £m	Variance £m	Variance %
(55.2)	Net cash and cash equivalents	(44.6)	10.6	(19.2%)
1,249.8	Bank loans	1,073.3	(176.5)	(14.1%)
3,539.7	Other loans	4,090.0	550.3	15.5%
117.2	Finance leases	115.7	(1.5)	(1.3%)
–	Loans receivable from joint ventures	(108.6)	(108.6)	100.0%
(28.1)	Cross currency swaps	(43.4)	(15.3)	54.4%
4,823.4	Net debt	5,082.4	259.0	5.4%

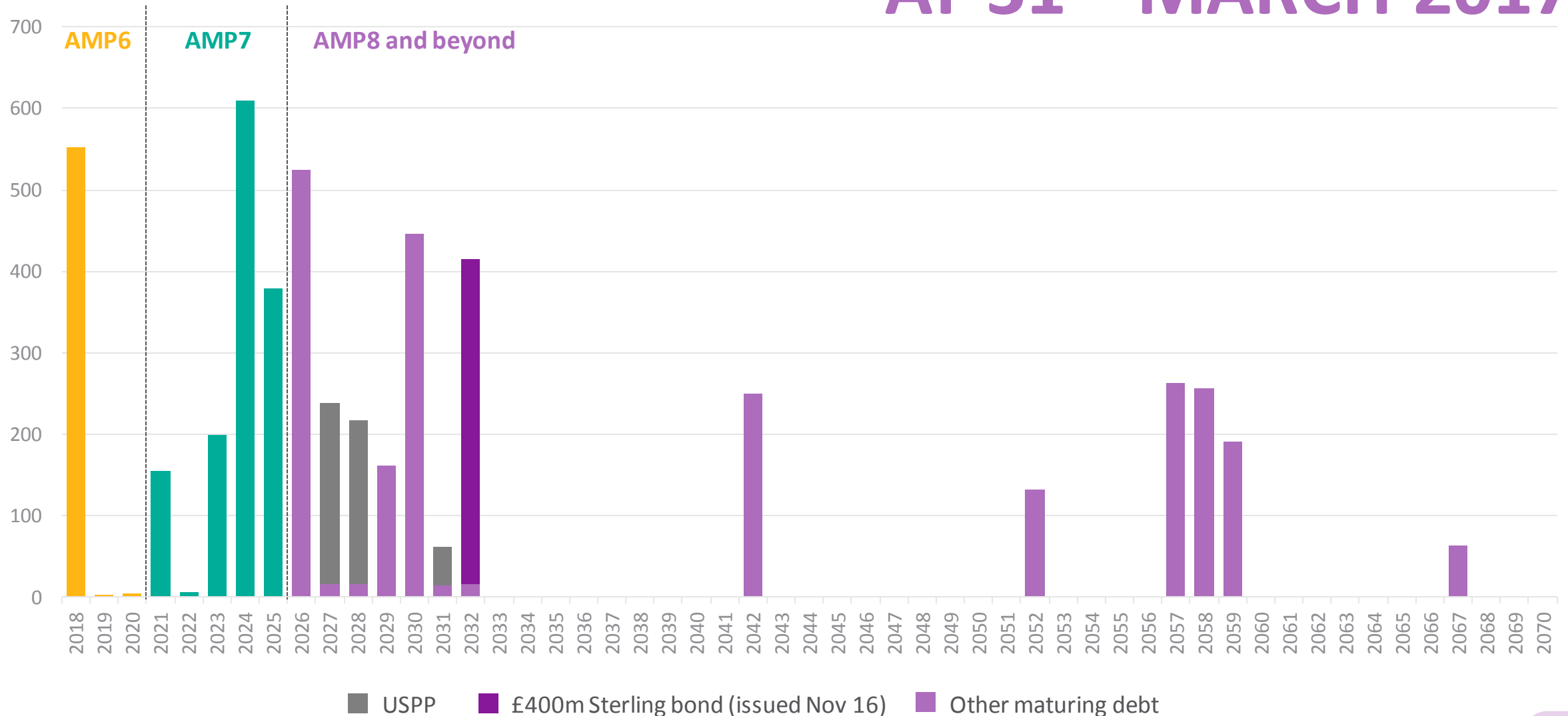
FAIR VALUE OF DEBT AT 31 MARCH 2017

2016 £m		2017 £m	Variance £m	Variance %
1,257.2	Bank loans	1,095.3	(161.9)	(12.9%)
4,387.1	Other loans	5,497.2	1,110.1	25.3%
125.4	Finance leases	130.5	5.1	4.1%
5,769.7		6,723.0	953.3	16.5%
(55.2)	Net cash and cash equivalents	(44.6)	10.6	(19.2%)
–	Loans receivable from joint ventures and associates	(108.6)	(108.6)	100.0%
(28.1)	Cross currency swaps	(43.4)	(15.3)	54.4%
5,686.4	Fair value of debt	6,526.4	840.0	14.8%
4,823.4	Net debt (previous slide)	5,082.4	259.0	5.4%
863.0	Difference	1,444.0	581.0	67.3%

ANALYSIS OF BORROWINGS, NET DEBT AND SWAPS AT 31 MARCH 2017



DEBT MATURITY AT 31ST MARCH 2017



1. AMP6 maturities: £150m June 2017 and £400m January 2018

CREDIT RATINGS AT 31 MARCH 2017

2016		2017	
Severn Trent Water	Severn Trent Plc	Severn Trent Water	Severn Trent Plc
A3	Baa1	A3	Baa1
BBB+	BBB-	BBB+	BBB-

Moody's

Standard and Poor's

Outlook for both Moody's and Standard and Poor's is stable

SEVERN

TRENT