

SEVERN TRENT INVESTOR ROADSHOW

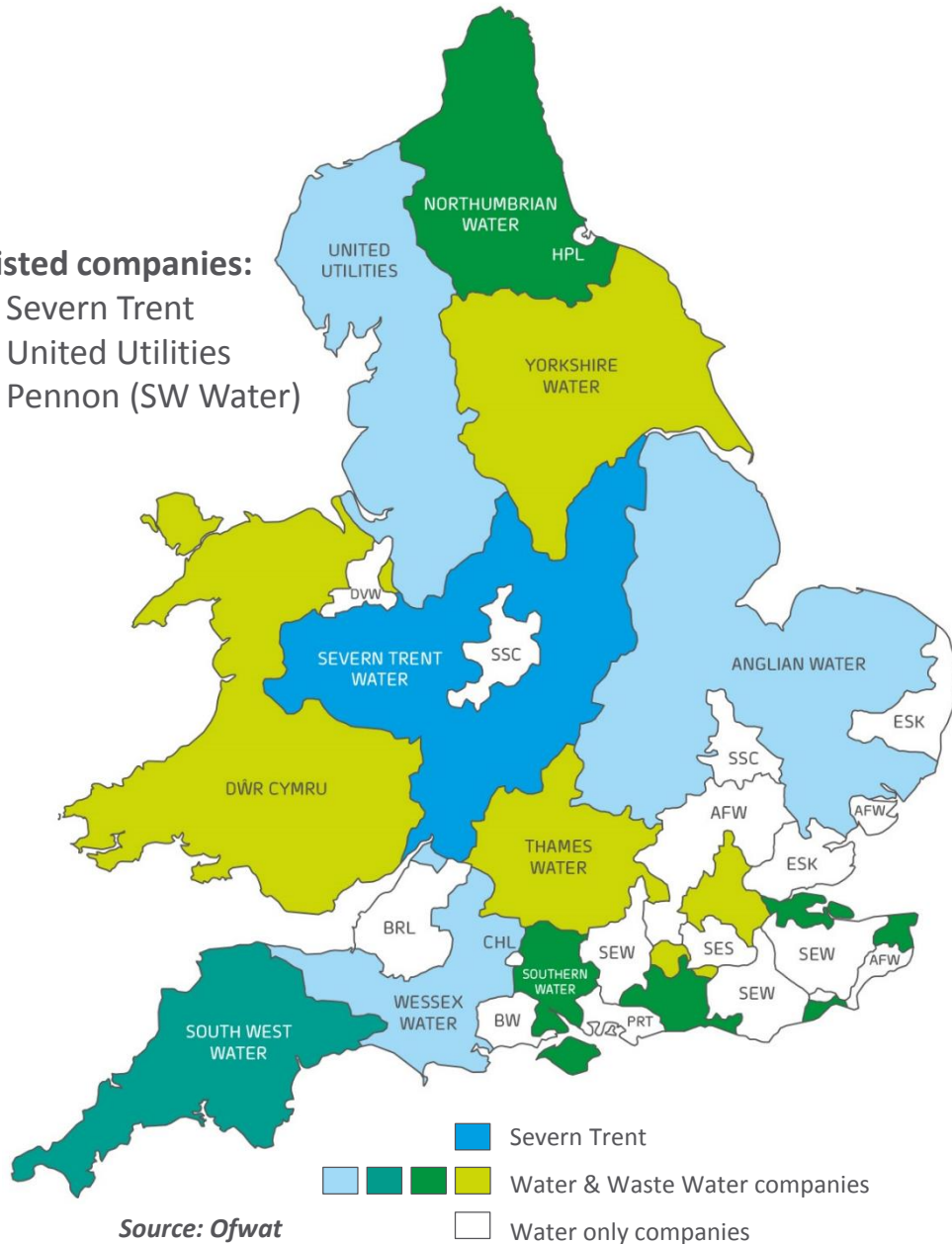


Upper Derwent Valley, Peak District National Park

THE WATER SECTOR IN ENGLAND AND WALES

Listed companies:

- Severn Trent
- United Utilities
- Pennon (SW Water)



Source: Ofwat

Key sector regulators:



Our economic regulator, Ofwat, sets the prices charged in each regulatory period, ensuring that we perform our functions properly and that company plans are financeable



The drinking water quality regulator - ensures we comply with water-quality regulations



The environmental regulator - controlling water abstraction, river pollution and flooding

INVESTMENT CASE THE WATER SECTOR

Inflation-linked regulatory model
offering attractive dividend yields

Value accretion through a growing asset base with
long-term investments in essential assets

Trusted regulatory environment providing excellent
visibility to companies and investors

Effective incentive mechanisms to drive
strong operational performance

Emerging commercial opportunities
through greater competition

INVESTMENT CASE SEVERN TRENT

Operational

- A leading business with an upper quartile ambition across all three price controls; water, waste and retail
- Sector leading customer ODI outperformance payments in 2015/16 and 2016/17
- Lowest combined average bills in Britain at less than £1 per day

Regulatory

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

Capital structure

- Significant progress made in AMP6 to reduce cost of debt and diversify funding
- Close to Ofwat's notional capital structure of 62.5%
- Less exposed to change to CPI-H indexation than many peers

Retail

- Already moved from mid-table position in AMP 5 to upper quartile in AMP6
- Water Plus JV established early in non-household market with material market share
- Strong bad debt performance – one of the sector leaders

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
- Value-creating digital strategy focused on improving, cost efficiencies and workforce productivity (e.g. apps, predictive maintenance, energy management)

Customers at the heart of everything we do

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

H1 2017/18: 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



Carsington Water, Derbyshire

At least £50m

of FY17/18 customer ODIs⁽¹⁾ net outperformance payments,
and we now expect to hit the Waste cap⁽²⁾ for AMP6⁽³⁾

c.£100m

PBIT⁽⁴⁾ from property sales over next 10 years

A further £50m of the £770m

AMP6 totex⁽⁵⁾ efficiencies locked in

Upper quartile customer service

Ranked in the top five of 25 utility companies in the
UK Customer Service Index

1. Customer Outcome Delivery Incentives, quoted pre-tax at 2012/13 prices

2. For AMP6, our customer ODI outperformance payments for Waste are capped at £190m (pre-tax at 2012/13 prices). To the end of 2016/17, we had earned £75m from our Waste customer ODIs, leaving £115m remaining

3. AMP6 = Asset Management Plan regulatory period 2015-2020

4. PBIT = Profit Before Interest and Tax

5. Totex = total expenditure at nominal prices

H1 2017/18: FINANCIAL HIGHLIGHTS

Group turnover⁽¹⁾

£850.4m
+3.7%

Underlying PBIT^(1,2)

£287.8m
+4.4%

Financing

4.5%
Effective interest rate

Forecast customer ODI⁽³⁾ outperformance payments

At least £50m
for FY2017/18

Underlying basic EPS^(1,4)

65.9 pence
+7.7%

Half-year dividend

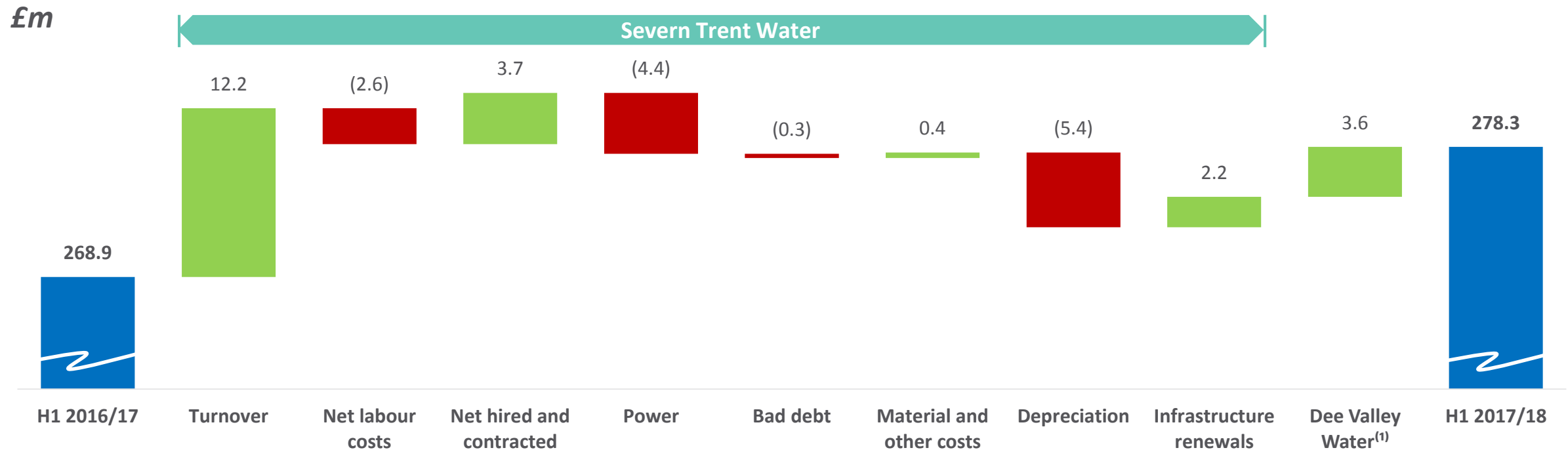
34.63 pence
+6.2%

1. Comparative restated to exclude discontinued operations
2. Underlying PBIT = Profit Before Interest, Tax and exceptional items. Reported PBIT of £296.1m (2016/17: £296.7m) includes exceptional credits of £8.3m (2016/17: £21.0m)
3. Customer Outcome Delivery Incentives. Overall pre-tax outperformance payments at 2012/13 prices
4. Underlying EPS = Earnings Per Share 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 62.6p (2016/17: 78.4p)

REGULATED WATER AND WASTE WATER

Underlying PBIT
£278.3m

- Up 3.5% driven by higher turnover, good cost control and addition of Dee Valley
- Severn Trent Water power costs up 11% from higher pass through costs, as guided, but partially mitigated by a c.1% reduction in consumption
- Depreciation costs up due to growth in capital assets



1. This is all of the Underlying PBIT of Dee Valley Water for H1 2017/18, as we did not own the company until February 2017. Please see the Regulated Water and Waste Water section of the CFO report for details

BUSINESS SERVICES

Turnover: £70.2m

- 9.3% increase from growth in both Operating Services and Renewable Energy

£m



Underlying PBIT: £16.4m

- Up 22.4% reflecting revenue growth and improving margins

£m



1. Excludes our Operating Services activities in the USA and Italy, which have been reclassified as discontinued operations, as detailed in the RNS announcement dated 19 July 2017 – “Trading update for the period 1 April to 19 July 2017”

PROGRESS ON RENEWABLE ENERGY

- Producing the equivalent of **38%** of our energy needs; on track for generating **50%** by 2020
- Capex investment of **£116m⁽¹⁾** out of **£190m**



Roundhill food waste anaerobic digester

Growing output from our food waste AD⁽²⁾ assets

- Commissioned our **2nd food waste plant at Roundhill**
 - Includes a biogas to grid facility producing enough green gas to heat 2,700 homes and electricity for 1,700 homes
- Construction of **3rd food waste plant at Derby** progressing well
 - Enhancing the front-end process by installing advanced thermo-pressure hydrolysis
 - A UK first on a food waste plant - creates opportunities to serve a broader waste market

Expansion of our crop digestion plant in Nottingham

- Midway through a 50% capacity expansion with a new biogas to grid plant already commissioned and delivering into the gas network.

Hydro

- New additions at Howden and Clywedog now operational

Wind

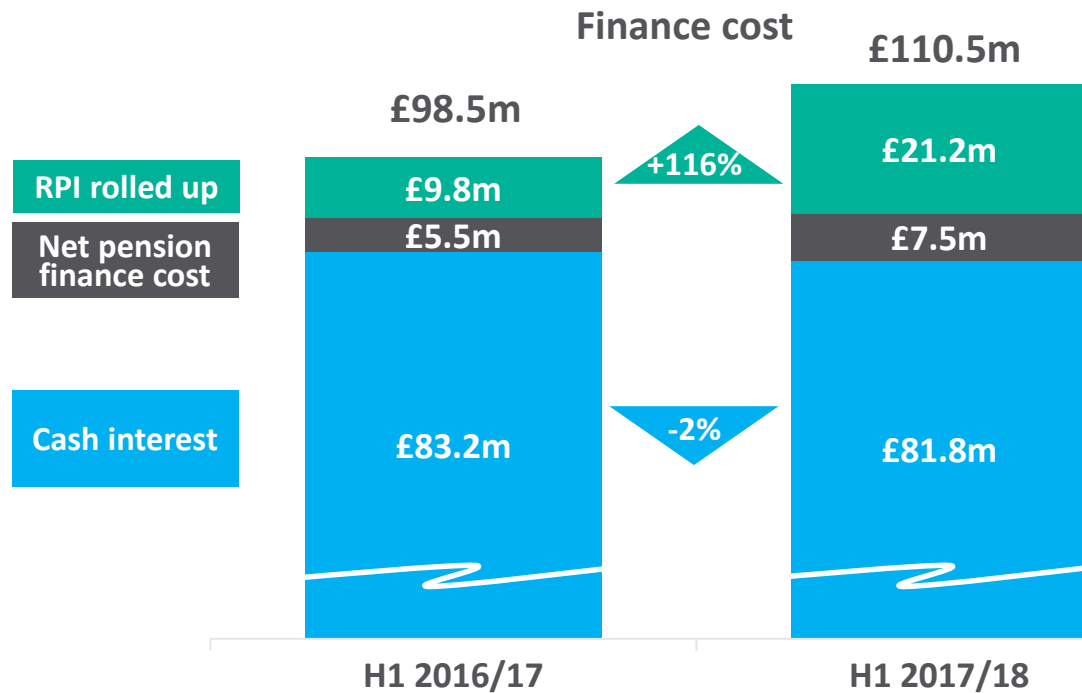
- Wind turbines in Derby in full-time operation

1. Capex investment to 31 September 2017

2. AD = Anaerobic Digestion

FINANCING PERFORMANCE

Finance cost



RPI Inflation⁽¹⁾

- Higher RPI increased debt roll up by £11.4m in H1 2016/17
- c.£12m⁽²⁾ p.a. higher finance cost per percentage point RPI increase
- The benefits to revenue and RCV growth more than offset the higher interest cost

Key H1 17/18 activities

- £250m four year sterling bond issued
- Executed our first forward-dated RPI:CPI swap
- Terminated swaps of £150m on favourable terms

Effective interest rate

4.5%

up 0.3 percentage points on H1 2016/17

Effective cash interest cost⁽³⁾

3.6%

down 0.2 percentage points on H1 2016/17

Every 1% increase in RPI benefits:

Revenue

c.£15m p.a.

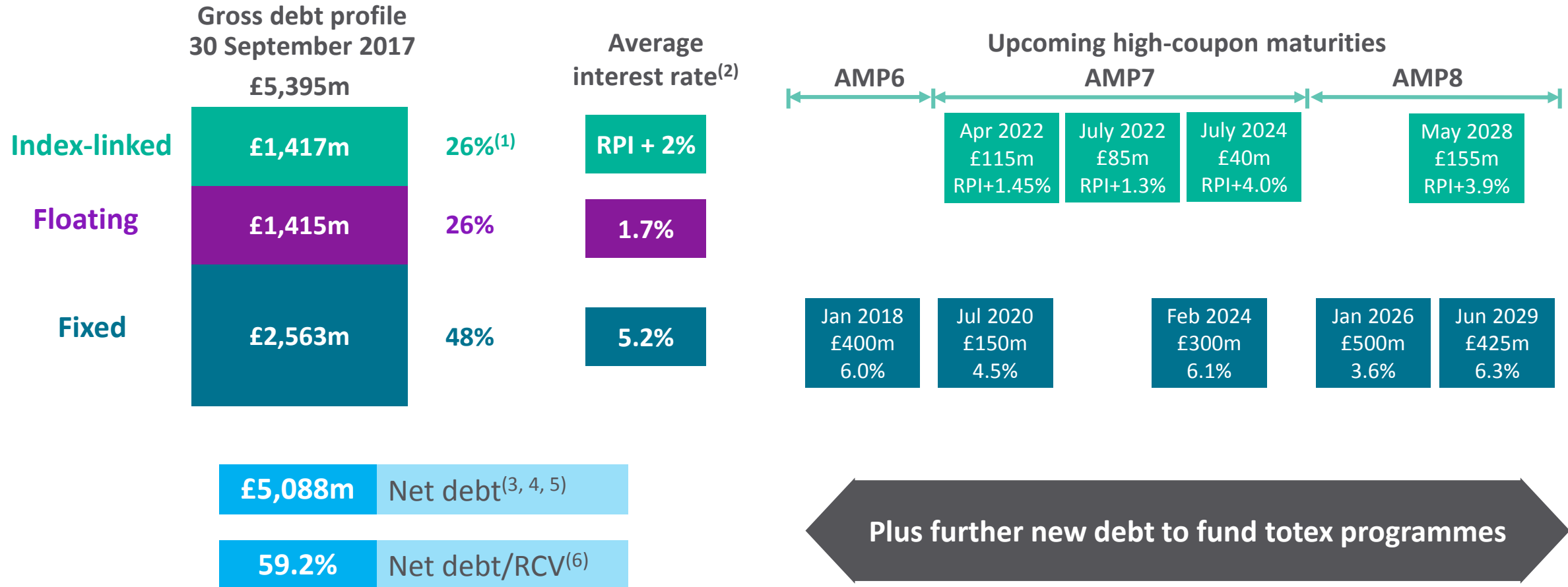
RCV

c.£90m at year end

1. Average inflation applied to index linked debt H1 2017/18: 3.7% (H1 2016/17: 1.7%)
 2. After deducting capitalised interest at historic averages
 3. Effective cash interest cost (before net pension finance costs and RPI rolled up)

A BALANCED DEBT PORTFOLIO

Remaining ready to adapt to market conditions



1. Includes Dee Valley index-linked debt of £86m
 2. Assuming 6 month LIBOR as at 20 November 2017
 3. Includes cross currency swaps but excludes the pension deficit

4. Regulated net debt £5,145m (31 March 2017: £5,027m)
 5. 31 March 2017: £5,082m
 6. Estimated Regulatory Capital Value (RCV) at 30 September 2017 for Severn Trent Water and Dee Valley

FY2017/18 TECHNICAL GUIDANCE

Purple = new or revised guidance since FY 2016/17

Regulated Water and Waste Water ⁽¹⁾	Year end guidance	FY16/17 restated ⁽²⁾	Year on Year
Turnover	£1.57 billion to £1.60 billion	£1.53bn	▲
Opex	Higher year on year 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 ⁽³⁾	Net outperformance payment of at least £50 million	£48m	▲
Wholesale totex	£1.20 billion to £1.30 billion (42.1% of 17/18 wholesale totex will be added to RCV)	£1.06bn	▲
Business Services			
Turnover	Higher year on year	£128m	▲
PBIT	Higher year on year	£32m	▲
Group			
Interest charge	Higher year on year due to Dee Valley and impact of higher inflation (c.2%) on RPI linked debt	£205m	▲
Tax rate	Effective current 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% until March 2020. 2017/18 dividend set at 86.55p ⁽⁴⁾	81.50p	▲
Longer term			
Customer ODIs	Expect to hit the Waste cap for AMP6⁽⁵⁾		
Property PBIT	c.£100 million over next 10 years at between £5 million to £15 million each year		

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

2. Restated to reflect sale of Operating Services activities in the USA and Italy, which have been reclassified as discontinued operations, as detailed in the RNS announcement dated 19 July 2017 – “Trading update for the period 1 April to 19 July 2017”

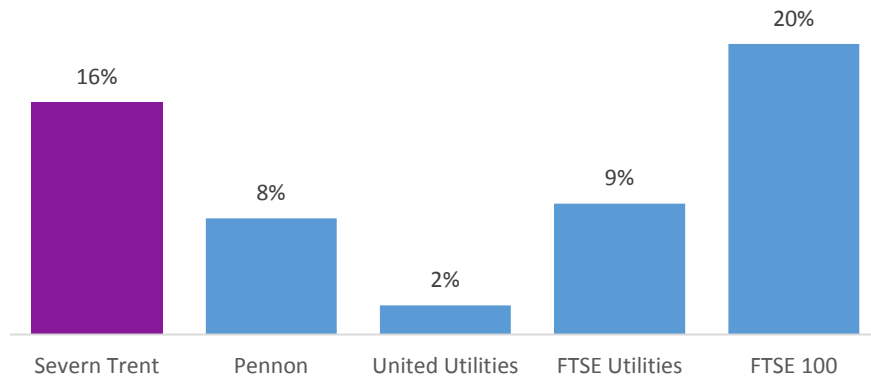
3. Customer Outcome Delivery Incentives (ODIs), quoted pre-tax at 2012/13 prices

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

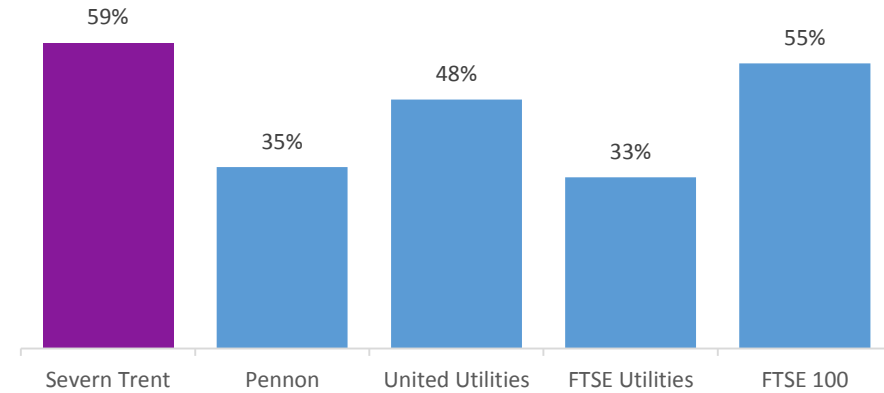
5. For AMP6, our customer ODI outperformance payments for Waste are capped at £190m (pre-tax at 2012/13 prices). To the end of 2016/17, we had earned £75m from our Waste customer ODIs, leaving £115m remaining

TOTAL SHAREHOLDER RETURN

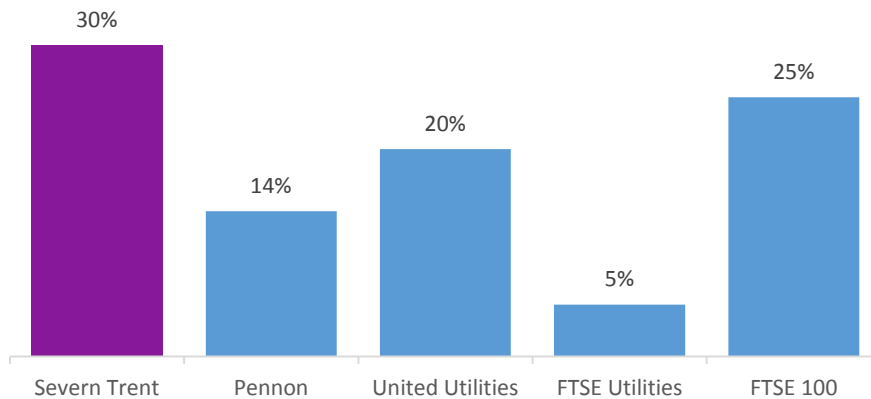
From the start of AMP6
to 30th September 2017



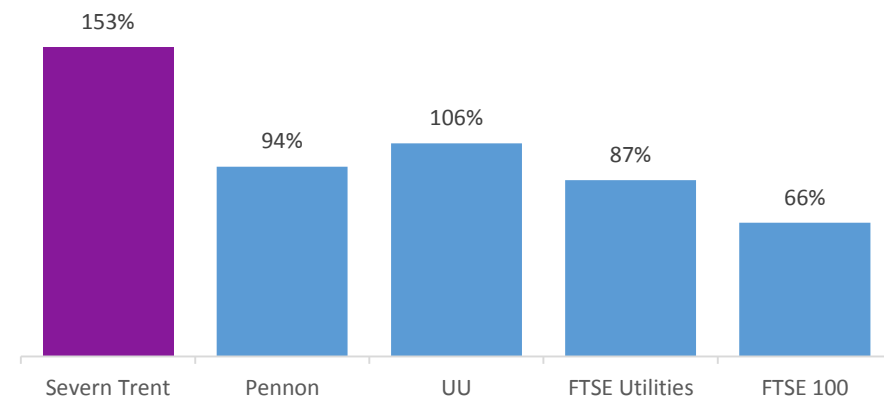
5 years to 30th September 2017



3 years to 30th September 2017



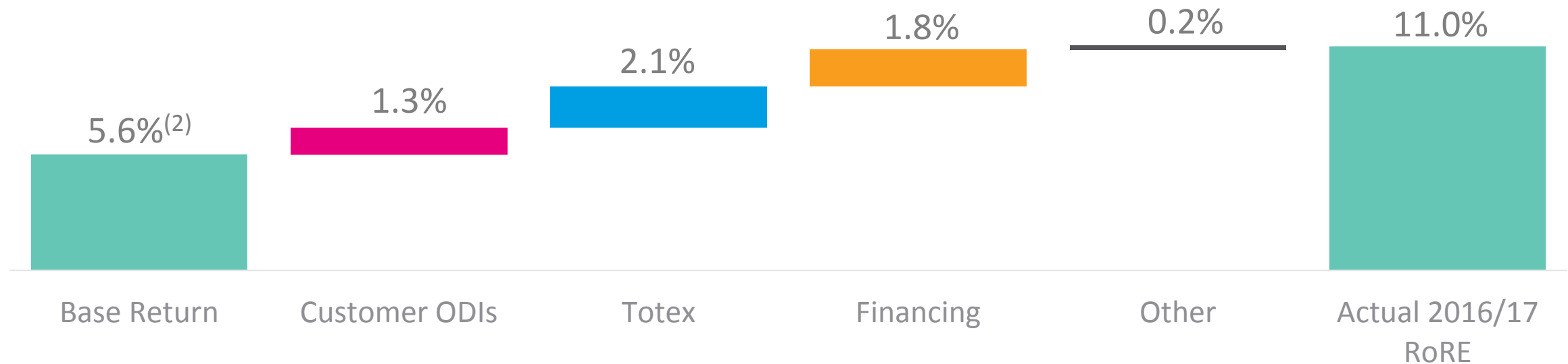
10 years to 30th September 2017



2016/17 RoRE⁽¹⁾

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 Regulated 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. Under Ofwat's RoRE definition, we outturned at 10.0%, resulting in a cumulative RoRE of 8.2%

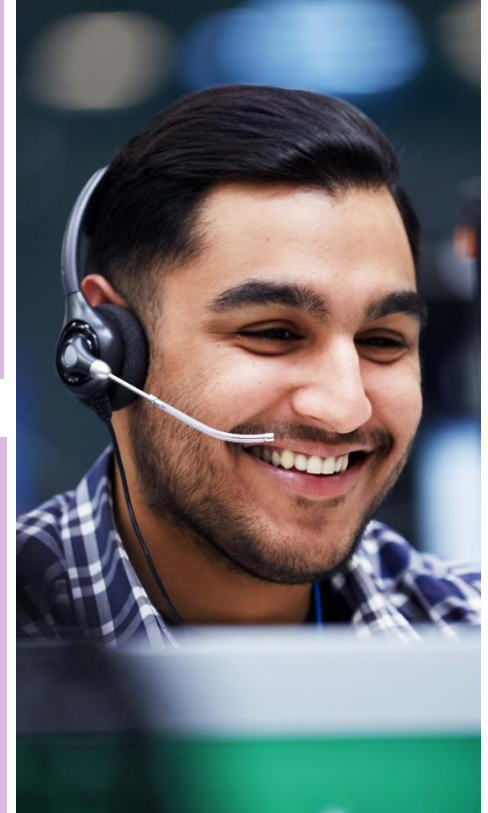
EMBEDDING CUSTOMERS AT THE HEART OF ALL WE DO

Best Value & Affordability

- Lowest average bills again this year at £341; £32 less than the next cheapest bill in England and Wales
- Customer ODI outperformance payment to be smoothed into future years, limiting the impact on bills to less than 1p extra per day
- Beating our target for vulnerable customers – now helping over 50,000

Customer Experience

- Upper quartile result on UK Customer Service Index – ranked in top 5 of 25 utility companies
- 10% reduction in customer complaints⁽¹⁾ in 2017/18 year-to-date
- SIM⁽²⁾ – 10th overall in 2016/17 – more work to be done



1. Includes all written complaints, which is one of the key measures used by the Consumer Council for Water (CCW)

2. SIM = Service Incentive Mechanism

PROPERTY/LAND SALES



c.£100m PBIT to be delivered over next 10 years

Key activities

- New experienced team to manage our land portfolio
- Surplus land identified for disposal or development potential
- Timing of profits will be uneven, but expected to be between £5 million and £15 million each year

Benefits to all stakeholders

Customers

A proportion of profits will be shared by an end of AMP RCV⁽²⁾ adjustment⁽³⁾, reducing future bills

Communities

Helping address housing shortage and population growth challenges, creating new jobs in our region

Investors

Building a sustained profit stream, using land made available through our investment in sludge anaerobic digestion

1. PBIT = Profit Before Interest and Tax

2. RCV = Regulatory Capital Value

3. Average customer share forecast to be c.40%

OPERATIONAL EXCELLENCE

CUSTOMER ODIs: GOOD H1 2017/18 RESULTS

Internal Sewer Flooding



Category 3 Pollutions



Supply Interruptions



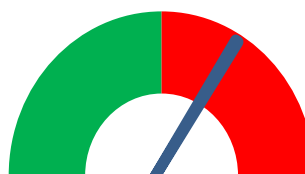
External Sewer Flooding



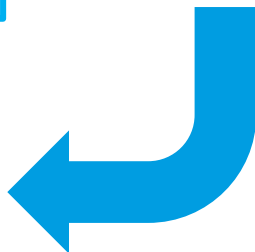
Leakage



Water Quality Complaints



- Has historically been a challenging area for us
- New approach and investment has led to a **12%** year-on-year reduction in complaints
- Still behind our FD⁽¹⁾ target but direction of travel is encouraging



Revised FY17/18 customer ODI guidance

- Net outperformance payments of at least £50 million⁽²⁾

Hitting the cap on Waste

- Due to strong performance in the first three years, we now expect to hit the customer ODI cap of 2% of regulated equity⁽³⁾
- Our performance on Water measures is mixed

We're working hard to improve this AMP and set ourselves up for success in AMP7

1. FD = Final Determination

2. Customer Outcome Delivery Incentives (ODIs) quoted pre-tax at 2012/13 prices

3. For AMP6, our customer ODI outperformance payments for Waste are capped at £190m (pre-tax at 2012/13 prices). To the end of 2016/17, we had earned £75m from our Waste customer ODIs, leaving £115m remaining

OPERATIONAL DEEPPDIVE LEAKAGE

2.7%

Reduction in leakage in the first two years of AMP6, and on-track to achieve our AMP6 target of 6% reduction



Progress this year

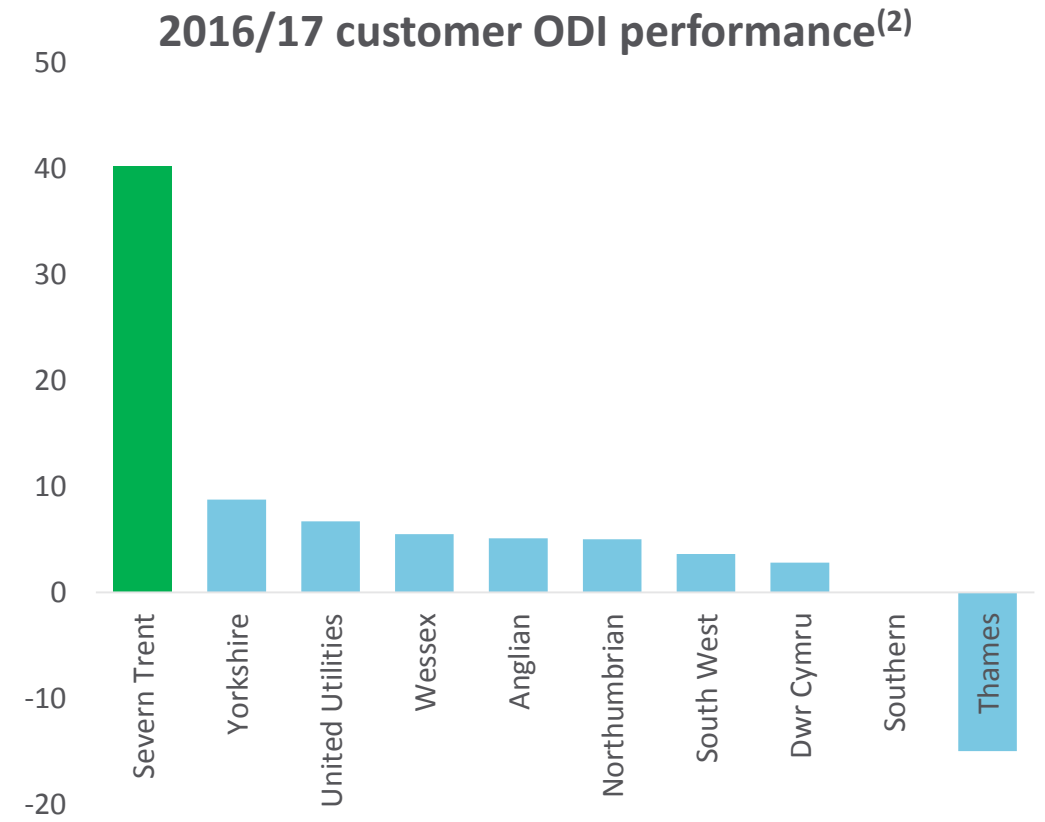
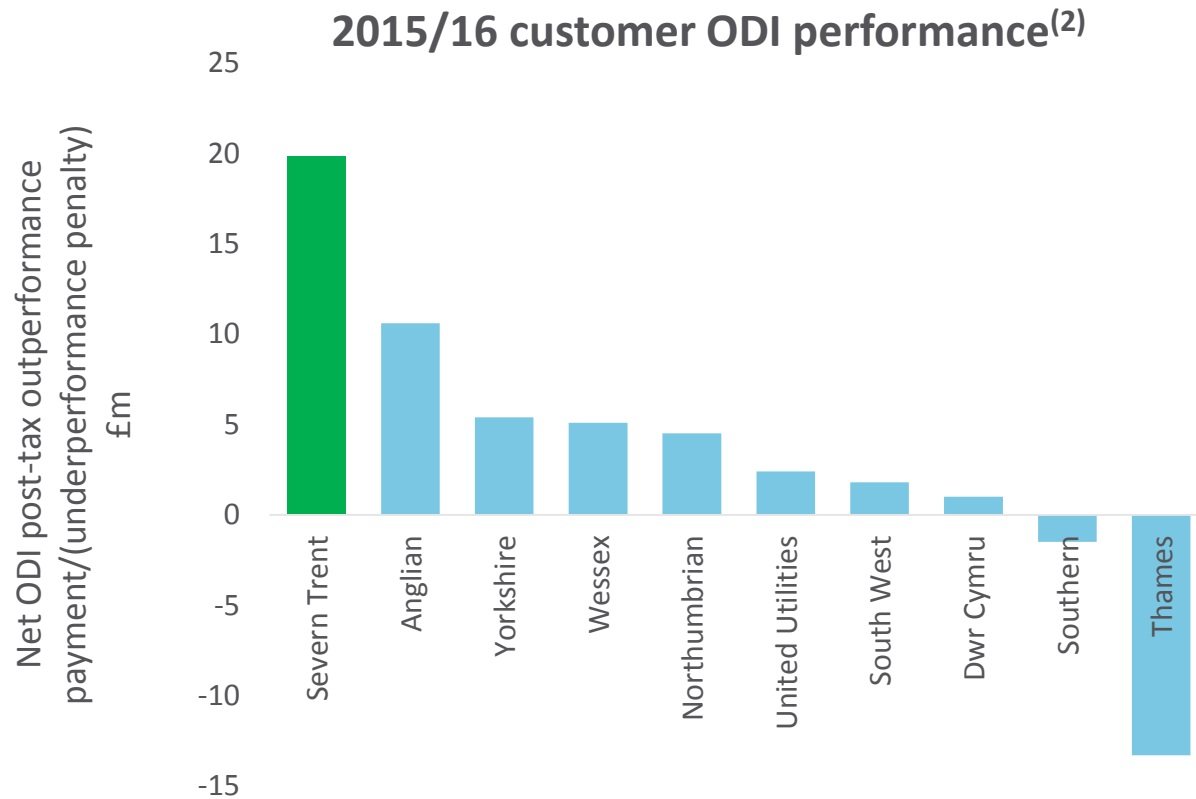
- **23%** reduction in repair backlogs versus last year
- Improved average time to fix repairs, with a **28%** overall reduction of outstanding burst mains
- Improvements **to organisation design**, including new leakage-focused roles and sharpened team targets
- Better **understanding of accounting for water**:
 - Supporting vulnerable customers to fix leaks on private properties
 - Metered standpipes for all third party use
 - 4,000 additional flow loggers on commercial customers

Investing in technology to improve our network

- Using **satellite technology** to find leaks across our region
- A network of permanent **acoustic loggers** being rolled out for quicker detection of network outbreaks
- Innovation initiatives including ‘**Magic Pea**’ – hole sealant technology to fix service pipes without excavation
- Smarter networks – **dynamic pressure modelling**
- “**STW Incubator**” – project teams to challenge existing thinking e.g. leak detector app

ODI⁽¹⁾ COMPARATIVE PERFORMANCE

Strong customer ODI comparative performance



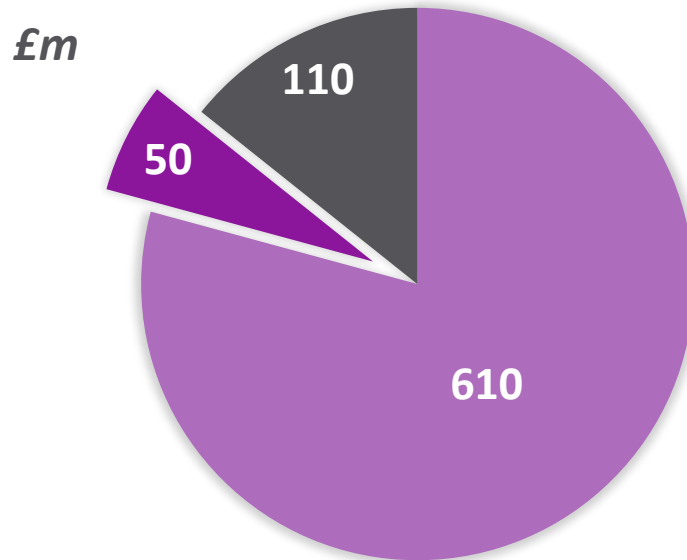
1. ODI = Outcome Delivery Incentive (quoted post-tax at 2012/13 prices)

2. Source: Company Annual Performance Reports

INVESTING RESPONSIBLY

AMP6 TOTEX EFFICIENCIES

AMP6 Totex Efficiencies



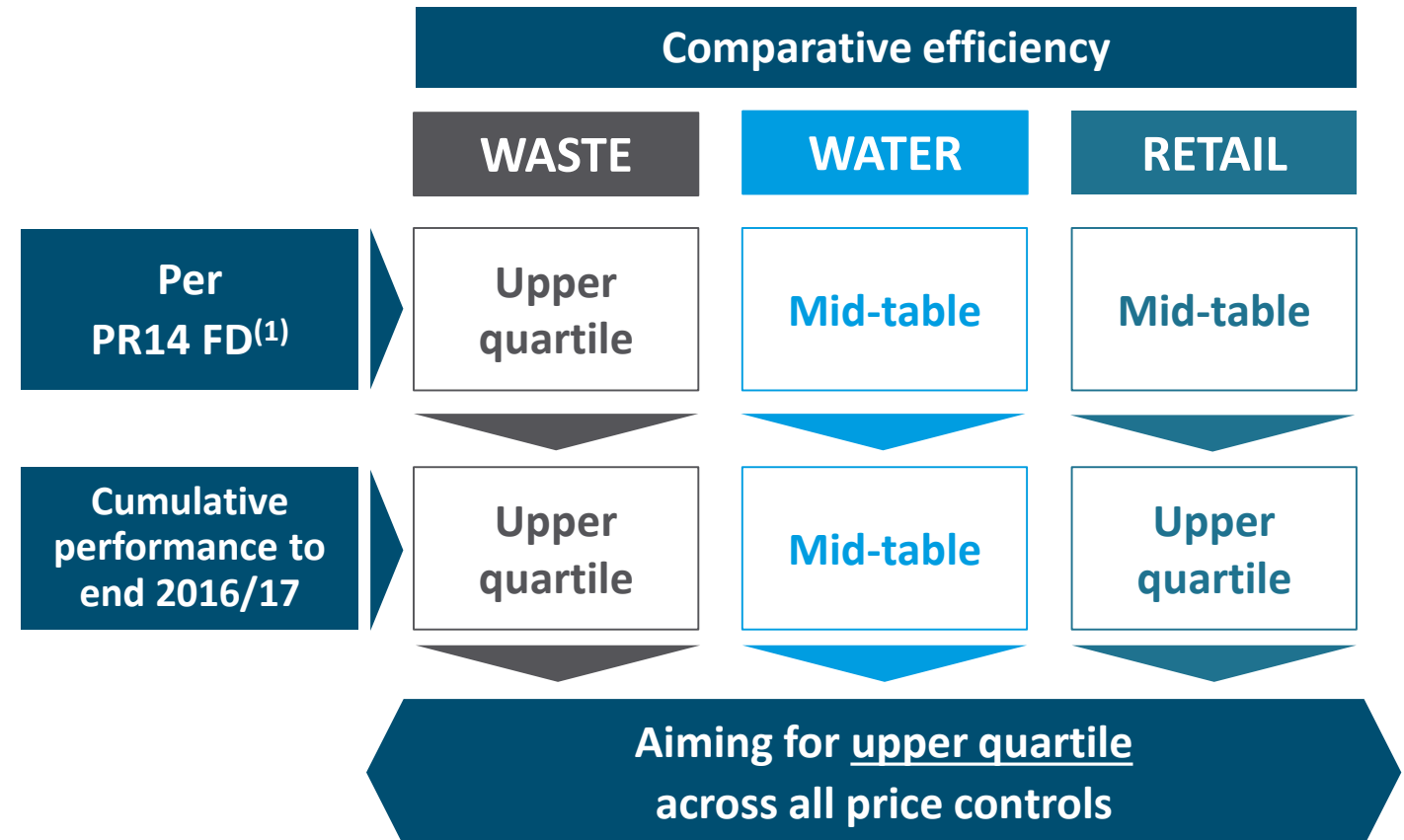
Locked in at 31 March 2017

Locked in during H1 2017/18

Further efficiencies to lock in during second half of AMP6

86% of the **£770m** gross forecast totex efficiencies now locked in

1. FD = Final Determination



ENGAGING OUR PEOPLE

Creating an Awesome place to work today...

Employee engagement

- Employee engagement score higher than global benchmark and rising
- 90% response rate to latest survey

“10 opportunities to improve”

- Employees voted on top 10 opportunities to improve engagement even more
- Range of topics from reducing emails to car parking
- Plans in place to resolve all 10 and good progress being made

Employee involvement

- Over 200 employees volunteered for our Children in Need contact centre
- Also provided contact centres for Sport Relief and Comic Relief



... and aligning our culture/organisation to the challenges of PR19



All employee “Bike on a Boat” CEO roadshow

- CEO hosted 65 events for all 5,500 employees across 26 locations
- Over 5,000 new ‘bold’ ideas generated for AMP7

Challenge cup

- Internal competition to generate efficiency ideas and finding smarter ways to work from employees
- Initiated new drones to inspect our assets

250 new front line staff

- Created new operational roles in our Infrastructure and Asset Creation teams
- Transforming the way we work to help us achieve upper quartile performance

DELIVERING OUR CAPITAL PROGRAMME



Newark: Investing £60m to protect 400 homes and businesses from sewer flooding and ensure a reliable water supply

- Construction is underway of a new 2.8m diameter, 15m deep and 3km long tunnel – longer than the Dartford tunnel!
- 1,900m of new sewers have been laid in the highway, and over 850m of new sewers constructed by tunnelling
- 6,700m of new strategic water mains installed to date, to supply new developments and facilitate future resilience of supply
- 2,500m of water mains have been renewed ahead of programme
- Project is on track and completion is due in 2019
- Engaged the communities through extensive stakeholder liaison

1. RGF = Rapid Gravity Filter
2. C&C = Coagulation & Clarification

Thermal Hydrolysis Process (THP)



- Delivering 30% of the total AMP 7 carbon reduction target for Severn Trent Water
- >80% manufactured off-site with efficient modular construction
- A cornerstone of the long-term sludge strategy for the future bioresources operation

Ambergate reservoir



- ~£40m investment to replace 100 year old reservoir with two new reservoirs
- Lowers drinking water quality risk and improves storage capacity resilience
- On target to be completed below budget and ahead of programme with final phase due in February 2018

RGF⁽¹⁾ and C&C⁽²⁾ Programme



- ~£80m investment programme refurbishing assets in key water treatment processes (RGF⁽¹⁾ and C&C⁽²⁾)
- Both RGF and C&C programmes ahead of schedule
- Being delivered below budget and on track to be substantially complete in FY2018/19

PR19 “NEW NEWS”

Customer ODIs

- Removal of ODI cap and significant kick-up in rewards for top performing companies
- 14 common ODIs of which four are comparative
- Smoothing of rewards proposed
- New customer service measure and bolder leakage targets planned

Totex

- Uncapping of model; enhances incentive regime
- Potential for companies to retain a higher percentage of outperformance

Retail

- Transition from average cost to serve to econometric modelling of efficient costs
- Performance now based on upper-quartile ranking

Financing/WACC

- Ofwat has indicated a lower allowed cost of equity
- CPI-H confirmed as new indexation basis
- WACC still expected in December

PR19 Timetable

2017

13 December

Ofwat to publish final PR19 methodology and provide initial view of WACC

2018

September

Companies submit business plans to Ofwat

2019

January

Initial assessment of business plans published

**March/
April**

Draft determinations (exceptional and fast track plans)

April

Companies submit revisions to business plans (significant scrutiny and slow track)

July

Draft determinations (slow track and significant scrutiny)

December

Final determinations

CHANGING THE MARKET FOR THE BETTER

PR19 EARLY PROGRESS



Customer engagement

- Co-creating the plan with our customers
- Doing more than ever to understand their needs

Performance culture

- Drive to outperform now embedded in business
- Customer ODI track record and momentum

Embracing the regulatory model

- Early movers in non-household retail market
- Setting up for success in Bioresources

Resilience

- Operational: extreme conditions, asset failure, improved security
- People: managing succession and promoting talent
- Financial: broadly aligned to Ofwat's notional structure

Innovation

- Preparing for the RPI:CPI transition
- Reviewing other sectors for new and innovative ways of working

PR19 SPOTLIGHT

CUSTOMER ENGAGEMENT

- Taking a more holistic view for PR19
- Doing more than ever to understand our customers' wants and needs



Water Forum

Sharing our plans every step of the way

Customer insights

Being innovative in our approach to understanding our customers' priorities

Co-creating the plan with our customers

Identifying the right balance of risk and value between customers and investors

Vulnerable customers

Using in depth interviews, expert feedback and best practice from other sectors

Social media insights

Analysing over 7 million conversations across social media platforms



PR19 SPOTLIGHT

COMPETITIVE MARKETS

Setting up for success in Bioresources

Bioresource trial in Staffordshire

- Determining the most effective operational model for Bioresource assets
- Promising results: opex improvements, increased energy generation and better asset performance

New Bioresources business created

- To be managed under Business Services division from 2018/19
- Dedicated team established, focused on value
- Ready to take early advantage of competitive opportunities



CUSTODIANS OF OUR ENVIRONMENT

Demonstrating environmental compliance and leadership is fundamental to achieving our vision of being the most trusted water company by 2020

Consistently rated by the EA⁽¹⁾ as one of the top performing water companies – scoring 3 or 4 star (the maximum being 4) in their annual **Environment Performance Assessment**

Adopted an Outcome Delivery Incentive that commits us to **reduce pollution incidents by 20%** over AMP6. Set a goal of reaching zero serious pollutions by 2020



40% of our staff signed up to our **volunteering programme**. **40km** of our region's riverbanks cleared up so far



Embarked on a **catchment management programme**; so far engaged more than 1,500 farms in our region to reduce the level of pollution getting into raw water sources

New scheme launched, **encouraging developers to build more water efficient homes** by offering reductions on network connection charges



CASE STUDY:

- Use of automated decision-making tools for quick and effective diagnosis, preventing pollution incidents
- Operation decision management tool uses loggers to identify problems and deploy operational teams
- Implementation of this technology has improved our predictive capability by **33%**

1. EA = Environment Agency

OUR CSR⁽¹⁾ CONTRIBUTION

Top employer

We've been rated as

Top 20 employer for apprentices
Top 100 employer for graduates

and we're the **only water company** included on the **first social mobility index**



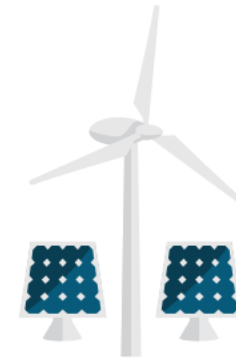
40%

of employees have signed up to take part in our volunteering programme

That gives each employee

2 paid days

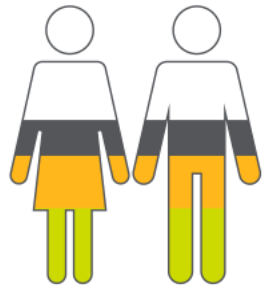
off a year to give back to their local communities. That's over a whopping **16,500** hours



On track to generate

50%

of our energy needs from renewable sources by 2020



Increasing our BAME representation

15% of apprentice roles
21% of new starters
34% of graduate roles



We're helping nearly

35,000

customers with a reduction in their charges, saving them over £8.3 million, and we're supporting 50,000 customers overall who need it most



Founding partner and the money we raise is enough to provide

13,750

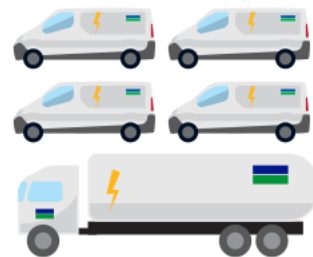
of the poorest and most marginalised people with clean water

Going green

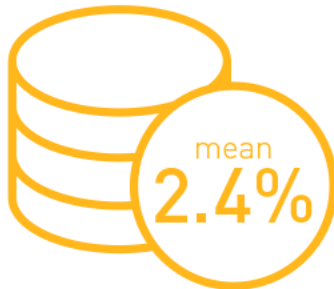
We've pledged to replace our

2,200

vans cars and tankers with alternative fuel vehicles



Our gender pay gap is just



Water efficiency

This year we've completed **20,000 home checks** for customers, and educated over **167,000** people

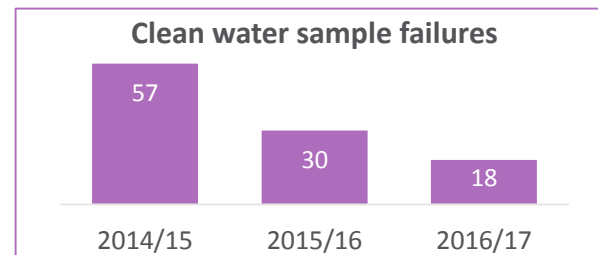
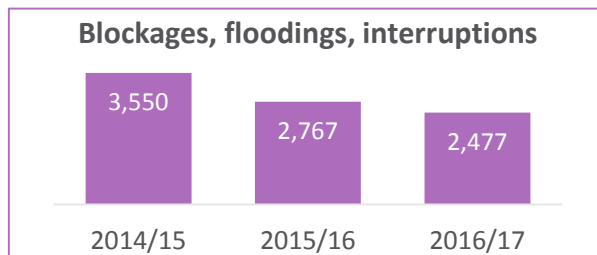
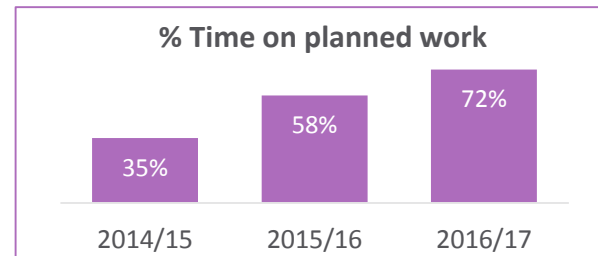
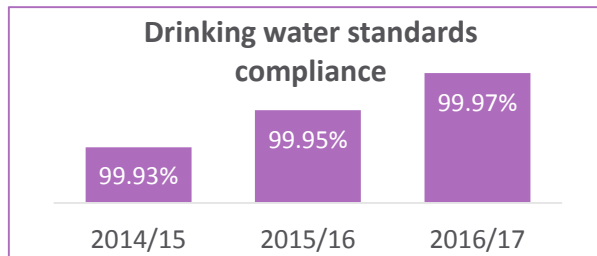
We have an innovative programme with builders to build water efficient homes

1. CSR = Corporate Social Responsibility

OPERATING SERVICES UK MINISTRY OF DEFENCE CONTRACT

- Half way through a 25 year contract with the Ministry of Defence, which is a stable, profitable income stream

- **£1 billion, 25 year** contract, commenced in 2005
- Operating and maintaining water and waste water assets on behalf of the Ministry of Defence
- Covers **~1,300 sites**, serving around **200,000 users**
- Strong improvement on key performance metrics in last three years:



Ceremonial signing event, Imperial War Museum

Developing asset-life, cost-effective solutions

Boundary box replacements

Issue: Boundary box replacements due to middle joint failure. **Average cost of >£650**

Solution: A clamp has been developed to encapsulate the middle joint. The clamp can be installed without excavating the asset and **costs £10**

Outcome: We expect to repair ~1,000 boundary boxes in this way every year, with **~£0.6m savings per year**.

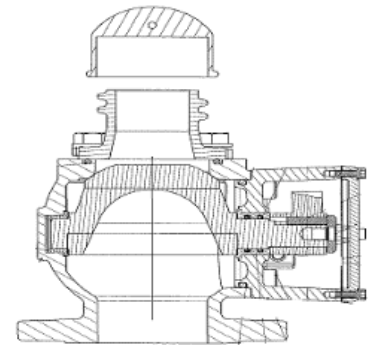


Bypassing fixed assets for repairs and maintenance

Issue : High cost of installing fixed pipework for bypassing assets for repairs and maintenance

Solution : Installation of full-bore hydrants either side of the mechanical asset avoids the need for fixed pipework

Outcome : Potential cost reduction **~£12k per installation**. With ~50 to do this year, the equates over **~£0.6m savings per year**



BIO-AUGMENTATION FOR MORE EFFECTIVE SEWERS

- Innovative use of bio-augmentation products has proved successful in initial trials
- Multi-million pound benefits expected following roll-out to our wider network

- 46,000 sewer blockages annually, equating to one per 2km of our network
- Fats, Oils and Greases (FOG) discharged into the sewer system by businesses and households are the major causes
- Cleaning FOG from sewers is a costly operation. To date, no cost-effective sustainable solution has been found to solve this
- Bio-augmentation is used to enhance biodegradation of contaminants, and can be applied as a proactive method to mitigate FOG build-up
- Initial trials of the product have proved successful at clearing a channel through FOG
- The solution is easy to apply and requires minimal intervention. A more extensive roll-out is now underway



A "fatberg" in one of our sewers

APPENDIX

OUR EXECUTIVE TEAM

A strong mix of experience, industry expertise and fresh perspectives to drive outperformance



Liv Garfield
Chief Executive



Sarah Bentley
Chief Customer Officer



Martin Kane
Chief Engineer



Neil Morrison
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*



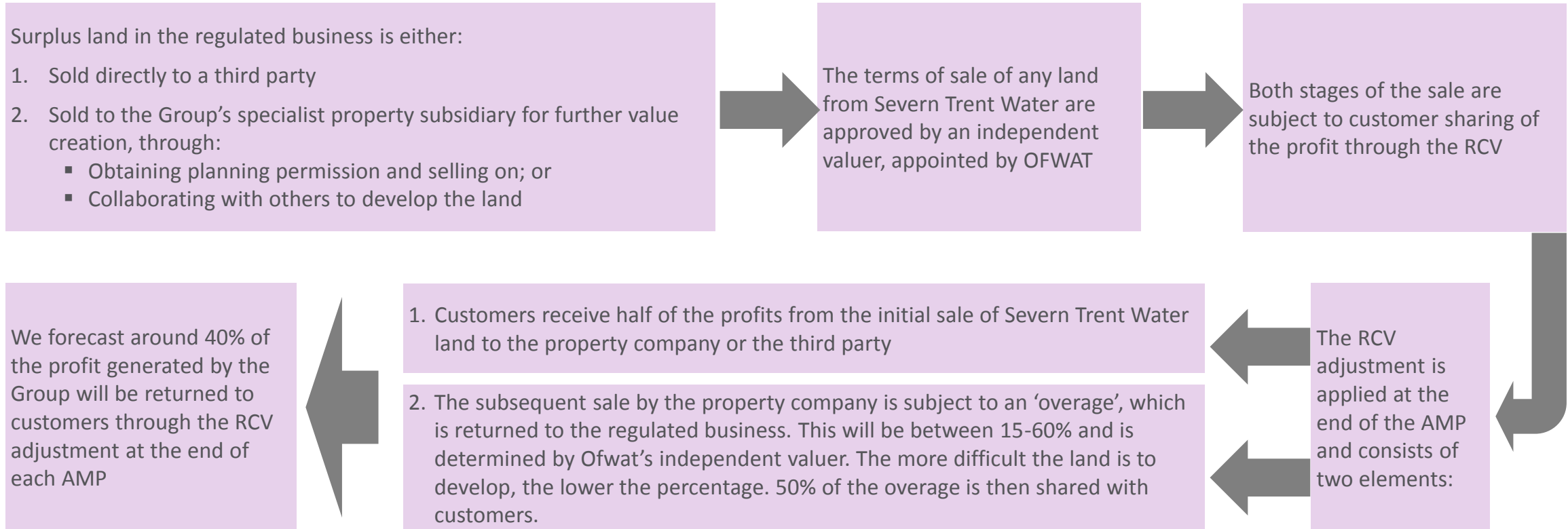
Bronagh Kennedy
*Group General Counsel
and Company Secretary*



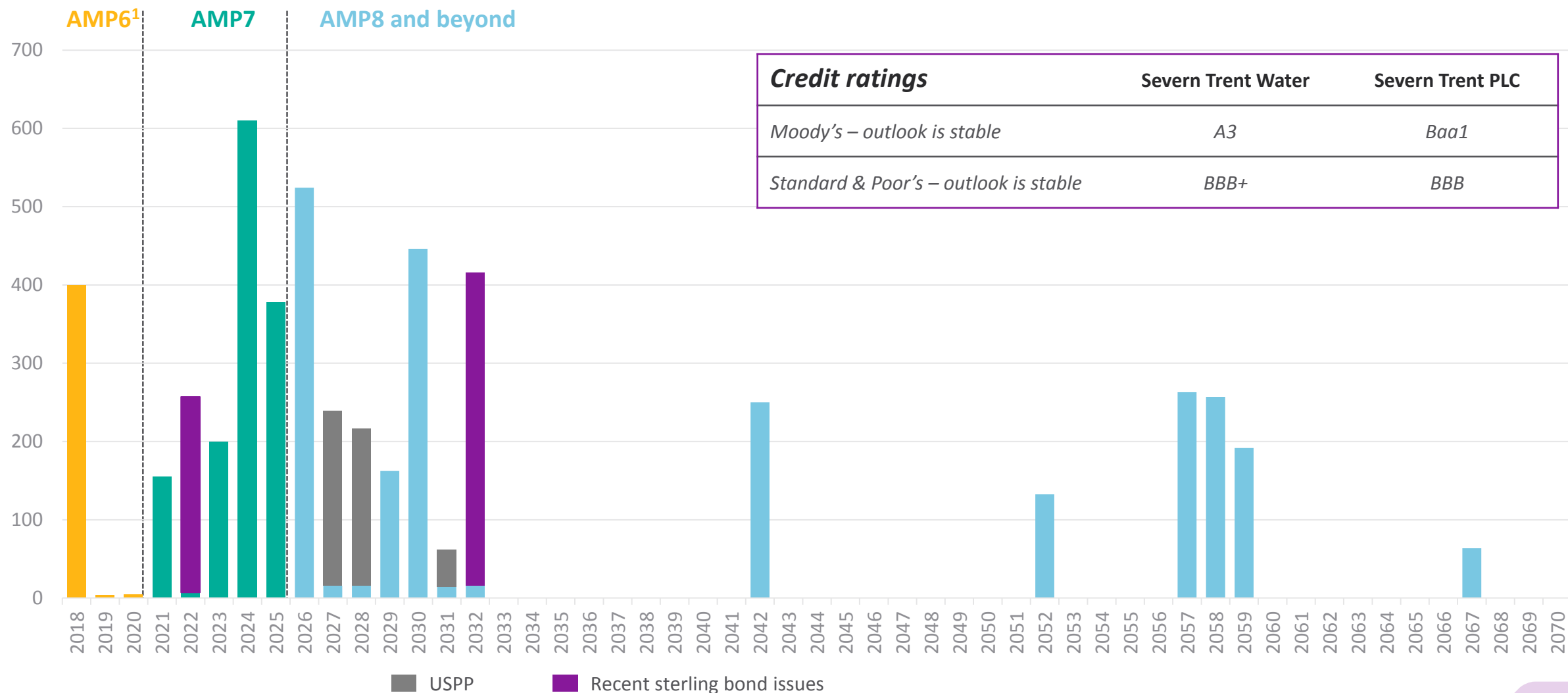
Tony Ballance
*Director, Strategy &
Regulation*

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



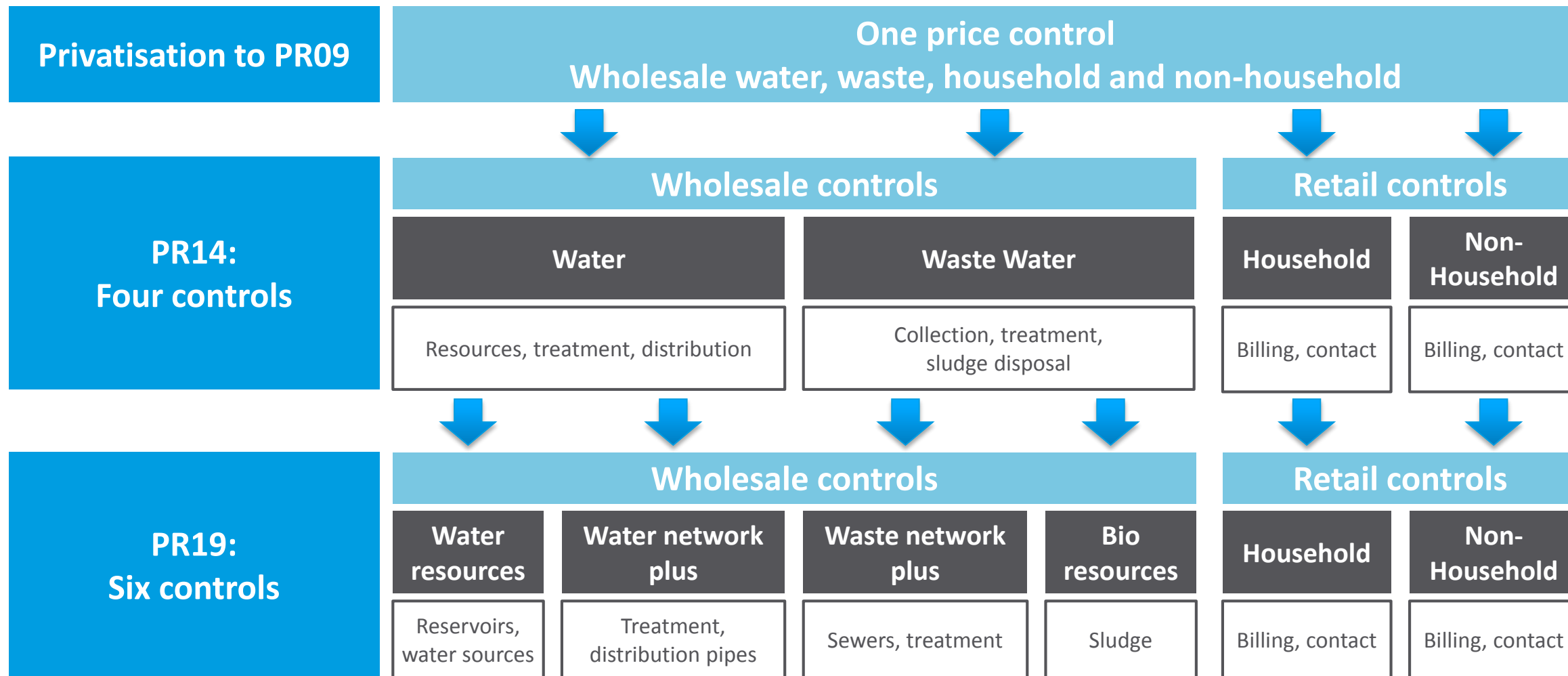
CREDIT RATINGS AND DEBT MATURITY AT 30 SEPTEMBER 2017



Credit ratings	Severn Trent Water	Severn Trent PLC
Moody's – outlook is stable	A3	Baa1
Standard & Poor's – outlook is stable	BBB+	BBB

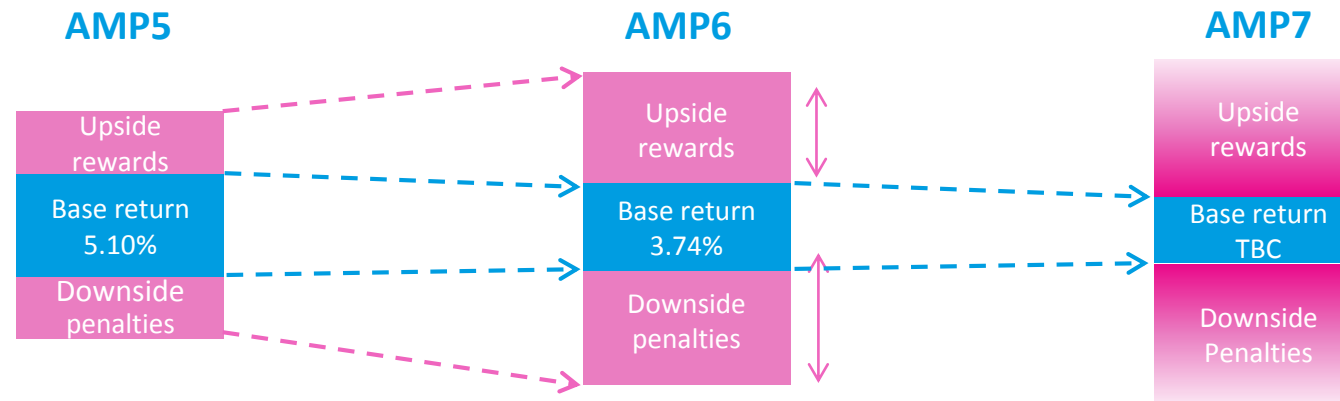
1. AMP6 maturities: £400m January 2018

PRICE CONTROL EVOLUTION INTO AMP7



THE GROWING IMPORTANCE OF INCENTIVES

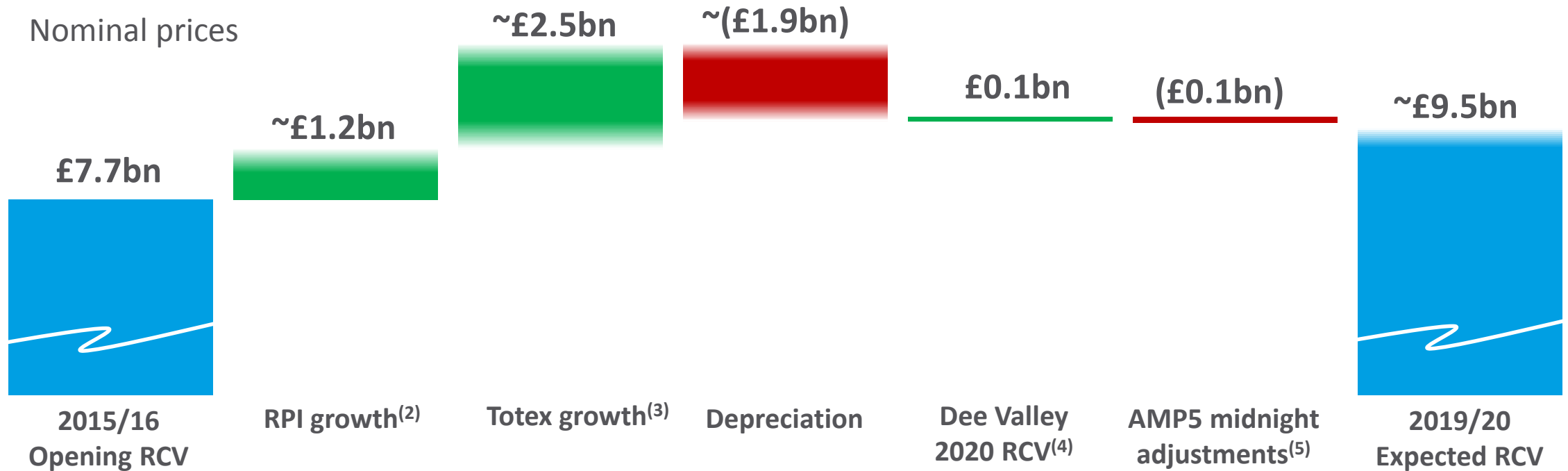
- There has been a shift in the proportion of company returns that come from the base allowed return
 - Companies must focus on outperforming on incentive mechanisms to deliver attractive returns
- At **PR14**, Ofwat changed the balance of risk and reward in the price control package by:
 - Reducing the base return companies can earn on their RCV
 - Increasing the risk and reward that companies could earn on their performance
 - At **PR19**, we expect to 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

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

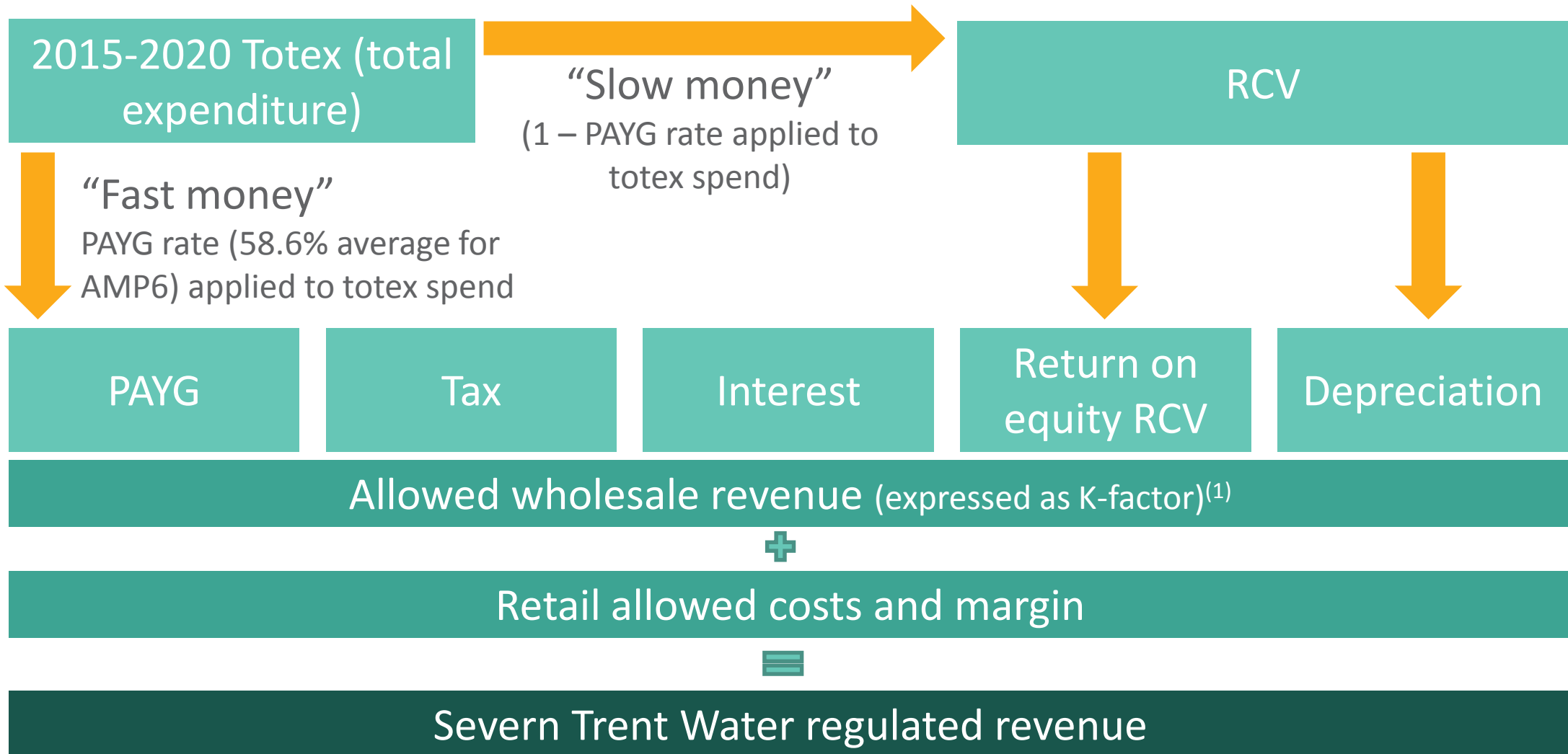
3. Includes the impact of £360m of announced forecast totex outperformance and £120m of reinvestment

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 have consulted on. Total adjustment of £149m

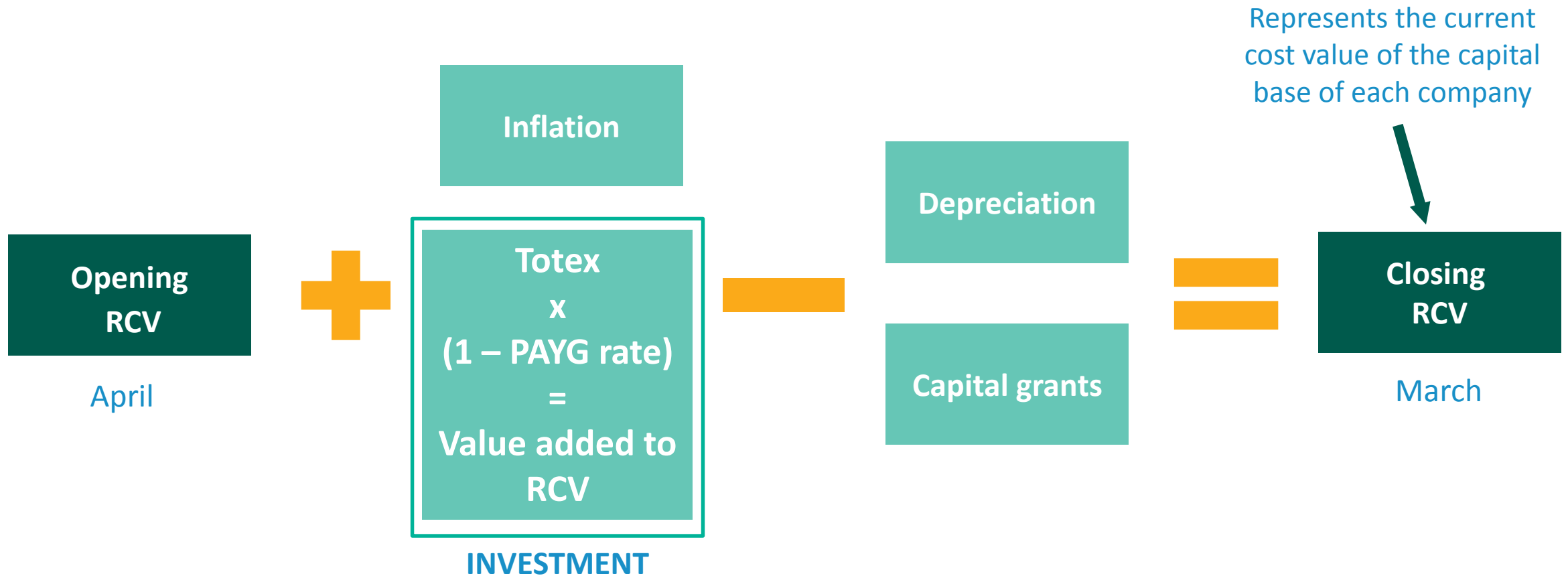
CALCULATING ALLOWED PRICES

In real terms



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)

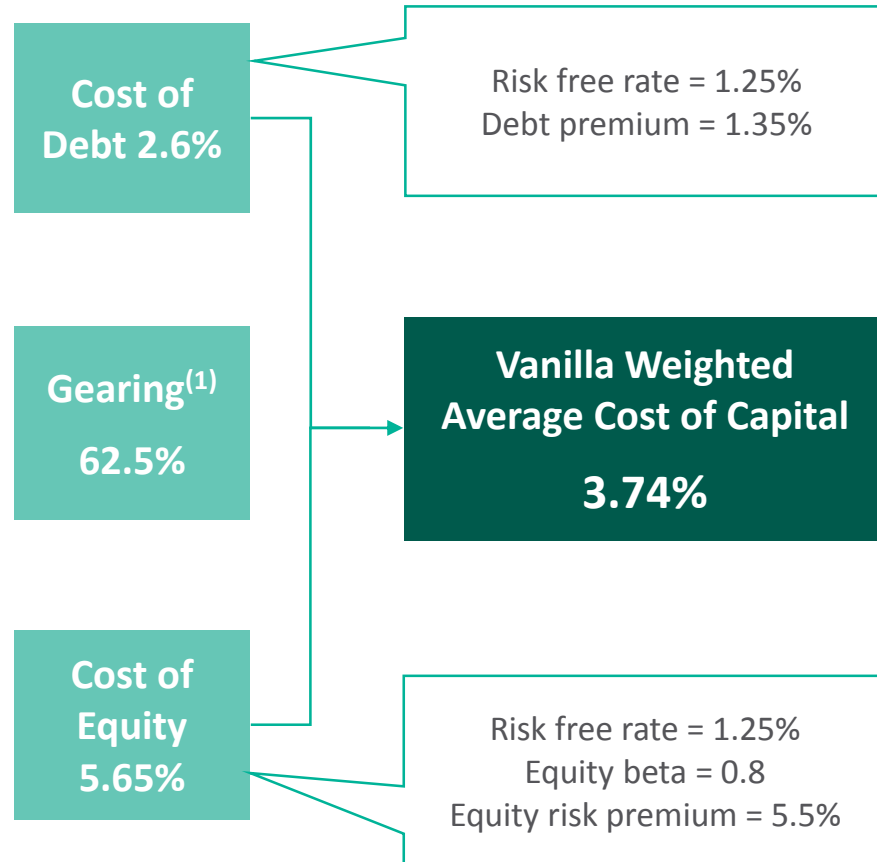
REGULATORY CAPITAL VALUE (RCV)



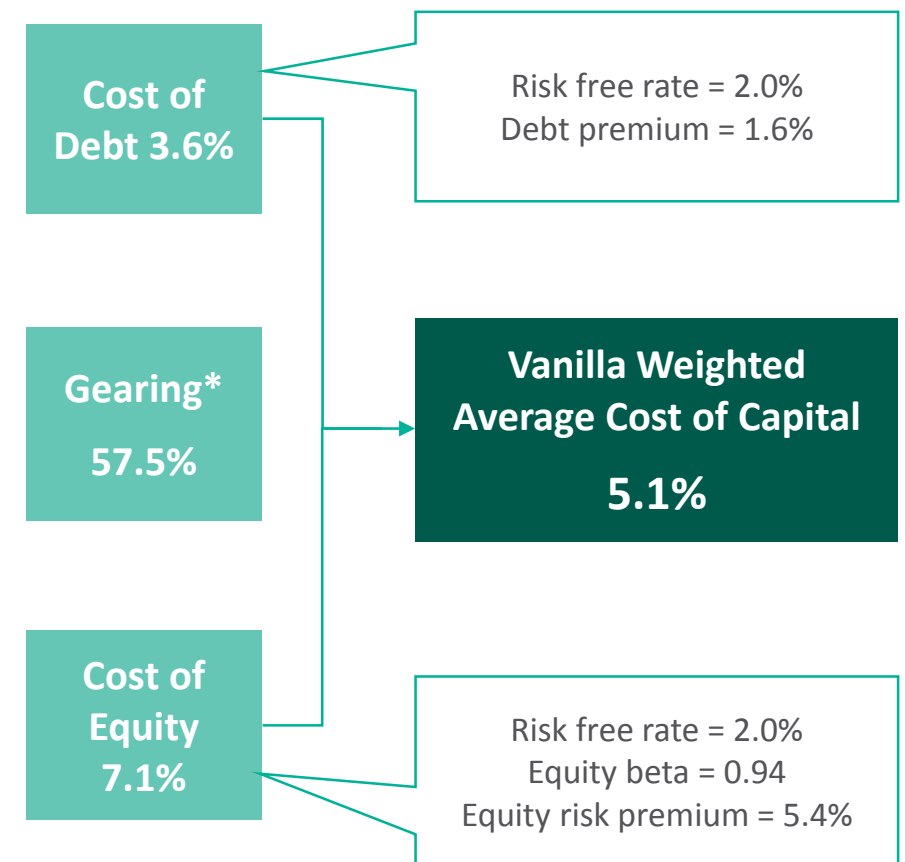
REAL COST OF CAPITAL

AMP6 VS AMP5

AMP 6



AMP 5



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

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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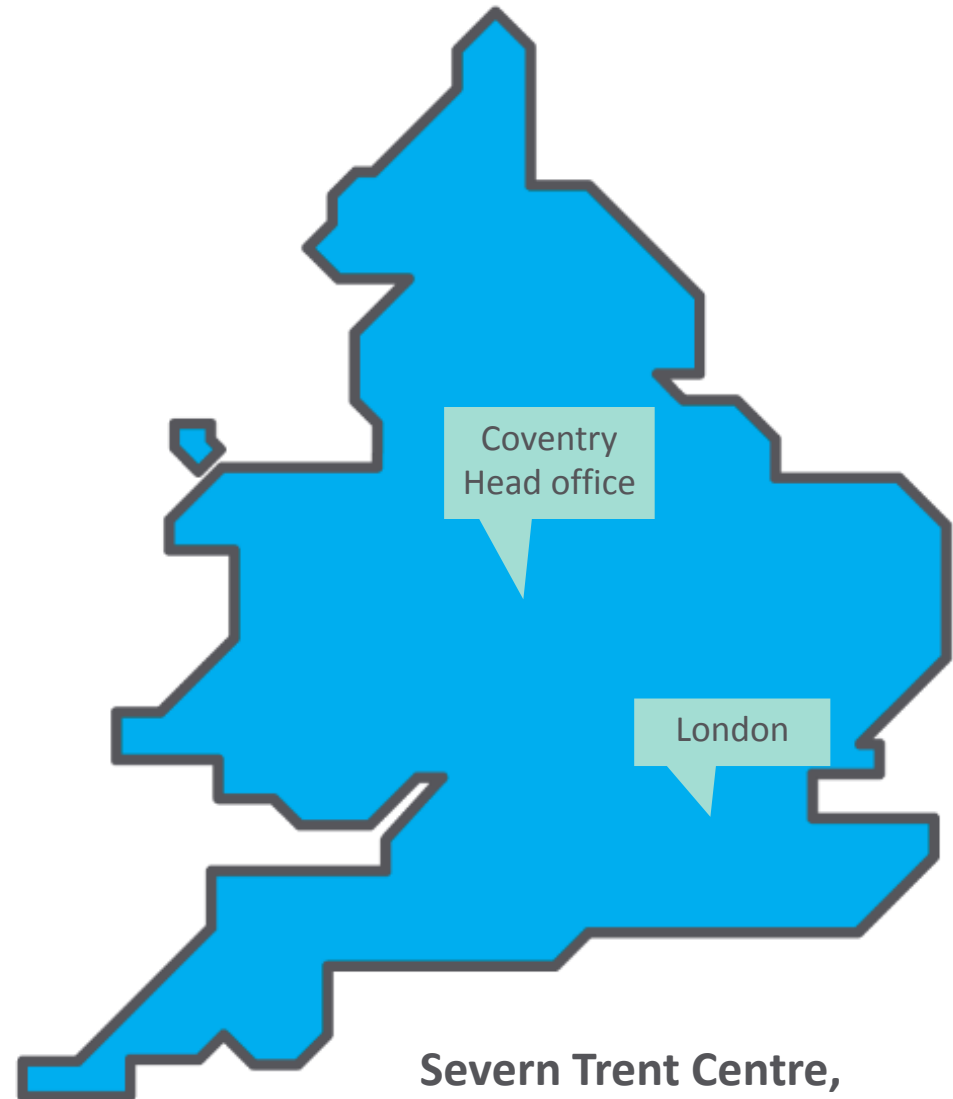
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