

Preliminary Announcement of Annual Results

21 May 2025

Results for the year to 31 March 2025

A record year, with a new era of growth underway

Having secured our regulatory outcome for AMP8, delivering 59% Regulatory Capital Value growth by 2030,¹ we are giving an earnings outlook of adjusted EPS doubling between 2025 and 2028² and guide to operational outperformance of £300m across five years.³

Accelerated investment to grow our asset base and deliver benefits early

- Record £1.7bn capital investment delivered this year, 40% higher year-on-year, growing our regulatory asset base and putting us in a strong position to deliver next year's guidance of £1.7bn - £1.9bn.
- Accelerated more than £450m of AMP8 investment, including substantial improvements to storm overflows.
- Grown regulatory asset base to £13.7bn⁴, a 46% increase over the past five years.

Investment strategy has underpinned a record £150m⁵ in performance incentives this year

- Sector-leading £434m⁶ of operational performance rewards achieved across five-year regulatory period, ahead of guidance and significantly more than any other water company.
- Met or exceeded our targets on 83% of performance commitments, including our best ever performance on leakage, supply interruptions, and internal sewer flooding.

Leading operational performance and careful cost management driving strong financial results

- Year-on-year adjusted EPS growth of 41% and PBIT growth of 15%, both the highest in a decade.
- Prudent balance sheet management, with stable credit ratings reaffirmed by S&P, Moody's and Fitch, and regulated gearing of 62.7%.
- Earnings growth outlook underpinned by revenue profile, energy hedging position and level of insourcing.

Group Results	31 March 2025	31 March 2024	Improvement
Revenue	£2,426.7m	£2,338.2m	3.8%
PBIT	£590.2m	£511.8m	15.3%
Net finance costs	£243.9m	£281.5m	13.4%
Basic EPS	76.6p	51.0p	50.2%
Adjusted basic EPS ⁷	112.1p	79.4p	41.2%
Full year dividend per ordinary share	121.71p	116.84p	4.2%
Capital investment	£1,673.5m	£1,199.7m	39.5%

Strong results generated attractive actual Return on Regulated Equity (RoRE)

- In real terms, delivered 9.7% actual RoRE in FY25, and 9.1% across five-year regulatory period.⁸
- Strong run-rates on performance incentives and securing second highest totex allowance in the sector for AMP8 support future returns.

Sector-leading environmental performance as we start AMP8

- Achieved 'industry-leading' four star environmental performance from the Environment Agency for a record five consecutive years, and confident of achieving a sixth year for 2024.
- Frontier storm overflow spills performance for 2024, and having delivered 1,800 interventions we are firmly on track to reduce our average spills by at least 25% to below 18 in 2025.
- We believe our share of RNAGS (Reasons for rivers Not Achieving Good ecological Status) is now 10.8%, compared to 24% in 2022, and our planned AMP8 investment will deliver a reduction to below 2% by 2030.
- Record energy generation of 912 GWh,⁹ an increase of 11% year-on-year.

Liv Garfield, Chief Executive, said:

"We're proud to be a successful Midlands business, sharing another year of record performance and continually improving service and value for our customers. We're focused on getting things done – with our largest ever investment of £1.7bn in the people and places we serve, delivering major infrastructure improvements across the region."

"Our strong operational and environmental performance has been made possible by our financial strength. The £1bn equity raise we secured ahead of this five-year business cycle, combined with strong financing and cost control, has given us the firepower to invest in our growth plan and will see us create 7,000 new jobs in our communities and through our supply chain."

“These results are testament to the dedication of our brilliant people at Severn Trent who live and breathe a commitment to delivering better services, protecting and improving river health and cutting leakage with major upgrades to the network. We look forward to building on this momentum, helping to power future growth and playing our part to boost the regional economy.”

Footnotes to page 1 of this RNS

- 1. Growth in RCV (see glossary) is stated in nominal prices and exclusive of transition spend, which was accelerated into AMP7 and is therefore included in our AMP7 closing RCV of £13.7bn.
- 2. We project adjusted EPS to double in the 3-year period to 2027/28, from 112.1 pence in 2024/25, benefiting from regulated revenue growth including Outcome Delivery Incentive (ODI – see glossary) outperformance, continued cost management, and our strategic approach to financing. We expect this adjusted EPS growth to be weighted towards 2025/26 reflecting our bill profile.
- 3. Outperformance guidance is presented net of tax and in 2027/28 prices, which is the earliest point we can recognise revenue from AMP8 ODIs and Performance Commitment Deliverable (PCD) incentives. Equivalent to £250m in 2022/23 prices.
- 4. Closing RCV of £13.7bn after midnight adjustments, calculated in accordance with Ofwat guidance in IN25/02.
- 5. FY25 ODI performance of £150m quoted pre-tax, pre-sharing and in 2017/18 prices, exclusive of end-of-AMP ODI rewards accrued in the first four years of AMP7. This equates to £68m post customer sharing.
- 6. AMP7 ODIs of £434m stated pre-tax, post-sharing and in nominal prices – the same basis on which we previously issued guidance of at least £420m.
- 7. Adjusted EPS is set out in note 10.
- 8. Real RoRE is stated on an actual company basis. Actual company RoRE uses actual regulated equity calculated using average actual gearing including the impact of midnight adjustments, applied to the average FD RCV which does not include midnight adjustments. RoRE on a notional company basis can be found in the CFO review.
- 9. Generation number excludes biogas, based on an updated generation methodology.

Enquiries

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Preliminary Results Presentation and Webcast

A presentation of these results hosted by Liv Garfield, CEO, and Helen Miles, CFO, will be available on our website (severntrent.com) from 7.00am BST today, 21 May 2025.

We will be hosting a live Q&A session with Liv, Helen and our wider executive team at 8:30am BST today via video call which you can register for through our website.

Chief Executive's Review

We complete AMP7 with our strongest ever year operationally, which has set us up incredibly well with a new era of record growth and investment in services now underway.

In December our regulator approved £15 billion of expenditure across the next five years, around twice the amount that was approved five years ago for the AMP7 period. That will allow us to deliver further improvements for customers by 2030, including halving our usage of storm overflows, reducing the impact we have on river health, and delivering operational carbon net zero. And our performance this year gives confidence that we are primed to succeed.

In the last 12 months we've invested a record £1.7 billion through our capital programme, around treble the level of investment at the start of AMP7, bringing our investment levels in-line with the average required in AMP8. We've been uniquely positioned to expand our capital investment thanks to two key differentiators.

First of all, in 2021 we were awarded an additional £566 million by the regulator for our Green Recovery programme – over 70% of all Green Recovery funding awarded to the sector – across six workstreams aimed at driving innovation. That work has scaled-up across AMP7, culminating in delivery this year, giving us a wealth of experience in a number of emerging areas where we'll do much more work in AMP8.

Secondly, we've been able to accelerate over £450 million of investment from the next regulatory period. Bringing forward this AMP8 investment has delivered customer and environmental benefits sooner, while generating early growth in our asset base, which compounds over time.

Both of these differentiators are underpinned by our financial strength. Our ability to remain attractive to investors has allowed us to raise capital to fund this vital investment.

That significant level of investment has helped us to extend our position as environmental leaders. We're confident that we will be awarded the highest possible four-star environmental status from the Environment Agency in their 2024 assessment, meaning we start AMP8 with an unprecedented six consecutive years of 'industry-leading' status.

And on the sector's biggest issue, storm overflow spills, we enter the AMP at the lowest starting point in the sector. Having installed 1,800 interventions, covering 69% of our priority storm overflows, in the first four months of 2025 we have seen year-on-year spill reductions of 66%.

More broadly, we're incredibly well positioned for continued operational outperformance. We have just delivered our record year on ODIs, with £150 million earned pre customer sharing, meaning across AMP7 we will have earned over twice as much in ODI rewards as any other company. These rewards have been earned through strong outperformance across a broad range of performance incentives, having met or exceeded our targets on 82% of measures across the last five years.

Of our AMP8 measures, 16 have been carried forward from AMP7; the remaining six have been reported on during AMP7 and, in cases such as storm overflow spills, have been scrutinised closely. That has enabled us to call early £300 million of operational outperformance across the next five years. And the move towards a more common performance framework means we've got a head start on performance not just for five years, but potentially for the next ten years and beyond.

However, our greatest asset, and the reason for our confidence during this period of growth for our business, is our culture. We operate a 24-hour, 365-day customer service business, with colleagues working across our region in all weathers. Their commitment to their roles and the decisions they make shape our performance. And whether measured through engagement scores, retention rates, Sharesave participation or internal promotions, I know that whatever the next five years brings, our 10,000 strong organisation is fully motivated and ready to deliver another AMP of success.

Record performance in water operations

We've significantly reduced leakage year-on-year, contributing to a total leakage reduction of 16.8% across AMP7. Using the most recently available data, we believe we are now outperforming many European countries, including France and Spain. This reflects the strategic investment we made early in AMP7 to insource leakage technicians and dramatically expand our find-and-fix programmes – increasing detection activity by 102% and repairing significant visible leaks 60% faster than at the end of AMP6. We've now started to implement innovative technologies such as no-dig fixes, which can reduce the repair time spent on site to 20 minutes or less with minimal community disruption, giving us a head start on our AMP8 target to reduce leakage by 31.6% in the ten years to 2030.

Supply interruptions are at their lowest ever level, achieving our regulatory target for the first time in AMP7 after a 32% year-on-year reduction. This reflects the significant inroads we have made to avoid extreme events and prioritise the

minimisation of customer disruption, with Network Response tankers across our patch aiming to get customers back on supply as soon as possible after an incident.

Once again we've outperformed on low pressure events; this year against our target of 17,062 low pressure days we had a total of only 325 thanks to our investment over the course of the AMP, implementing capital improvements across thousands of properties. And we've also hit our target every year in AMP7 on water quality complaints, as it changes from being a bespoke ODI in AMP7 to a common ODI for all companies in AMP8.

Finally, while we have reduced household usage across the last five years, we have missed our AMP7 target on per capita consumption. The reduction we have seen has largely been a result of additional metering and the 84,000 home water efficiency visits we have conducted. Looking forward, the acceleration of our AMP8 smart metering programme, which will see over a third of customers on smart meters by 2030, will allow for a more targeted approach to encouraging customers to use less water.

Investment in waste showing progress

We are continuing to see the benefits of insourcing our waste operations teams, which has given us greater internal control over the quality of work delivered. For example, the 'right first time' approach we've implemented on blockages has reduced the number of repeat incidents, while new innovations such as the Stickleback, which captures items in sewers, reduce the risk of further sewer backups.

All of this has contributed to our best ever blockages performance this year, having beaten our target every year in AMP7. That said, our blockages performance was aided by the high rainfall experienced this year, which had a detrimental impact on our external sewer flooding performance, where we have missed our target again this year even though we are sector leading. But despite the weather we had our best ever year on internal sewer flooding, with our emphasis on immediate responses helping to prevent external floods becoming even more disruptive internal floods. We also achieved our public sewer flooding target, meaning we've hit our target every year this AMP with a 13% reduction across the five years.

On serious pollutions, our performance for the year once again meets the Environment Agency's 'industry-leading' standard. That said, we have missed our overall regulatory pollutions target, and we understand that our assets need to be future-proofed to deal with more frequent extreme weather events. Therefore, we are investing £400 million in our Pollutions Incident Reduction Plan to drive performance improvements at the pace our customers expect. That includes improving 400 sewage pumping stations, insourcing the capability to undertake complex sewer repairs, creating a 'repeat prevention team' to reduce follow-up incidents, and increasing our level of proactive interventions.

Ready to deliver substantially higher investment in AMP8

We have had another strong year of capital delivery, including the conclusion of our AMP7 Green Recovery programme. In Mansfield, we have reduced surface water flooding for customers by delivering more than 30,000m³ of surface water storage through our interventions. That includes storage provided by 83 urban rain gardens and more than 10,000m² of permeable paving, as well as natural solutions such as bioswales and detention basins, which also benefits biodiversity. And we have also successfully completed our Bathing Rivers project on time, with innovative ozone disinfection upgrades installed at all three sites within the programme.

Our innovative new water treatment works at Witches Oak is now complete, as we build a more resilient and sustainable water supply. The 31 floating wetlands nearby biologically pre-treat the raw water before abstraction, reducing the amount of chemicals required for treatment, and our novel ceramic membrane pilot plant supports real-time optimisation of the works for cost efficiency.

Having delivered this record year of capital investment, we end the AMP7 regulatory period having already stepped up our capital programme for the investment to come in AMP8. We have made a fast start on our AMP8 commitments, with more than £450 million of accelerated investment across the past two years. Our expanded and diversified supply chain contains over 150 suppliers, giving us fast and lower cost delivery, and work is already underway on £4.1 billion of AMP8 investment. And our advance procurement strategy has secured critical items, derisking our capital programme.

That fast start gives us confidence we can deliver our AMP8 programme on time, allowing us to guide to up to £50 million of outperformance across the five years through Price Control Deliverable (PCD) incentives – a new mechanism which rewards companies for prompt delivery of capital schemes and penalises them for late or non-delivery.

In AMP8 we have fewer than 20 projects over £50 million in value, meaning the vast majority of the planned investment comprises smaller and more repeatable solutions. This allows us to fully leverage the benefits of our Plug and Play programme – more modular solutions for key asset types which results in less design work, easier asset maintenance, a reduced carbon footprint, and much faster implementation.

These benefits can already be seen through our spills programme. Earlier this year we deployed a full modularised treatment works at Lower Moor. The whole scheme was completed within five months, significantly increasing the level of flow that can be treated at the works, and since installation, has completely eliminated spills at the site. Rollout of the same modular approach is now being considered on over 150 further projects to assess where it might drive cost savings.

Sustaining our position of environmental leadership

Our efforts to reduce storm overflow spills are beginning to show their efficacy. The 1,800 interventions we have now delivered are reducing spills on our priority sites, and in the first four months of 2025 our total spills are 66% lower compared to 2024. While our total spills remained flat in 2024 as a result of higher rainfall experienced early in the year before most of our solutions had been installed, we are confident that we can improve on our frontier performance with at least a 25% reduction to below 18 spills on average this year, no matter the weather.

Meanwhile, we achieved a sector record of five consecutive years of the highest possible four star status in the Environment Agency's annual Environmental Performance Assessment, representing 'industry-leading' environmental performance for 2023. And we are confident of being awarded the top status for a sixth consecutive year, twice as long as any other company has ever managed.

We have now improved the biodiversity of over 16,000 hectares of land, meaning our work on biodiversity now accounts for over 3% of the Government's 2042 Nature Recovery Network target for the entire country.

At the Final Determination last December, Ofwat approved £300 million of net zero funding – around 60% of the funding awarded to the entire sector – to enable us to achieve net zero operational emissions by 2030. This year we self-generated a record 912 GWh of energy as we progress towards our 2030 Triple Carbon Pledge of having 100% of our energy come from renewable sources, net zero operational carbon emissions, and a 100% electric vehicle fleet, subject to the availability of specialist vehicles.

We also had £1.1 billion of investment approved across the next five years to further improve river health in our region. We believe we are currently responsible for 10.8% of the reasons why rivers in our region fall below good ecological standards, and through this investment we will reduce this share to below 2% by 2030.

Supporting our region and maintaining a culture that delivers operational success

With our significant investment levels increasing again in AMP8, we are committed to keeping bills affordable. While our bill is set to remain the second lowest in the country by 2030, we understand this will be more than some customers can afford, which is why we are more than doubling the affordability support we provide to more than £575 million across the five year period. That level of funding is sufficient to support around 1 in 6 households with their bill by 2030, and more than enough to eliminate water poverty in our region.

We enter AMP8 having earned £18 million of ODI rewards in C-MeX and D-MeX across AMP7. However, with our customer service scores only mid-table in comparison to the sector, we've identified the two major issues keeping our scores down and are 15 months into our programme of works to address both. Firstly, we're nearing the end of our migration onto our new Kraken customer management system, which will revolutionise the end-to-end customer experience when engaging with Severn Trent as well as making us more efficient. And secondly, to accelerate our speed of response to waste issues, we've done the hard yards to insource our waste networks team. By retaining essential skills and expertise in-house and investing in specialist vehicles and equipment, we have gained greater control over the outcomes we can deliver, and expect to see a significant step up in performance in the second half of the year ahead.

Meanwhile, we continue to progress with our ten-year Social Impact strategy to improve the prospects of 100,000 people. Two years in, we have supported over 26,000 people, including over 7,000 pupils this year through activities such as employability training and work experience, and a further 3,000 people through our 'Big Boost' employability events across Birmingham, Coventry and Derby. On top of that, we have donated £11.6 million through our Community Fund over the past five years, supporting around 900 organisations in our region.

In this new era of strong growth, our culture will be the key differentiator in maintaining our frontier sector position, which is why we have placed such emphasis on creating and maintaining a pipeline of strong internal talent – 20% of employees in our business have been promoted or moved to a broader role in the last two years alone.

This approach is reflected in our consistently-strong colleague engagement scores, which place us within the top 5% of utilities globally, and our Glassdoor score of 4.5 out of five, ranking as the 29th best place to work in the UK.

This is reinforced by the insourcing activity we have undertaken in recent years, which creates a wider base of roles to transition people through and allows for greater expertise to remain within the business. Our average employee tenure

is over eight years, helping to foster and maintain the performance-driven culture which has brought us so much success over the last few years, and will support us to achieve even greater success in future.

Chief Financial Officer's Review

We have delivered strong financial performance in the year ahead of expectations. PBIT of £590.2 million (2023/24: £511.8 million) was up over 15% on the previous year, reflecting higher revenue and lower energy costs. With lower finance costs, mainly due to our higher capital programme increasing the amount capitalised, profit before tax was 59% higher at £320.1 million.

Our balance sheet remains strong with gearing at 62.7%. We continue to invest for the long term, delivering operational outperformance and sector-leading ODI rewards. We look forward confidently into AMP8 with the prospect of substantial EPS and RCV growth driving increasing shareholder value.

A summary of our financial performance for the year is set out below:

	2025	2024	Better/(worse)	
	£m	£m	£m	%
Turnover	2,426.7	2,338.2	88.5	3.8
PBIT	590.2	511.8	78.4	15.3
Net finance costs	(243.9)	(281.5)	37.6	13.4
Gains/losses on financial instruments, share of results of joint venture and impairment of loans receivable	(26.2)	(29.0)	2.8	9.7
Profit before tax	320.1	201.3	118.8	59.0
Tax	(90.7)	(61.1)	(29.6)	(48.4)
Profit for the year	229.4	140.2	89.2	63.6

Group turnover was £2,426.7 million (2023/24: £2,338.2 million) up £88.5 million (3.8%), driven mainly by higher revenues in our Regulated Water and Wastewater business (up £97.0 million). Turnover included £99 million of ODI rewards billed in the year (2023/24: £91 million).

Group PBIT was up £78.4 million (15.3%) to £590.2 million. Regulated Water and Wastewater PBIT grew by £106.2 million as we held operating costs broadly flat against higher revenue. In Business Services, PBIT was £16.3 million lower as we faced margin pressures on the MoD contract in Operating Services from higher than expected wholesale water and wastewater costs and, as expected, Green Power was impacted by lower energy prices.

Net finance costs were £37.6 million lower. Lower inflation in the period reduced the cost of our index-linked debt and capitalised interest increased with the growth of our capital programme. Our effective interest cost was 40 bps lower at 4.3% (2023/24: 4.7%) but our effective cash cost of interest, (which excludes the inflation uplift on index-linked debt) increased to 3.4% (2023/24: 3.2%), reflecting increasing rates on new debt issued.

Our adjusted effective tax rate of 0.1% remained broadly unchanged from 2023/24. The tax charge of £90.7 million reflects our full effective tax rate this year of 28.3%, higher than the statutory rate of 25% due to expenditure that is not deductible for tax. In 2023/24 true ups for tax provisions from earlier years increased the effective tax rate to 30.4%.

Group profit after tax was £229.4 million (2023/24: £140.2 million) and our adjusted basic EPS was 112.1 pence (2023/24: 79.4 pence) reflecting the increase in earnings partially offset by a full year's impact of the increase in the number of shares from the equity placing in October 2023. Basic EPS was 76.6 pence (2023/24: 51.0 pence).

Our balance sheet remains strong. At 31 March 2025 our Group adjusted net debt was £8,545.3 million (2024: £7,187.9 million). Our regulated gearing, based on the RCV published by Ofwat, is 62.7% (2024: 61.3%).

On an IAS 19 basis, our net pension deficit is £119.8 million (2024: £213.0 million). We paid contributions of £69.7 million, in line with our funding plan, and net valuation adjustments to assets and liabilities further reduced the deficit by £37.8 million. Net finance costs from interest on the opening deficit were £10.3 million and there were administration costs of £4.0 million.

Group retained earnings at 31 March 2025 were £(78.1) million. As set out in the Regulated Water and Wastewater section below, this does not include the significant value we have generated in our regulated water businesses but is not recognised under IFRS, including, for example, net ODI rewards earned in the year. The International Accounting Standards Board has made significant progress in developing a new accounting standard for Rate Regulated Activities and expects to publish a new accounting standard in the second half of 2025. Based on the proposals in the IASB's Exposure Draft, we expect the new standard to result in the Group recognising significant regulatory assets and retained earnings at the point of adoption of the new standard that would result in positive retained earnings.

Operational cash flow was £868.8 million, (2023/24: £760.8 million) as EBITDA increased by £118.4 million. Cash capex was £1,538.0 million, up £391.8 million due to the increasing capital programme. Net cash returns to debt investors were £254.2 million and dividends paid to shareholders were £356.0 million. After other net cash inflows of £0.6 million, net cash outflow before changes in net debt was £1,278.8 million (2023/24: inflow of £64.9 million after the equity raise of £1 billion).

Severn Trent Water's RoRE for the year was 9.3% on a notional basis, 530 bps above the base return of 4.0%. Outperformance came mainly from our customer ODI rewards of £150 million, with 83% of our measures at or ahead of target, and financing, reflecting our continued low cash interest cost and the impact of higher inflation in the year compared to Ofwat's assumption in the Final Determination. In line with our guidance, totex reduced RoRE by 180 bps in the year leading to a reduction of 110 bps for the AMP.

Our proposed final dividend of 73.03 pence (2023/24: 70.10 pence), is in line with our inflation-linked dividend policy and payable on 15 July 2025.

Regulated Water and Wastewater

Turnover for our Regulated Water and Wastewater business was £2,249.0 million (2023/24: £2,152.0 million) and PBIT was £585.8 million (2023/24: £479.6 million).

	2025	2024	Better/(worse)	
	£m	£m	£m	%
Turnover	2,249.0	2,152.0	97.0	4.5
Net labour costs	(244.6)	(200.9)	(43.7)	(21.8)
Net hired and contracted costs	(274.5)	(251.8)	(22.7)	(9.0)
Energy	(192.0)	(283.0)	91.0	32.2
Bad debts	(34.5)	(27.3)	(7.2)	(26.4)
Other costs	(323.4)	(291.9)	(31.5)	(10.8)
	(1,069.0)	(1,054.9)	(14.1)	(1.3)
Infrastructure renewals expenditure	(148.5)	(207.2)	58.7	28.3
Depreciation	(445.7)	(410.3)	(35.4)	(8.6)
PBIT	585.8	479.6	106.2	22.1

Turnover increased by £97.0 million compared to 2023/24. There was an underlying revenue increase of £132.3 million driven by the following movements:

- An increase of £83.5 million from the annual CPIH + K increase in prices;
- A £25.5 million increase as the 2023/24 revenue reflected an adjustment for over-billing in 2021/22 as revenue recovered more quickly than estimated after Covid-19; and
- £23.3 million increase due to several other small variances including higher non-household consumption.

The underlying increase was offset by infrastructure renewal income, mostly in relation to HS2 work, which was £35.3 million lower year-on-year. This offsets in infrastructure renewals expenditure.

Net labour costs of £244.6 million were 21.8% higher than 2023/24. Investment in growing our front-line teams to drive performance improvements in key areas such as flooding, spills and pollutions and additional headcount to deliver the biggest ever capital programme increased basic pay by £31.0 million. The annual pay review increased basic pay by £20.4 million and on-costs such as pension and National Insurance added a further £12.9 million. Improved operational performance and headcount growth increased the bonus paid to all employees by £6.3 million. These costs were partly offset by higher capitalised salaries, up £27.4 million.

During the year we took the decision that, in recognition of the strong focus on executive pay across the sector, all Executive Director bonuses and long-term incentive awards would be charged to, and funded by, Severn Trent Plc. These costs are therefore borne by shareholders rather than customers. The decision was taken after the previous year's annual report had been approved and therefore these costs were accrued in the Regulated Water and Wastewater segment last year. In the current year the costs for 2023/24 and 2024/25 have been charged to Corporate costs, which now includes a reclassification of £6.1 million of the executive directors' variable pay from Regulated Water and Wastewater to the Corporate and Other segment.

Net hired and contracted costs increased by £22.7 million (9.0%). The insourcing of our reactive waste gangs last year has resulted in a £7.0 million reduction in our third-party gang costs. This was offset by £5.5 million in relation to a planned step up in the Green Recovery programme and £3.1 million increase for tankering and jetting. Technology support and licencing costs increased by £9.9 million, driven mostly by investment in new technology (such as Kraken and a new field planning system) and additional headcount. The remaining increase is driven by additional gangs to support an 11% increase in leakage jobs and higher costs of our grounds-maintenance contracts.

Energy costs were £91.0 million or 32.2% lower, driven by the lower wholesale weighted average price of electricity on imports. The weighted average price of electricity imports for our treatment works was £214/MWh in 2024/25 compared to £347/MWh in 2023/24, driving an £89.0 million saving. The remaining variance is driven by lower consumption.

Bad debt charges increased by £7.2 million, mainly due to higher household revenue. Underlying collection performance has remained strong, with the increase in bad debt charge reflecting uncertainty in the macro-economic environment as it increased to represent 2.1% of household revenue (2023/24: 1.5%).

Other costs were £31.5 million higher compared to 2023/24. Higher business rates resulted in £7.1 million increase and a further £7.8 million was driven by higher regulatory fees, mostly EA abstraction consent. The remaining variance is driven by a number of smaller increases in relation to chemicals, plant hire and materials.

Infrastructure renewals expenditure was £58.7 million lower compared to 2023/24, £35.3 million of which is due to lower HS2 activity, most of which offsets the lower infrastructure revenue above. The remaining reduction is driven by a higher proportion of capital works, mostly in relation to mains renewal delivering longer-term solutions, partly offset by additional investment in communication pipe renewal work.

Depreciation of £445.7 million was £35.4 million higher due to our increasing asset base as we closed AMP7.

Return on Regulatory Equity (RoRE)

RoRE is a key performance indicator for the regulated business and reflects our combined performance on totex, customer ODIs and financing compared to the base return allowed in the Final Determination.

Severn Trent Water's notional RoRE for the year ended 31 March 2025 and for the five years ended on that date is set out in the following table:

	2024/25 %	AMP7 %
Base return	4.0	3.9
Enhanced RoRE reward ¹	–	0.1
ODI outperformance ²	3.8	1.7
Wholesale totex performance ³	(1.8)	(1.1)
Retail cost performance	(0.5)	(0.2)
Financing outperformance	3.8	4.2
Return on Regulatory Equity⁴	9.3	8.6

1. Fast track reward taken over the first two years of AMP7.
2. ODI performance includes Per Capita Consumption (PCC), updated for Ofwat's post-intervention PCC performance, and forecast C-MeX and D-MeX outturn.
3. Includes impact of land sales. All calculated in accordance with Ofwat guidance set out in RAG 4.13, which precludes adjustment for corporation tax.
4. Calculated in accordance with Ofwat guidance set out in RAG 4.13 and in IN25/02, which includes Ofwat's AMP7 tax true-up mechanism.

We have delivered RoRE of 9.3% in the year, outperforming the base return by 5.3% as a result of:

- ODI outperformance of 3.8%, driven by strong delivery across the majority of measures, with 83% meeting or exceeding regulatory targets. Over the course of the AMP we have delivered £434 million of ODI rewards in nominal terms post-sharing; and
- Financing performance of 3.8%, driven by our AMP7 financing strategy of maintaining a low level of index-linked debt and the tax benefit of full expensing of capital allowances.

Regulatory performance measures

In addition to RoRE we have developed further performance measures to highlight aspects of value created by the Group that are not reflected in our financial performance indicators. These are set out below.

Economic Equity Value Added

Our first measure gives an indication of the economic value generated by the Group over the whole AMP.

Each year Ofwat publishes the FD RCV for each company which sets out the RCV updated for inflation. For this year this metric includes costs that have been added to the RCV as 'midnight adjustments' between the end of the current AMP and the start of the next. Our Economic RCV, which we introduced last year and includes estimates of these items, is the same as the FD RCV for Severn Trent Water and Hafren Dyfrdwy combined for this year.

Our Economic Value Added metric measures the growth in our Economic RCV and investment in our non-regulated business net of changes in net debt, pension liabilities and cash tax. We measure this over the AMP period:

	2024/25 £m	AMP7 opening £m	Value added £m
Economic RCV*	13,657	9,382	4,275
Revenue earned not billed	501	–	501
Regulated economic value	14,158	9,382	4,776
Other Group investments			132
Change in net debt, pensions liabilities and cash tax			(2,227)
Retained economic equity value added			2,681
Cashflows to equity holders			175
Economic equity value added			2,856

*Economic RCV is the same as RCV after midnight adjustments in accordance with Ofwat guidance in IN25/02.

The components of the Economic RCV are shown below:

	2024/25 £m	AMP7 opening £m	Value added £m
RCV per PR19 FD	12,385	9,382	3,003
Green Recovery	557	–	557
Real Options	134	–	134
Transitional Expenditure	442	–	442
Other adjustments	139	–	139
Economic RCV	13,657	9,382	4,275

The Green Recovery RCV represents our investment in the Green Recovery programme that will be recovered in future AMP periods.

Real Options are commitments that were agreed with Ofwat at PR19 to be adjusted to the RCV at the end of the AMP for delivery of environmental benefits.

Transitional Expenditure is investment that we have brought forward into AMP7 from AMP8 under Ofwat's transitional expenditure mechanism but was not included in the RCV until the start of AMP8.

Other RCV adjustments consists of 'true ups' that are made to the RCV at the end of the AMP under the regulatory model, including the RCV element of totex performance sharing. This adjustment is split between RCV and revenue in the regulatory model and so part of the adjustment is included here, and the remainder is included in revenue earned not billed below.

Regulatory income

This measure reflects income that will be recognised in IFRS financial statements in future years. IFRS financial statements do not currently reflect rights that we have earned in the period to bill additional revenue in future periods.

In addition, the inflation accretion on the principal amount of our index-linked debt is charged to finance costs in our IFRS financial statements but the inflation uplift on our RCV is not recognised under IFRS. Our regulatory income metric includes the benefit of inflation on RCV and the cost of inflation on index-linked debt for Severn Trent Water and Hafren Dyfrdwy combined.

	2024/25 £m	2023/24 £m
Adjusted IFRS earnings (see financial statements note 10)	336	218
Change in revenue earned not billed	263	76
RCV inflation	414	526
Total regulatory income	1,013	820

The movement in revenue earned not billed in the year is set out below in its major components:

	Revenue £m	ODIs £m	Totex £m	True-ups £m	Total £m
At 1 April 2024	37	133	138	(70)	238
Restatement	39	(5)	34	53	121
Inflation	3	5	7	(1)	14
Earned in year	10	107	120	(6)	231
Billed in year	(4)	(99)	–	–	(103)
Change in year	48	8	161	46	263
At 31 March 2025	85	141	299	(24)	501

We have restated our opening position to reflect Ofwat's latest view on these items, to adjust for the PR24 tax allowance and to include amounts relating to Hafren Dyfrdwy.

Revenue is an adjustment for the difference between revenue billed and the amount allowed in the FD. It also includes adjustments related to true ups of assumptions in the PR19 FD revenue allowance. These adjustments are generally billed two years in arrears.

ODI rewards earned in a given period can be recovered through revenue after two years (or carried forward further at the Company's choice). This is shown after taking account of amounts allowed for the tax impact when billed and in current prices.

Differences between totex spent and the amount allowed are 'shared' with customers in the following AMP. Part of this difference is recovered through adjustments to revenue (included here) and the remainder through adjustments to the RCV (included in Economic RCV above).

The regulatory model includes a number of 'true ups' for differences from original assumptions arising through the AMP and recovered from customers in the next AMP. These true ups include tax, cost of debt and the RPI-CPIH wedge in AMP7.

Based on the published draft standard, we expect these adjustments to be recognised as regulatory assets on the introduction of the IASB's proposed Rate Regulated Activities standard.

Business Services

	2025 £m	2024 £m	Change £m	%
Turnover				
Operating Services and other	100.2	104.3	(4.1)	(3.9)
Green Power	83.3	87.6	(4.3)	(4.9)
	183.5	191.9	(8.4)	(4.4)
EBITDA				
Operating Services and other	21.2	25.6	(4.4)	(17.2)
Green Power	22.7	29.5	(6.8)	(23.1)
Property Development	3.6	4.1	(0.5)	(12.2)
	47.5	59.2	(11.7)	(19.8)

Business Services turnover was £183.5 million (down 4.4%) and EBITDA was £47.5 million (down 19.8%).

In our Operating Services and Other businesses, turnover reduced by £4.1 million due to additional wholesaler water and waste charges, following the Final Determination, reducing the revenue recognised in relation to the MoD contract. This was partly offset by increase in relation to our contract with the Coal Authority. EBITDA was £21.2 million, £4.4 million lower mainly due to the additional wholesaler charges above, partly offset by a refund of legal costs in relation to the Environmental Information Request ("EIR") case being rejected.

In Green Power, turnover was £83.3 million, £4.3 million lower year-on-year. Total energy exports have increased by 12.7 GWh including a full year's contribution from Andigestion. The lower weighted average price on exported electricity reduced turnover by £8.7 million. This is partly offset by higher incentive income of £3.4 million. Green Power EBITDA was £6.8 million lower, driven by lower revenue and higher feedstock costs.

Corporate and other

Corporate costs were £20.7 million (2023/24: £10.5 million). The increase includes £6.1 million relating to Directors' variable pay which was previously reported in Regulated Water and Wastewater. Professional costs increased by £2.3 million mainly in relation to the class action claim brought against Severn Trent at the Competition Appeal Tribunal. On 7 March 2025 the Tribunal issued its judgment dismissing the claim.

Our other businesses, which comprises our captive insurance company, generated PBIT of £1.0 million (2023/24: £1.1 million)

Net finance costs

Net finance costs for the year were £37.6 million (13.4%) lower than the prior year at £243.9 million. Higher cash interest costs were largely offset by lower inflation on index-linked debt, and our growing capital programme increased the amount capitalised.

Average net debt was up 7.5% at £7,755.5 million (2023/24: £7,216.6 million) but lower inflation in the year reduced the cost of our index-linked debt by £38.1 million. Our effective interest cost was 4.3% (2023/24: 4.7%).

We raised £1,440 million after issue costs of new debt at tight pricing with low credit spreads compared to the sector average. Our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was higher at 3.4% (2023/24: 3.2%).

Capitalised interest of £103.1 million was £33.5 million higher year-on-year, due to increased capital work in progress compared to the previous year.

Our earnings before interest, tax, depreciation and amortisation (EBITDA) interest cover was 4.5 times (2023/24: 3.5 times) and PBIT interest cover was 2.5 times (2023/24: 1.9 times). See note 17 for further details.

Gains/losses on financial instruments

We use financial derivatives solely to hedge risks associated with our normal business activities including:

- Exchange rate exposure on foreign currency borrowings;
- Interest rate exposures on floating rate borrowings;
- Exposures to increases in electricity prices; and
- Changes in the regulatory model from RPI to CPIH.

We hold interest rate swaps with a net notional principal of £438.5 million floating to fixed, and cross currency swaps with a sterling principal of £1,470.6 million, which economically act to fix the sterling liability on certain foreign currency borrowings.

We revalue the derivatives at each balance sheet date and take the changes in value to the income statement, unless the derivative is part of a cash flow hedge.

Where hedge accounting is not applied, if the risk being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement. During the year there was a loss of £17.7 million (2023/24: loss of £9.0 million) in relation to these instruments.

Note 6 to the financial statements gives an analysis of the amounts charged to the income statement in relation to financial instruments.

As part of our energy cost management strategy, we have fixed the wholesale price for around 100% of our estimated wholesale electricity usage for 2025/26 and around 50% for 2026/27 through physical hedges with suppliers and financial hedging with banks.

Share of loss of joint venture

Water Plus incurred a loss after tax of £21.6 million, mainly due to increased bad debt charges. Our share of Water Plus's result for the year was a loss of £10.8 million (2023/24: loss of £4.1 million).

Taxation

We are committed to paying the right amount of tax at the right time, and were pleased to be awarded the Fair Tax Mark for the sixth consecutive year. We pay a range of taxes, including business rates, employer's national insurance and environmental taxes such as the Climate Change Levy as well as the corporation tax shown in our tax charge in the income statement.

	2025 £m	2024 £m
Tax incurred:		
Corporation tax	0.4	0.5
Business rates and property taxes	97.0	90.4
Employer's National Insurance	46.6	39.2
Environmental taxes	6.7	6.6
Other taxes	6.6	6.7
	157.3	143.4

Further details on the taxes and levies that we pay can be found in our report "Explaining our Tax Contribution 2024/25", which will be made available on our website over the summer.

The corporation tax charge for the year recorded in the income statement was £90.7 million (2023/24: £61.1 million) and we made net corporation tax payments of £0.3 million in the year (2023/24: net repayments received of £9.0 million). The difference between the tax charged and the tax paid is summarised below:

	2025 £m	2024 £m
Tax on profit on ordinary activities	90.7	61.1
Tax effect of timing differences	(85.0)	(53.2)
Overprovisions in previous years	(5.3)	(7.4)
Corporation tax payable for the year	0.4	0.5
Amount payable in the next year	(0.4)	(0.5)
Net payments/(receipts) in respect of prior years	0.3	(9.0)
Net tax paid/(received) in the year	0.3	(9.0)

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2023/24: nil).

Note 7 in the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax credit for the year was £0.2 million (2023/24: credit of £5.5 million), which arose from £0.4 million corporation tax payable in respect of our Guernsey-based captive insurance subsidiary (2023/24: £0.5 million) and £0.6 million credit for adjustments to tax provisions from previous years (2023/24: charge of £5.0 million). The deferred tax charge was £90.9 million (2023/24: £55.6 million).

Our effective tax rate was 28.3% (2023/24: 30.4%), which is higher than the UK rate of corporation tax of 25% in both years mainly due to permanent differences arising from costs that are not deductible for tax and, in 2023/24, the true up of prior year provisions.

Our adjusted effective current tax rate was 0.1% (2023/24: 0.2%) (see note 17).

UK tax rules specify the rate of tax relief available on capital expenditure. Typically this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. In the current and previous year, a significant proportion of our capital expenditure qualified for 100% deduction for tax in the year of spend.

The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. Under IFRS accounting, we make a provision for the tax that we would pay in future periods, if the depreciation charge arising on expenditure for which tax relief has already been received is not offset by further tax allowances in those periods. However, the nature of our business, including a significant rolling capital programme and the long lives of our assets, means we do not expect these timing differences to reverse for the foreseeable future, and they may never do so. This is the most significant component of our deferred tax position.

Our net deferred tax provision is reduced by the benefit of taxable losses amounting to £1,766 million (2023/24: £871 million) that we have incurred as a result of the capital allowances claimed under full expensing and, previously, the super deduction.

Profit for the year and earnings per share

Total profit for the year was £229.4 million (2023/24: £140.2 million).

Basic earnings per share was 76.6 pence (2023/24: 51.0 pence). Adjusted basic earnings per share was 112.1 pence (2023/24: 79.4 pence). For further details see note 10.

Group cash flow

	2025 £m	2024 £m
Operational cashflow	868.8	760.8
Cash capex	(1,538.0)	(1,146.2)
Net interest paid	(254.2)	(210.3)
Purchase of subsidiaries net of cash acquired	(13.6)	(41.5)
Net payments for swap terminations and other swap payments	(1.6)	(4.4)
Net tax paid	(0.3)	9.0
Free cash flow	(938.9)	(632.6)
Dividends	(356.0)	(301.4)
Issue of shares	16.1	1,000.7
Purchase of own shares	–	(1.8)
Change in adjusted net debt from cash flows	(1,278.8)	64.9
Non-cash movements	(78.6)	(128.9)
Change in adjusted net debt	(1,357.4)	(64.0)
Opening adjusted net debt	(7,187.9)	(7,123.9)
Closing adjusted net debt	(8,545.3)	(7,187.9)

	2025 £m	2024 £m
Bank loans	(784.7)	(783.5)
Other loans	(8,798.0)	(7,357.9)
Lease liabilities	(111.1)	(120.0)
Net cash and cash equivalents	1,044.8	951.4
Accounting adjustments on debt	32.5	49.5
Loans due from joint ventures	71.2	72.6
Net debt	(8,545.3)	(7,187.9)

Operational cash flow was £868.8 million (2023/24: £760.8 million). The increase arose from higher EBITDA, depreciation and amortisation.

Net cash capex increased to £1,538.0 million (2023/24: £1,146.2 million), reflecting the close out of our AMP7 capital programme and our early start on AMP8 with £396 million of transition expenditure in the year.

Our net interest payments of £254.2 million (2023/24: £210.3 million) were higher than the previous year due to the impact of higher net debt, and an increase in the effective cash cost of interest (which excludes the non-cash indexation charge on index linked debt).

The benefits of the full expensing of capital allowances meant that we had no taxable profit in the year. The tax payment arose from the true up of prior year amounts. In the previous year we received repayment of the amount recoverable relating to prior years.

We received £16.1 million from the exercise of options under the employee Save As You Earn share scheme (2023/24: £14.3 million). In the previous year we also raised £986.4 million net proceeds from the equity placing in October 2023. Our dividends paid increased in line with our policy to increase by CPIH each year during AMP 7.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase in adjusted net debt of £1,357.4 million (2023/24: £64.0 million).

At 31 March 2025 we held £1,044.8 million (2024: £951.4 million) in net cash and cash equivalents. Average debt maturity was around 13 years (2024: 14 years). Including committed facilities, our cash flow requirements are funded until September 2026.

Adjusted net debt at 31 March 2025 was £8,545.3 million (2024: £7,187.9 million). Our regulatory gearing is 62.7% (2024: 61.3%).

The estimated fair value of debt at 31 March 2025 was £1,109.8 million lower than book value (2024: £465.3 million lower). The change in the difference between book and fair value is largely due to the impact of inflation expectations and higher interest rates on the fair value of our index-linked debt and higher interest rates on our fixed-rate debt.

Our policy for the management of interest rates is that at least 40% of our borrowings should be at fixed interest rates or hedged through the use of interest rate swaps or forward rate agreements. At 31 March 2025 interest rates for 66% (2024: 67%) of our gross debt of £9,697.1 million were fixed; 10% (2024: 6%) were floating and 24% (2024: 27%) were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Our long-term credit ratings are:

Long-term ratings	Severn Trent Plc	Severn Trent Water	Outlook
Moody's	Baa2	Baa1	Stable
Standard and Poor's	BBB	BBB+	Stable
Fitch	BBB	BBB+	Stable

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and report this to the Treasury Committee.

Pensions

We have three defined benefit pensions arrangements, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual.

The most recent formal actuarial valuation for the Severn Trent Pension Scheme (STPS), which is by far the largest of the schemes, was completed as at 31 March 2022. The future funding plan agreed with the Trustee was unchanged from the 2019 valuation (save for inflationary uplifts where applicable) and includes:

- Deficit reduction payments to be made each year until 31 March 2027, increasing in line with CPI (based on increases in the inflation measure covering the twelve-month period to the previous November). These payments are expected to be made to a limited liability partnership (LLP) that the Group and the Trustee have established;
- Payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue beyond 31 March 2025 if the Scheme's assets are less than the Scheme's Technical Provisions; and
- Inflation-linked payments under an asset-backed funding arrangement, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed.

The valuation as at 31 March 2025 is now underway.

In June 2021 we executed a bulk annuity buy-in for the MIPS, which represents around 4% of the Group's defined benefit liabilities. Under the buy-in, the liabilities of this scheme will be met by an insurance policy and as a result the Group's risk is substantially reduced.

Hafren Dyfrdwy participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme (DVWS). DVWS funds are administered by trustees and held separately from the assets of the Group. DVWS is closed to new entrants. The most recent formal actuarial valuation of DVWS was completed as at 31 March 2023 and no deficit reduction contributions are required. In March 2023, the DVWS also entered into a bulk annuity buy-in insurance policy that covers the majority of the scheme obligations and in March 2024 the DVWS closed to future accrual.

On an IAS 19 basis, the net position (before deferred tax) of all of the Group's defined benefit pension schemes was a deficit of £119.8 million (2024: £213.0 million) and the funding level increased to 93% (31 March 2024: 86%). To calculate the pension deficit for accounting purposes, we are required to use corporate bond yields as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the scheme's assets or their expected returns.

The movements in the net deficit during the year were:

	Fair value of scheme assets £m	Defined benefit obligations £m	Net deficit £m
At start of the period	1,805.0	(2,018.0)	(213.0)
Amounts credited/(charged) to income statement	81.3	(95.6)	(14.3)
Actuarial (losses)/gains taken to reserves	(161.7)	199.5	37.8
Net contributions received and benefits paid	(47.9)	117.6	69.7
At end of the period	1,676.7	(1,796.5)	(119.8)

The income statement includes:

- Scheme administration costs of £4.0 million; and
- Interest on scheme liabilities and expected return on the scheme assets – together a net cost of £10.3 million.

Higher interest rate expectations increased the discount rate, which is derived from yields on high quality corporate bonds, by 90bps. Inflation expectations have decreased by around 10bps since the previous year end. The impacts of these changes resulted in a decrease in the scheme liabilities of around £201 million.

Higher bond yields impacted the value of scheme assets, which decreased in value by £162 million more than the return included in the income statement in the year.

The remaining actuarial adjustments arose from minor changes to demographic assumptions and variance of actual experience in the year from previous financial assumptions.

Contributions paid to the STPS in the year included:

- The amounts due under the asset-backed funding arrangements (£28.9 million); and
- The deficit reduction payment of £40.3 million, which was paid to our new LLP funding vehicle.

There were also payments of benefits under the unfunded scheme amounting to £0.5 million.

Dividends

In line with our policy for AMP7 to increase the dividend by at least CPIH each year, the Board has proposed a final ordinary dividend of 73.03 pence per share for 2024/25 (2023/24: 70.10 pence per share). This gives a total ordinary dividend for the year of 121.71 pence per share (2023/24: 116.84 pence per share).

The final ordinary dividend is payable on 15 July 2025 to shareholders on the register at 30 May 2025.

Principal risks and uncertainties

The Board has overall responsibility for determining the nature and extent of the risks in which Severn Trent participates and for ensuring that risks are managed effectively across the Group. The Board considers the principal risks and uncertainties affecting the Group's business activities to be those detailed below:

Health and Safety:

- Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public.

Infrastructure Failure and Asset Resilience:

- We do not provide a safe and secure supply of drinking water to our customers.
- We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.

Customer Service and Experience:

- We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide.

Supply Chain and Capital Project Delivery:

- Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality).

Security and Resilience:

- Core operational capabilities are compromised through physical, people or technological threats.

Political, Legal and Regulatory:

- Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions.

Financial Liabilities:

- A failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility.

People and Culture:

- Our people and culture do not adapt in response to a changing environment and take advantage of technological advancements to deliver enhanced business performance.

Climate Change, Environment and Biodiversity:

- Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.
- Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.

Technical Guidance 2025/26

Outlook statement

We project adjusted EPS to double in the 3-year period to 2027/28, from 112.1 pence in 2024/25, benefitting from regulated revenue growth including ODI outperformance, continued cost management, and our strategic approach to financing.

We expect this adjusted EPS growth to be weighted towards 2025/26 reflecting our bill profile.

Year-end guidance		FY25	Year-on-Year
Regulated Water and Wastewater			
Turnover	Around £2.6 billion including HS2 related income.	£2.25bn	▲
Operating costs & IRE	Up to 12% higher year-on-year including continued investment in operational performance and increases in national insurance and pay.	£1.2bn	▲
ODIs	At least £25 million of ODI reward with growth expected later in AMP8 ¹ .	£68m	▼
Business Services			
EBITDA	15%-25% increase year-on-year driven by higher property profits and strong generation performance in Green Power.	£47m	▲
Group			
Net finance costs ²	20%-25% higher year-on-year including additional debt to fund the AMP8 investment programme.	£244m	▲
Adjusted effective current tax rate	Adjusted effective current tax rate of nil due to "full expensing" and other accelerated capital allowances on our substantial capital investment programme.	0.1%	↔
Capital investment	Set to invest between £1.7 billion-£1.9 billion.	£1.7bn	▲
Dividend ³	2025/26 dividend of 126.02 pence, in line with our AMP8 policy of annual growth by CPIH.	121.71p	▲

Footnotes to Technical Guidance

¹ Customer Outcome Delivery Incentives are quoted post-tax in 2022/23 prices.

² Based on Oxford Economics April inflation forecast. Index-linked debt comprises around a quarter of our total debt.

³ 2025/26 dividend growth rate based on November 2024 CPIH of 3.53%.

Further Information

For further information, including the Group's full year results presentation, see the Severn Trent website (www.severntrent.com).

Investor Timetable

29 May 2025	Ex-dividend date (Final)
30 May 2025	Dividend record date (Final)
24 June 2025	DRIP election date (Final)
10 July 2025	Q1 Trading Update FY2025/26
10 July 2025	AGM
15 July 2025	Final dividend payment date
19 November 2025	Interim Results Announcement FY2025/26
For more information please visit: https://www.severntrent.com/investors/financial-calendar-and-regulatory-news/financial-calendar/	

A Dividend Reinvestment Plan ('DRIP') is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

Consolidated income statement

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Turnover	2,3	2,426.7	2,338.2
Operating costs before charge for bad and doubtful debts		(1,801.8)	(1,799.1)
Charge for bad and doubtful debts		(34.7)	(27.3)
Total operating costs		(1,836.5)	(1,826.4)
Profit before interest and tax		590.2	511.8
Finance income	4	142.6	123.1
Finance costs	5	(386.5)	(404.6)
Net finance costs		(243.9)	(281.5)
Increase in expected credit loss on loan receivable		–	(2.5)
Net losses on financial instruments	6	(15.4)	(22.4)
Share of net loss of joint ventures accounted for using the equity method	11	(10.8)	(4.1)
Profit on ordinary activities before taxation		320.1	201.3
Current tax	7	0.2	(5.5)
Deferred tax	7	(90.9)	(55.6)
Taxation on profit on ordinary activities	7	(90.7)	(61.1)
Profit for the year		229.4	140.2

Earnings per share (pence)

	Note	2025	2024
Basic	10	76.6	51.0
Diluted	10	76.4	50.9

Consolidated statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Profit for the year		229.4	140.2
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Net actuarial gains	12	37.8	16.4
Deferred tax on net actuarial gains		(9.4)	(4.2)
		28.4	12.2
Items that may be reclassified to the income statement:			
Losses on cash flow hedges		(3.7)	(6.1)
Deferred tax on losses on cash flow hedges		1.0	1.5
Amounts on cash flow hedges transferred to the income statement	6	12.6	18.2
Deferred tax on transfer to the income statement		(3.2)	(4.6)
		6.7	9.0
Other comprehensive income for the year		35.1	21.2
Total comprehensive income for the year		264.5	161.4

Consolidated statement of changes in equity

For the year ended 31 March 2025

	Note	Equity attributable to owners of the Company				Total £m
		Share capital	Share premium	Other reserves	Retained earnings	
		£m	£m	£m	£m	
At 1 April 2023		249.1	408.7	150.3	162.5	970.6
Profit for the period		–	–	–	140.2	140.2
Net actuarial gains	12	–	–	–	16.4	16.4
Deferred tax on net actuarial gains		–	–	–	(4.2)	(4.2)
Losses on cash flow hedges		–	–	(6.1)	–	(6.1)
Deferred tax on losses on cash flow hedges		–	–	1.5	–	1.5
Amounts on cash flow hedges transferred to the income statement	6	–	–	18.2	–	18.2
Deferred tax on transfer to the income statement		–	–	(4.6)	–	(4.6)
Total comprehensive income for the year		–	–	9.0	152.4	161.4
Proceeds from equity placing		45.5	940.9	–	–	986.4
Share options and LTIPs						
- proceeds from shares issued		0.8	13.5	–	–	14.3
- value of employees' services		–	–	–	10.3	10.3
- own shares purchased		–	–	–	(1.8)	(1.8)
Deferred tax on share based payments		–	–	–	(5.8)	(5.8)
Reserves transfer		–	–	8.3	(8.3)	–
Dividends paid	9	–	–	–	(301.4)	(301.4)
At 1 April 2024		295.4	1,363.1	167.6	7.9	1,834.0
Profit for the period		–	–	–	229.4	229.4
Net actuarial gains	12	–	–	–	37.8	37.8
Deferred tax on net actuarial gains		–	–	–	(9.4)	(9.4)
Loss on cash flow hedges		–	–	(3.7)	–	(3.7)
Deferred tax on loss on cash flow hedges		–	–	1.0	–	1.0
Amounts on cash flow hedges transferred to the income statement	6	–	–	12.6	–	12.6
Deferred tax on amounts on cash flow hedges transferred to the income statement		–	–	(3.2)	–	(3.2)
Total comprehensive income for the year		–	–	6.7	257.8	264.5
Share options and LTIPs						
- proceeds from shares issued		0.9	15.2	–	–	16.1
- value of employees' services		–	–	–	11.0	11.0
Issue from treasury shares		–	–	–	1.8	1.8
Deferred tax on share based payments		–	–	–	(0.6)	(0.6)
Dividends paid	9	–	–	–	(356.0)	(356.0)
At 31 March 2025		296.3	1,378.3	174.3	(78.1)	1,770.8

Consolidated balance sheet

At 31 March 2025

	Note	31 March 2025 £m	31 March 2024 £m
Non-current assets			
Goodwill		117.3	112.8
Other intangible assets		206.5	186.5
Property, plant and equipment		13,307.2	11,766.9
Biological assets		4.9	5.7
Right-of-use assets		141.0	143.0
Investment in joint venture	11	1.6	12.4
Derivative financial instruments		59.9	71.2
Trade and other receivables		90.8	89.2
Retirement benefit surplus	12	5.3	5.4
		13,934.5	12,393.1
Current assets			
Inventory		43.2	40.1
Trade and other receivables		878.3	817.3
Derivative financial instruments		5.6	–
Cash and cash equivalents		1,048.1	953.2
		1,975.2	1,810.6
Total assets		15,909.7	14,203.7
Current liabilities			
Borrowings		(533.0)	(67.9)
Derivative financial instruments		(2.9)	–
Trade and other payables		(862.2)	(724.7)
Current tax payable		(0.4)	(0.9)
Provisions for liabilities		(46.4)	(53.9)
		(1,444.9)	(847.4)
Net current assets		530.3	963.2
Total assets less current liabilities		14,464.8	13,356.3
Non-current liabilities			
Borrowings		(9,164.1)	(8,195.3)
Derivative financial instruments		(44.7)	(26.0)
Trade and other payables		(1,839.2)	(1,688.5)
Deferred tax		(1,472.1)	(1,364.5)
Retirement benefit obligations	12	(125.1)	(218.4)
Provisions for liabilities		(48.8)	(29.6)
		(12,694.0)	(11,522.3)
Total liabilities		(14,138.9)	(12,369.7)
Net assets		1,770.8	1,834.0
Equity			
Called up share capital		296.3	295.4
Share premium account		1,378.3	1,363.1
Other reserves		174.3	167.6
Retained earnings		(78.1)	7.9
Total equity		1,770.8	1,834.0

Consolidated cash flow statement

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Cash generated from operations	13	912.6	804.3
Tax received	13	—	9.0
Tax paid	13	(0.3)	—
Net cash generated from operating activities		912.3	813.3
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired		(13.6)	(41.5)
Purchases of property, plant and equipment		(1,553.0)	(1,169.7)
Purchases of intangible assets		(39.8)	(30.0)
Proceeds on disposal of property, plant and equipment		11.0	10.0
Net loans repaid by joint venture		0.4	2.7
Interest received		57.5	37.0
Net cash outflow from investing activities		(1,537.5)	(1,191.5)
Cash flows from financing activities			
Interest paid		(307.9)	(243.6)
Interest element of lease payments		(3.8)	(3.7)
Dividends paid to shareholders of the parent		(356.0)	(301.4)
Repayments of borrowings		(54.8)	(603.6)
Principal elements of lease payments		(13.6)	(10.5)
New loans raised		1,440.2	1,469.2
Issues of shares net of costs		16.1	1,000.7
Termination and other payments for swaps		(1.6)	(4.4)
Purchase of own shares		—	(1.8)
Net cash inflow from financing activities		718.6	1,300.9
Net movement in cash and cash equivalents		93.4	922.7
Net cash and cash equivalents at the beginning of the year		951.4	28.7
Net cash and cash equivalents at the end of the year		1,044.8	951.4
Cash at bank and in hand		59.3	44.1
Bank overdrafts		(3.3)	(1.8)
Short term deposits		988.8	909.1
		1,044.8	951.4

Notes to the financial statements

1. General information

Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Financial Reporting Standards ('IFRS'). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Including undrawn committed credit facilities, the Group is fully funded for its investment and cash flow needs until September 2026. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and hence the financial statements have been prepared on the going concern basis.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The financial information set out in this announcement does not constitute the Company's statutory accounts, within the meaning of section 430 of the Companies Act 2006, for the years ended 31 March 2025 or 2024, but is derived from those accounts. While the financial information included within this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, it does not comply with the disclosure requirements of IFRS. Statutory accounts for 2024 have been delivered to the Registrar of Companies and those for 2025 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The auditors have consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

2. Segmental analysis

a) Background

The Group is organised into two main business segments:

Regulated Water and Wastewater includes the activities of Severn Trent Water Limited, except hydro-electric generation and property sales, and Hafren Dyfrdwy Cyfyngedig.

Business Services includes the Group's Operating Services businesses, the Green Power business including Severn Trent Water's hydro-electric generation, the Property Development business and our other non-regulated businesses including affinity products and searches.

The Severn Trent Executive Committee ('STEC') is the Group's chief operating decision maker. The reports provided to STEC include segmental information prepared on the basis described above.

Results from interests in our joint venture are not included in the segmental reports reviewed by STEC.

Goodwill is monitored at the segment level.

Transactions between reportable segments are included within segmental results, assets and liabilities in accordance with Group accounting policies. These are eliminated on consolidation.

b) Segmental results

The following table shows the segmental turnover and profit before interest and tax ('PBIT'):

	2025		2024	
	Regulated Water and Wastewater £m	Business Services £m	Regulated Water and Wastewater £m	Business Services £m
External turnover	2,248.7	178.0	2,151.5	186.8
Inter-segment turnover	0.3	5.5	0.5	5.1
Total turnover	2,249.0	183.5	2,152.0	191.9
PBIT	585.8	25.1	479.6	41.4

The reportable segments' turnover is reconciled to Group turnover as follows:

	2025 £m	2024 £m
Regulated Water and Wastewater	2,249.0	2,152.0
Business Services	183.5	191.9
Corporate and other	1.6	1.3
Consolidation adjustments	(7.4)	(7.0)
	2,426.7	2,338.2

Segmental PBIT is reconciled to the Group's profit before tax as follows:

	2025 £m	2024 £m
Regulated Water and Wastewater	585.8	479.6
Business Services	25.1	41.4
Corporate and other	(19.7)	(9.4)
Consolidation adjustments	(1.0)	0.2
Profit before interest and tax	590.2	511.8
Net finance costs	(243.9)	(281.5)
Increase in expected credit loss on loan receivable	–	(2.5)
Net losses on financial instruments	(15.4)	(22.4)
Share of net loss of joint ventures accounted for using the equity method	(10.8)	(4.1)
Profit on ordinary activities before taxation	320.1	201.3

The Group's treasury and tax affairs are managed centrally by the Group Treasury and Tax departments. Finance costs are managed on a group basis and hence interest income and costs are not reported at the segmental level. Tax is not reported to STEC on a segmental basis. The Group's interest in its joint venture is reported as a corporate asset.

c) Segmental capital employed

The following table shows the segmental capital employed:

	2025		2024	
	Regulated Water and Wastewater £m	Business Services £m	Regulated Water and Wastewater £m	Business Services £m
Operating assets	14,240.9	388.9	12,601.0	381.9
Goodwill	63.5	55.1	63.5	50.6
Segment assets	14,304.4	444.0	12,664.5	432.5
Segment operating liabilities	(2,865.9)	(42.4)	(2,641.2)	(49.2)
Capital employed	11,438.5	401.6	10,023.3	383.3

Operating assets comprise other intangible assets, property, plant and equipment, right-of-use assets, retirement benefit surpluses, inventory, biological assets and trade and other receivables.

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

3. Revenue from contracts with customers

Revenue recognised from contracts with customers is analysed by business segment below:

Year ended 31 March 2025

	Regulated Water and Wastewater £m	Business Services £m	Corporate and other £m	Consolidation adjustments £m	Group £m
Water and wastewater services	2,204.0	–	–	(0.3)	2,203.7
Operating services	–	84.9	–	–	84.9
Renewable energy	40.3	83.3	–	(5.5)	118.1
Other sales	4.7	15.3	1.6	(1.6)	20.0
	2,249.0	183.5	1.6	(7.4)	2,426.7

Year ended 31 March 2024

	Regulated Water and Wastewater £m	Business Services £m	Corporate and other £m	Consolidation adjustments £m	Group £m
Water and wastewater services	2,104.1	–	–	(0.5)	2,103.6
Operating services	–	88.9	–	–	88.9
Renewable energy	42.4	87.6	–	(5.1)	124.9
Other sales	5.5	15.4	1.3	(1.4)	20.8
	2,152.0	191.9	1.3	(7.0)	2,338.2

Revenue from water and wastewater services provided to customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year end. For customers who are not metered, the performance obligation is to stand ready to provide water and wastewater services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year and revenue is recognised on a straight line basis over the financial year.

Payment received from customers in advance of the service period represents a contract liability. Changes in the Group's contract liabilities from payments received in advance were as follows:

	2025 £m	2024 £m
Contract liability at 1 April	149.0	146.5
Revenue recognised	(1,668.9)	(1,521.7)
Cash received	1,693.7	1,524.2
Contract liability at 31 March	173.8	149.0

The Operating Services business includes a material 25-year contract with multiple performance obligations. Under this contract the Group bills the customer based on an inflation-linked volumetric tariff. The performance obligations are:

- operating and maintaining the customer's infrastructure assets;
- upgrading the customer's infrastructure assets;
- administering the services received from statutory water and sewerage undertakers; and
- administering billing services of the customer's commercial and Non Base Dependant customers.

Revenue is allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Changes to projected margins are adjusted on a cumulative basis in the period that they are identified.

Other than the provision of water and wastewater services, there is no direct correlation between the satisfaction of the performance obligations and the timing of billing and customer payments. The estimated transaction price for the contract is derived from estimates of the customer's consumption at the contract tariff rate, adjusted for inflation. This estimate is updated on an annual basis. The estimated transaction price has increased from 31 March 2024 as a result of higher consumption. At 31 March 2025 the aggregate amount of the estimated transaction price allocated to

performance obligations that were not satisfied was £306.4 million (2024: £326.5 million). This amount is expected to be recognised as revenue as follows:

	2025 £m	2024 £m
In the next year	58.9	54.8
Between one and five years	247.5	216.9
After more than five years	–	54.8
	306.4	326.5

The assumptions and other sources of estimation uncertainty in relation to this contract do not present a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year and are therefore not included as a source of estimation uncertainty.

Revenue recognised in excess of amounts billed is recorded as a contract asset and amounts billed in excess of revenue recognised is recorded as a contract liability. Changes in Operating Services contract assets in the year were as follows:

	2025 £m	2024 £m
Contract asset at 1 April	47.1	44.3
Amounts billed	(64.5)	(57.6)
Revenue recognised	47.8	60.4
Contract asset at 31 March	30.4	47.1

4. Finance income

	2025 £m	2024 £m
Interest income earned on bank deposits	53.1	38.8
Other financial income	4.2	1.8
Total interest receivable	57.3	40.6
Interest income on defined benefit scheme assets	85.3	82.5
	142.6	123.1

5. Finance costs

	2025 £m	2024 £m
Interest expense charged on:		
Bank loans and overdrafts	41.2	35.3
Other loans	241.8	268.8
Lease liabilities	3.8	3.7
Total borrowing costs	286.8	307.8
Other financial expenses	4.1	0.9
Interest cost on defined benefit scheme liabilities	95.6	95.9
	386.5	404.6

6. Net losses on financial instruments

	2025	2024
	£m	£m
Loss on swaps used as hedging instruments in fair value hedges	(2.4)	(15.5)
Gain arising on debt in fair value hedges	5.2	15.6
Exchange gain on other loans	10.9	2.8
Net loss on cash flow hedges transferred from equity	(12.6)	(18.2)
Hedge ineffectiveness on cash flow hedges	–	0.7
Loss arising on swaps where hedge accounting is not applied	(17.7)	(9.0)
Amortisation of fair value adjustment on debt	1.2	1.2
	(15.4)	(22.4)

7. Tax

	2025	2024
	£m	£m
Current tax		
Current year at 25% (2024: 25%)	0.4	0.5
Prior years	(0.6)	5.0
Total current tax (credit)/charge	(0.2)	5.5
Deferred tax		
Origination and reversal of temporary differences:		
Current year	85.0	53.2
Prior years	5.9	2.4
Total deferred tax charge	90.9	55.6
	90.7	61.1

8. Acquisitions

On 3 July 2024, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited and Severn Trent Green Power Cayton Limited (previously EEB54 Limited, EEB51 Limited and EEB29 Limited respectively) for a total consideration of £10.2 million. Additionally, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Church Farm Limited (previously EEB66 Limited) on 18 November 2024 for a total consideration of £3.4 million. The acquisitions are expected to increase the Group's renewable energy market share.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	13.6
The assets and liabilities recognised as a result of the acquisition are as follows:	
	£m
Cash and cash equivalents	–
Property, plant and equipment	1.4
Deferred tax	(4.5)
Borrowings	(5.9)
Other intangible assets	18.1
Net identifiable assets acquired	9.1
Add: goodwill	4.5
	13.6

Property, plant and equipment of £1.4 million has been acquired as part of the business combination. This represents capitalised prepayments for contracts to construct grid connection assets. As such, the fair value remains equal to the cash paid.

The fair value of the acquired intangible assets of £18.1 million, being the contractual rights to connect to, and sell solar energy via, the National Grid, is provisional.

Goodwill of £4.5 million has been capitalised attributable to the recognition of the deferred tax liability in relation to the intangible assets acquired.

Acquisition-related costs of £1.0 million are recognised as an expense in the income statement.

The acquired business contributed revenues of nil and net profit of nil to the Group for the period from 3 July 2024 to 31 March 2025. If the acquisition had occurred on 1 April 2024, consolidated revenue and consolidated profit after tax for the year ended 31 March 2025 would have been unchanged.

9. Dividends

Amounts recognised as distributions to owners of the Company in the year:

	2025		2024	
	Pence per share	£m	Pence per share	£m
Final dividend for the year ended 31 March 2024 (2023)	70.10	210.1	64.09	161.6
Interim dividend for the year ended 31 March 2025 (2024)	48.68	145.9	46.74	139.8
Total dividends paid	118.78	356.0	110.83	301.4
Proposed final dividend for the year ended 31 March 2025	73.03	219.2		

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

10. Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares and those held in the Severn Trent Employee Share Ownership Trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period. Potential ordinary shares are not treated as dilutive if their conversion does not decrease earnings per share or increase loss per share.

Basic and diluted earnings per share is calculated on the basis of profit attributable to the owners of the Company.

The calculation of basic and diluted earnings per share is based on the following:

i) Earnings for the purpose of basic and diluted earnings per share

	2025	2024
	£m	£m
Profit for the year	229.4	140.2

ii) Number of shares

	2025	2024
	m	m
Weighted average number of ordinary shares for the purpose of basic earnings per share	299.5	274.9
Effect of dilutive potential ordinary shares:		
- share options and LTIPs	0.7	0.8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	300.2	275.7

b) Adjusted earnings per share

	2025	2024
	pence	pence
Adjusted basic earnings per share	112.1	79.4
Adjusted diluted earnings per share	111.8	79.1

Adjusted earnings per share figures exclude the effects of gains/losses on financial instruments, current tax related to gains/losses on financial instruments and deferred tax. The directors consider that the adjusted figures provide a useful additional indicator of performance. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures set out above.

The adjustments to earnings that are made in calculating adjusted earnings per share are as follows:

	2025	2024
	£m	£m
Earnings for the purpose of basic and diluted earnings per share	229.4	140.2
Adjustments for:		
- net losses on financial instruments	15.4	22.4
- deferred tax	90.9	55.6
Earnings for the purpose of adjusted basic and diluted earnings per share	335.7	218.2

11. Interest in joint venture

Our principal joint venture undertaking at 31 March 2025 is Water Plus Group Limited, which is the largest business retailer in the non-household retail water market in England and Scotland.

Movements in the investment were as follows:

	2025	2024
	£m	£m
Carrying value of joint venture investment at 1 April	12.4	16.5
Group's share of loss after tax and comprehensive loss	(10.8)	(4.1)
Carrying value of joint venture investment at 31 March	1.6	12.4

During the current year, the Group has recognised its share of Water Plus's losses of £10.8 million (2024: £4.1 million) against the value of the investment.

12. Retirement benefit schemes

The Group operates three defined benefit schemes in the UK, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual. The Group also has an unfunded obligation to provide benefits to certain former employees whose earnings were in excess of the pensions cap that operated when the benefits were accrued. The Group participates in the Dee Valley Water plc Section of the Water Companies Pension Scheme, which is a defined benefit sectionalised scheme (the 'DVWS'). The most recent completed formal triennial actuarial valuations and funding agreements were carried out as at 31 March 2022 for the Severn Trent Pension Scheme ('STPS') and Severn Trent Mirror Image Pension Scheme ('STMIPS') and 31 March 2023 for DVWS.

On 29 June 2021, the Group completed the bulk annuity buy-in of the Severn Trent Mirror Image Pension Scheme ('STMIPS'). As a result of the buy-in, whilst the legal obligation to pay the employee benefits directly as they fall due remains with the Group, the right to reimbursement of such amounts to the Group has been obtained under the insurance policy. In March 2023, the DVWS also entered into a bulk annuity buy-in investment policy with JUST that covers the majority of the scheme obligations.

The defined benefit pension schemes and the dates of their last completed formal actuarial valuations as at the accounting date are as follows:

	Date of last formal actuarial valuation
Severn Trent Pension Scheme*	31 March 2022
Severn Trent Mirror Image Pension Scheme	31 March 2022
Water Companies Pension Scheme – Dee Valley Water Limited Section	31 March 2023

* The STPS is by far the largest of the Group's UK defined benefit schemes, comprising over 90% of the Group's overall defined benefit obligations.

The major financial assumptions used in the accounting valuation of the defined benefit obligations have been updated to reflect market conditions prevailing at the balance sheet date as follows:

	2025 %	2024 %
Price inflation - RPI	3.1	3.2
Price inflation - CPI	Pre 2030: 2.1 Post 2030: 3.0	Pre 2030: 2.2 Post 2030: 3.1
Discount rate	5.8	4.9
Pension increases in payment	3.1	3.2
Pension increases in deferment	3.1	3.2
Remaining life expectancy for members currently aged 60 (years)		
- men	25.8	25.8
- women	28.7	28.5

The calculation of the scheme obligations is sensitive to the actuarial assumptions and in particular to the assumptions relating to the discount rate, price inflation (capped, where relevant) and mortality. The following table summarises the estimated impact on the Group's obligations from changes to key actuarial assumptions whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1% pa	Decrease/increase by £19 million
Price inflation	Increase/decrease by 0.1% pa	Increase/decrease by £16 million
Mortality	Increase in life expectancy by 1 year	Increase by £55 million

In reality, inter-relationships exist between the assumptions, particularly between the discount rate and price inflation. The above analysis does not take into account the effect of these inter-relationships. Also, in practice any movements in obligations arising from assumption changes are likely to be accompanied by movements in asset values – and so the impact on the accounting deficit may be lower than the impact on the obligations shown above.

The defined benefit assets have been updated to reflect their market value as at 31 March 2025. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income. Service cost and the cost of administering the scheme are recognised in operating costs; interest cost is recognised in net finance costs.

Movements in the net deficit recognised in the balance sheet were as follows:

	Fair value of plan assets £m	Defined benefit obligations £m	Net deficit £m
At 31 March 2024	1,805.0	(2,018.0)	(213.0)
Scheme administration costs	(4.0)	–	(4.0)
Interest income/(cost)	85.3	(95.6)	(10.3)
Return on plan assets	(161.7)	–	(161.7)
Actuarial gains recognised in the statement of comprehensive income	–	199.5	199.5
Contributions from the sponsoring companies	69.7	–	69.7
Employees' contributions and benefits paid	(117.6)	117.6	–
At 31 March 2025	1,676.7	(1,796.5)	(119.8)

The net deficit is presented on the balance sheet as follows:

	2025 £m	2024 £m
Retirement benefit surplus	5.3	5.4
Retirement benefit obligations	(125.1)	(218.4)
	(119.8)	(213.0)

13. Cash flow

a) Reconciliation of operating profit to operating cash flows

	2025 £m	2024 £m
Profit before interest and tax	590.2	511.8
Depreciation of property, plant and equipment	409.8	388.7
Depreciation of right-of-use assets	6.7	5.2
Amortisation of intangible assets	37.9	34.4
Impairment of property, plant and equipment	13.9	–
Pension service cost	–	0.3
Defined benefit pension scheme administration costs	4.0	4.2
Defined benefit pension scheme contributions	(69.7)	(67.9)
Share based payment charge	11.0	10.3
Profit on sale of property, plant and equipment and intangible assets	(4.6)	(3.5)
Fair value uplift on forestry assets	–	(5.3)
Release from deferred credits	(17.8)	(16.9)
Contributions and grants received	43.8	43.5
Provisions charged to the income statement	25.8	17.4
Utilisation of provisions for liabilities	(56.3)	(39.2)
Operating cash flows before movements in working capital	994.7	883.0
Increase in inventory	(2.3)	(4.9)
Increase in amounts receivable	(63.4)	(183.5)
(Decrease)/Increase in amounts payable	(16.4)	109.7
Cash generated from operations	912.6	804.3
Tax received	–	9.0
Tax paid	(0.3)	–
Net cash generated from operating activities	912.3	813.3

b) Non-cash transactions

Non-cash additions to right-of-use assets during the year were £4.7 million (2024: £17.2 million). Assets transferred from developers at no cost were recognised at their fair value of £188.6 million (2024: £146.0 million) and provisions of £42.1 million (2024: £20.7 million) for works in response to legally enforceable undertakings to regulators were recognised as additions to property, plant and equipment. Under the LTIP, 185,056 (2024: 195,325) shares were issued to employees for no cash consideration.

c) Reconciliation of movement in cash and cash equivalents to movement in adjusted net debt

	Net cash and cash equivalents £m	Bank loans £m	Other loans £m	Lease liabilities £m	Fair value accounting adjustments £m	Exchange on currency debt not hedge accounted £m	Loans due from joint venture £m	Adjusted net debt £m
At 1 April 2024	951.4	(783.5)	(7,357.9)	(120.0)	29.8	19.7	72.6	(7,187.9)
Cash flow	93.4	4.6	(1,390.0)	13.6	–	–	(0.4)	(1,278.8)
Fair value adjustments	–	–	6.4	–	(6.4)	–	–	–
Inflation uplift on index-linked debt	–	(4.6)	(65.3)	–	–	–	–	(69.9)
Foreign exchange	–	–	10.3	–	–	(10.3)	–	–
Other non-cash movements	–	(1.2)	(1.5)	(4.7)	(0.3)	–	(1.0)	(8.7)
At 31 March 2025	1,044.8	(784.7)	(8,798.0)	(111.1)	23.1	9.4	71.2	(8,545.3)

14. Post balance sheet events

Following the year end the Board of Directors has proposed a final dividend of 73.03 pence per share.

On 14 April 2025 Severn Trent Water Limited issued a 200 million Swiss Franc denominated bond maturing in 2032. The proceeds were swapped to GBP fixed rates.

15. Contingent liabilities

a) Bonds and guarantees

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability (2024: nil) is expected to arise in respect of either bonds or guarantees.

b) Bank offset agreements

The banking arrangements of the Company operate on a pooled basis with certain of its subsidiary undertakings. Under these arrangements participating companies guarantee each other's overdrawn balances to the extent of their credit balances, which can be offset against balances of participating companies. As at 31 March 2025, the Company had no liabilities due to financial guarantees as the credit risk is very low and probability of default is remote (2024: nil).

c) Claims under the Environmental Information Regulations 2004 regarding property searches

The 31 March 2024 financial statements contained a contingent liability with respect to claims under Environmental Information Regulations 2004 regarding property searches. The case was dismissed on 28 June 2024, with a significant proportion of incurred costs recovered by the Group. As such, the Group no longer recognises a contingent liability in respect of this matter.

d) Ongoing combined sewer overflow investigations

Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry. The Environment Agency ('EA') is investigating all English wastewater companies in respect to compliance with conditions of permits (therefore excluding Hafren Dyfrdwy Cyfyngedig). Ofwat is investigating all English and Welsh wastewater companies' compliance with licence conditions, section 94 of the Water Industry Act 1991 and the Urban Wastewater Treatment Regulations.

In summer 2024, Ofwat served notices upon Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, along with the other companies that had previously been excluded from the original list of enforcement cases, to enable Ofwat to request information to ascertain whether or not there has in-fact been any non-compliance in relation to their wastewater treatment processes as part of Ofwat's sector wide investigation. Both the Ofwat and EA investigations are ongoing, and it is not yet clear what the outcomes will be. We have responded quickly and comprehensively to all questions from the regulators and have had open conversations with them on the issues under investigation.

e) Collective Action Claim

In December 2023, Severn Trent Water Limited and Severn Trent Plc were served with the collective proceedings order ('CPO') application, alongside five other water and sewerage companies for separate (but equivalent) claims, in respect of potential collective proceedings to be brought before the Competition Appeal Tribunal ('CAT') (formerly referred to as the "Leigh Day Claim"). The Group have received a claim for £239 million (excluding interest) on behalf of a class comprising certain consumers of Severn Trent Water Limited (on an opt-out basis) who alleged to have been overcharged for sewerage services as a result of an alleged abuse of a dominant position.

The preliminary Certification Hearing to determine if the claim is capable of being heard by the CAT and should proceed to trial was held on 23 September 2024; and on 7 March 2025 the CAT handed down judgment. The CAT concluded that the claims for abuse of dominance were excluded by section 18(8) of the Water Industry Act 1991 and dismissed the case. On 28 March 2025 the claimant sought permission from the CAT to appeal the judgement to the Court of Appeal. We opposed the appeal application and we anticipate a judgment from the CAT in respect of the permission to appeal in Summer 2025 and, if the permission to appeal is granted, the appeal will be heard by the Court of Appeal towards the end of 2025. The CAT's original judgment was robust and, if appealed, we maintain that the judgment will be upheld by the Court of Appeal.

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Trading transactions between the Group and its joint venture Water Plus are disclosed below.

	2025 £m	2024 £m
Sale of services	233.4	264.7
Net interest income	5.4	5.3
	238.8	270.0

Outstanding balances between the Group and the joint venture as at 31 March were as follows:

	2025 £m	2024 £m
Amounts due to related parties	(1.1)	(2.3)
Loans receivable from joint ventures	71.2	72.6
	70.1	70.3

The retirement benefit schemes operated by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 12.

Remuneration of key management personnel

Key management personnel comprise the members of STEC during the year, and non-executive directors of the Company.

The remuneration of the directors is included within the amounts disclosed below. Further information about the remuneration of individual directors will be provided in the audited part of the directors' remuneration report in the 2025 Annual Report and Accounts.

2025	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares) £'000	LTIPs £'000	Service Contracts £'000	Total £'000
Executive Directors	1,562.1	665.1	665.1	1,884.2	–	4,776.5
Non-Executive Directors	–	–	–	–	753.7	753.7
Other members of executive committee	2,421.9	1,124.2	1,124.2	1,196.9	–	5,867.2
	3,984.0	1,789.3	1,789.3	3,081.1	753.7	11,397.4
2024	Fixed pay and benefits £'000	Bonus £'000	Bonus (deferred into shares) £'000	LTIPs £'000	Service Contracts £'000	Total £'000
Executive Directors	1,659.7	767.9	481.7	2,867.4	–	5,776.7
Non-Executive Directors	–	–	–	–	780.8	780.8
Other members of executive committee	2,232.6	731.0	676.7	1,013.5	–	4,653.8
	3,892.3	1,498.9	1,158.4	3,880.9	780.8	11,211.3

The remuneration values disclosed above for executive directors are equivalent to those disclosed in the 'total single figure of remuneration (audited)' in the annual report on remuneration with the exception of members who have not been in office for the full financial year. The remuneration for these individuals is pro-rated in the directors' remuneration report whereas the table above presents their remuneration for the full financial year.

17. Alternative performance measures ('APM's)

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APM's'). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own APMs, these might not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

a) Adjusted earnings per share

Adjusted earnings per share figures exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments and deferred tax. The Directors consider that the adjusted figures provide a useful additional indicator of performance and remove non-performance related distortions. See note 10.

b) Adjusted net debt

Adjusted net debt comprises borrowings excluding accounting adjustments on debt, net cash and cash equivalents, and loans to joint ventures. Foreign currency borrowings that are hedged by cross currency swaps are included at the notional principal of the sterling payable leg of the swap. See note 13.

c) Effective interest cost

The effective interest cost is calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs divided by the monthly average adjusted net debt during the year.

	2025	2024
	£m	£m
Net finance costs	243.9	281.5
Net finance costs from pensions	(10.3)	(13.4)
Capitalised finance costs	103.1	69.6
	336.7	337.7
Average adjusted net debt	7,755.5	7,216.6
Effective interest cost	4.3%	4.7%

This APM is used as it shows the average finance cost for the adjusted net debt of the business.

d) Effective cash cost of interest

The effective cash cost of interest is calculated on the same basis as the effective interest cost except that it excludes finance costs that are not paid in cash but are accreted to the carrying value of the debt (principally indexation adjustments on index-linked debt).

	2025	2024
	£m	£m
Net finance costs	243.9	281.5
Net finance costs from pensions	(10.3)	(13.4)
Indexation adjustments	(69.9)	(108.0)
Capitalised finance costs	103.1	69.6
	266.8	229.7
Average adjusted net debt	7,755.5	7,216.6
Effective cash cost of interest	3.4%	3.2%

This is used as it shows the average finance cost that is paid in cash.

e) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

	2025	2024
	£m	£m
PBIT	590.2	511.8
Net finance costs	243.9	281.5
Net finance costs from pensions	(10.3)	(13.4)
Net finance costs excluding net finance costs from pensions	233.6	268.1
	Ratio	Ratio
PBIT interest cover ratio	2.5	1.9

This is used to show how the PBIT of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

f) EBITDA and EBITDA interest cover

The ratio of profit before interest, tax, depreciation and amortisation to net finance costs excluding net finance costs from pensions.

	2025	2024
	£m	£m
PBIT	590.2	511.8
Depreciation (including right-of-use assets)	416.5	393.9
Amortisation	37.9	34.4
Impairment of property, plant and equipment	13.9	—
EBITDA	1,058.5	940.1
Net finance costs	243.9	281.5
Net finance costs from pensions	(10.3)	(13.4)
Net finance costs excluding finance costs from pensions	233.6	268.1
EBITDA interest cover ratio	4.5	3.5

This is used to show how the EBITDA of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

g) Adjusted effective current tax rate

The current tax charge for the year, excluding prior year charges and current tax on financial instruments, divided by profit before tax, net losses/gains on financial instruments and share of net loss of joint ventures accounted for using the equity method.

	2025	2024
	Current tax thereon	Current tax thereon
	£m	£m
Profit before tax	320.1	201.3
Adjustments	(0.4)	(0.5)
Share of net loss of joint venture	10.8	4.1
Net losses on financial instruments	15.4	22.4
	346.3	227.8
Adjusted effective current tax rate	0.1%	0.2%

This APM is used to remove distortions in the tax charge and create a metric consistent with the calculation of adjusted earnings per share in note 10. Share of net loss of joint ventures is excluded from the calculation because the loss is included after tax and so the tax on joint venture profits is not included in the current tax charge.

h) Operational cash flow

Cash generated from operations less contributions and grants received.

	2025	2024
	£m	£m
Cash generated from operations	912.6	804.3
Contributions and grants received	(43.8)	(43.5)
Operational cashflow	868.8	760.8

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

i) Cash capex

Cash paid to acquire property, plant and equipment and intangible fixed assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible fixed assets.

	2025	2024
	£m	£m
Purchase of property, plant and equipment	1,553.0	1,169.7
Purchase of intangible assets	39.8	30.0
Contributions and grants received	(43.8)	(43.5)
Proceeds on disposal of property, plant and equipment	(11.0)	(10.0)
Cash capex	1,538.0	1,146.2

This APM is used to show the cash impact of the Group's capital programmes.

j) Capital investment

Additions to property, plant and equipment and intangible fixed assets less contributions and grants received, assets contributed at no cost, and capitalised finance costs.

	2025	2024
	£m	£m
Additions to property, plant and equipment	1,969.0	1,428.8
Additions to intangible assets	40.0	30.0
Contributions and grants received	(43.8)	(43.5)
Assets contributed at no cost	(188.6)	(146.0)
Capitalised finance costs	(103.1)	(69.6)
Capital investment	1,673.5	1,199.7

Includes £42.1 million (2024: £20.7 million) of provisions for future capital expenditure arising from regulatory obligations.

Glossary

Asset Management Plan (AMP)

Price limit periods are sometimes known as AMP (Asset Management Plan) periods. The period 2020-2025 is known as AMP7 because it is the seventh cycle since the water industry was privatised in 1989.

C-MeX (Customer Measure of Experience)

C-MeX is the incentive mechanism for companies to improve the experience of residential customers. C-MeX comprises two surveys – the customer service survey of residential customers who have recently contacted their water company and the customer experience survey of random members of the public in relation to their experience of their water company.

D-MeX (Developer Services Measure of Experience)

D-MeX is the incentive mechanism for companies to improve the experience of developer services customers. D-MeX comprises a qualitative element which is a survey of developer services customers who have recently completed a transaction with their water company and a quantitative element which measures performance against a set of Water UK developer services level of service metrics.

Final Determination (FD)

The final outcome of the price review process that sets price, investment and services packages that customers receive.

Green Recovery

In May 2021 Ofwat approved additional expenditure over and above the Final Determination for AMP7 to fund a number of programmes aimed at boosting recovery after the Covid-19 pandemic and providing environmental benefits.

Infrastructure Renewals Expenditure

The costs of like-for-like replacement of infrastructure components. These are recognised in the income statement as they arise.

Midnight adjustments

The closing RCV (see below) at the end of the AMP is adjusted for items that are not reflected during the AMP but are included in the RCV for the following AMP. Therefore the opening RCV on 1 April is different from the closing RCV on 31 March. These differences are referred to as end-of-AMP or midnight adjustments and include: adjustments arising from the reconciliation process at the end of the AMP, Green Recovery expenditure, transition expenditure and real options.

Notional Net Debt

For each price review Ofwat sets a notional capital structure for companies in determining prices limits. This includes a notional (assumed) regulatory gearing level. Notional net debt is the RCV multiplied by the notional regulatory gearing level.

Ofwat

The water industry's economic regulator in England & Wales.

Outcome Delivery Incentive (ODI)

A framework made up of outcomes, measures, targets and incentives which provides companies with rewards for achieving stretching performance targets and compensates customers if performance is below performance targets.

PR19 and PR24

The price review (PR) is a financial review process led by Ofwat where wholesale price controls for water and sewerage companies are set every five years. PR19 (Price Review 2019) set wholesale price controls for water and sewerage companies for 2020 to 2025. PR24 (Price Review 2024) will set wholesale price controls for water and sewerage companies for 2025 to 2030.

Price Control Deliverables (PCDs)

Price Control Deliverables set expectations for delivery of improvements funded through enhancement expenditure allowances. Where water companies fail to deliver these outcomes they will return funding to customers, and where they deliver their programme on time they will outturn a reward.

Price limits

The price limits are set to enable water companies to deliver the services required of them over the AMP period. These include allowing for capital maintenance of assets, ensuring security of supply and meeting drinking water and environmental quality requirements.

Real Options

Real Options are commitments that were agreed with Ofwat at PR19 to be adjusted to the RCV (see below) at the end of the AMP contingent on the delivery of environmental benefits, which are either delivered or on track.

Reasons for Not Achieving Good Status (RNAGS)

The EA's analysis of Reasons for Not Achieving Good Status (RNAGS) records the source, activity and sector involved in causing waters to be at less than 'good' status.

Regulatory Capital Value (RCV)

The regulatory capital value is used to measure the capital base of a company when setting price limits. The RCV increases each year by a proportion of totex that is set at each price review and by an adjustment for inflation. The RCV is reduced each year through the run-off mechanism (which is similar to depreciation of fixed assets). The run-off amount is recovered through revenue in the year.

Return on Regulated Equity (RoRE)

Return on Regulated Equity (RoRE) measures the returns (after tax and interest) that companies have earned by reference to the notional regulated equity, where regulated equity is calculated from the RCV and notional net debt.

Revenue Forecasting Incentive (RFI)

A mechanism to reduce the impact of deviations on customer bills arising from revenue forecasting deviations by adjusting companies' allowed revenues for each year to take account of differences between actual and projected revenues, and incentivising companies to avoid revenue forecasting errors through applying a penalty to variations that fall outside a set uncertainty band (or 'revenue flexibility threshold').

Totex

Totex (shortened form of total expenditure) includes operating expenditure (opex), infrastructure renewals expenditure (IRE) and capital expenditure (capex).

Transition Expenditure

This represents amounts spent during AMP7 that relates to programmes that will be included in the AMP8 plan.

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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