

Severn Trent Plc Trading Update

Severn Trent Plc today announces the following trading update for the period to 10 July 2024.

PR24 Draft Determination

We look forward to receiving our Draft Determination from Ofwat this morning. Our plan comprehensively addresses the three key areas of deliverability, affordability and financeability. Our proposed record levels of investment will deliver benefits for our customers, the environment and shareholders. As we approach the new regulatory period we are well positioned on financing performance and on ODIs¹.

Later today we will issue an initial view of the Determination, followed by a comprehensive view on Tuesday 23 July.

Strong start to the year

Financial performance for the year remains on track and we continue to expect to perform in line with guidance, which includes delivering a net ODI reward in year of over £100 million pre-customer-sharing in 17/18 prices. This would bring our total net ODI reward in AMP7² to around £420 million in nominal prices, reflecting consistent sector-leading performance for customers.

In the first quarter of the year we have delivered over £300 million of capital investment, and remain on track for our guidance of £1.3 billion to £1.5 billion for the year. Our significant investment programme this year and capital run rate position us strongly to deliver a successful capital investment programme through AMP8.

We continue to invest in expanding our energy generation. Following a deal with international solar company Elgin Energy, our Green Power business will invest around £100 million to construct three large-scale solar farms, increasing our energy generation by around 150GWh per year³.

We are highly confident we will be awarded four star status in the Environment Agency's annual Environmental Performance Assessment⁴ for an industry-record fifth consecutive year for 2023. We expect confirmation during July. After six months of the current period we are on track for a sixth consecutive year of four star environmental performance.

Addressing spills

Storm overflow spills remain an area of significant focus for our industry. We have the most ambitious improvement plan in the sector, and our teams are in the field every day delivering interventions in our network which will improve 900 storm overflows this year alone. The work we have completed so far gives us confidence that we will be able to halve our spills rate by 2030.

You can stay up to date with the completed solutions as they're implemented by following a public playlist we've released on YouTube

(<https://www.youtube.com/playlist?list=PLkGZTG5Vk0IstpCU7IDejVY2uT1J9VPCR>).

Footnotes

1. Outcome Delivery Incentives (ODIs)

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. Outcome Delivery Incentives are quoted pre-tax and post customer sharing. We assume a 25% rate of corporation tax to be in place when ODIs are taken into revenue. A net reward of £100 million (pre-sharing) would deliver a net reward of £60 million +/- 10% (post-sharing), dependent on the mix of ODI net rewards earned.

2. Asset Management Plan (AMP)

The regulatory cycle is broken up into five year periods known as AMP (Asset Management Plan) periods. The current period is known as AMP7 (2020-2025), and AMP8 refers to the next period of 1 April 2025 to 31 March 2030. The PR24 Business Plan can be found at the following link: [Our plans 2025 - 2030 | About Us | Severn Trent Water \(stwater.co.uk\)](#)

3. Energy generation

In 2023/24 the Severn Trent Plc Group generated the equivalent of 655GWh of energy.

4. Environmental Performance Assessment (EPA)

This is the industry standard measure of the environmental performance of water and sewerage companies (WaSCs), and four star represents the highest rating achievable. It uses measurable environmental indicators to provide a meaningful comparison of performance across the nine WaSCs in England. The 2022 assessment can be found at the following link: <https://www.gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2022>.

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This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. The final PR24 Business Plan is subject to approval by Ofwat and there can be no assurance that the PR24 Business Plan will be approved, in whole or in part, and, as a result, no assurances can be given that the forward-looking statements in this document will be realised. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

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