



SEVERN

TRENT

Preliminary Results

Year ended 31 March 2009

Presentation – 29 May 2009

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Sir John Egan

Chairman



Mike McKeon

Finance Director

Highlights

	2007/08	2008/09	Change
	£m	£m	%
Group Turnover	1,552	1,642	5.8%
Profit Before Interest and Tax (PBIT*)	470	470	-
Profit Before Tax (PBT**)	292	274	(6.2%)
Adjusted Basic EPS*** (pence)	97.8p	92.7p	(5.2%)
Basic EPS (pence)	89.7p	(24.6p)	(127.4%)
Total Ordinary Dividend (pence per share)	65.63p	67.34p	2.6%

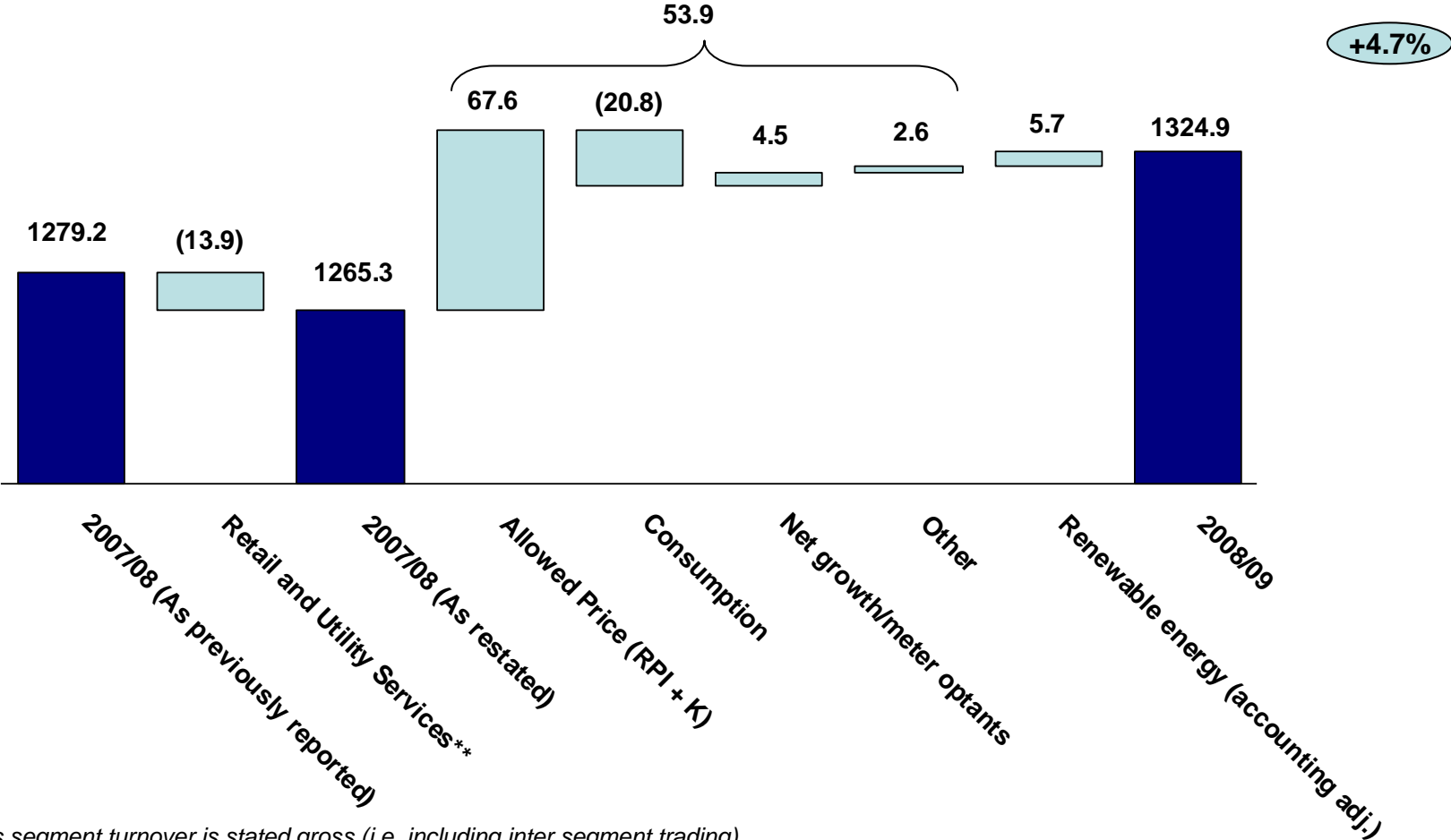
* Excluding exceptional items

** Excluding exceptional items and losses on financial instruments

*** Excluding exceptional items, losses on financial instruments and deferred tax

Severn Trent Water Turnover

Severn Trent Water Turnover*
£m

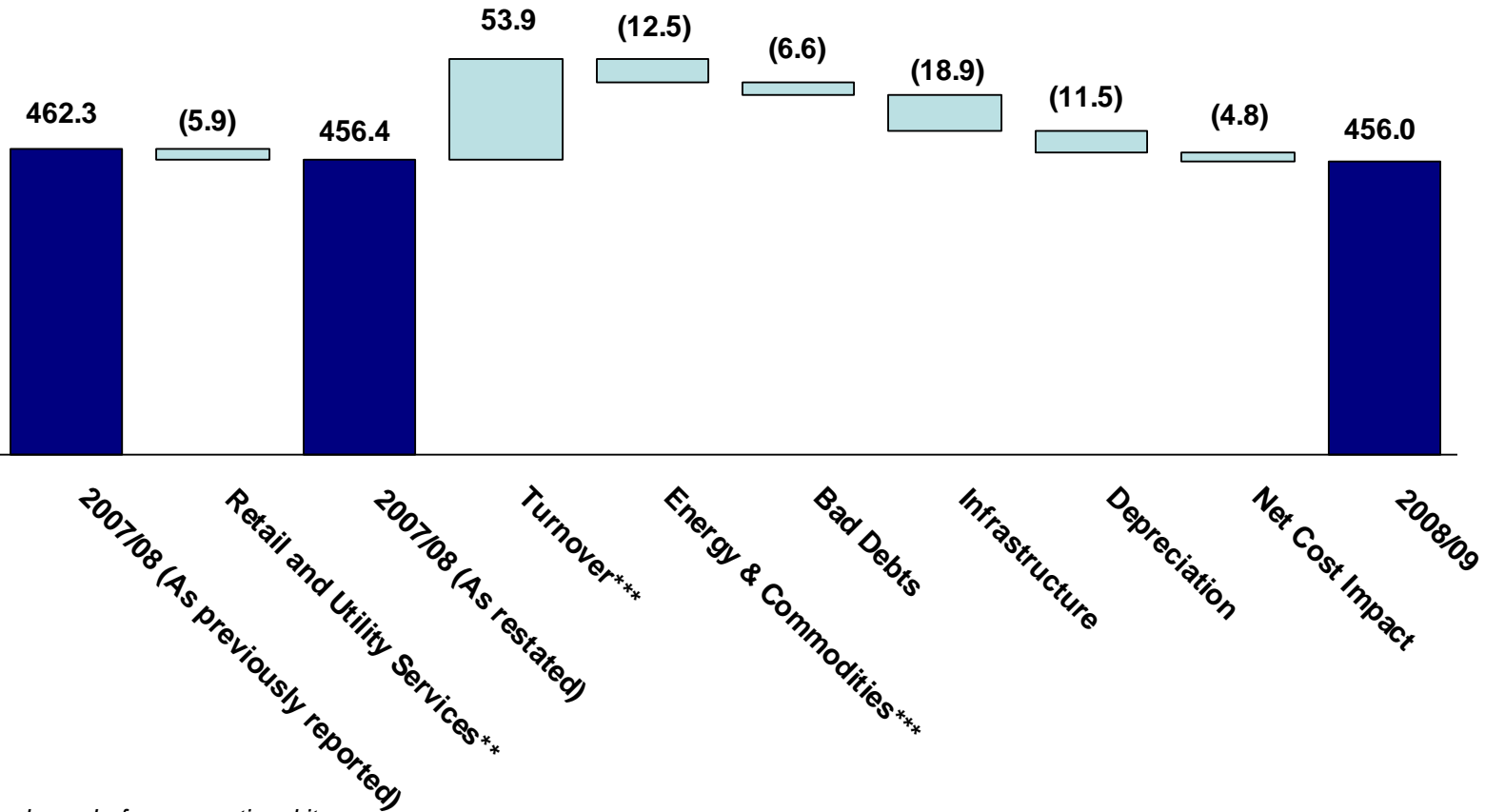


* Business segment turnover is stated gross (i.e. including inter segment trading),

** Transferred to Severn Trent Services

Severn Trent Water PBIT

Severn Trent Water PBIT*
£m



* Numbers shown before exceptional items

** Transferred to Severn Trent Services

*** Excluding the impact of renewable energy accounting adjustment (PBIT impact nil)

Severn Trent Services performance

Turnover				PBIT*		
2007/08 £m	2008/09 £m	Change %		2007/08 £m	2008/09 £m	Change %
313.0	339.3	8.4%	As reported	26.4	30.5	14.7%
(15.7)	(12.5)		STRS	(5.9)	(4.0)	
297.3	326.8	9.9%	Excluding STRS	20.7	26.5	28.0%
31.0	-		Exchange rate impact	1.9	-	
(10.8)	(7.6)		Sale of business	1.0	1.2	
317.5	319.2	0.5%	Adjusted "like for like"	23.6	27.7	17.4%

ROIC maintained at 15%**

* PBIT before exceptional items

** Return On Invested Capital (PBIT before exceptional items/Average net operating assets plus gross goodwill from acquisitions)

Corporate & Other

	2007/08 £m	2008/09 £m
Corporate costs	(10.9)	(12.7)
Other	(0.3)	(3.7)
PBIT*	(11.2)	(16.4)

* *PBIT before exceptional items*

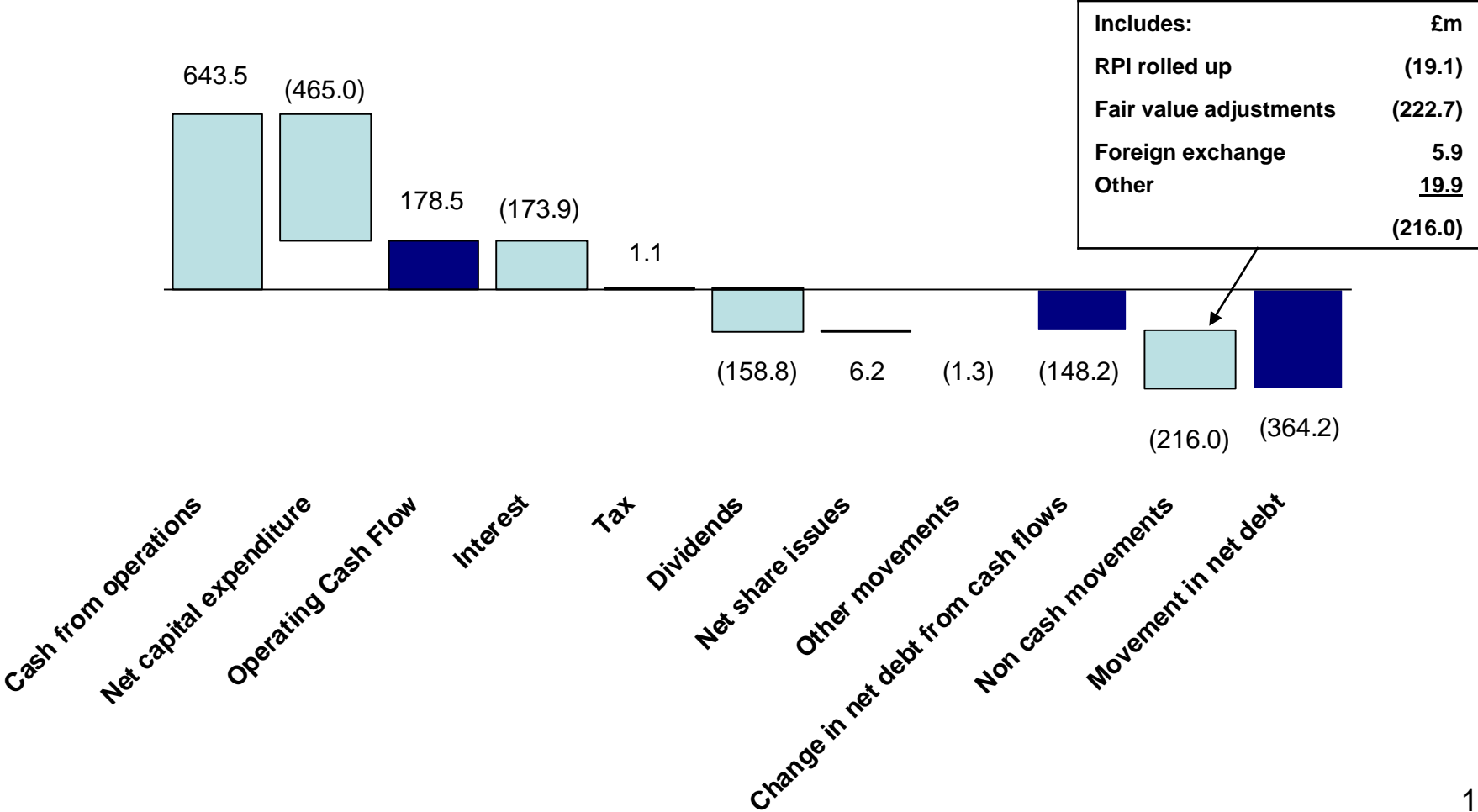
Exceptional items

	2007/08 £m	2008/09 £m
Flooding income/(costs)		
Gross costs	(29.6)	(13.1)
Insurance recoveries	16.0	14.6
	(13.6)	1.5
Legacy issues		
Ofwat fine	(35.8)	-
Court imposed fine and costs	-	(2.2)
Contribution to Charitable Trust	-	(5.0)
	(35.8)	(7.2)
Severn Trent Services		
Third party legal costs	(4.5)	1.4
Restructuring costs		
Severn Trent Water - restructuring	(13.9)	(11.9)
Severn Trent Water - onerous lease	-	(1.8)
Severn Trent Services - meters write-down	-	(2.1)
Corporate - provision release	(1.0)	1.2
	(14.9)	(14.6)
Net exceptional items	(68.8)	(18.9)

Cash Flow

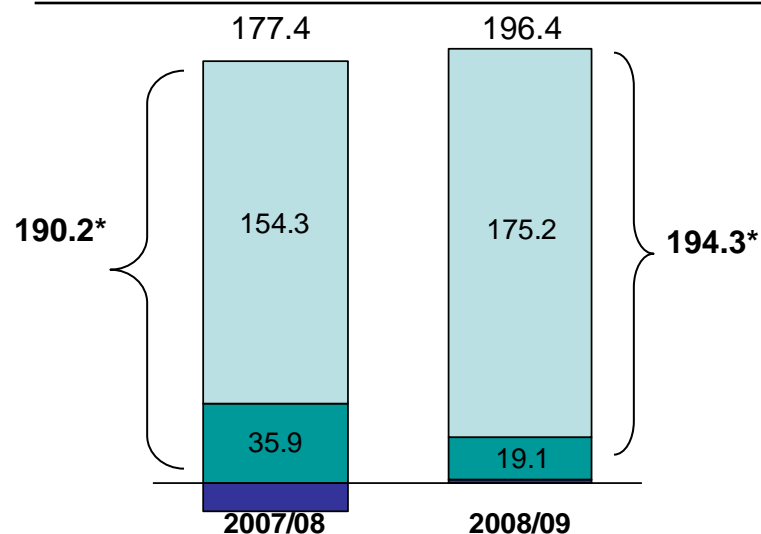
2008/09 operating cash flow

£m



Group finance charges and net debt

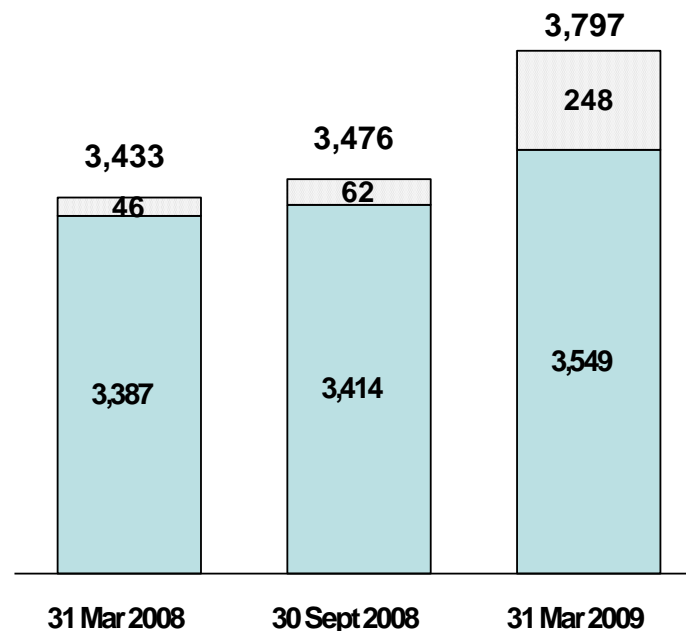
Interest £m



- 'Cash' interest
- RPI rolled up
- Net pension (debit)/credit*

- Effective rate circa 5.6%
- Interest cover:
 - 3.7 times EBITDA***
 - 2.4 times PBIT

Net debt** £m



- Economic net debt
- Fairvalue adjustment

- 82% at fixed interest rates
- Regulated Entity (Severn Trent Water) net debt £3,697m
- Group economic net debt/RCV**** 57.3%

* Excluding net pension debit of £2.1m (2007/08 credit of £12.8m)

** Excluding derivative financial instruments

*** Profit before interest, tax, depreciation, exceptionals and amortisation of intangible assets

**** RCV at 31 March 2009 at year average RPI

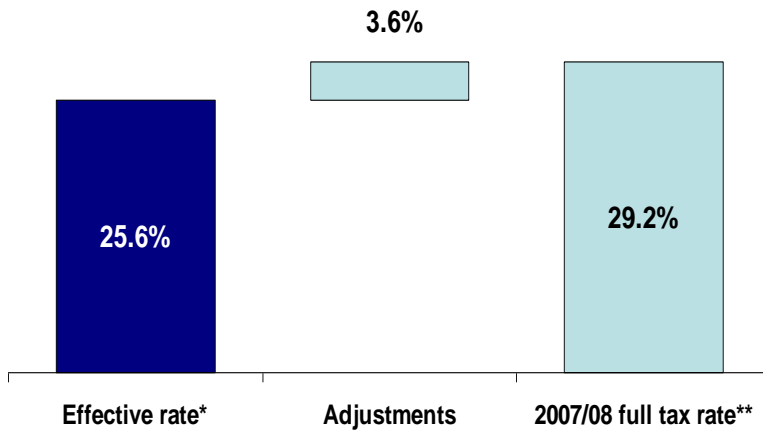
Liquidity position

- **AMP5 fund raising continues**
 - £400m 6% 9 year Sterling bond issued in January 2009
 - £150m EIB facility signed post year end
- **Cash on deposit £648m**
- **Bank deposits A+ or better, liquidity funds AAA**
- **£500m 5 year bank facility maturing 2013 (undrawn)**
- **Average debt maturity 19 years**

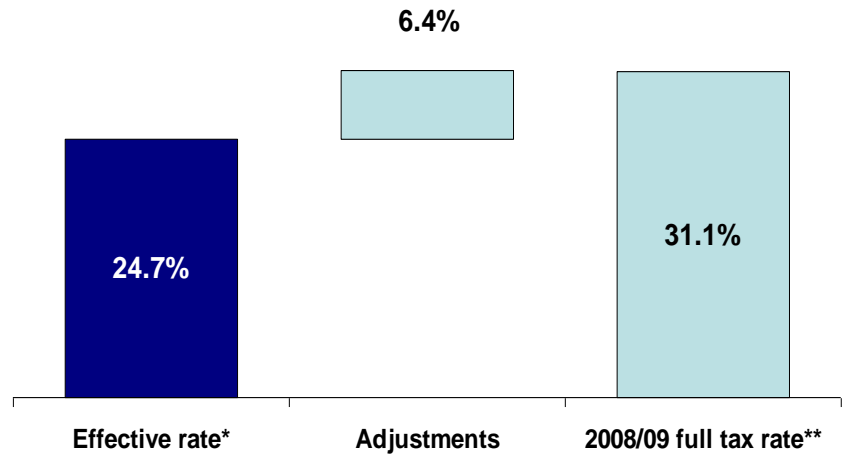
Funded for investment and cashflow needs for up to the next two years

Effective rate of current tax

2007/08 Effective current tax rate%



2008/09 Effective current tax rate%



2009/10 Full Year effective current tax rate in range of 24%-26%

- **Impact of £186m on 2008/09 deferred tax charge due to the abolition of IBAs**

* Current tax (excluding prior year adjustments) attributable to PBT before gains/losses on financial instruments and exceptional items

** Current tax attributable to PBT

Financial summary

- **Sustained operating performance**
- **Strong liquidity position – funded for up to the next two years**
- **Delivering on dividend commitment**

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Tony Wray

Chief Executive

Focus on continuous improvement delivering results

- **14 KPIs now upper quartile**
 - 9 maintained at high standards
 - 7 improved
 - 4 static

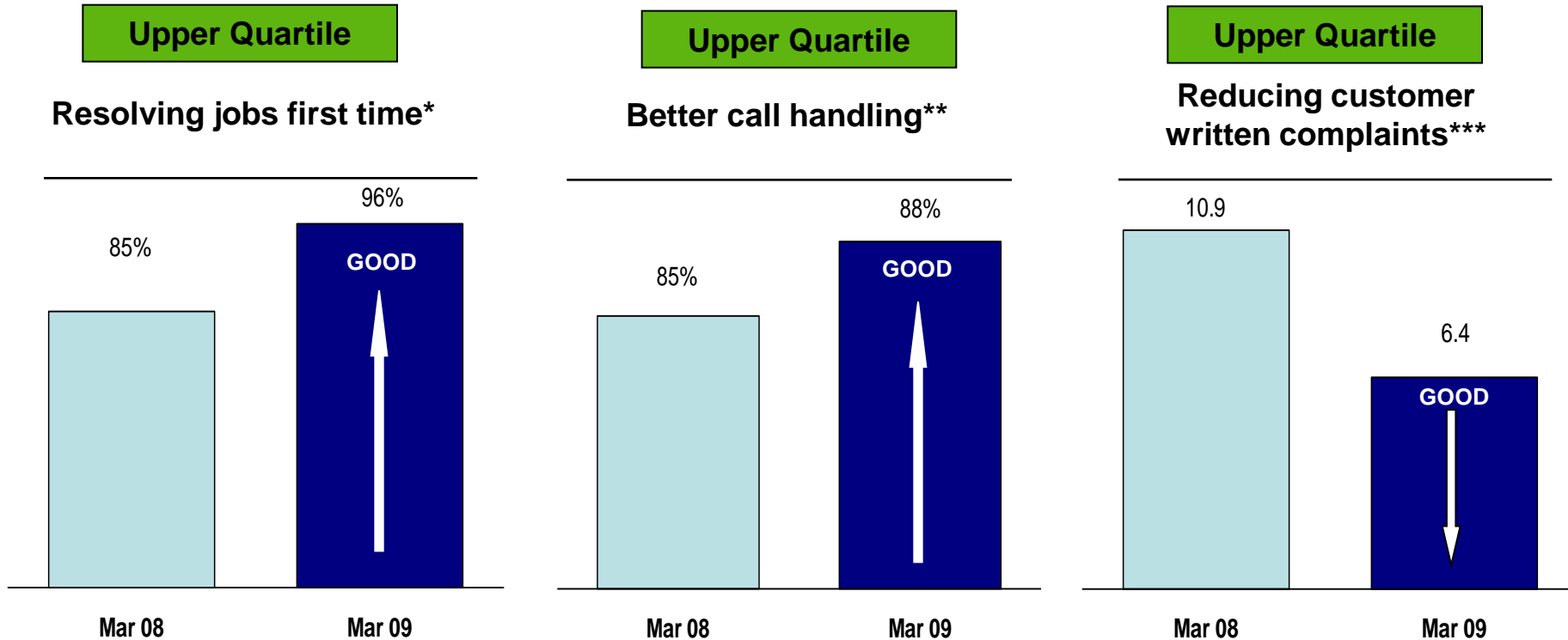
Higher standards



Greater efficiency

Continuous improvement

Improving the customer experience



Improved performance in KPIs and Ofwat's DG service standards

* KPI: First time job resolution % (Moving Annual Total)

** KPI: First time call resolution for billing % (Moving Annual Total)

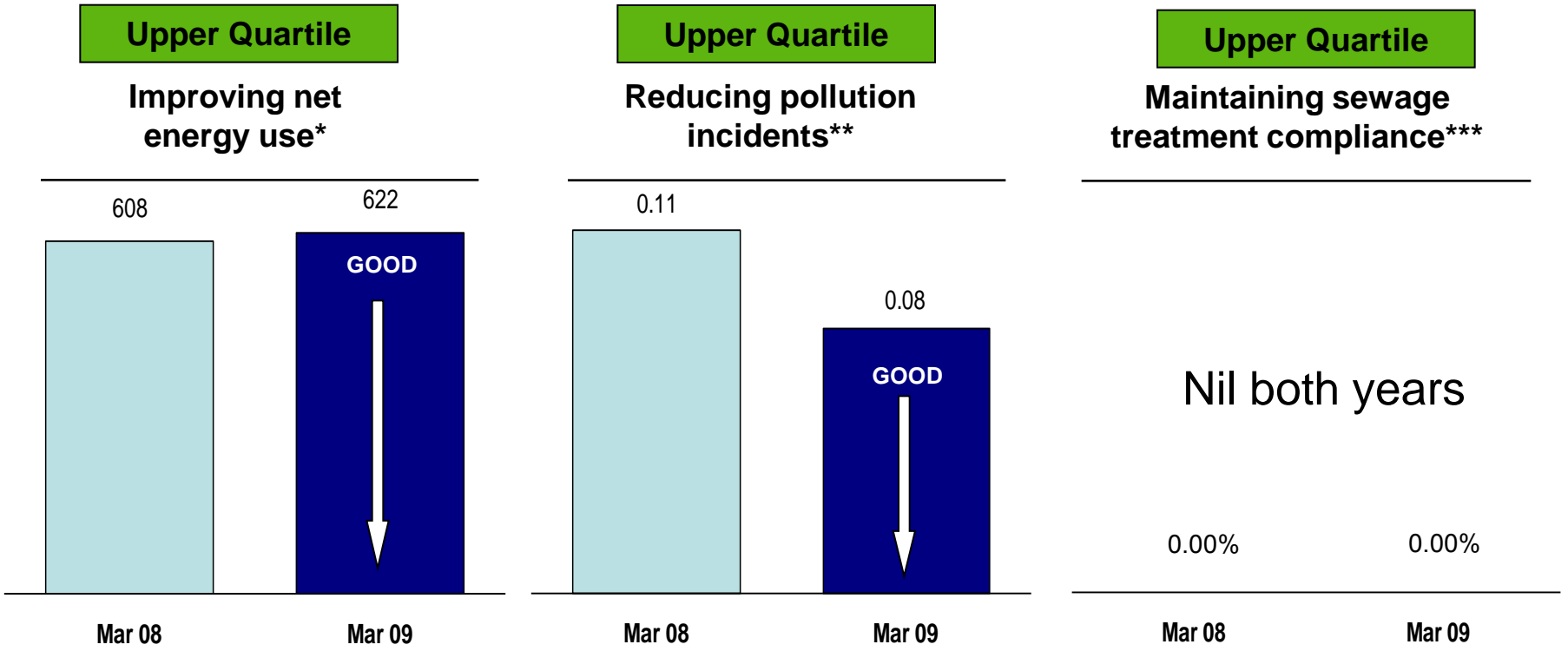
*** KPI: Customer written complaints per 1,000 properties (Moving Annual Total)

Improving security of supply

- **Outperformed Ofwat leakage target for 2008/09 by 8 MI/d**
- **Improved response times, resource allocation and targeted maintenance**
- **Target delivered without additional resource despite coldest winter for 13 years.**

SOSI* of 98, ahead of 2010 SOSI commitment to Ofwat

Improving our environmental performance

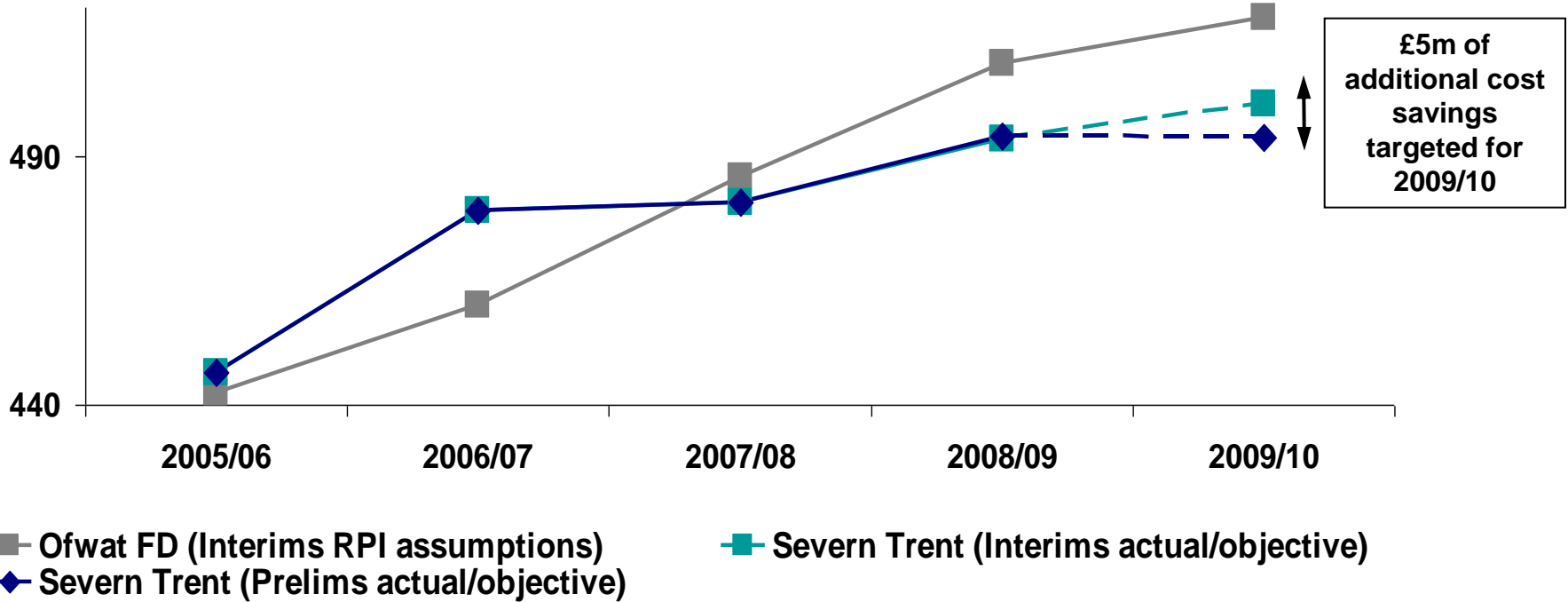


Upper quartile performance across all 3 KPIs

* KPI: Net energy use – kWh/MI (Moving Annual Total)
 ** KPI: Pollution Incidents (cat 1,2, & 3) per 1,000 properties (Moving Annual Total)
 *** KPI: Sewage treatment works – breach of consents % (Percentage of Population Served)

Improving management of operating costs

Operating costs
£m



Process improvements driving efficiencies

Delivering capital efficiencies

- **FY 2008/09 gross capex.* £635.3m**
- **Delivery of Water and Waste AMP4 obligations on track**
 - £58m investment in Frankley GAC** plant delivering SOSI commitments and maximising efficiencies
- **Investing efficiencies:**
 - Renewable energy
 - AMP5 investment programme – smoothing and improving supply chain
 - Technology and locations



*UK GAAP before taking account of grants and other income

** Granulated Activated Carbon

Sustaining our improvements

Investing today for future efficiencies:

■ Processes

- Standardised working practices and reduced complexity

■ Strategic accommodation review

- A modern working environment with 1,700 staff at one site

■ Technology

- A common IT platform driving consistency and process compliance

■ Procurement

- Reducing material costs and improving supply chain management

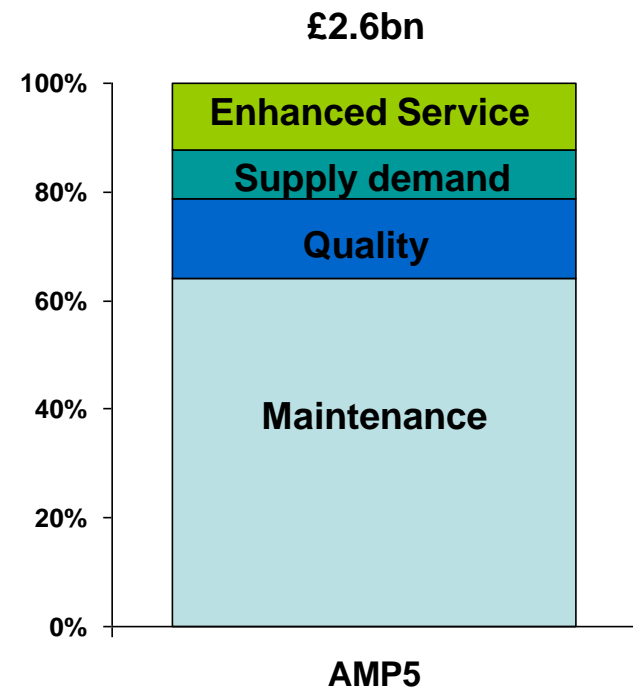
Well placed for AMP5

■ Developing the Final Business Plan

- Focused modelling of maintenance
- Acceleration of capex into AMP4 to capitalise on efficiencies
- Quality refinements agreed with DWI & EA
- Climate change driver removed
- Reprioritisation of sewer flooding following restatement of registers

■ Stakeholder led plan

- Lowest possible bills
- Affordable, stakeholder led capital programme
- Assumed WACC of 5%
- Delivery of challenging efficiency targets



Fully engaged with Ofwat in PR09 process

■ **Severn Trent Water**

- Targeting additional £5m of operating cost savings in 2009/10
- Remain on track to deliver AMP4 capital programme

■ **Severn Trent Services**

- Continued growth through organic and other opportunities

■ **Severn Trent Plc**

- Strong liquidity position – funded for up to the next two years
- Dividend growth 3% real until March 2010

Delivering continuous improvement

- **Improving against our KPIs and ensuring improvement is sustained**

- **Delivering our investment programme and investing in further efficiencies**

- **Delivering on our dividend commitment**

- **Well placed for PR09**

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Q & A



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Appendix

Contact Details – Investor Relations

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Investor Relations

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Key Performance Indicators

Description	2007/08			2008/09		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Lost time incidents per 100,000 hrs worked		0.61				0.43
Employee motivation %			77%			83%
Water quality (test failure rate) ppm			240.1			200.4
Customer written complaints per 1,000 properties	10.90					6.44
First time call resolution for billing %			85%			88%
Unplanned interruptions > 6 hrs per 1,000 properties	21.86			7.29		
Properties at risk of low pressure per 1,000 properties			0.46			1.21
First time job resolution %		85%				96%
Non performance against Regulatory Obligations %		15%		10%		
Capex (Gross) vs Final Determination %			1.70%			5.0%
Capital process quality (no. of defects per £100k)			0.03			0.00
Debtor days		37.4		33.1		
Opex vs Final Determination (UK GAAP) - £m		480.9		500.9		
Cost to serve per property - £		236.82				236.53
Pollution incidents (cat 1, 2 & 3) per 1,000 properties			0.11			0.08
Sewer flooding incidents - other causes per 1,000 properties	0.21			0.17		
Sewage Treatment Works - breach of consents %			0.00%			0.0%
Security of supply	95			98		
Net Energy Use – Kwh/MI		608				622
Leakage MI/d			491			492

Group income statement summary

Year ended 31 March 2009

2007/08 £m		2008/09 £m	Variance £m	Variance %
1,552.4	Turnover	1,642.2	89.8	5.8
(1,082.9)	Operating costs	(1,172.3)	(89.4)	(8.3)
469.5	Profit before exceptional items, interest and tax	469.9	0.4	0.1
(68.8)	Exceptional items	(18.9)	49.9	72.5
400.7	Profit before interest and tax (Operating profit)	451.0	50.3	12.6
(177.4)	Net interest	(196.4)	(19.0)	(10.7)
(31.0)	Fair value movements in treasury instruments	(87.0)	(56.0)	(180.6)
0.1	Share of results of associates and joint ventures	-	(0.1)	(100.0)
192.4	Profit before tax	167.6	(24.8)	(12.9)
(56.2)	Current tax	(52.1)	4.1	7.3
74.4	Deferred tax	(171.5)	(245.9)	(330.5)
210.6	Profit for the period from continuing operations	(56.0)	(266.6)	(126.6)

Group Earnings

Year ended 31 March 2009

2007/08 £m		2008/09 £m		
211.4	Profit/(loss) for the period	(56.0)		
209.5	Attributable to: - Equity holders of the company	(57.8)		
1.9	- Minority Interests	1.8		
Pence		Pence	Variance pence	Variance %
	Basic EPS from continuing operations			
97.8	Adjusted basic EPS (before exceptional items, gains/losses on financial instruments and deferred tax)	92.7	(5.1)	(5.2%)
89.3	Basic EPS	(24.6)	(113.9)	(127.5%)
	Diluted EPS from continuing operations			
97.1	Adjusted diluted EPS (before exceptional items, gains/losses on financial instruments and deferred tax)	92.4	(4.7)	(4.8%)
88.7	Diluted EPS	(24.6)	(113.3)	(127.7%)

Group balance sheet

Year ended 31 March 2009

31 Mar 2008 £m		31 Mar 2009 £m	Movement since 31 Mar 2008 £m
5,731.2	Property, plant and equipment	5,980.1	248.9
157.4	Intangible assets	184.6	27.2
4.3	Other non-current assets	5.2	0.9
(388.1)	Working Capital/provisions	(478.7)	(90.6)
5,504.8	Capital employed	5,691.2	186.4
	Net assets directly associated with - assets held for sale	4.2	4.2
(32.4)	Tax creditor	(81.1)	(48.7)
(808.3)	Deferred tax provision	(948.4)	(140.1)
(3,432.8)	Net debt	(3,797.0)	(364.2)
(26.1)	Derivative financial assets/(liabilities)	83.2	109.3
1,205.2	Net assets	952.1	(253.1)
74.0%	<i>Gearing</i>	80.0%	

* Net debt divided by net debt and equity

Movements on shareholders' equity

Year ended 31 March 2009

	2008/09 £m
<hr/> At 1 April	<hr/> 1,205.2
Total recognised income for the financial period	(104.0)
Dividends	(158.8)
Credit from share based payments charge	5.3
Tax on share based payments posted directly to reserves	(4.5)
Shares issued	8.9
<hr/> At 31 March	<hr/> 952.1

Credit ratings

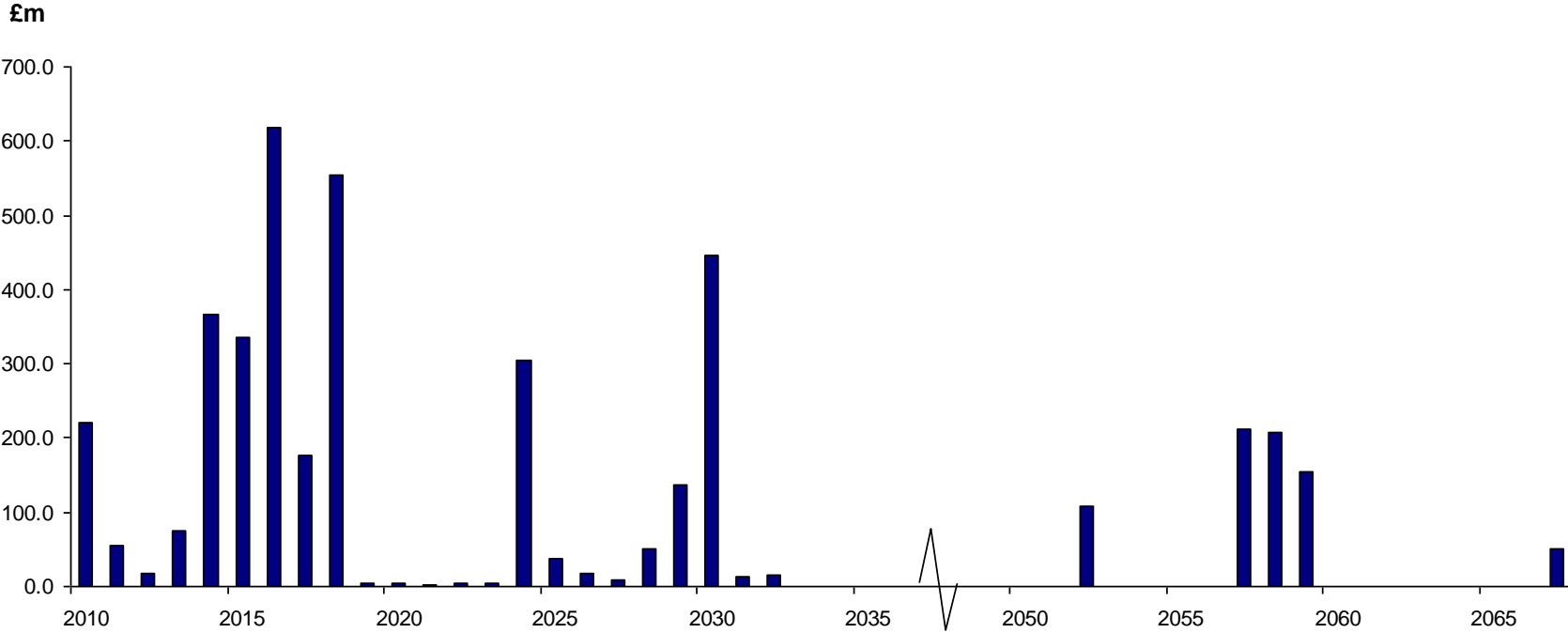
31 March 2009

Long-Term	Severn Trent Water	Severn Trent Plc
Moody's	A2	A3
Standard & Poor's	A	A-

Short-Term	Severn Trent Water	Severn Trent Plc
Moody's	P1	P2
Standard & Poor's	A1	A1

Moody's and Standard & Poor's – negative outlook.

Debt maturity profile



Average maturity of around 19 years

Gearing*

Net debt/RCV	Actual at 31 Mar 2008	Actual at 30 Mar 2009
Severn Trent Plc	57.2%	57.3%
Severn Trent Water	58.8%	59.6%

* *Economic net debt (ie excluding fair value adjustments) divided by RCV at year average RPI*

Segmental analysis of capital employed

Year ended 31 March 2009

Total (As restated) 31 Mar 2008 £m		Net operating assets 31 Mar 2009 £m	Goodwill 31 Mar 2009 £m	Total 31 Mar 2009 £m
5,431.0	Severn Trent Water	5,578.1	-	5,578.1
135.1	Severn Trent Services*	121.2	63.3	184.5
(61.3)	Other	(71.4)	-	(71.4)
5,504.8	Group	5,627.9	63.3	5,691.2

* Excludes goodwill of £40.8m previously written off against reserves

PBITD* analysis

Year ended 31 March 2009

Group (As restated) 2007/08 £m		Group 2008/09 £m
683.6	Severn Trent Water	698.9
33.2	Severn Trent Services	37.9
(15.5)	Other	(19.0)
701.3	Group	717.8

* Profit before interest, tax, depreciation and amortisation of intangible assets, excluding exceptional items

Depreciation* analysis

Year ended 31 March 2009

Group (As restated) 2007/08 £m		Group 2008/09 £m
227.2	Severn Trent Water	242.9
6.6	Severn Trent Services	7.4
(2.0)	Other	(2.4)
231.8	Group	247.9

* Including amortisation of intangibles, excluding profit/loss on disposal of fixed assets and deferred income write back

Capital expenditure (net cash)*

Year ended 31 March 2009

Group (As restated) 2007/08 £m		Group 2008/09 £m
(436.6)	SevernTrent Water	(458.6)
(7.0)	Severn Trent Services	(7.9)
4.0	Other	1.5
(439.6)	Group	(465.0)

* *Net of grants received and proceeds of sale*

Severn Trent Water – turnover

Year ended 31 March 2009

	£'m	%
Year to 31 March 2008	1265.3	
RPI + K	67.6	5.3
	1,332.9	5.3
Consumption		
<i>Reduced consumption</i>	(20.8)	(1.6)
Net Growth/Meter Optants		
<i>New customers/Income protection</i>	9.8	0.8
<i>Meter optants</i>	(5.3)	(0.4)
	1,316.6	4.1
Other	(0.1)	(0.1)
Year to 31 March 2009 (Historic Cost - Regulatory Accounts)	1,316.5	4.0
IFRS ROC adjustment*	8.4	0.7
Year to 31 March 2009 (IFRS - Statutory Accounts)	1,324.9	4.7

* Year on year change £5.7m

Severn Trent Water – operating costs

Year ended 31 March 2009

2007/08 £m		2008/09 £m	Variance £m	Variance %
475.6	Direct Operating Costs	505.2*	29.6	6.2
222.1	Depreciation	233.6	11.5	5.2
111.2	Infrastructure Renewals	130.1	18.9	17.0
808.9	STW operating costs**	868.9	60.0	7.4

* Includes IFRS ROC adjustment, year on year change £5.7m

** IFRS, net of other income £3.4m (£3.9m) amortisation of grants and contributions, profit on disposal of property, plant and equipment, and profit on disposal of non current assets of £4.0m (£1.6m), but excluding management charges

Severn Trent Water – capex reconciliation

Year ended 31 March 2009

Total (as restated) 2007/08 £m		2008/09 £m
566.7	UK GAAP gross capex	635.3
(45.6)	Less grants and contributions	(27.9)
521.1	UK GAAP net capex*	607.4
(111.3)	Treated as IFRS infrastructure operating expenditure	(130.1)
409.8		477.3
29.1	Movement on capital creditors	(11.2)
(2.9)	Proceeds of sale of fixed assets	(6.0)
0.6	Other	(1.5)
436.6	IFRS capex (net cash)	458.6

* Capex at outturn prices after deduction of grants and contributions

Severn Trent Water – RCV

Year ended 31 March 2009

£'m	2005/06	2006/07	2007/08	2008/09	2009/10
Per Determination*	4,853	4,981	5,107	5,191	5,292
Actual/Estimated Outturn**	5,209	5,546	5,922	6,198	6,173
Ofwat Actual/Projected Outturn***	5,209	5,546	5,922	6,097	6,215

* 2002/03 prices

** At year-average outturn prices, Including inflation assumption of -2.3% in 2009/10

*** Ofwat estimated outturn using year end 2008/09 RPI Source Ofwat website



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