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Interim Results

6 Months to 30 September 2007

Presentation – 27 November 2007



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Sir John Egan

Chairman



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Mike McKeon

Finance Director

Highlights

	H1 2006/07 £m	H1 2007/08 £m	Change %
Group Turnover	746	774	3.7%
Profit Before Interest and Tax (PBIT*)	219	250	14.2%
Profit Before Tax (PBT**)	142	162	13.5%
Adjusted Basic EPS*** (pence)	42.1p	47.6p	13.1%
Basic EPS (pence) from continuing and discontinued operations	55.8p	64.7p	15.9%
Dividend (pence per share)			
Interim	22.77	24.34	6.9%

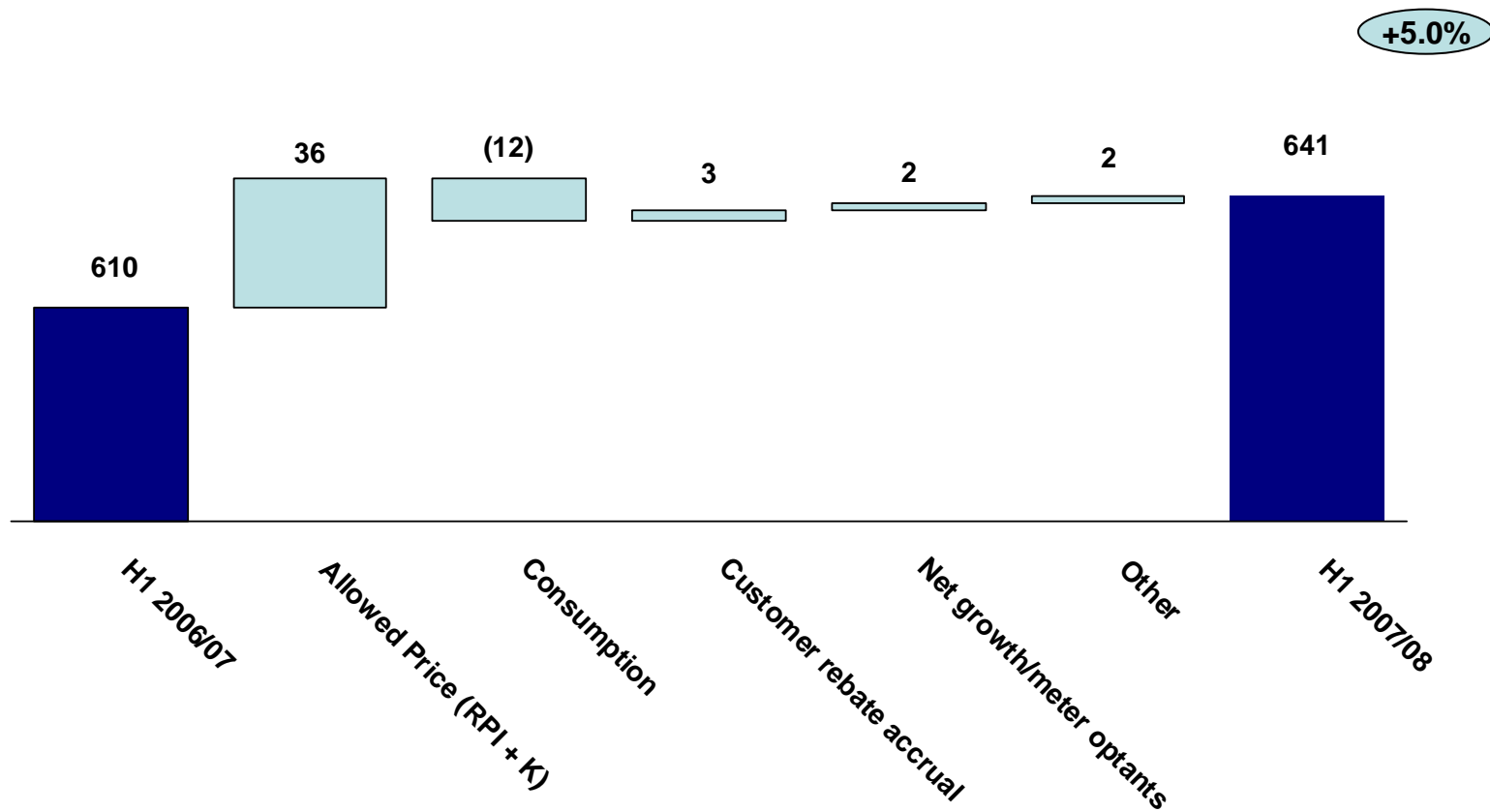
* Excluding exceptional items

** Excluding exceptional items and IAS 39 fair value adjustments

*** Excluding exceptional items, IAS39 fair value adjustments and deferred tax

Water and Sewerage Turnover

Water and Sewerage Turnover £m

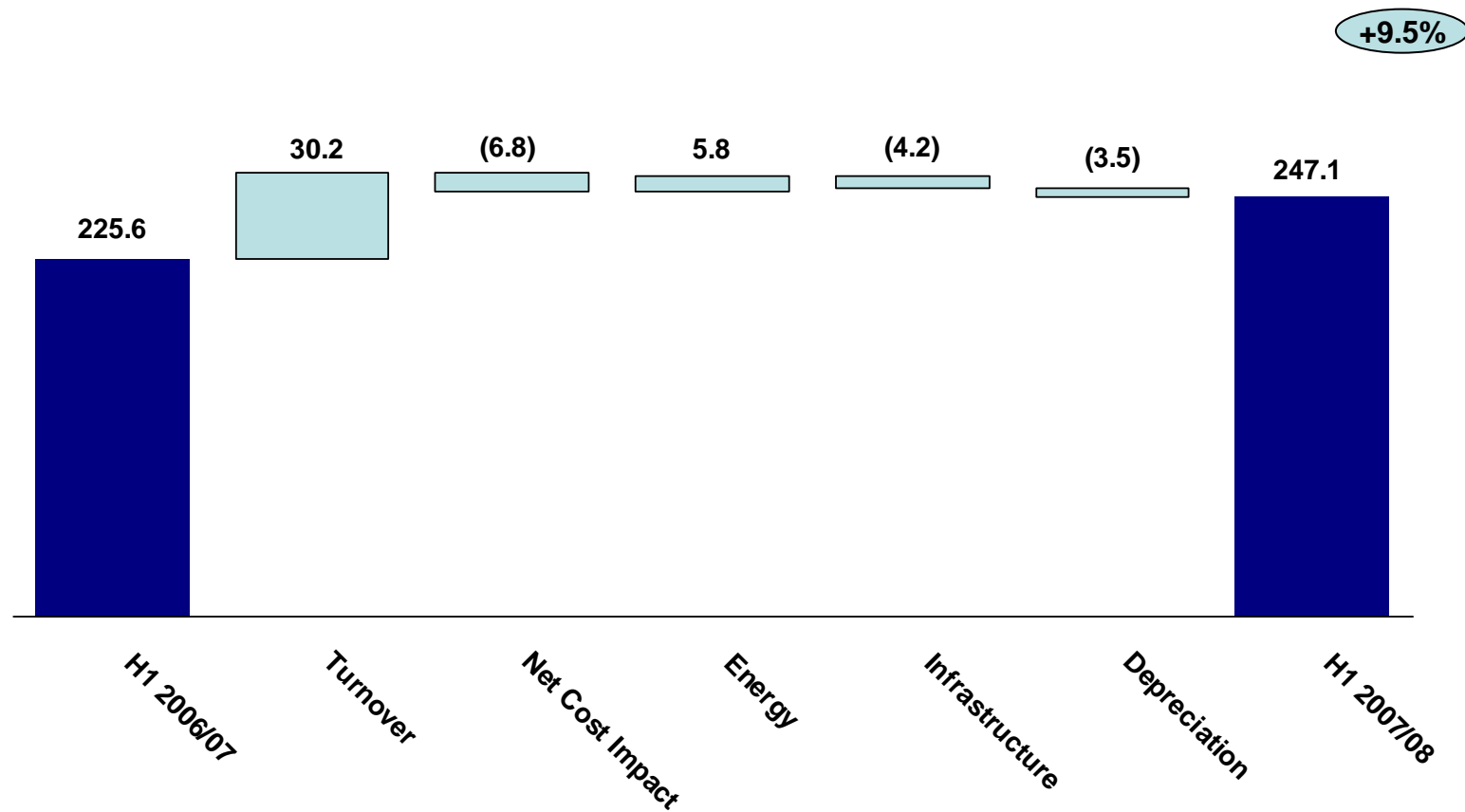


Business segment turnover is stated gross (i.e. including inter segment trading)

Water and Sewerage PBIT

Water and Sewerage PBIT

£m



Numbers shown before exceptional items

Financial impact of floods

- **Net exceptional costs charged in H1 2007/08 are £18.2m**
 - Gross costs incurred and provided for at 30 September 2007 £23.2m
 - Insurance recoveries received to date £5.0m

- **Work ongoing to fully assess the longer term impact of flood damage on all elements of the affected network**

- **Overall estimate of gross economic cost and insurance recoveries in dealing with the incident unchanged at £25m to £35m and £10m to £20m respectively**

Water Technologies and Services performance

	H1 2006/07	H1 2007/08	Change %
Turnover*	£137.7m	£146.4m	6.3%
PBIT**	£9.0m	£10.1m	12.2%
ROIC***	10.1%	11.8%	

• H1 2006/07 turnover adjusted for disposals and impact of exchange rates (See Appendix slide 49)

** PBIT before exceptional items

*** Return On Invested Capital (LTM PBIT before exceptionals/Net operating assets plus gross goodwill from acquisitions)

Corporate & Other

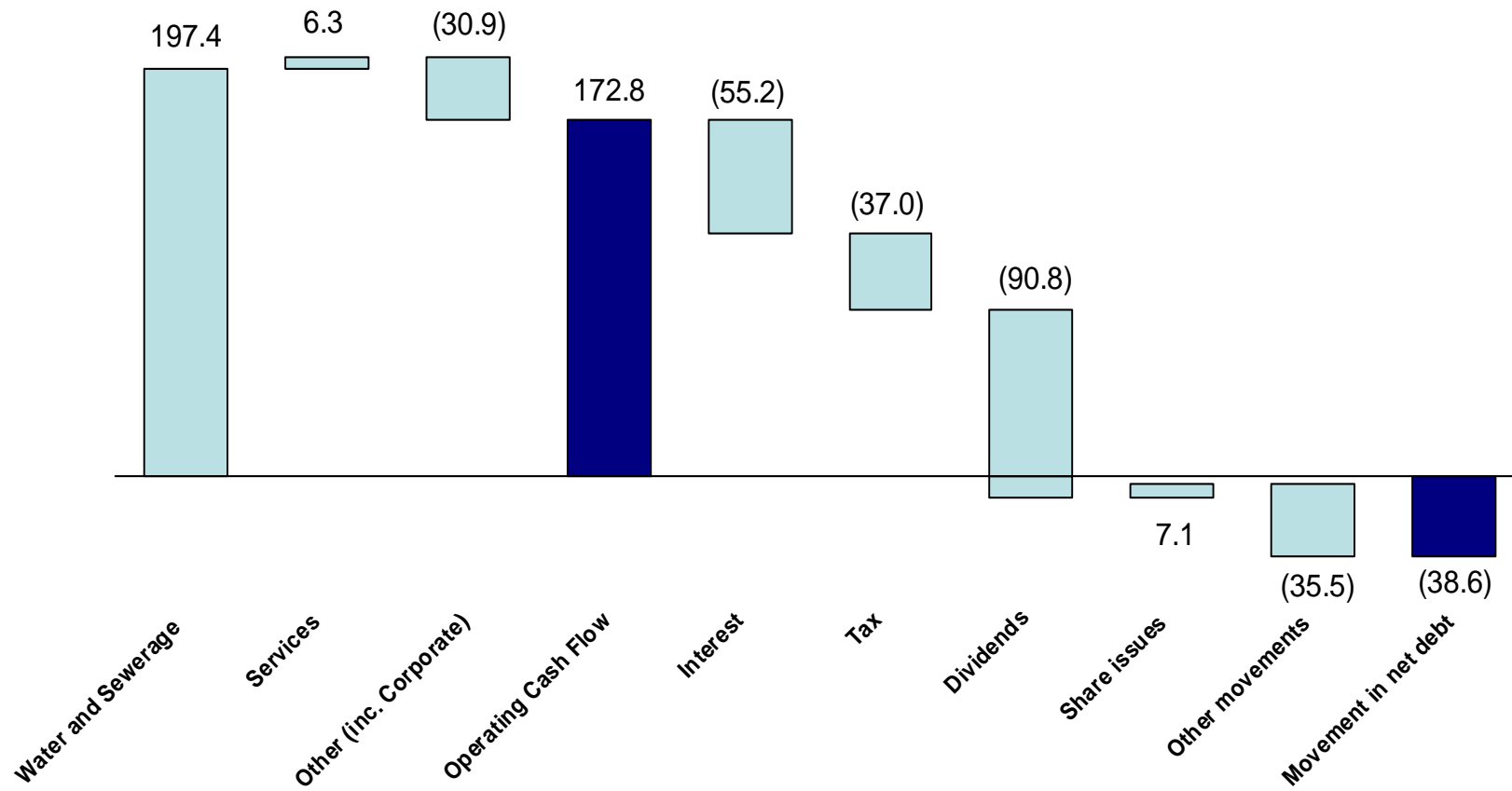
Integration of Head Office functions now complete

	H1 2006/07 £m	H1 2007/08 £m	Change %
Corporate Costs	(13.5)	(5.9)	56.3%
Other	(1.3)	0.6	146.2%
PBIT*	(14.8)	(5.3)	64.2%

* Excluding exceptional items

Cash Flow

H1 2007/08 operating cash flow £m

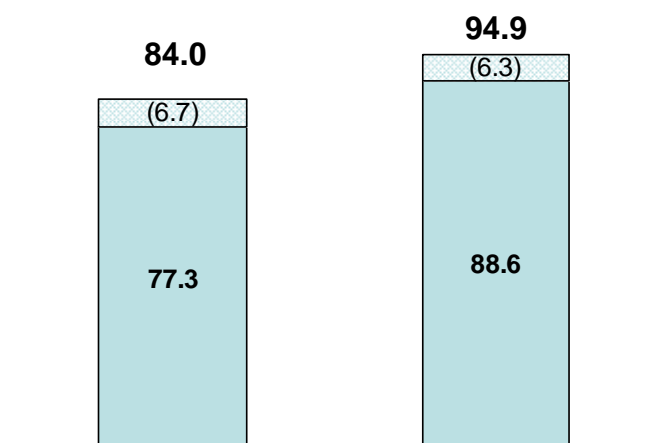


Liquidity position

- **Un-drawn committed bank facilities of £500m**
- **Cash on deposit of £423m**
- **No commercial paper outstanding**
- **Committed facilities cover next 18 months maturities**
- **Index linked debt increased from £0.6bn to £1.0bn**
- **Average maturity > 20 years**

Group finance charges and net debt

Interest £m



H1 2006/07

H1 2007/08

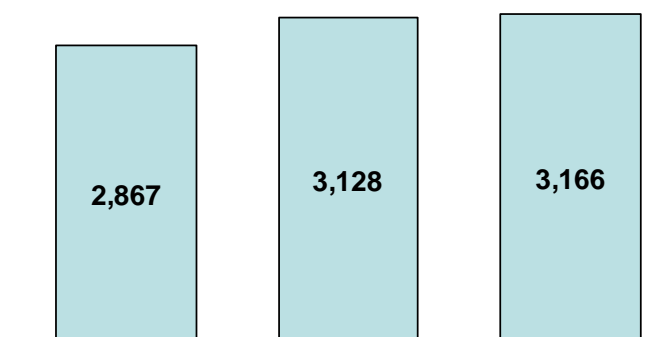
■ Net finance cost □ Net pension credit

- Effective rate circa 5.6 % *
- Interest cover*:
 - 4.1 times EBITDA **
 - 2.8 times PBIT

* Excluding derivative financial instruments

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

Net debt £m



30 Sept 2006

31 Mar 2007

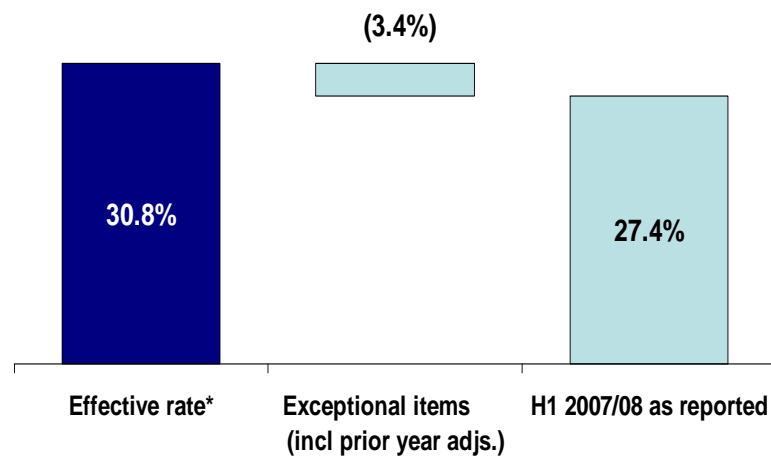
30 Sept 2007

■ Net Debt*

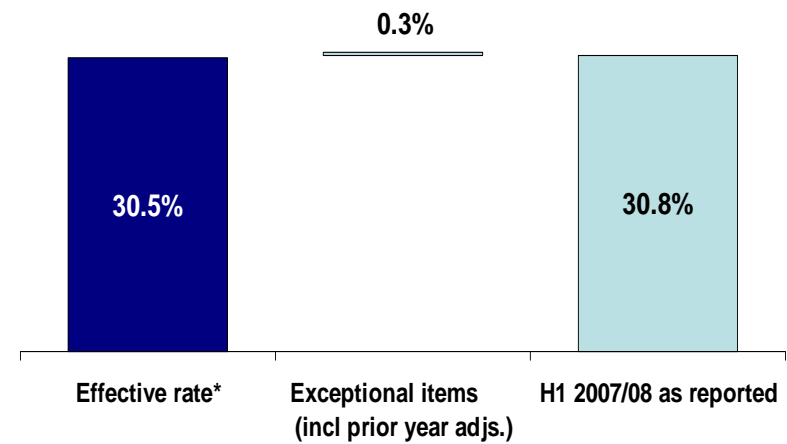
- 69% at fixed interest rates
- Average maturity at 30 Sept 2007 20 years
- Recent index linked debt issuance:
 - £400m of new long-dated 50-60 year index-linked debt
 - Index linked debt now 31% of total debt portfolio
- Regulated Entity (Severn Trent Water) net debt £3,266m

Effective rate of tax

H1 2006/07 Effective current tax rate%



H1 2007/08 Effective current tax rate%



2007/08 Full Year Severn Trent Group in range of 28%-32%

*Attributable to PBT before IAS 39 fair value adjustments, exceptional items and share of results of associates and joint ventures. Excluding discontinued operations

Financial summary

- **On track to deliver 2007/08 financial performance as expected**
- **Head office costs reduced**
- **Delivering on dividend growth commitment**



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Tony Wray

Chief Executive

Focus on water

- **The right team to deliver**
- **Legacy issues**
- **Focus on water**

The right team to deliver

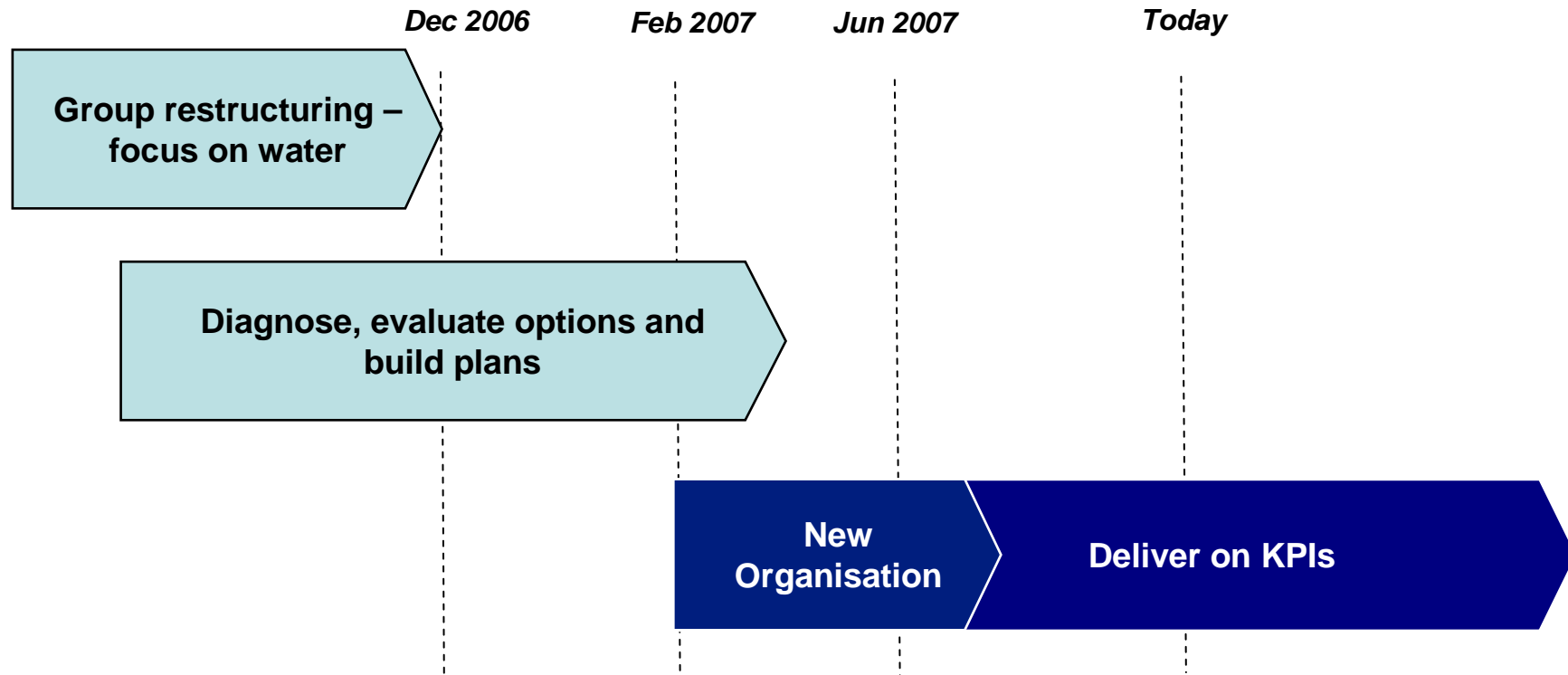


Legacy Issues

■ SFO

■ Ofwat

Focus on water



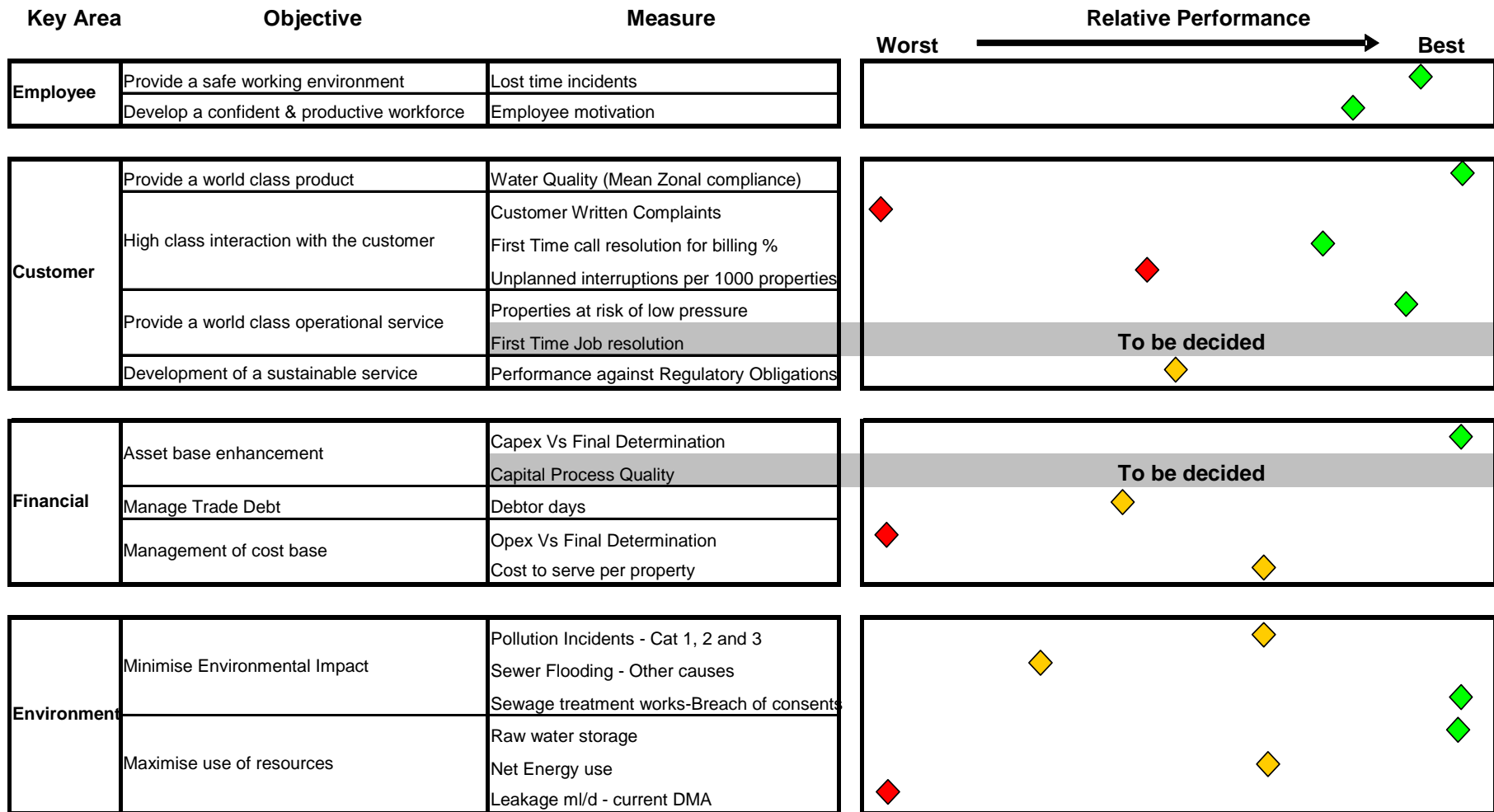
- Benchmark our performance
- Prioritise and validate options
- Start implementing quick wins e.g. head office integration
- Define implementation plan

- Separate Clean Water and Wastewater operations
- Detailed process reviews
- Implement plan

■ **Focus on delivery...**

We are now on a journey...

SLIDE FROM PRELIMINARY RESULTS PRESENTATION 6 JUNE 2007



Severn Trent opening position at 1 April 2007:

lower quartile

median

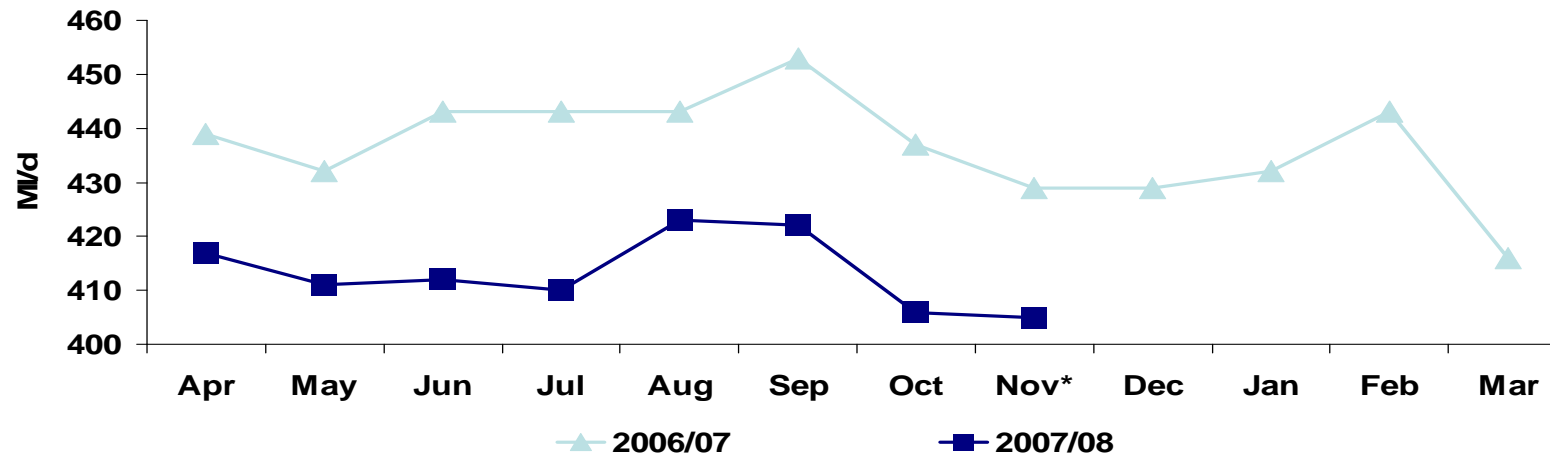
upper quartile

■ **Good performance and improvement in some key areas:**

- Leakage
- Customer complaints
- Pollution incidents
- Opex. vs. Final Determination
- Capex. vs. Final Determination
- Lost time incidents (safety)

KPI: Leakage

DMA Leakage profile



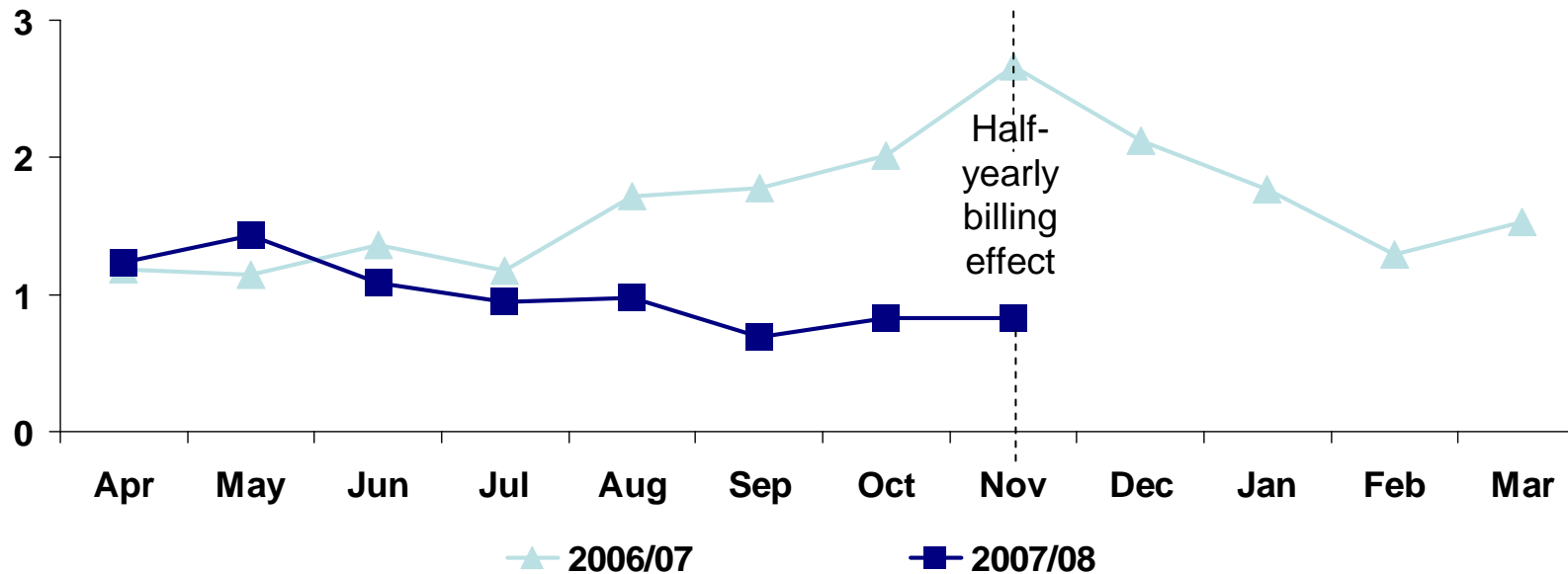
* Nov 2007/08 estimate based on first 3 weeks data & 1 week forecast

- Proactive focus on 600 worst performing DMAs to bring them under control
- Resource plans affected by the Mythe incident, hence backlog of leakage jobs in Aug/Sep

DMA leakage performance is well ahead of last year and on target

KPI: Customer complaints

Customer written complaints
per 1,000 properties

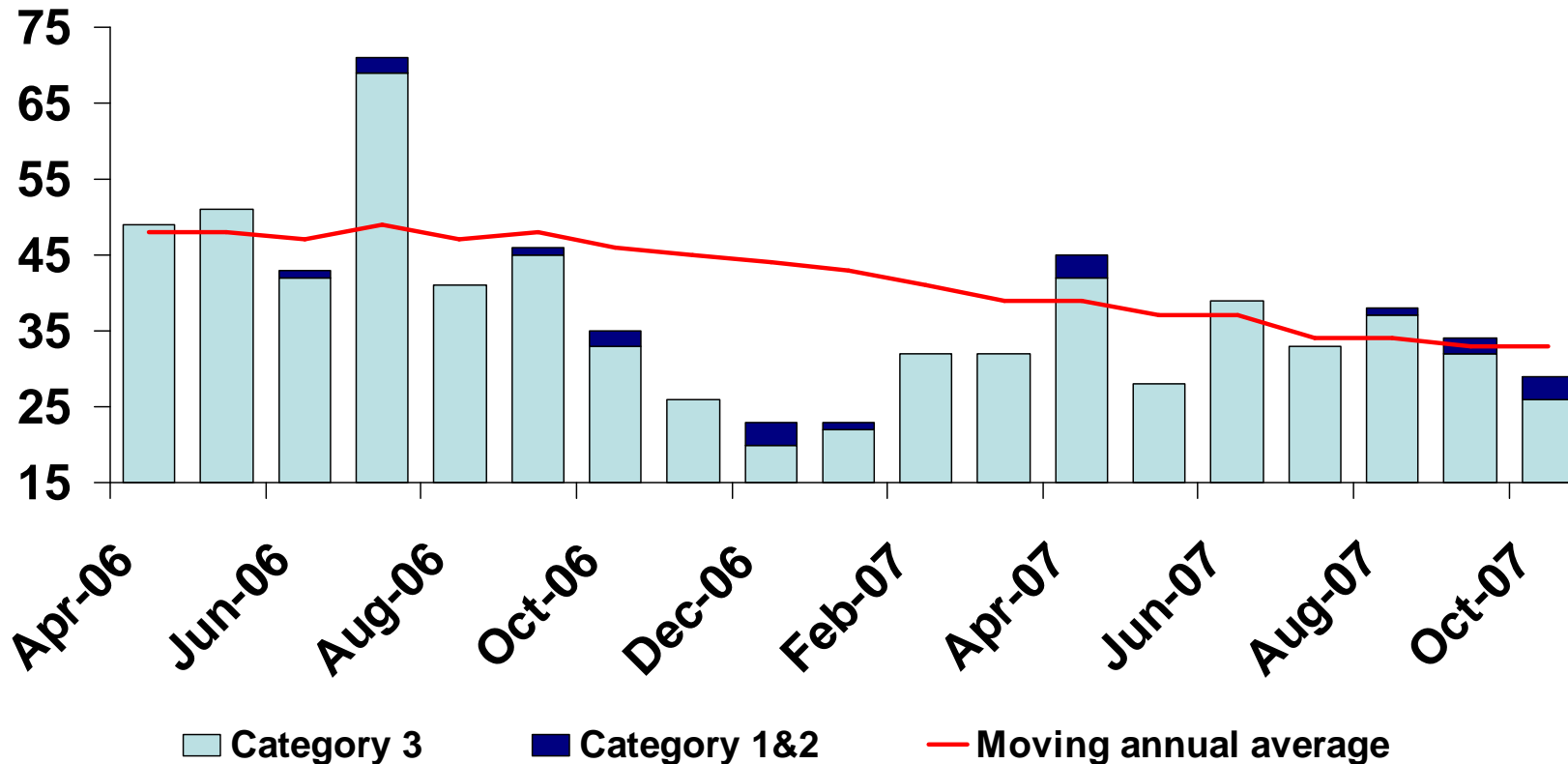


- Billing System performance stabilised
- Business Process Reviews identifying and delivering efficiency opportunities
- Sufficient call centre agents trained and in post & Contact Centre workforce matched to call volumes

Steady improvement, more to do

KPI: Pollution incidents

Pollution incidents*
per 1,000 properties



Pollution reduction plan delivering improvements

* Confirmed incidents, incidents after Jan-07 may be subject to further categorisation by the Environment Agency

KPI: Opex. vs. Final Determination

- **Actual FY 2006/07:**

- **Overshot Ofwat's Final Determination by £18.9m principally due to rising energy costs**

- **Forecast FY 2007/08:**

- **On track to meet Ofwat's Final Determination**

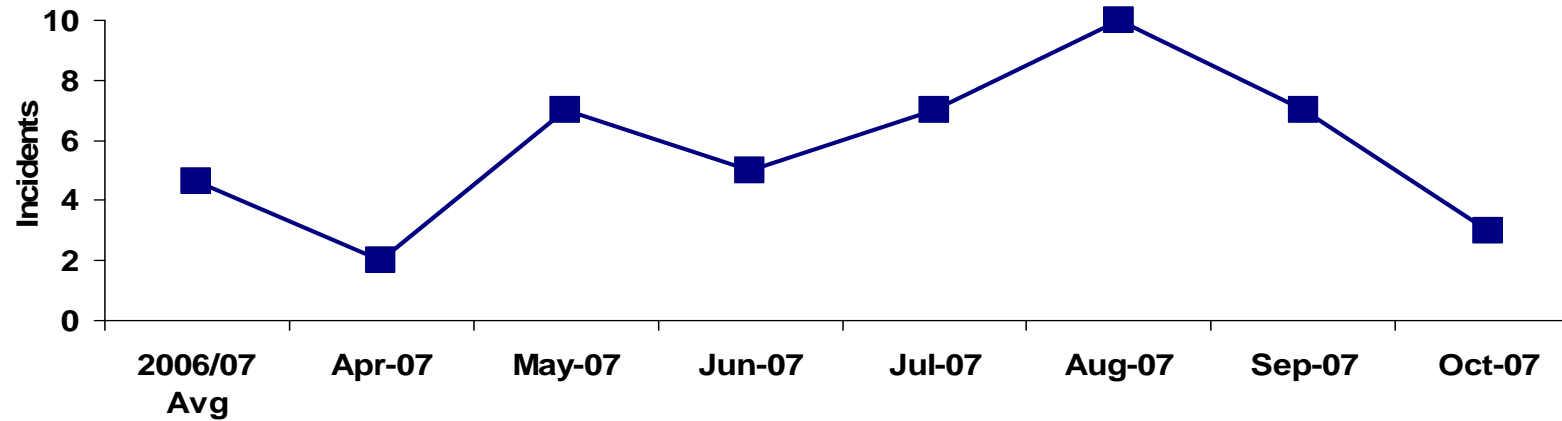
KPI: Capex. vs. Final Determination

- **H1 2007/08 gross capex.* is £258.1m**
- **Delivery of Water and Waste AMP4 obligations on track**
- **Forecast 6% efficiency over AMP4**

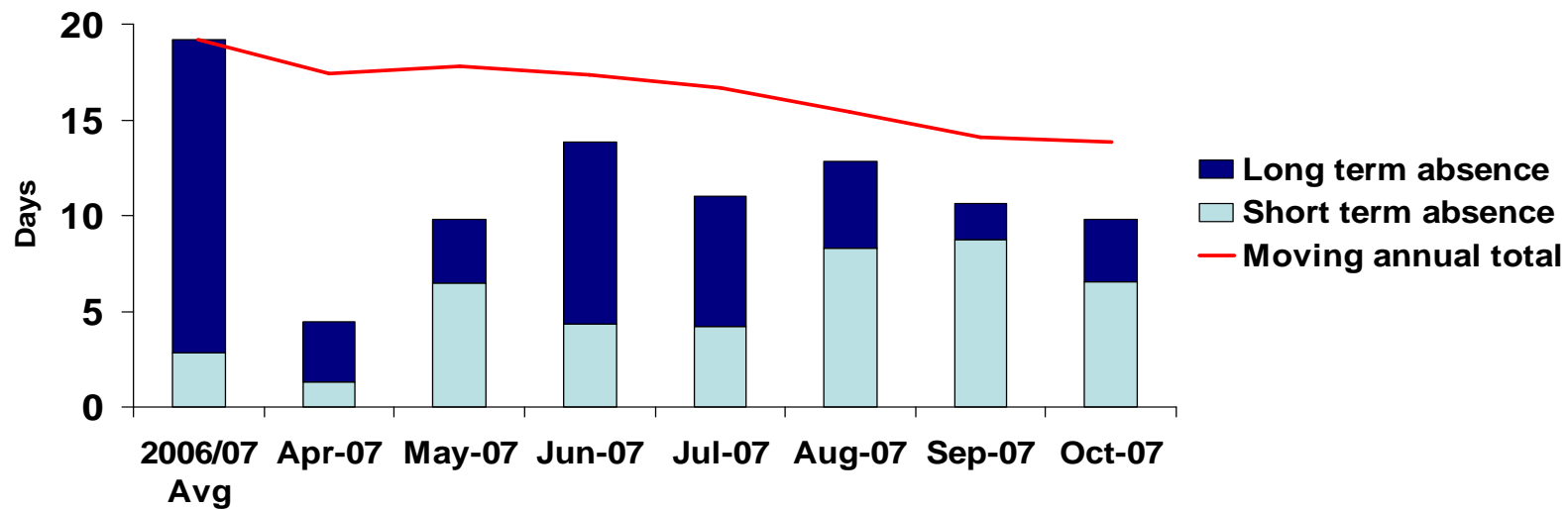
** UK GAAP before taking account of grants and other income*

KPI: Lost time incidents

Lost time incidents (LTI)



Lost days



Water Technologies and Services

- **Focus on Water**

- **Growth Opportunities**
 - **Existing technology to new markets**
 - **New technology to existing markets**

- **Delivering revenue, margin and ROIC* growth**

** Return On Invested Capital (LTM PBIT before exceptionals/Net operating assets plus gross goodwill from acquisitions)*

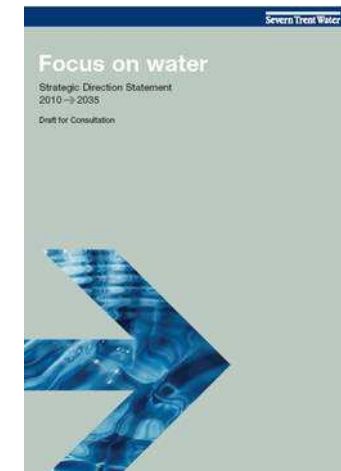
The longer term

- **The summer 2007 flooding raised three broad questions for our business:**
 - The adequacy of flood defences
 - The degree of system resilience such that the failure of a key asset can be substituted by other means without interruption of service
 - The adequacy of contingency planning should supplies fail

- **Select Committee & Inquiry conclusions**

- **Strategic Direction Statement**

- **PR09 Ofwat consultation**



Focus on Water

- **Focus on Water**

- **The right team**

- **Delivering our investment programme and sustainable investment returns**



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Q & A



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Appendix

Contact Details – Investor Relations

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Group income statement summary

Six Months to 30 September 2007

30 Sep 2006 £m		30 Sep 2007 £m	Variance £m	Variance %
746.2	Turnover	774.0	27.8	3.7
(527.2)	Operating costs	(524.0)	3.2	0.6
219.0	Profit before exceptional items, interest and tax	250.0	31.0	14.2
4.2	Exceptional items	(21.4)	(25.6)	(609.5)
223.2	Profit before interest and tax (Operating profit)	228.6	5.4	2.4
(77.3)	Net interest	(88.6)	(11.3)	(14.6)
13.3	Fair value movements in treasury instruments	9.4	(3.9)	(29.3)
0.6	Share of results of associates and joint ventures	0.1	(0.5)	(83.3)
159.8	Profit before tax	149.5	(10.3)	(6.4)
(43.8)	Current tax	(46.1)	(2.3)	(5.3)
(2.4)	Deferred tax	48.7	51.1	(2,129.2)
113.6	Profit after tax from continuing operations	152.1	38.5	33.9
16.8	Discontinued operations	-	(16.8)	(100.0)
130.4	Profit for the period	152.1	21.7	16.6

Group Earnings

Six months to 30 September 2007

H1 2006/07 £m		H1 2007/08 £m			
130.4	Profit for the period	152.1			
129.5	Attributable to - Equity holders of the company	150.9			
0.9	- Minority Interests	1.2			
Pence		Pence	Variance pence	Variance %	
	Basic earnings per share from continuing operations				
42.1	Adjusted basic EPS before exceptional items, IAS 39 fair value adjustments and deferred tax)	47.6	5.5	13.1	
48.6	Basic EPS	64.7	16.1	33.1	
	Diluted earnings per share from continuing operations				
41.7	Adjusted diluted EPS before exceptional items, IAS 39 fair value adjustments and deferred tax)	47.2	5.5	13.2	
48.1	Diluted EPS	64.2	16.1	33.5	

Group balance sheet

30 September 2007

31 Mar 2007 £m		30 Sep 2007 £m	Movement since 31 Mar 2007 £m
5,521.1	Property, plant and equipment	5,612.0	90.9
150.3	Intangible assets	148.8	(1.5)
4.1	Other non-current assets	4.2	0.1
(357.9)	Working Capital/provisions	(404.2)	(46.3)
5,317.6	Capital employed	5,360.8	43.2
(59.0)	Tax creditor	(64.6)	(5.6)
(891.1)	Deferred tax provision	(841.3)	49.8
(3,127.6)	Net debt	(3,166.2)	(38.6)
(102.6)	Derivative financial liabilities	(83.7)	18.9
1,137.3	Net assets	1,205.0	67.7
73.3%	<i>Gearing*</i>	72.4%	

* Net debt divided by net debt and equity

Movements on shareholders' equity

Six months to 30 September 2007

	H1 2007/08 £m
At 31 March	1,137.3
Total recognised income for the financial period	152.7
Dividends	(90.8)
Credit from share based payments charge	1.6
Shares issued (net of shares purchased for ESOP)	7.1
Tax on share based payments posted directly to reserves	(2.9)
At 30 September	1,205.0

Credit ratings

30 September 2007

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

Confirmed by Rating Agencies.

Segmental analysis of capital employed

30 September 2007

Total 31 March 2007 £m		Net operating assets 30 Sep 2007 £m	Goodwill 30 Sep 2007 £m	Total 30 Sep 2007 £m
5,267.5	Water and Sewerage	5,284.0	-	5,284.0
128.7	Water Technologies and Services	84.2	48.4	132.6
(78.6)	Other	(55.8)	-	(55.8)
5,317.6	Group	5,312.4	48.4	5,360.8

PBITD* analysis

Six months to 30 September 2007

Group H1 2006/07 £m		Group H1 2007/08 £m
337.2	Water and Sewerage	362.3
16.1	Water Technologies and Services	13.2
(17.7)	Other	(8.2)
335.6	Group**	367.3

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

** Excludes businesses classified as discontinued.

Depreciation* analysis

Six months to 30 September 2007

Group H1 2006/07 £m		Group H1 2007/08 £m
111.6	Water and Sewerage	115.2
7.1	Water Technologies and Services	3.1
(2.1)	Other	(1.0)
116.6	Group	117.3

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

Capital expenditure (net cash)*

Six months to 30 September 2007

H1 2006/07 £m		H1 2007/08 £m
(159.5)	Water and Sewerage	(216.5)
(2.8)	Water Technologies and Services	(3.9)
3.0	Other	2.9
(159.3)		(217.5)
(31.8)	Waste Management	-
(1.6)	US Laboratories	-
(192.7)	Group	(217.5)

* Net of grants received and proceeds of sale

Water and Sewerage – income statement highlights

Six months to 30 September 2007

H1 2006/07 £m		H1 2007/08 £m	Change £m	Change %
	Turnover			
605.4	Severn Trent Water	634.2	28.8	4.8
6.8	Retail & Utility Services	6.9	0.1	1.5
(1.8)	Intra segment trading	(0.5)	1.3	72.2
610.4		640.6	30.2	4.9
	Operating Costs			
(381.1)	Severn Trent Water*	(389.7)	(8.6)	(2.3)
(5.5)	Retail & Utility Services	(4.3)	1.2	21.8
1.8	Intra segment trading	0.5	(1.3)	(72.2)
(384.8)		(393.5)	(8.7)	(2.3)
225.6	PBIT**	247.1	21.5	9.5

* Operating costs include profit on disposal of non-current assets of £0.7m (£1.8m)

** Net of other income but excluding management charges of £2.0m (£2.2m)

Severn Trent Water – turnover

Six months to 30 September 2007

	£m	%
Six months to 30 September 2006	605.4	
RPI + K	35.7	5.9
	641.1	5.9
Consumption		
Reduced consumption	(12.0)	(2.0)
Net growth/meter optants		
New customers/Income protection	4.2	0.7
Meter optants	(2.7)	(0.4)
	631.6	4.2
Other	0.4	0.1
	631.0	4.2
Rebate accrual	3.2	0.5
Six months to 30 September 2007	634.2	4.8

Severn Trent Water – operating costs

Six months to 30 September 2007

H1 2006/07 £m		H1 2007/08 £m	Variance £m	Variance %
230.9	Direct operating costs*	231.8	0.9	0.4
107.7	Depreciation**	111.2	3.5	3.2
42.5	Infrastructure renewals	46.7	4.2	9.9
381.1	Total	389.7	8.6	2.3

* Net of other income £2.0m (£1.5m) but excluding management charges

** Net of amortisation of grants and contributions and profit on disposal of property, plant and equipment, and after profit on disposal of non current assets of £0.7m (£1.8m)

Severn Trent Water – capex reconciliation

Six months to 30 September 2007

	H1 2007/08
	£m
UK GAAP gross capex	258.1
Less grants and contributions	(22.9)
<hr/> UK GAAP net capex*	<hr/> 235.2
Treated as IFRS infrastructure operating expenditure	(46.7)
	<hr/> 188.5
Movement on capital creditors	28.6
Proceeds on sale of fixed assets	(1.4)
Other	0.8
<hr/> IFRS capex (net cash)	<hr/> 216.5

* Capex at outturn prices after deduction of grants and contributions

Severn Trent Water – RCV

30 September 2007

£m	2005/06	2006/07	2007/08	2008/09	2009/10
Per Determination*	4,853	4,981	5,107	5,191	5,292
STW Actual/Estimated Outturn**	5,209	5,546	5,903	6,154	6,430
Ofwat Actual/Projected Outturn***	5,209	5,546	5,803	5,898	6,013

* 2002/03 prices

** At year-average outturn prices, Including inflation assumption of 3.8%, 2.6% and 2.5% in years 2007/08, 2008/09 and 2009/10 respectively

*** Ofwat estimated outturn using year end 2006/07 RPI Source Ofwat website

Water Technologies and Services performance

H1 2006/07 £m		H1 2007/08 £m	Change %
149.5	Turnover	146.4	(2.1)%
(5.2)	Pipeline Services	(-)	
144.3		146.4	
(6.6)	Exchange rate impact	-	
137.7		146.4	6.3%



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