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Interim Results

6 Months to 30 September 2006

Presentation – 7 December 2006



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Sir John Egan

Chairman



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Mike McKeon

Group Finance Director

Highlights – ex Biffa (unless stated)

	H1 2005/06 £m	H1 2006/07 £m	Change %
Group Turnover	722	746	3.3%
Profit Before Interest and Tax (PBIT*)	233	219	(6.0)%
Profit Before Tax (PBT**)	151	143	(5.3)%
Adjusted Basic EPS [#] (pence)	44.7p	42.2p	(5.6)%
Basic EPS (pence) from continuing and discontinued operations and including Biffa Plc	49.6p	55.8p	12.5%
Dividend (pence per share)			
Interim	19.16		
<i>Rebased</i>	21.36	22.77	6.6%

NB: All numbers exclude Biffa Plc and are for continuing operations, except where stated

* Excluding exceptional items

** Excluding exceptional items and IAS 39 fair value adjustments

Excluding exceptional items, IAS39 fair value adjustments and deferred tax

Dividend growth is central to our investment proposition

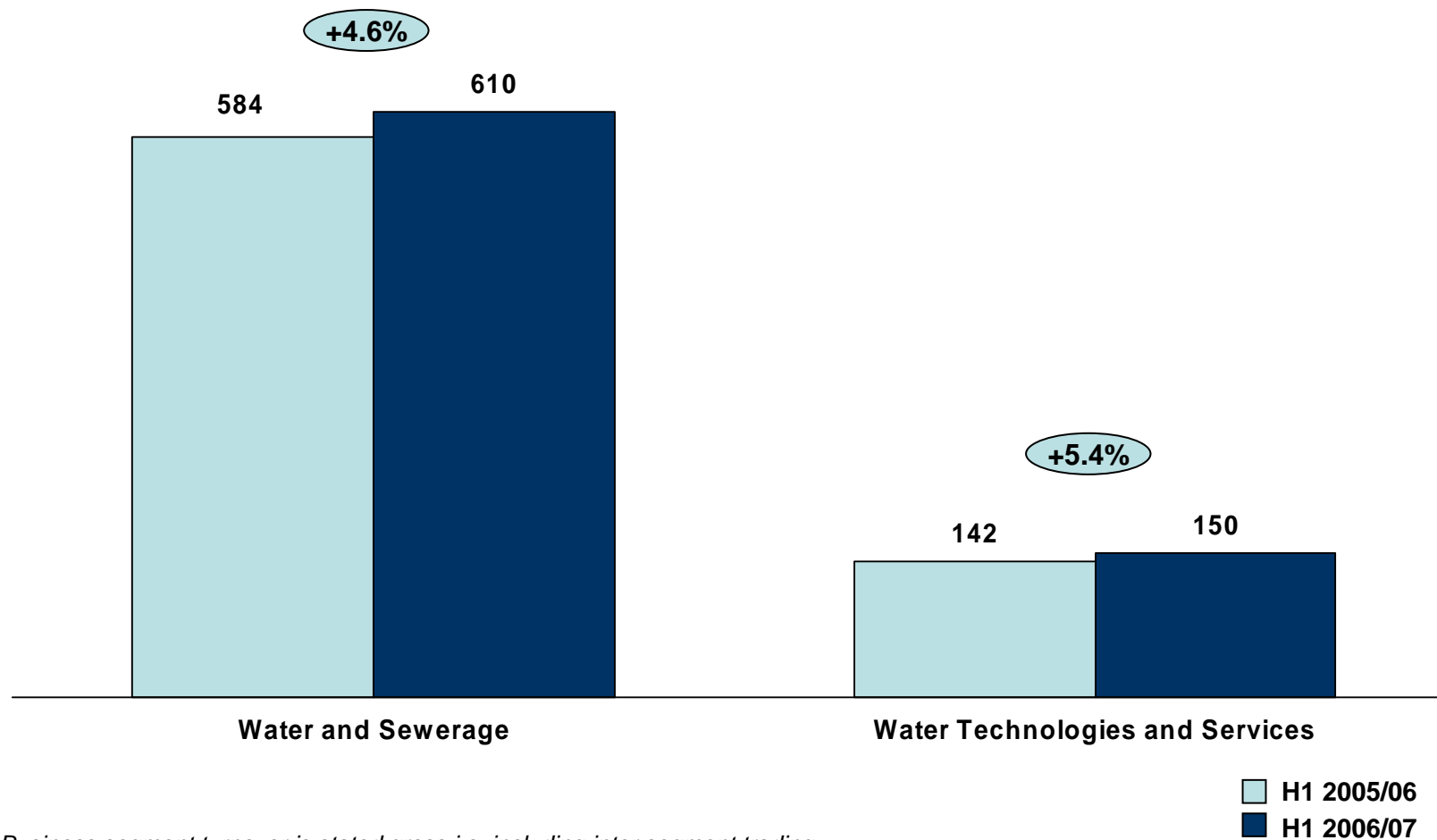
- **Progressive dividend policy:**
 - **Growth of 3% above inflation for AMP4 period**

- **No dilution of dividend as result of demerger this year:**
 - **New Severn Trent dividend based on 2005/06 dividend, less amount Biffa would have paid, and**
 - **Adjusted for the special dividend and share consolidation**

- **2005/06 adjusted base full year dividend 57 pence per New Ordinary Share, split 21.36 pence interim, 35.64 pence final**
- **2006/07 Interim dividend**
 - **22.77 pence per share, 6.6% growth on new base**

Group turnover up 3.2% to £746m

Group turnover
£m

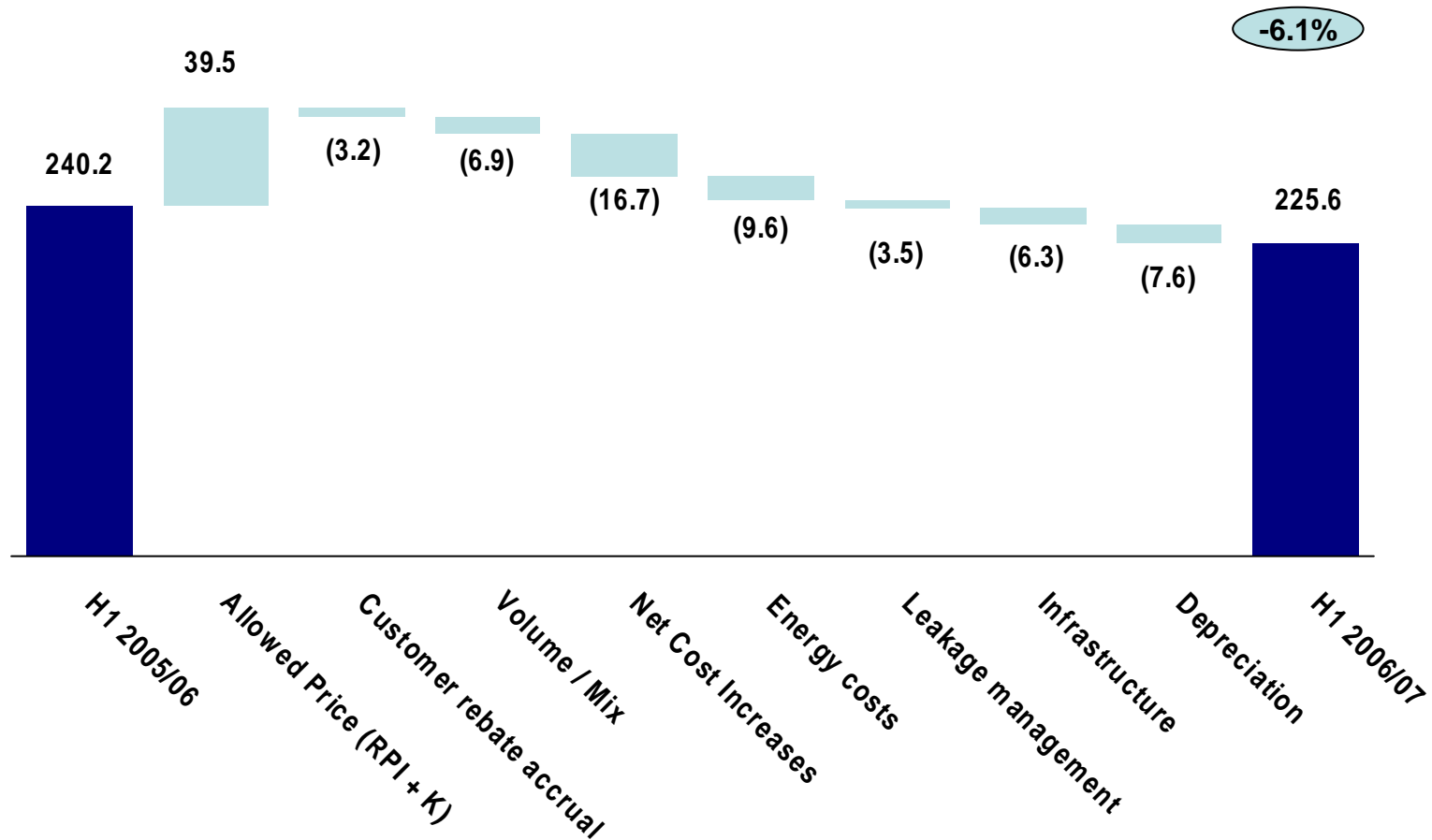


Business segment turnover is stated gross i.e. including inter segment trading

Water and Sewerage PBIT

Water and Sewerage PBIT

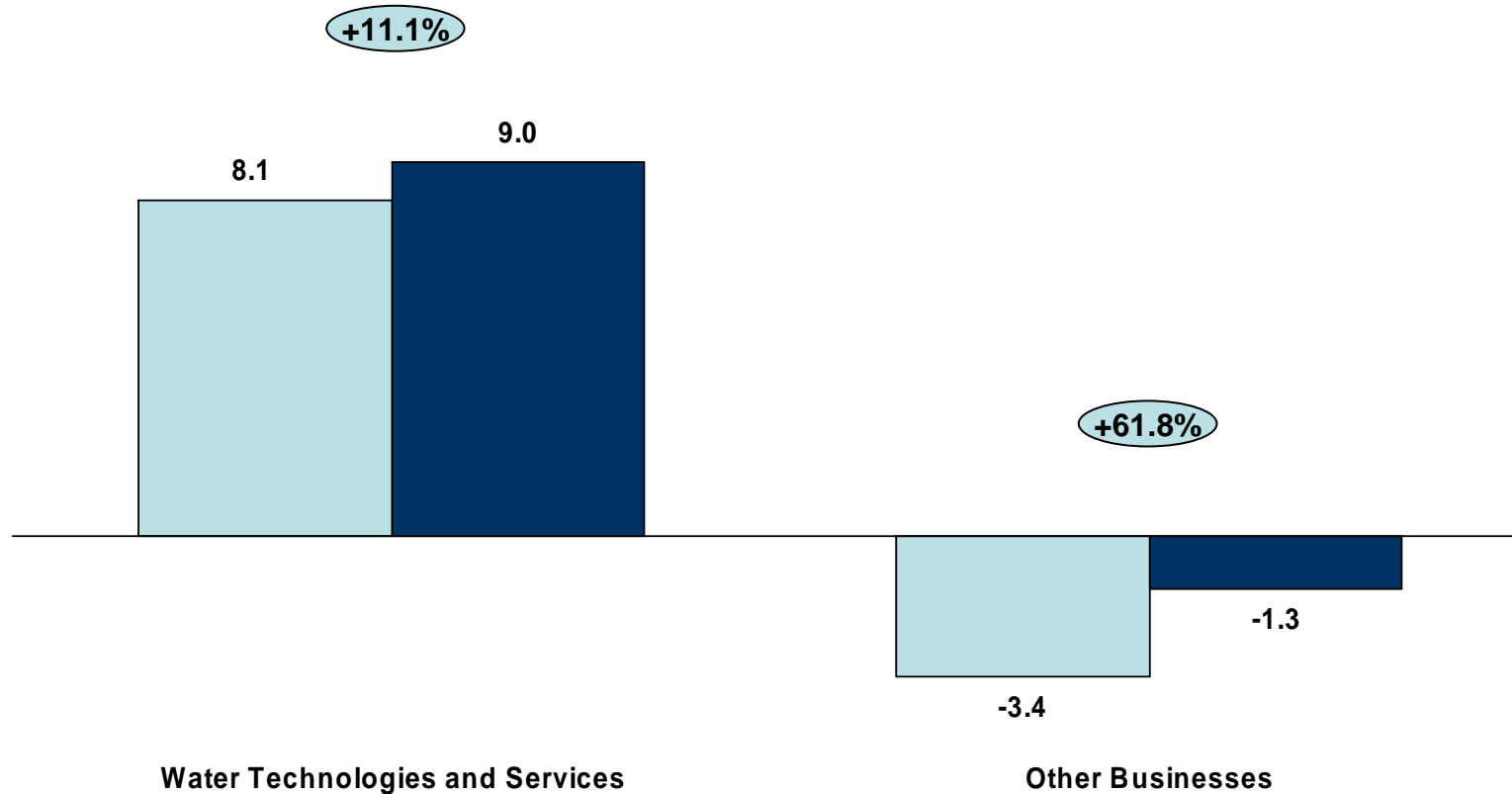
£m



Numbers shown before exceptional items

Other businesses PBIT performance

Other PBIT
£m



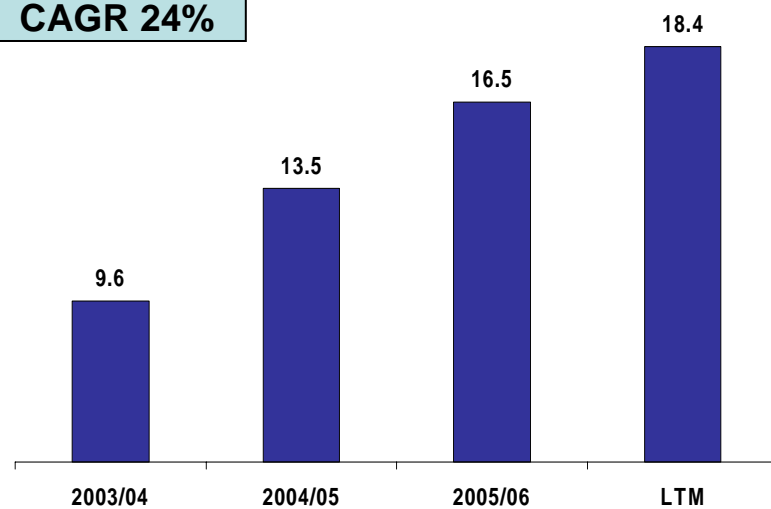
Numbers shown before exceptional items

■ H1 2005/06
■ H1 2006/07

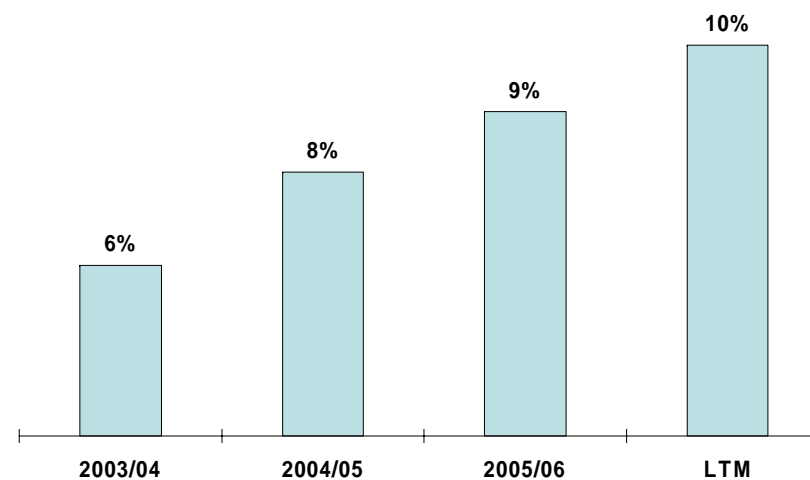
Water Technologies and Services performance

PBIT £m*

CAGR 24%



Return* On Invested Capital **



* PBIT before exceptional items

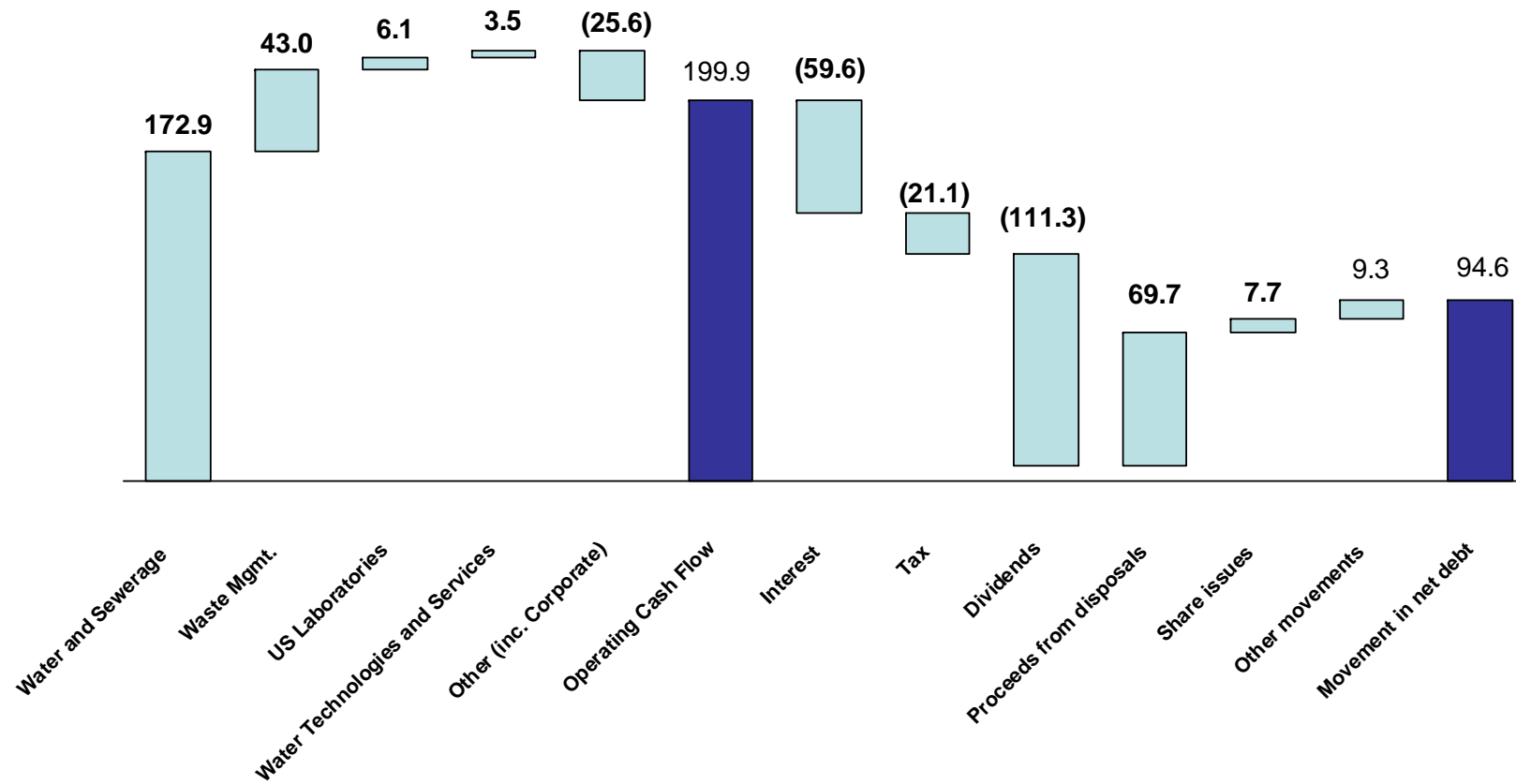
** Net operating assets plus gross goodwill from acquisitions

LTM Last Twelve Months

Cash Flow

H1 2006/07 operating cash flow

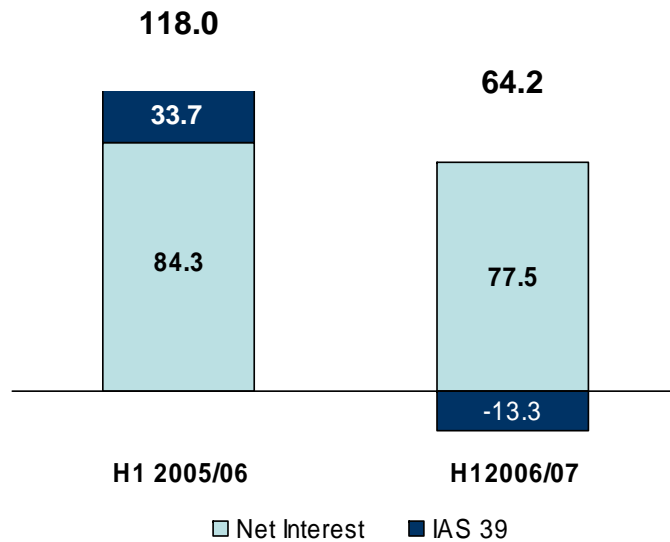
£m



Group finance charges and net debt

Net finance costs

£m



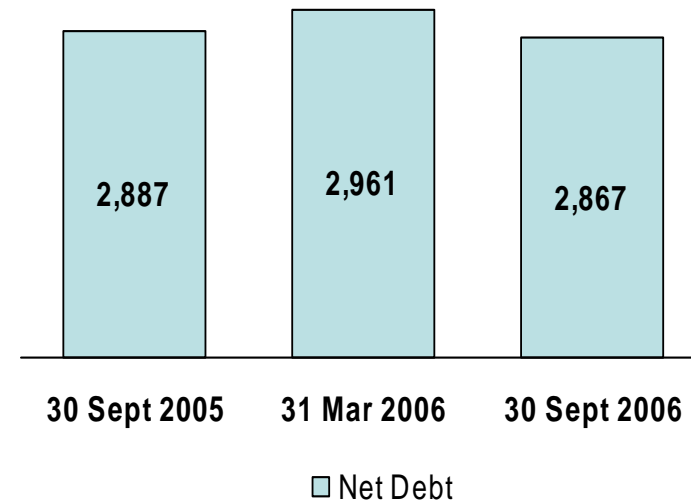
- Effective rate circa 5.8 % *
- Interest cover*:
 - 5.2 times EBITDA **
 - 3.5 times PBIT

* Excluding IAS39 fair value adjustments

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

Net debt

£m



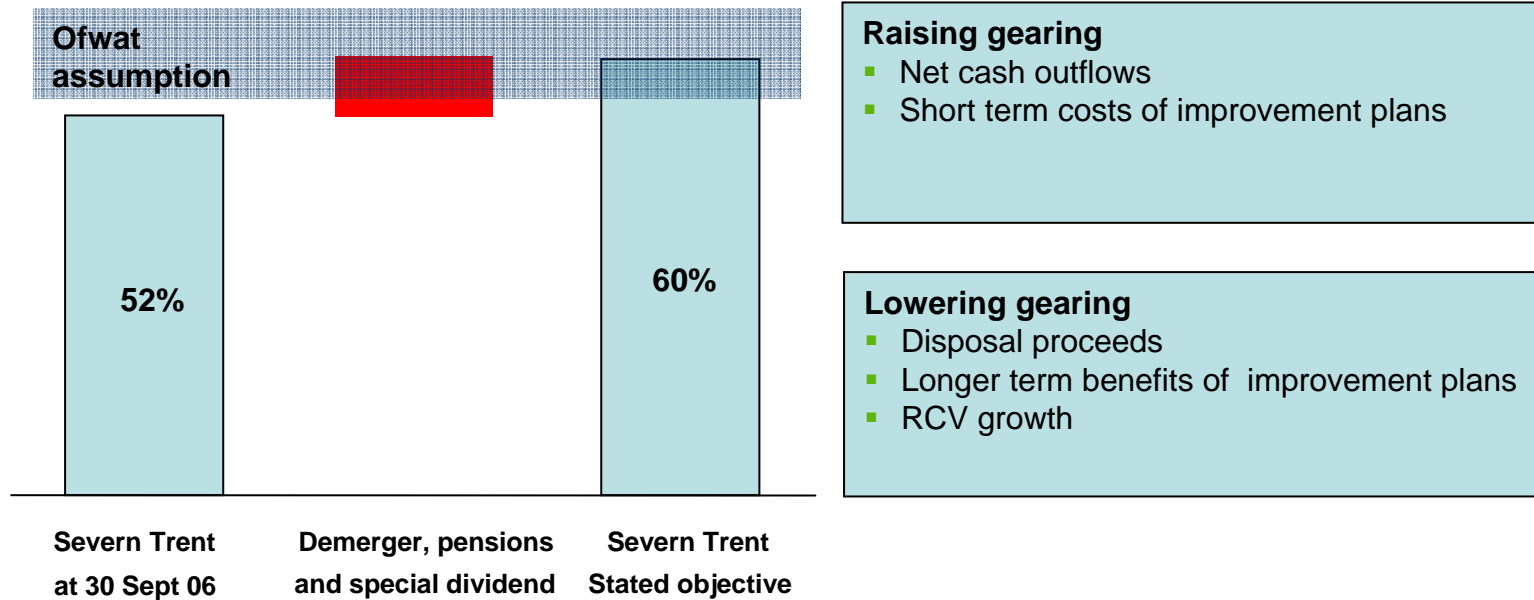
- 76% at fixed interest rates*
- Average maturity at 30 Sept 2006 12 years

Recent index linked debt issuance:

- Sept £50m 50 year
- Oct £50m 50 year, £100m 45 year
- Total £200m, real rate 1.6% achieved
- Index linked debt now 15% of total debt portfolio

Gearing target on track, aim to maintain

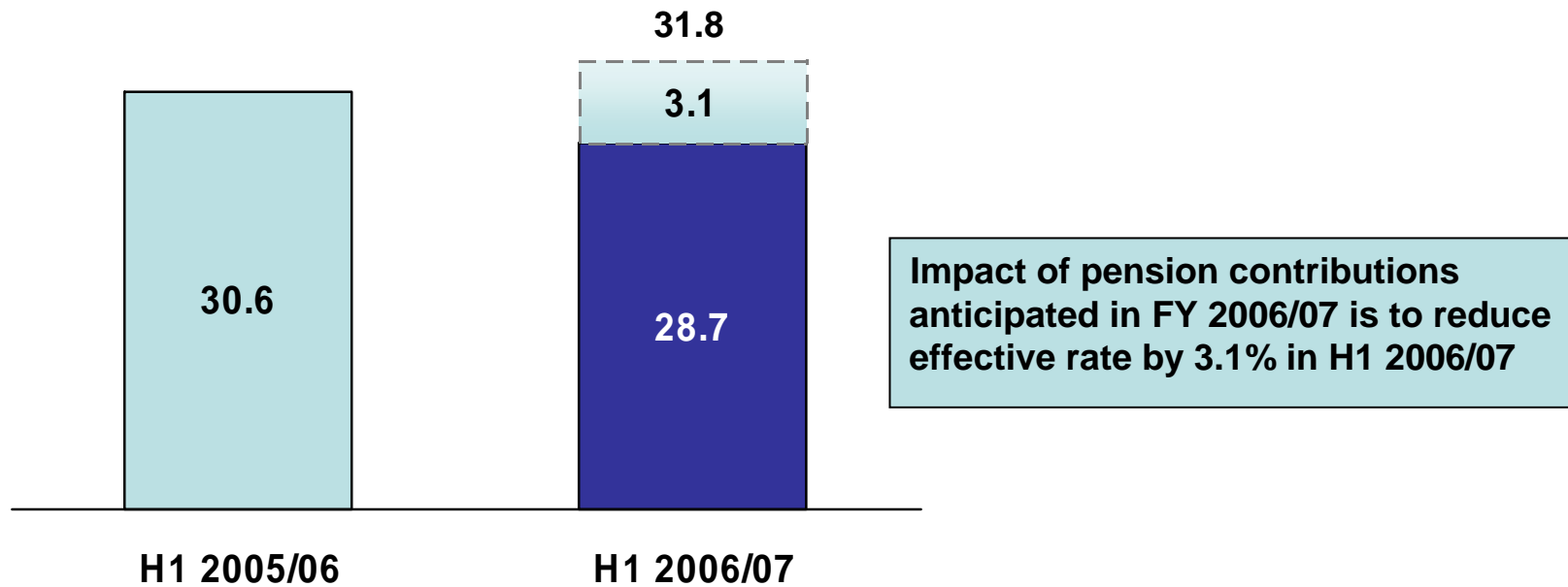
60% Target gearing
Debt to 2006/7 RCV (%)*



* Estimated 31 March 2007

Effective rate of tax reduced by pension contributions

Effective current tax rate*
%



2006/7 full year Severn Trent Group in range of 26-29% taking account of anticipated pension contributions

**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

- **Appropriate financial structure for water business**
- **Cost challenges remain**
- **Delivering on commitment of dividend growth**



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Colin Matthews

Group Chief Executive

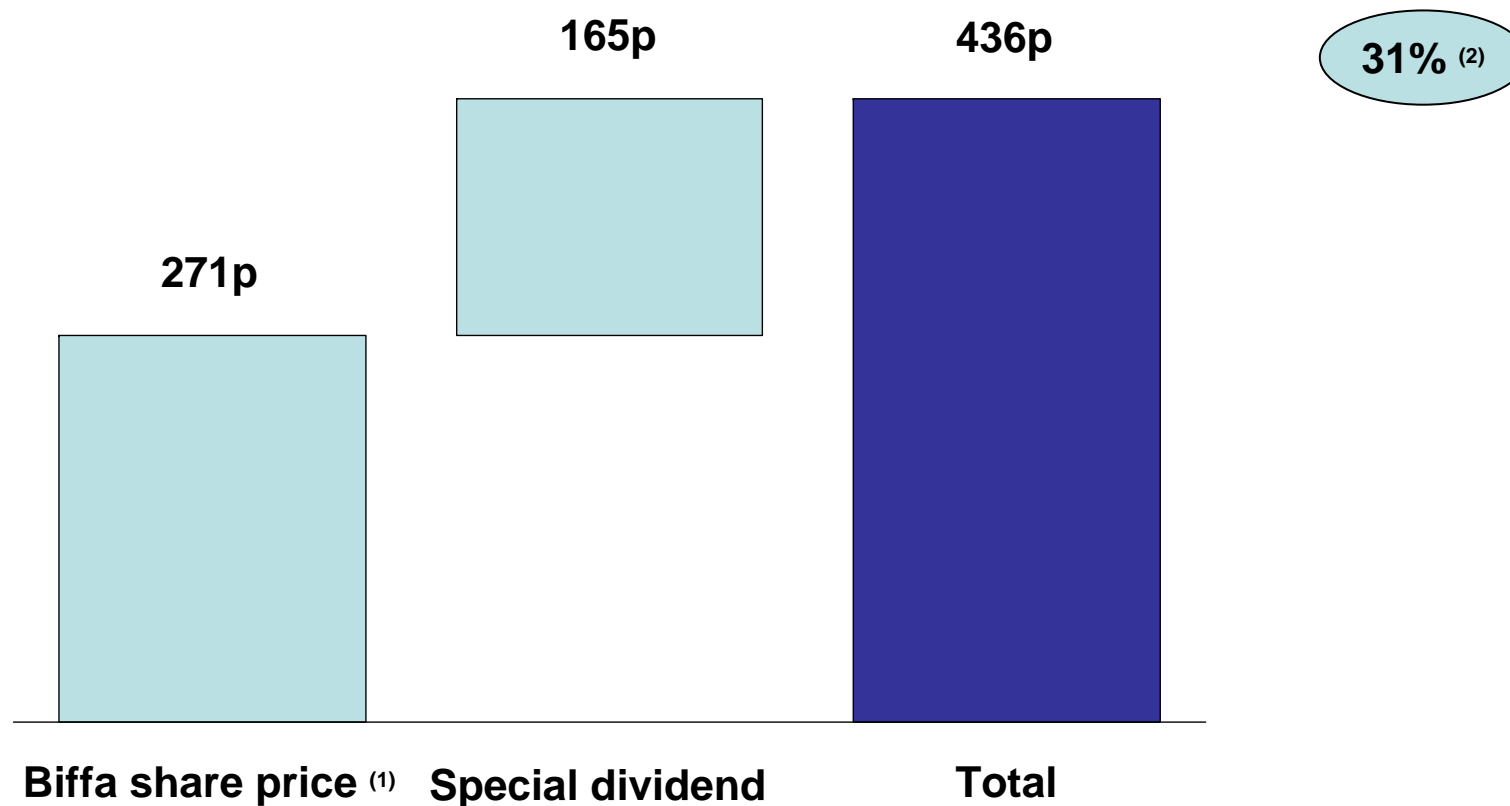
Focus on water

- **Completed phase 1: Group restructuring**
 - Biffa demerger complete
 - “Non-core” disposals
 - Efficient balance sheet
- **Fully engaged in phase 2: Focus on water**
 - Securing the basics
 - Developing plans for fundamental transformation

Higher standards  greater efficiency
Continuous improvement

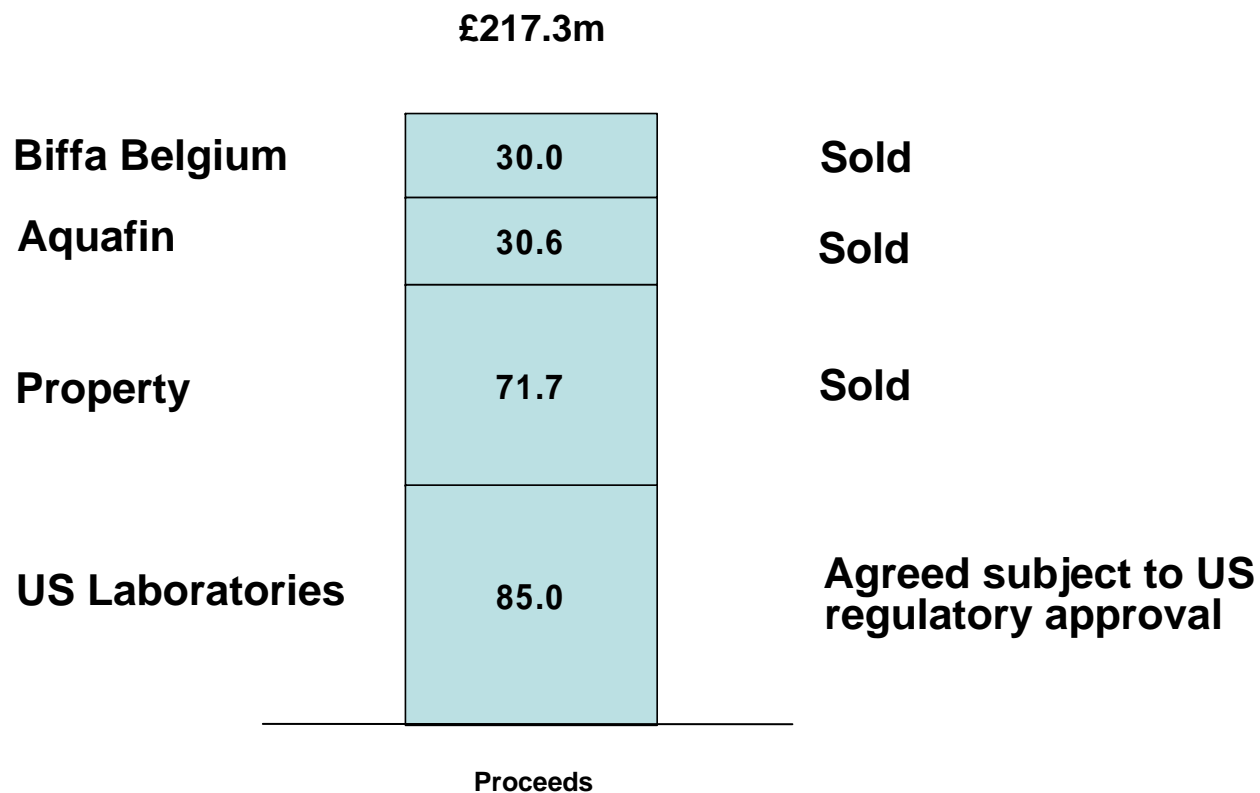
Biffa demerger and special dividend returned 31% of the equity into the hands of our shareholders

Return of value through demerger and special dividend (pence)



- (1) Based on the average closing price for Biffa for the 20 business days following the introduction to listing on 2 October 2006
(2) Based on Severn Trent Plc closing share price 6 October 2006 of 1417p

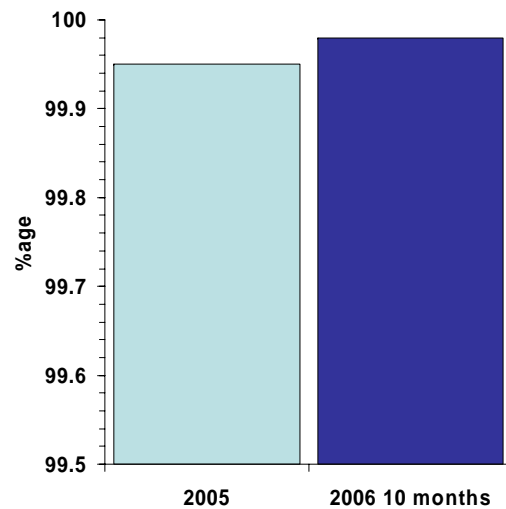
“Non-core” disposals have simplified group and will realise £217m



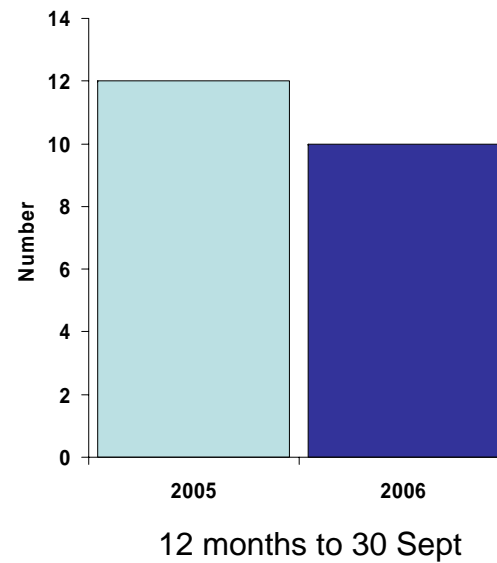
Total net surplus on disposal £28m

Securing the basics has turned out to be a major undertaking: there have been some positives

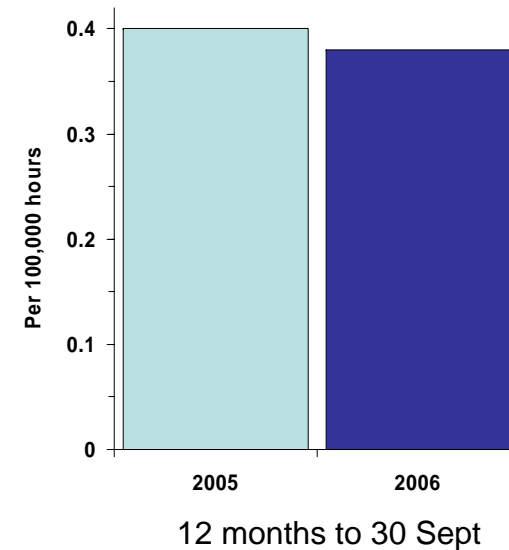
Good Water Quality
Mean zonal compliance



Pollution incidents well controlled
Category 1 and 2



Safety improving
Reportable accidents per 100,000 hours



Securing the basics has turned out to be a major undertaking: improvements are in hand

■ Leakage

- £6m of additional investment full year 2006/07
- Downward volume trend restored

■ Customer relations compliance

- Compliance with DG standards
- Recovery of OPA ranking

■ Controls “end to end”

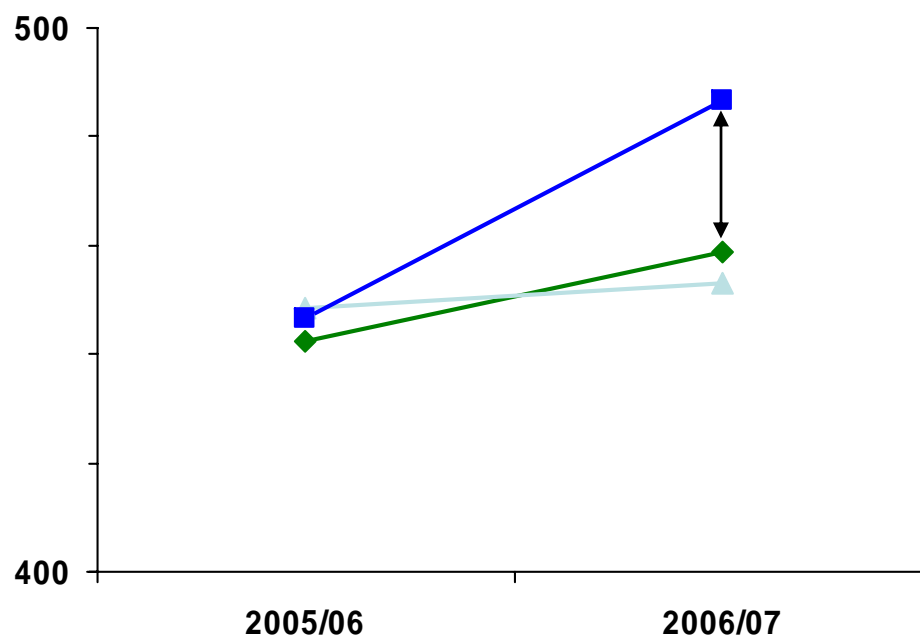
- 5 major controls reviews
- Completely new June return process

Energy and spend on leakage have driven opex above the final determination

Operational costs* vs. Ofwat Final Determination

£m

UK GAAP



Upward pressures include:

- Energy £19m
- Leakage management £6m
- Net of efficiencies

◆ Ofwat Final Determination** ▲ STW original Plan ■ Actual/Forecast

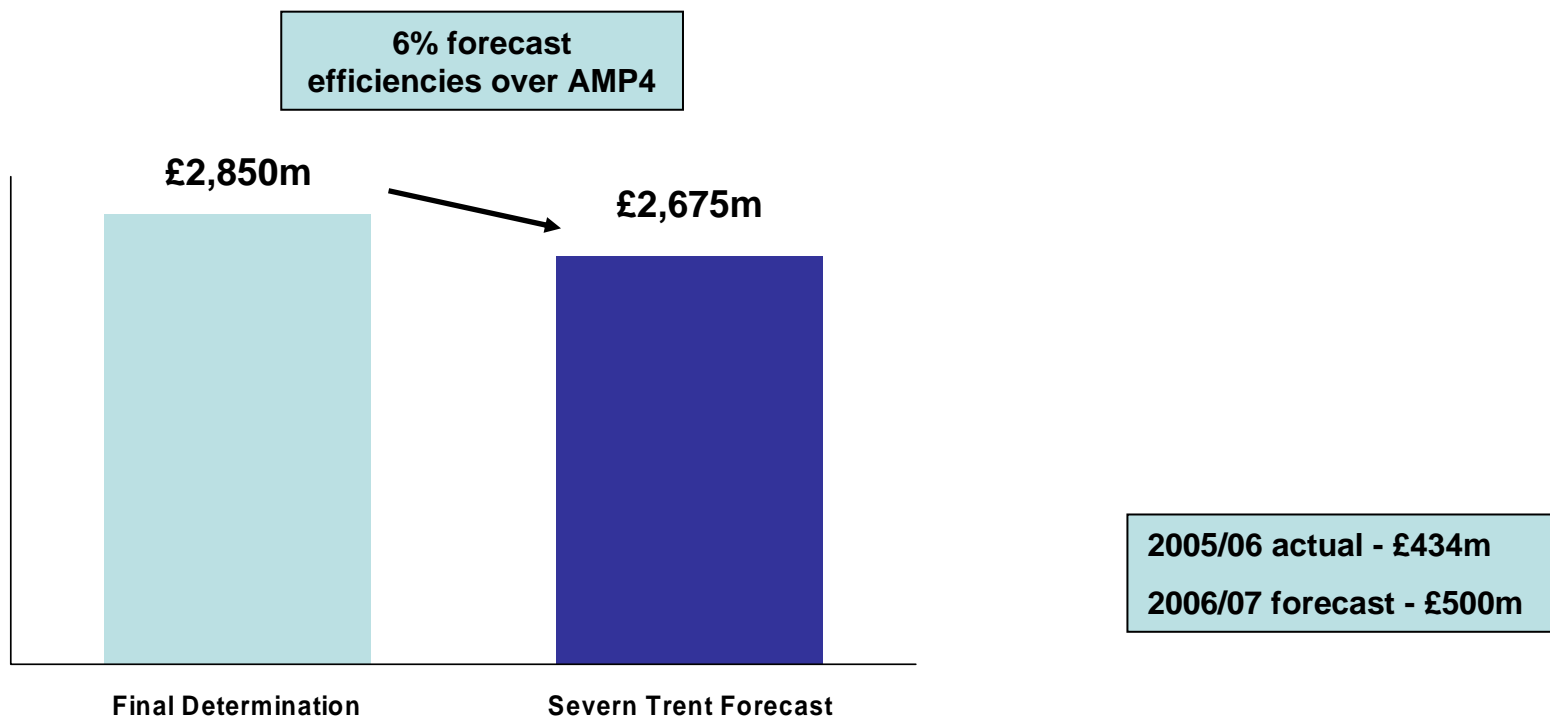
* Excluding exceptional items and Severn Trent Plc management fee

** Adjusted for £1.3m power generation exports reclassified from opex to income

We remain on track to deliver required outputs and achieve 6% capex efficiency

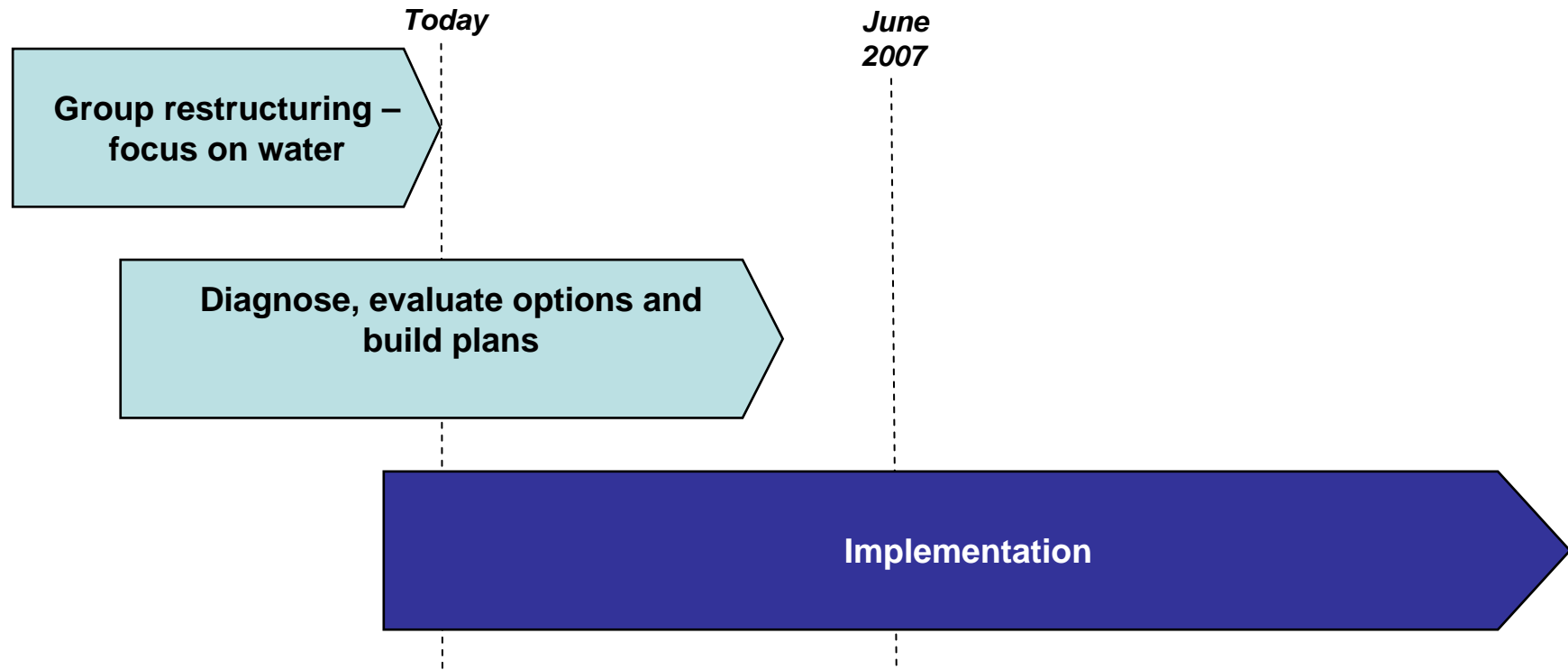
AMP4 capex subject to Ofwat agreement of change protocol
CAPEX, gross* at outturn prices, £m

UK GAAP



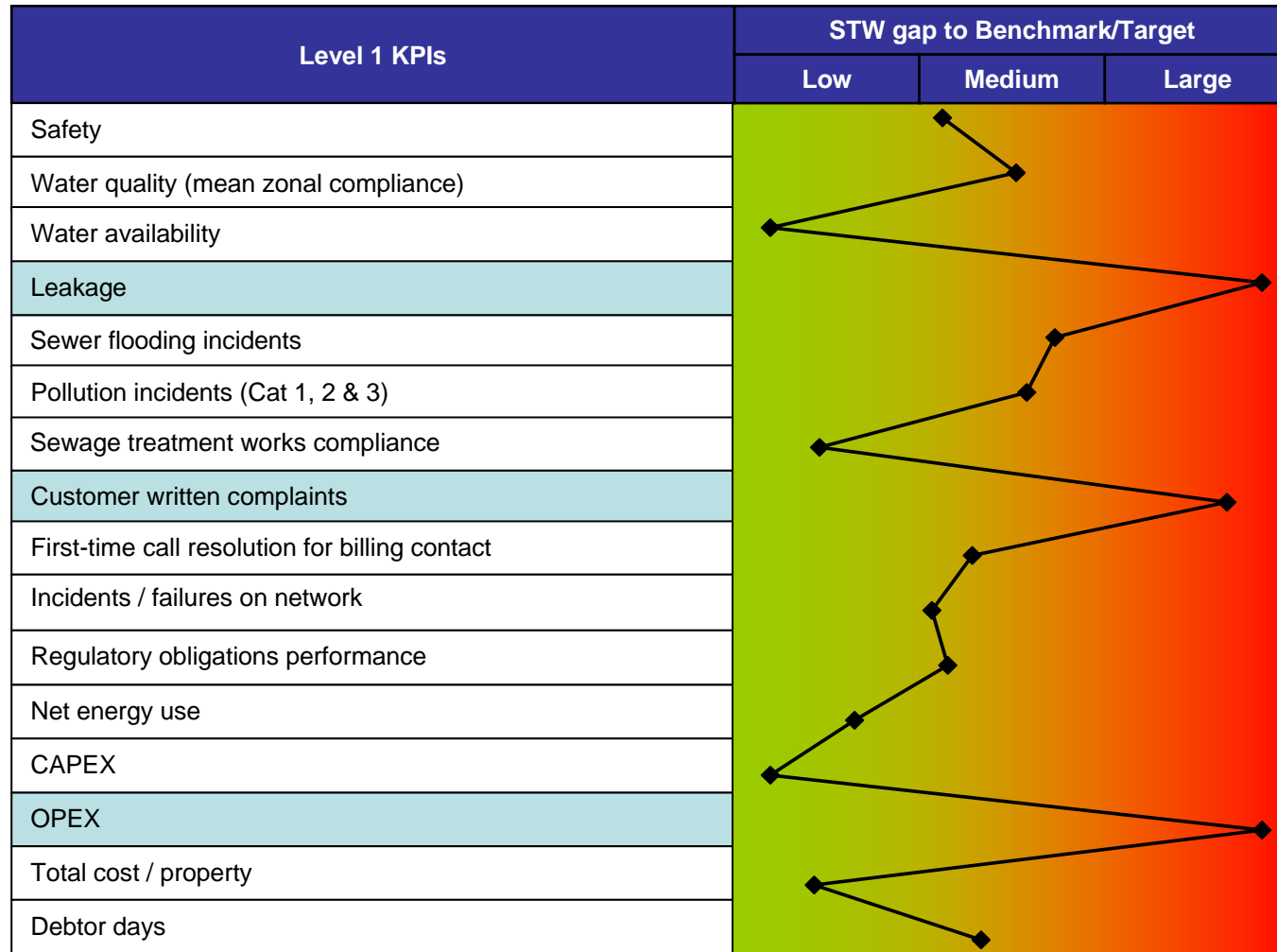
* i.e. at outturn prices before taking account of forecast grants and other income

Following the Group restructuring focus is now on improving the Water and Wastewater operations



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

First step was to define how to measure success



Note: Benchmarks adjusted to make comparable with Severn Trent and outliers are removed

Improvements are targeted across the business in terms of standards and efficiency

Level 1 KPIs	Example Improvement Opportunity
Incidents / failures on network	<ul style="list-style-type: none"> improved telemetry - automation and remote control of site operations – Faster response times
Sewer flooding incidents	
Water availability	
Pollution incidents (Cat 1, 2 & 3)	
Safety	
Leakage	<ul style="list-style-type: none"> extending working window – Improved response to leakage reports
Water quality (mean zonal compliance)	<ul style="list-style-type: none"> treatment optimisation – quality improvement at lower cost
Sewage treatment works compliance	
Customer written complaints	<ul style="list-style-type: none"> improved call routing and handling – Smaller queue
First-time call resolution for billing contact	
Total cost / property	<ul style="list-style-type: none"> Head office integrating into water business – Fewer layers, less overhead costs
OPEX	
CAPEX	
Debt-over-due days	
Regulatory obligations performance	
Net energy use	<ul style="list-style-type: none"> expansion of renewable energy generation – More income

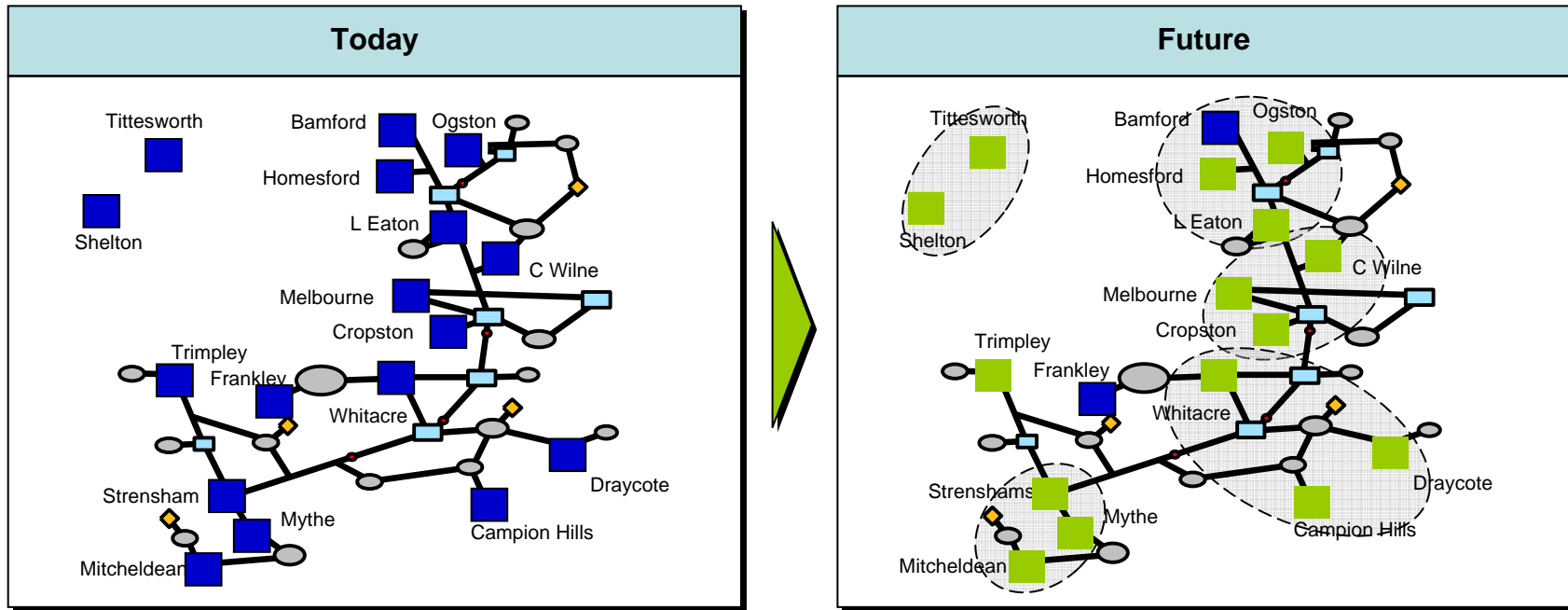
Integration of head office into water is progressing

- **3 out of 4 teams now integrated**
 - **Company Secretarial**
 - **HR**
 - **Corporate Affairs/Communication**

- **Finance team planning integration 1st quarter 2007**

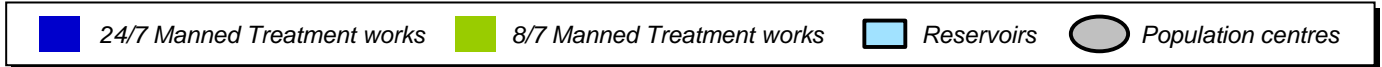
£6m to £10m reduction in head office costs expected over coming 18 months

Faster response times and improved efficiency from further automation and remote control of sites



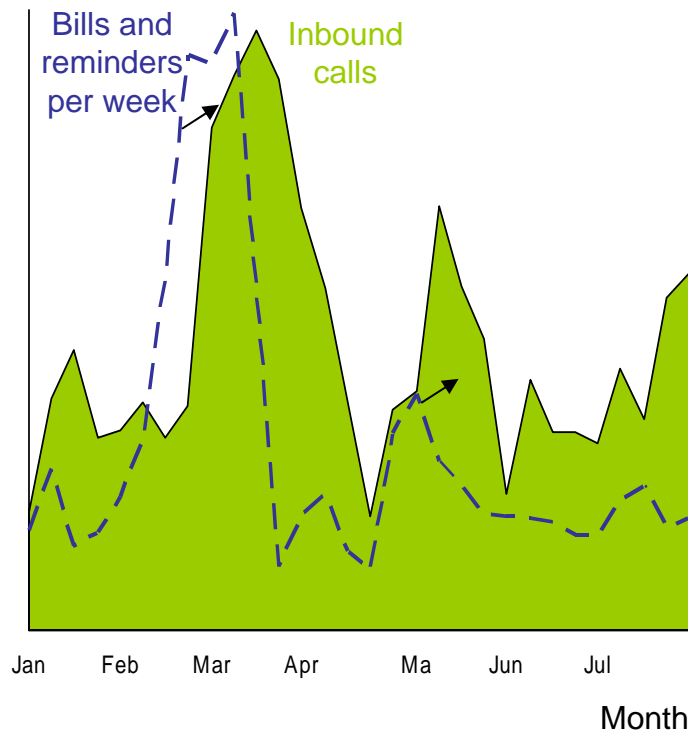
- Improved service levels
- Better intelligence on leakage
- Improved quality assurance
- Reduced operational work load

1) Bamford and Frankley retain manned in the first instance due to size and complexity of these sites

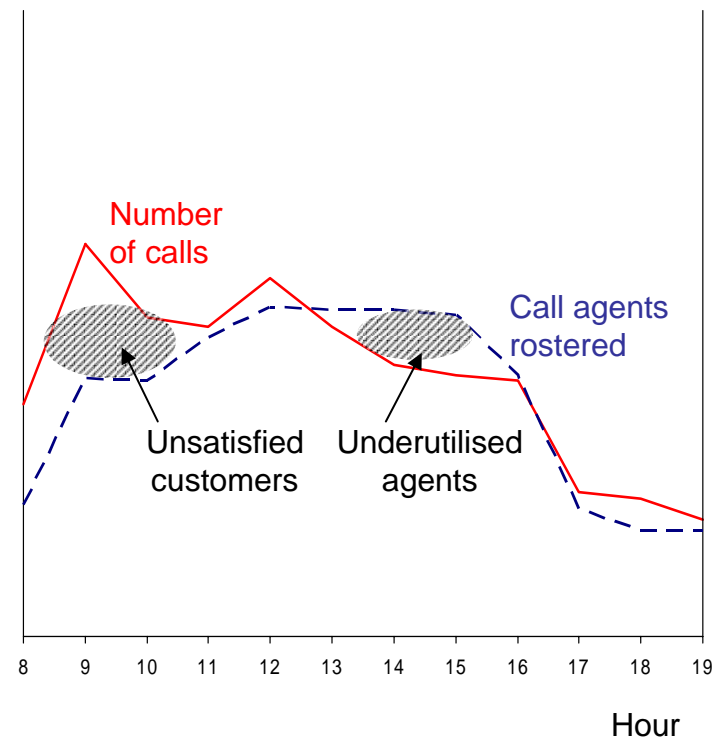


Two examples of how we can improve the customer service

Different billing profile will reduce week-to-week call centre congestion



Better match of staffing and call volume will reduce daily queues



Focus on water

- **Clear strategy implemented**
- **Management driving improvement**
- **Investment fuelling growth**



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Appendix

Contact Details – Investor Relations

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Group income statement summary

Six Months to 30 September 2006

	Group as Reported £m	Biffa Plc £m	Consolidation Eliminations £m	Group ex Biffa Plc £m	Variance to H1 2005/06, Group Ex Biffa Plc	
					£m	%
Turnover	1,118.8	376.5	(3.9)	746.2	24.0	3.3
Operating costs	(850.0)	(326.7)	3.9	(527.2)	(38.1)	(7.8)
Profit before exceptional items, interest and tax	268.8	49.8	-	219.0	(14.1)	(6.0)
Exceptional items	4.2	-	-	4.2	4.2	-
Profit before interest and tax	273.0	49.8	-	223.2	(9.9)	(4.2)
Net interest	(77.5)	(7.7)	7.1	(76.9)	5.4	(6.6)
Fair value movements in treasury instruments	13.3	-	-	13.3	47.0	139.5
Share of results of associates and joint ventures	1.0	0.4	-	0.6	-	-
Profit before tax	209.8	42.5	7.1	160.2	42.5	36.1
Current tax	(55.0)	(11.2)	-	(43.8)	4.0	8.4
Deferred tax	(8.6)	(6.2)	-	(2.4)	(12.6)	(123.5)
Profit after tax from continuing operations	146.2	25.1	7.1	114.0	33.9	42.3
Discontinued operations	(15.8)	-	-	(15.8)	(17.4)	
Profit for the period	130.4	25.1	7.1	98.2	16.5	20.2

Group Earnings

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m		
114.8	Profit for the period	130.4		
114.5	Attributable to - Equity holders of the company	129.5		
0.3	- Minority Interests	0.9		
Pence		Pence	Variance pence	Variance %
	Basic earnings per share from continuing operations			
44.7	Adjusted basic EPS (before Biffa Plc, exceptional items, IAS 39 fair value adjustments and deferred tax)	42.2	(2.5)	(5.6)
48.9	Basic EPS	62.6	13.7	28.0
	Diluted earnings per share from continuing operations			
44.5	Adjusted diluted EPS (before Biffa Plc, exceptional items, IAS 39 fair value adjustments and deferred tax)	41.9	(2.6)	(5.8)
48.6	Diluted EPS	62.1	13.5	27.8

Share Consolidation and dividend rebasing

Effective 9 October 2006

Share Price Rebasing	Pence	No. of shares (m)
Severn Trent Plc closing share price Friday 6 October	1,417	349.5
Less Biffa Plc opening share price Monday 9 October	(260)	
Less special dividend entitlement (paid 20 October)	(165)	
Before share consolidation	992	
Adjusted for 2 for 3 consolidation of Severn Trent Plc shares (992 x 3/2)	1,488	233.0
Dividend rebasing	Pence	£m
2005/06 full year dividend	51.13	177.6
Less Biffa	(5 to 6)	(18.6)
Less impact of special dividend	(7 to 8)	(26.0)
Before share consolidation	38	133
Adjusted for 2 for 3 consolidation of Severn Trent Plc shares (38 x 3/2)	57	133

Group balance sheet

30 September 2006

Group as Reported £m	Biffa Plc £m	Consol. Elims. £m	Group ex Biffa Plc 31 Mar 2006 £m		Group as Reported £m	Biffa Plc £m	Consol. Elims. £m	Group ex Biffa plc 30 Sept 2006 £m
5,743.1	335.5	-	5,407.6	Property, plant and equipment	5,748.9	339.6	-	5,409.3
618.7	391.8	-	226.9	Intangible assets	549.3	391.9	-	157.4
29.8	0.7	-	29.1	Other non-current assets	4.7	0.7	-	4.0
(482.5)	(86.7)	4.3	(400.1)	Working Capital/provisions	(472.4)	(78.4)	(0.7)	(393.3)
5,909.1	641.3	4.3	5,263.5	Capital employed	5,830.5	653.8	(0.7)	5,177.4
(48.8)	(18.3)	9.2	(39.7)	Tax creditor	(80.9)	(25.9)	15.5	(70.5)
(870.2)	4.1	-	(874.3)	Deferred tax provision	(867.9)	(0.2)	-	(867.7)
(2,961.1)	(22.8)	-	(2,938.3)	Net debt	(2,866.5)	(352.4)	-	(2,514.1)
-	(291.8)	291.8	-	Inter-company Debt	-	-	-	-
(130.0)	-	-	(130.0)	Derivative financial liabilities	(132.3)	-	-	(132.3)
1,899.0	312.5	305.3	1,281.2	Net assets	1,882.9	275.3	14.8	1,592.8
60.9%	6.8%		69.6%	Gearing*	60.4%	56.1%		61.2%

* Net debt divided by net debt and equity

Group cashflow and movement in net debt

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m
425.5	Cash generated from operations	392.5
(190.7)	Capital expenditure (net)	(192.7)
(97.8)	Interest and tax payments	(80.7)
1.0	Other cash flows	0.4
138.0	Free cash flow	119.5
(167.8)	Equity dividends	(111.3)
9.4	Share issues/purchases	7.7
(1.4)	Acquisitions and disposals	69.7
(21.8)	Net cash inflow/(outflow)	85.6
29.6	Non-cash movements	9.0
(2,894.6)	Net debt at 1 April	(2,961.1)
(2,886.8)	Net debt at 30 September	(2,866.5)

Movements on Severn Trent shareholders' equity

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m
1849.5	At 31 March as previously stated	1,899.0
(57.8)	Change of accounting policy – IAS 32 and IAS 39	–
1,791.7	At 1 April restated	1,899.0
89.2	Total recognised income for the financial period	86.1
(105.1)	Dividends	(112.0)
2.2	Credit from share based payments charge	2.6
9.4	Shares issued (net of shares purchased for ESOP)	7.7
(1.3)	Deferred tax on items posted directly to reserves	(0.5)
1,786.1	At 30 September	1,882.9

Credit ratings

At 30 September 2006

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 post demerger and special dividend.

Segmental analysis of capital employed

Six months to 30 September 2006

Total 30 Sept 2005 £m	Total 31 March 2006 £m		Net operating assets 30 Sept 2006 £m	Goodwill 30 Sept 2006 £m	Total 30 Sept 2006 £m
4,919.7	5,037.6	Water and Sewerage	5,050.4	0	5,050.4
183.7	178.4	Water Technologies and Services	100.2	50.9	151.1
(50.1)	(79.3)	Other	(107.6)	0.0	(107.6)
5,053.3	5,136.7		5,043.0	50.9	5,093.9
637.5	645.6	Waste Management	262.6	390.5	653.1
128.6	126.8	US Laboratories	57.1	26.4	83.5
5,819.4	5,909.1	Group	5,362.7	467.8	5,830.5

EBITDA* analysis

Six months to 30 September 2006

UK H1 2005/06	US/Europe H1 2005/06	Group H1 2005/06	£m	UK H1 2006/07	US/Europe H1 2006/07	Group H1 2006/07
338.1	-	338.1	Water and Sewerage	333.6	-	333.6
5.5	5.8	11.3	Water Technologies and Services	5.2	6.5	11.7
(11.5)	(0.9)	(12.4)	Other	(17.0)	(0.7)	(17.7)
332.1	4.9	337.0		321.8	5.8	327.6
75.3	-	75.3	Waste Management**	79.7	-	79.7
407.4	4.9	412.3	Group***	401.5	5.8	407.3

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

** Excluding Biffa Belgium

*** Excludes businesses classified as Discontinued.

Depreciation* analysis

Six months to 30 September 2006

UK H1 2005/06	US/Europe H1 2005/06	Group H1 2005/06	£m	UK H1 2006/07	US/Europe H1 2006/07	Group H1 2006/07
100.4	-	100.4	Water and Sewerage	108.0	-	108.0
1.1	1.8	2.9	Water Technologies and Services	0.8	2.0	2.8
0.7	-	0.7	Other	(2.2)	-	(2.2)
102.2	1.8	104.0		106.6	2.0	108.6
29.1	-	29.1	Waste Management**	29.9	-	29.9
131.3	1.8	133.1	Group	136.5	2.0	138.5

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

** Excluding Biffa Belgium

Capital expenditure (net cash)*

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m
(150.2)	Water and Sewerage	(159.5)
(2.2)	Water Technologies and Services	(2.8)
2.6	Other	3.0
(149.8)		(159.3)
(36.5)	Waste Management	(31.8)
(4.4)	US Laboratories	(1.6)
(190.7)	Group	(192.7)

* Net of grants received and proceeds of sale

Water and Sewerage – income statement highlights

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m	Change £m	Change %
	Turnover			
576.0	Severn Trent Water	605.4	29.4	5.1
8.7	Retail and Utility Services	6.8	(1.9)	(21.8)
(1.2)	Intra segment trading	(1.8)	(0.6)	(50.0)
583.5		610.4	26.9	4.6
	Operating Costs			
(336.8)	Severn Trent Water*	(381.1)	(44.3)	(13.2)
(7.7)	Retail and Utility Services	(5.5)	2.2	28.6
1.2	Intra segment trading	1.8	0.6	50.0
(343.3)		(384.8)	(41.6)	(12.1)
240.2	PBIT**	225.6	(14.6)	(6.1)

* Operating costs include profit on disposal of non-current assets of £1.8m (£1.5m)

** Net of other income but excluding management charges of £2.2m (£3.3m)

Severn Trent Water – turnover

Six months to 30 September 2006

	£m	%
Six months to 30 September 2005	576.0	
RPI + K	39.5	6.9
	615.5	6.9
Growth		
New customers	3.7	0.6
Income initiatives	0.1	-
Conservation		
Metering impact	(2.6)	(0.5)
Reduced consumption	(3.1)	(0.5)
	613.6	6.5
Other	(5.0)	(0.8)
	608.6	5.6
Rebate accrual	(3.2)	(0.5)
Six months to 30 September 2006	605.4	5.1

Severn Trent Water – operating costs

Six months to 30 September 2006

H1 2005/06 £m		H1 2006/07 £m	Variance £m	Variance %
200.5	Direct operating costs*	230.9	30.4	15.2
100.1	Depreciation**	107.7	7.6	7.6
36.2	Infrastructure renewals	42.5	6.3	17.4
336.8	Total	381.1	44.3	13.2

* Net of other income £1.5m (£2.0m) 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 £1.8m (£1.5m)

Severn Trent Water – direct operating costs

Six months to 30 September 2006

	H1 2006/07 £m	% of total change
Six months ended 30 September 2005	200.5	
Inflation	7.2	3.6
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	207.7	
Real opex increases	23.2	11.6
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Six months ended 30 September 2006	230.9	15.2
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* Net of other income £1.5m (£2.0m) but excluding management charges

Severn Trent Water – capex reconciliation

Six months to 30 September 2006

	H1 2006/07 £m
UK GAAP gross capex	199.8
Less grants and contributions	(16.5)
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UK GAAP net capex*	183.3
Treated as IFRS infrastructure operating expenditure	(42.5)
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	140.8
Movement on capital creditors	22.5
Proceeds of sale of fixed assets	(2.0)
Other	(1.8)
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IFRS capex (net cash)	159.5
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* Capex at outturn prices after deduction of grants and contributions

Severn Trent Water – RCV

Six months to 30 September 2006

At each price review, Ofwat sets price limits which it considers will enable companies to earn a reasonable return on capital. Ofwat bases that return on the regulatory capital value (RCV). The actual/forecast outcome for the RCV from the December 2004 determination through AMP 4 is as follows at each 31 March year end:

£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	5,530	5,812	6,055	6,327

* 2002/03 prices

** Including inflation assumption of 3.4% in 2006/07 and 2.5% from 2007/08 to 2009/10

Discontinued Operations income statement summary

Six months to 30 September 2006

H1 2005/06 £m	US Laboratories	H1 2006/07 £m	Variance £m	Variance %
67.9	Turnover	64.1	(3.8)	(5.6)
(63.2)	Operating costs	(58.6)	4.6	7.3
4.7	Profit before interest and tax	5.5	0.8	17.0
(0.2)	Net interest	(0.1)	0.1	50.0
4.5	Profit before tax	5.4	0.9	20.0
0.3	Taxation	-	(0.3)	
4.8	Profit after tax	5.4	0.6	12.5
(3.2)	Biffa Belgium	0.1	3.3	
1.6	Total Discontinued Operations	5.5	3.9	243.8

Before exceptional items



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