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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% |

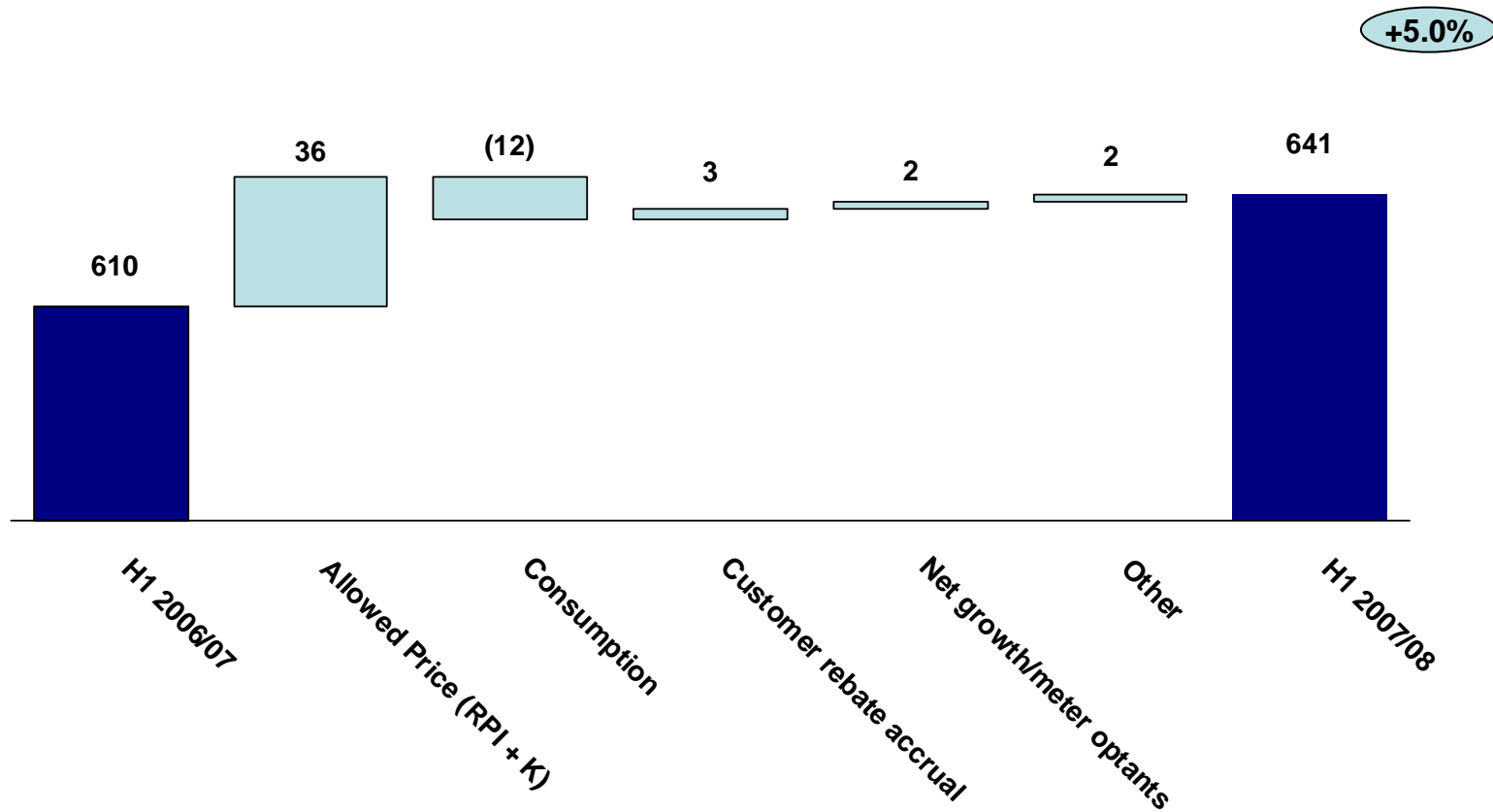
* Excluding exceptional items

** 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

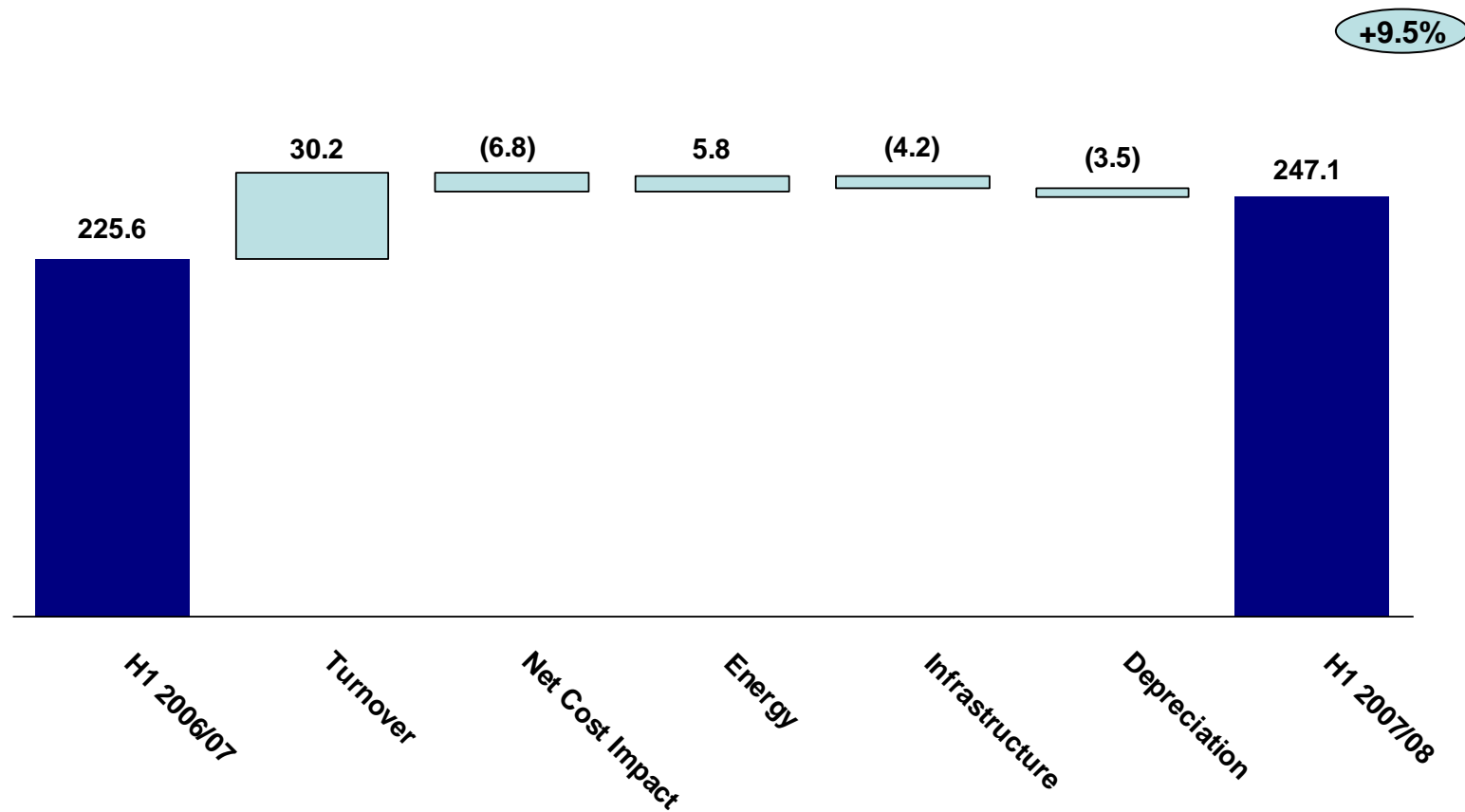


Business segment turnover is stated gross (i.e. including inter segment trading)

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

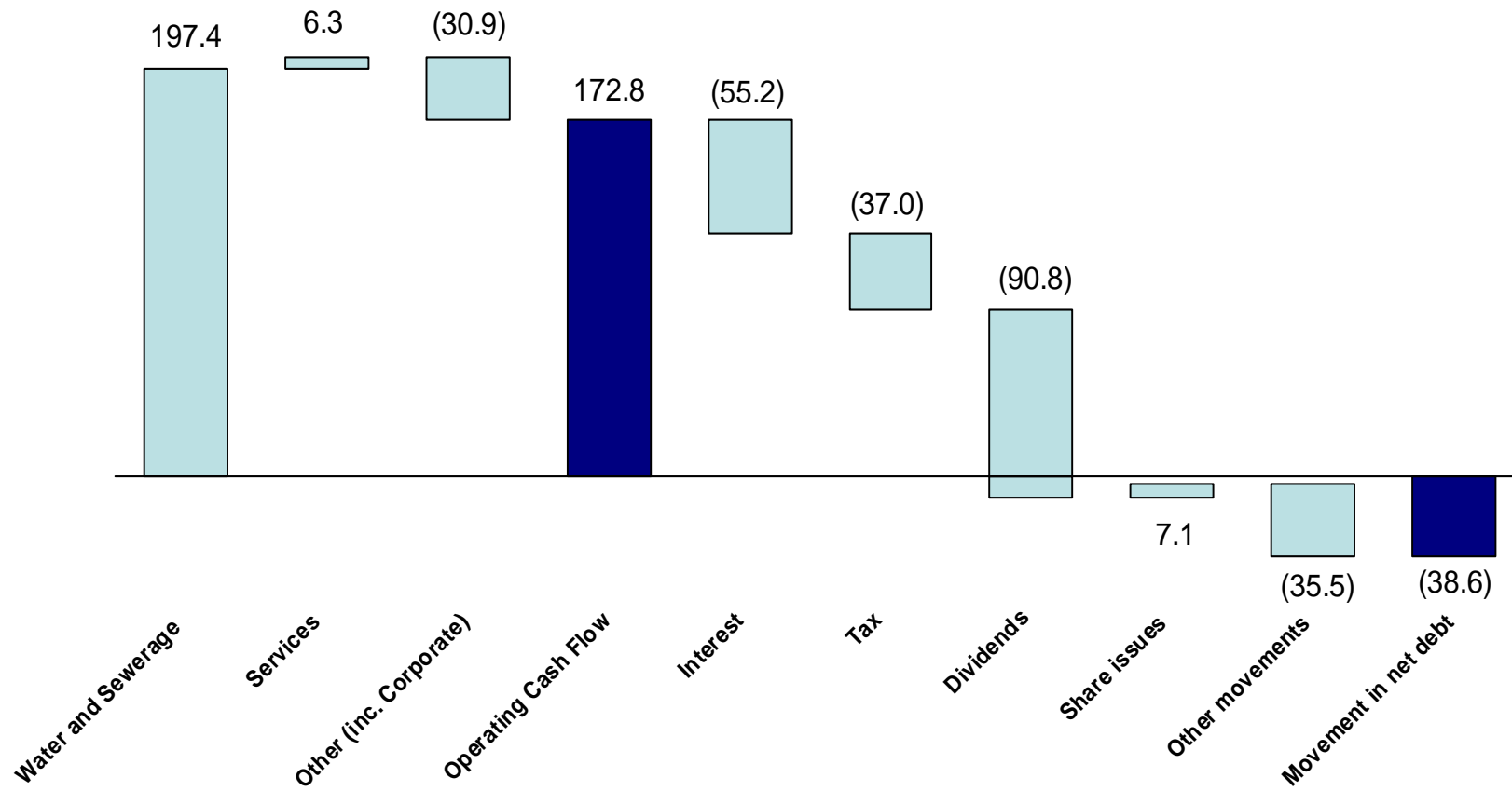
Integration of Head Office functions now complete

| | 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

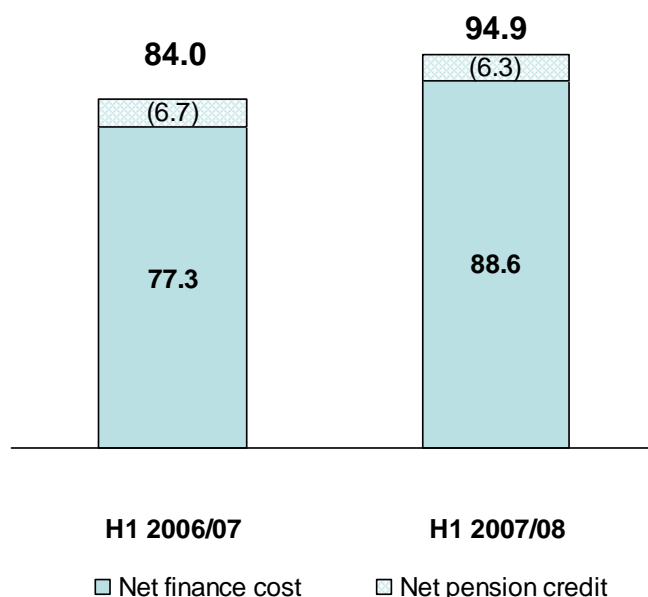


Liquidity position

- **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

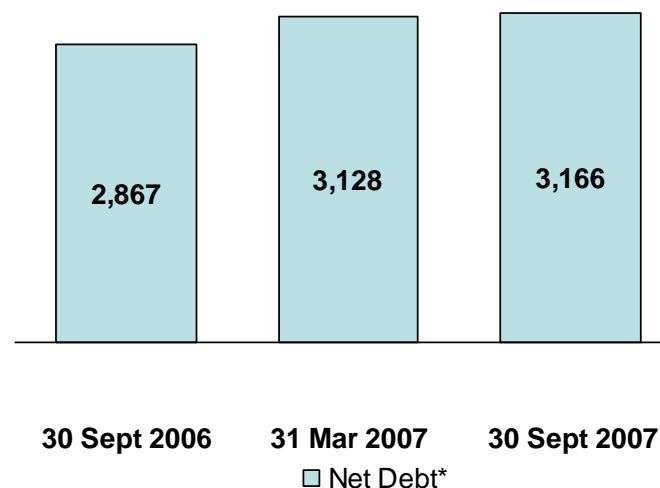


- Effective rate circa 5.6 % *
- Interest cover*:
 - 4.1 times EBITDA **
 - 2.8 times PBIT

* Excluding derivative financial instruments

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

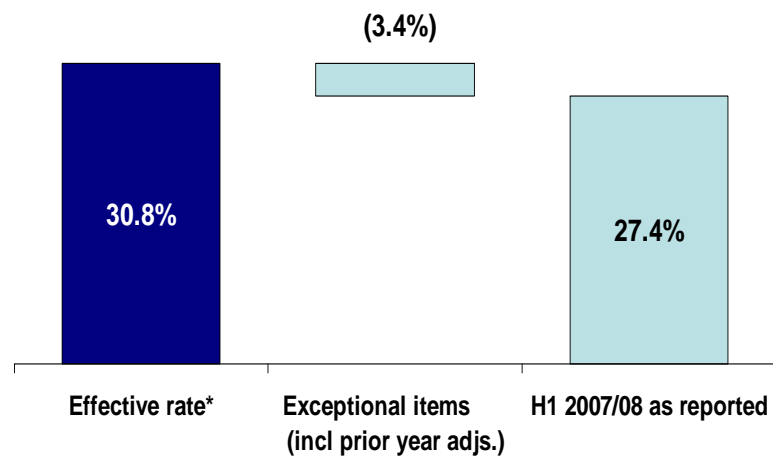
Net debt £m



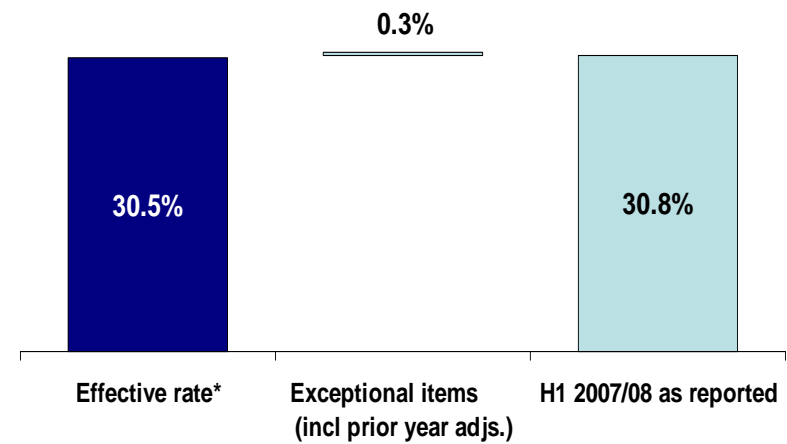
- 69% at fixed interest rates
- Average maturity at 30 Sept 2007 20 years
- Recent index linked debt issuance:
 - £400m of new long-dated 50-60 year index-linked debt
 - Index linked debt now 31% of total debt portfolio
- Regulated Entity (Severn Trent Water) net debt £3,266m

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

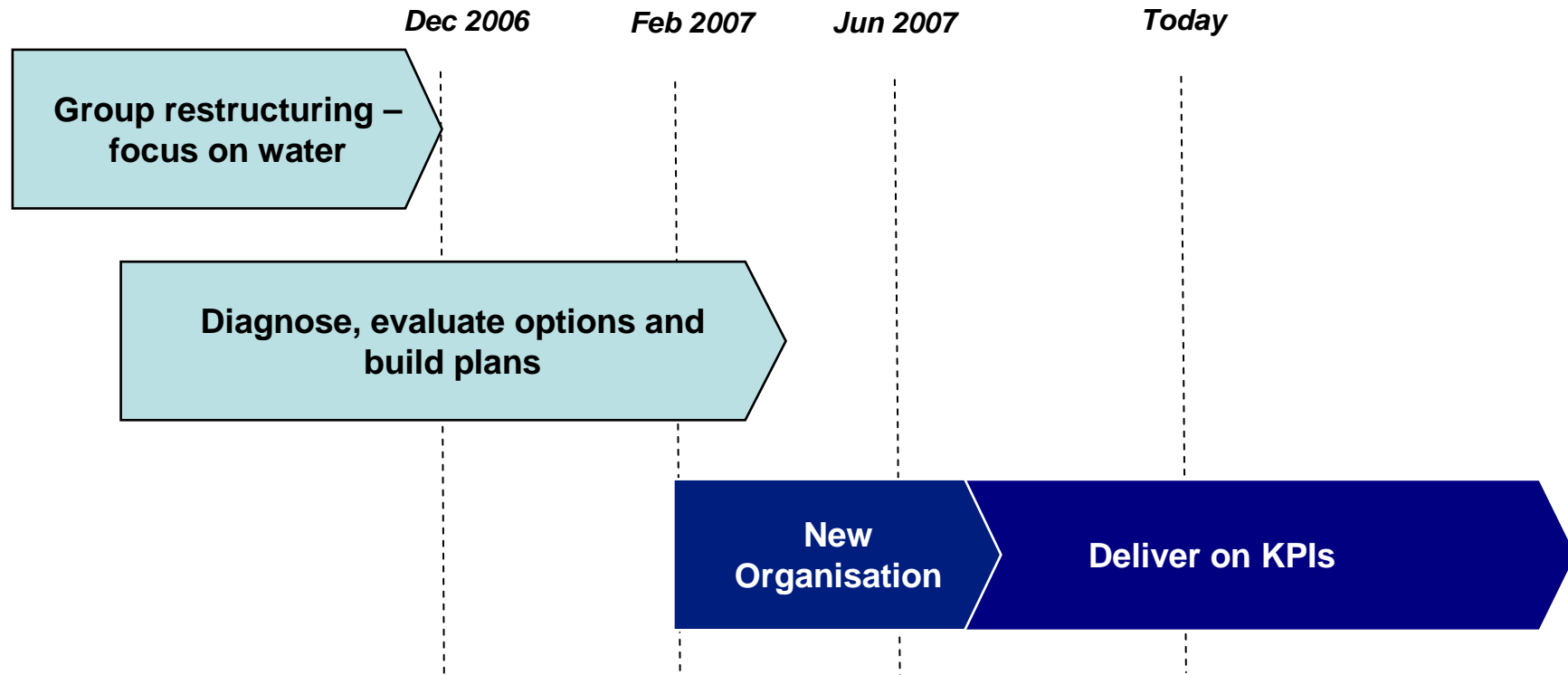


Legacy Issues

■ SFO

■ Ofwat

Focus on water



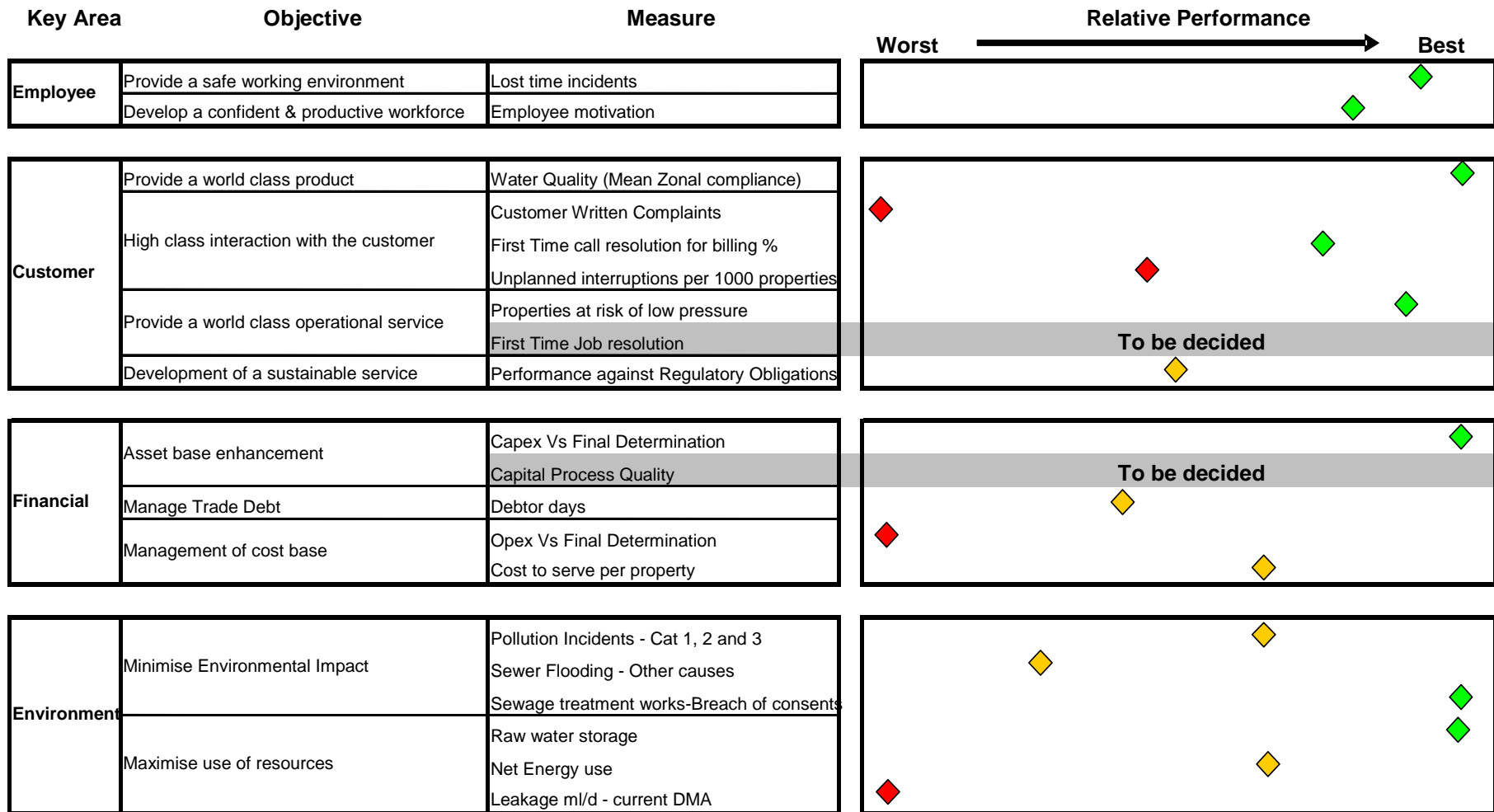
- Benchmark our performance
- Prioritise and validate options
- Start implementing quick wins e.g. head office integration
- Define implementation plan

- 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

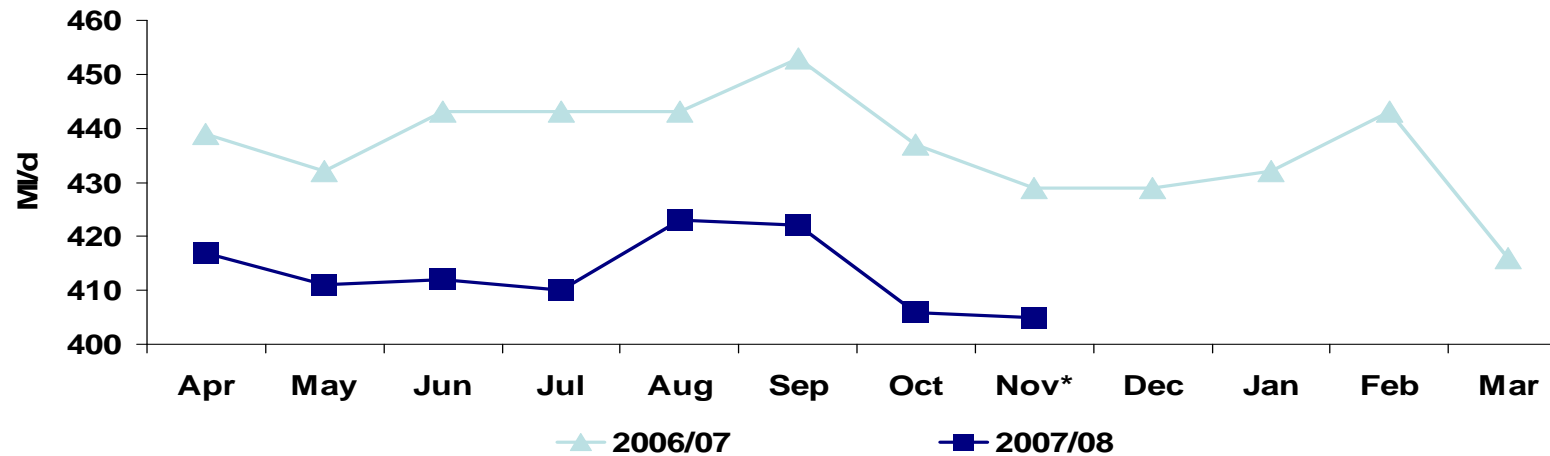
upper quartile

- **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



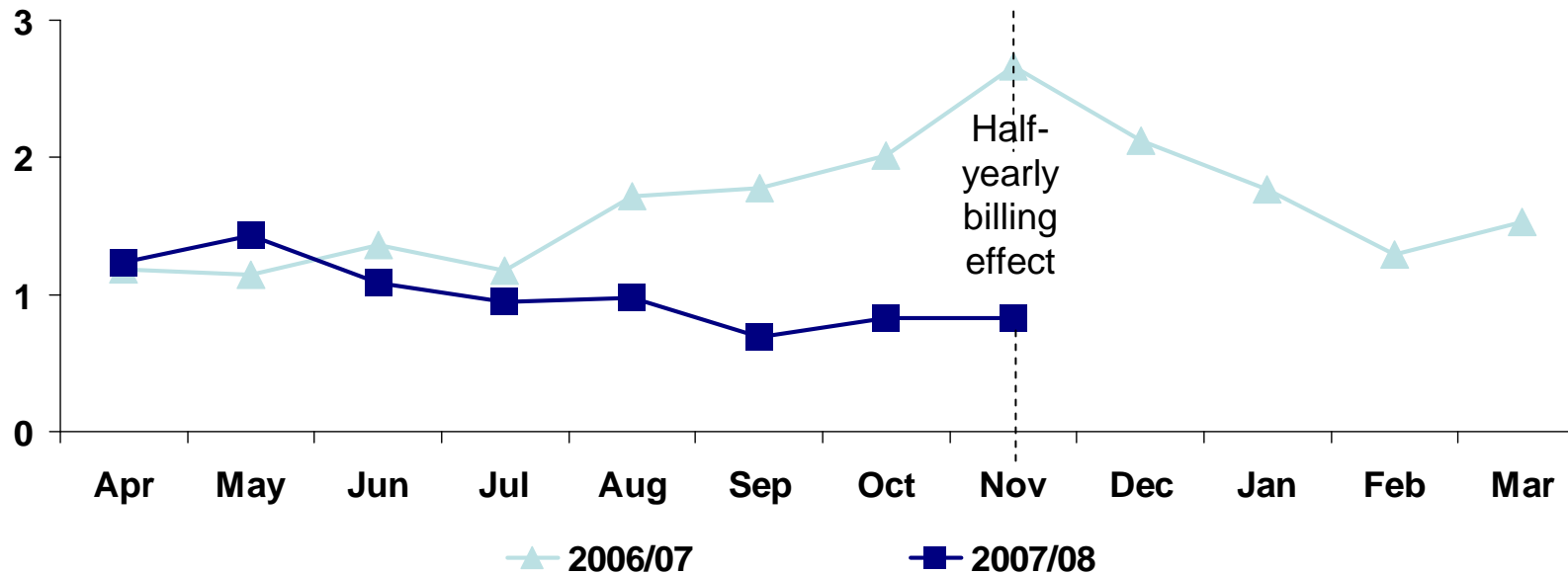
* Nov 2007/08 estimate based on first 3 weeks data & 1 week forecast

- 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

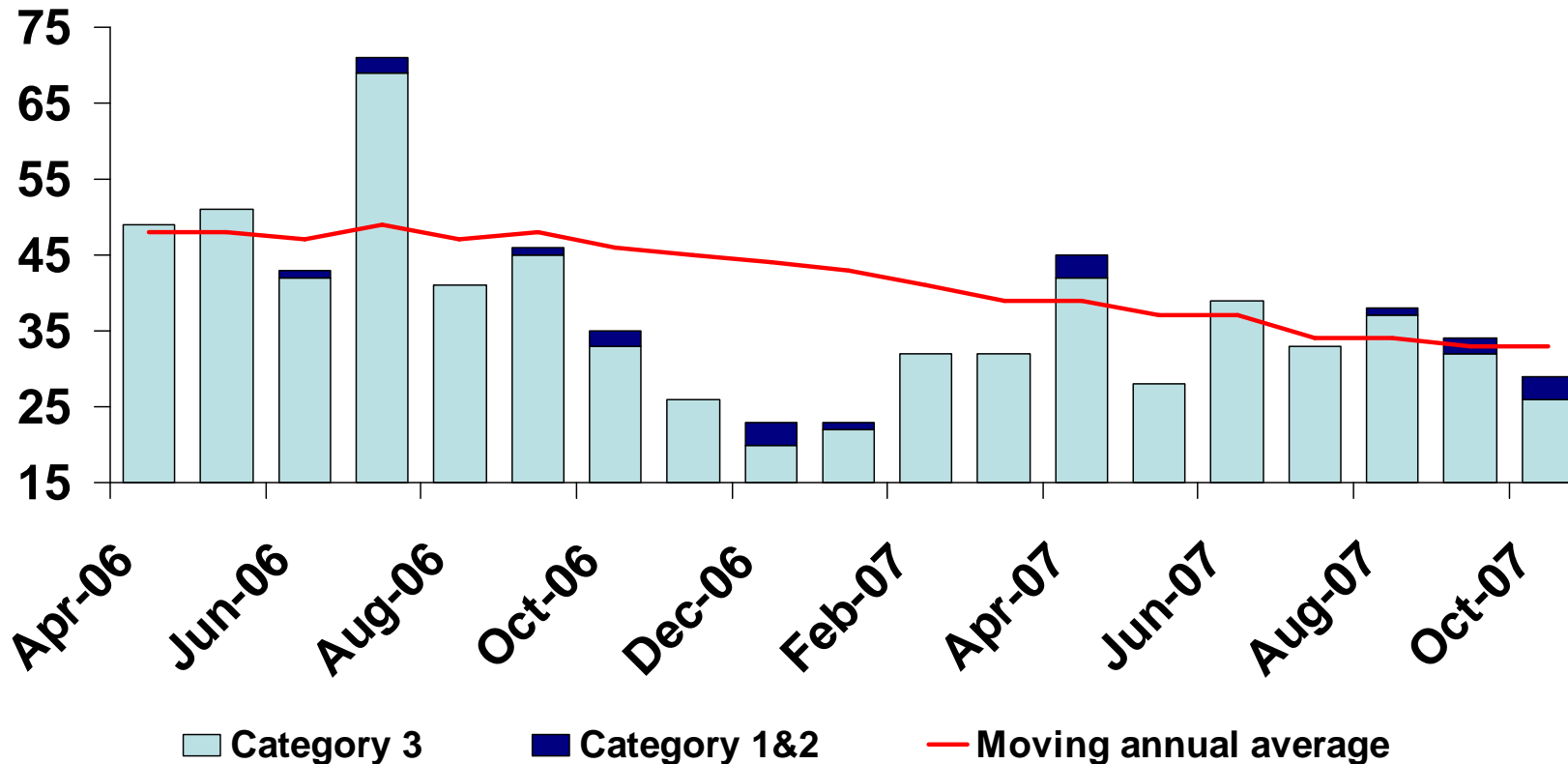


- Billing System performance stabilised
- Business Process Reviews identifying and delivering efficiency opportunities
- Sufficient call centre agents trained and in post & Contact Centre workforce matched to call volumes

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**

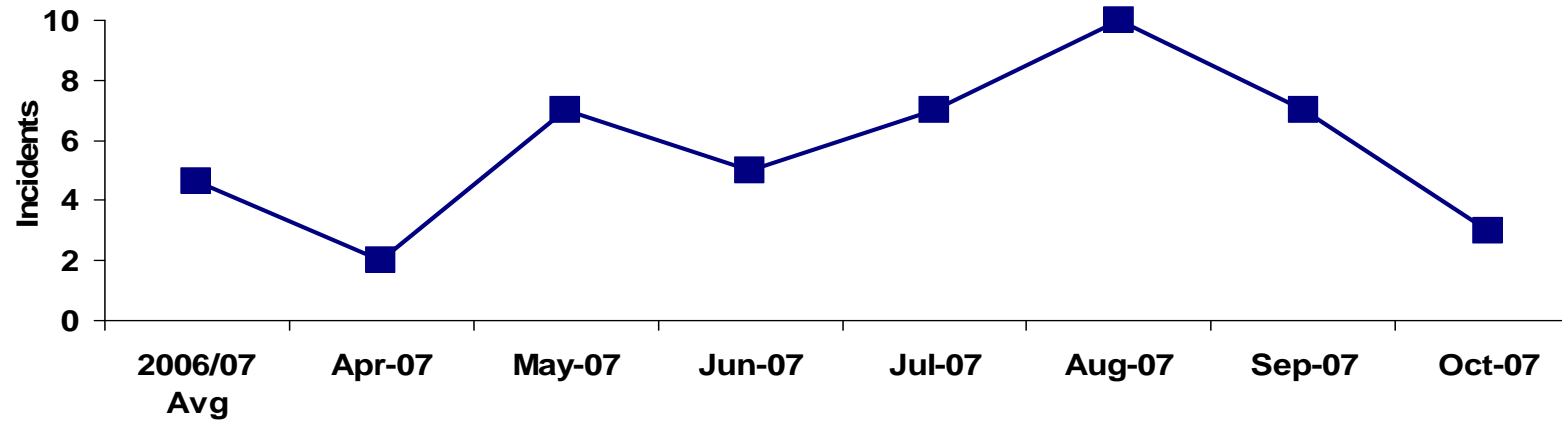
KPI: Capex. vs. Final Determination

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

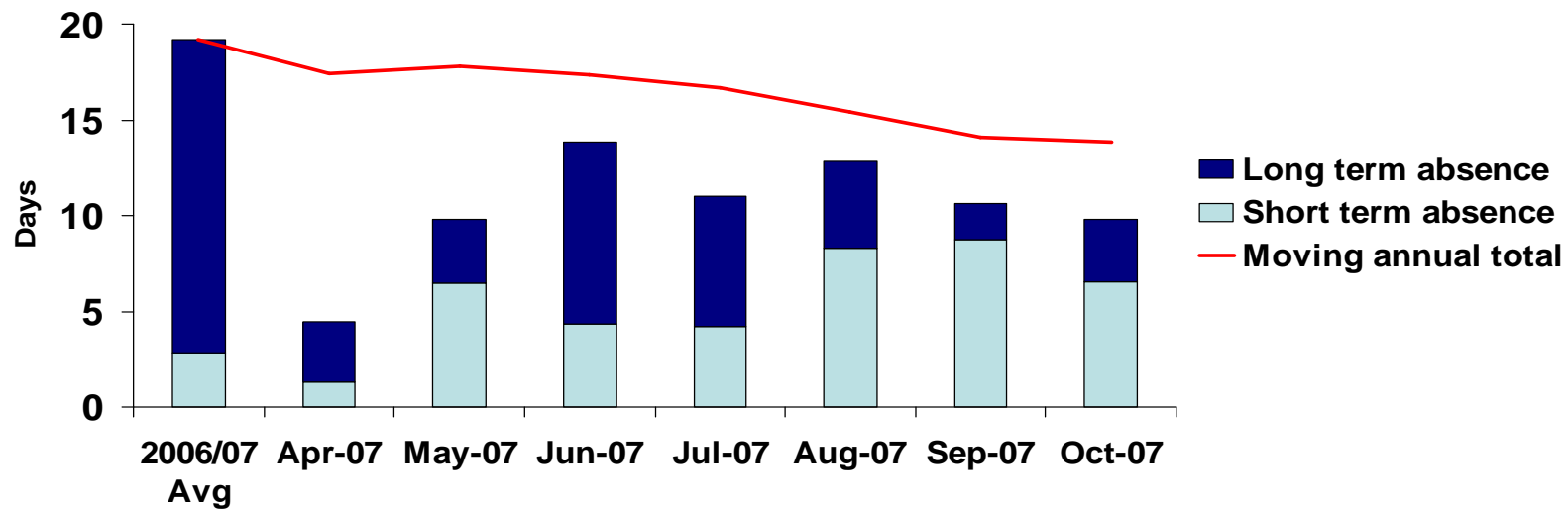
** UK GAAP before taking account of grants and other income*

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)*

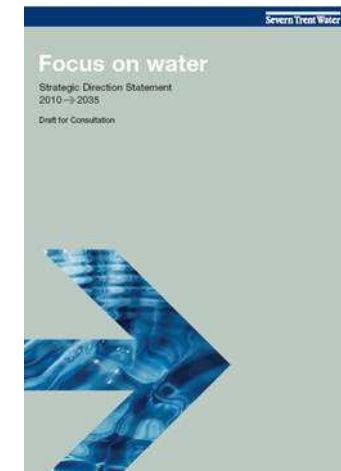
The longer term

- **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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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* | 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) | 216.5 |
| <hr/> | |

* 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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