

SECURING THE FUTURE

2015 results and highlights

Group turnover

£1,801.3m

2014: £1,756.7m
(restated)***

Group profit*

£300.4m

2014: £276.1m (restated)***

Earnings per share**

107.2p

2014: 92.5p (restated)***

Dividend per share

84.90p

2014: 80.40p

Our highlights

- Group underlying PBIT rose 3.2% year on year
- Reported group PBIT up 2.6% year on year
- Focus on operational improvement:
 - Improved or stable performance on 12 out of 14 Ofwat KPIs year on year
 - Achieved target of 10% reduction in leakage over AMP5
- Invested a further £547.4 million to complete AMP5 programme of £2.6 billion: RCV¹ £7.7 billion at April 2015
- Customer bills remain the lowest in Britain at £329 for 2015/16
- Severn Trent Services re-focused – disposal of Water Purification business for US\$81.2 million
- Industry leader in renewable energy – self generation equivalent to 28% of Severn Trent Water's energy needs
- Well positioned for AMP6
 - Largest investment programme ever – £3.3² billion capital investment
 - New organisational structure and management team
 - £300 million of £372 million target efficiencies already locked in
 - Focused on outperformance
 - 2015/16 dividend 80.66 pence, followed by annual growth of no less than RPI until 2020

* Before tax, exceptional items and gains/losses on financial instruments.

** Before deferred tax, exceptional items and gains/losses on financial instruments.

*** Restated to classify Water Purification as a discontinued operation.

1 Regulatory Capital Value

2 At 2012/2013 prices

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www.severntrent.com/AR2015



Looking forward, we believe we've put the foundations in place to deliver continued long term sustainable growth for our shareholders and real benefits for our customers and the communities in which they live and work. ■■

This has been an important year for Severn Trent. We have completed the final year of our AMP5 investment period in our regulated business and agreed a business plan with our customers and regulators for the next five years.

At the same time, under the leadership of our new Chief Executive Liv Garfield and her team, we have taken great strides in transforming our business to meet the challenges and opportunities of our evolving water sector.

Continued delivery

Looking back, the final year of AMP5 has again delivered significant value for our customers and our shareholders. Total group revenue rose by 2.5% to £1,801.3 million, while underlying group profit before tax was 3.2% higher at £540.3 million. This resulted in adjusted earnings per share of 107.2 pence, up 15.9% from 92.5 pence. For 2014/15, your board is proposing a final dividend of 50.94 pence to be paid on 24 July 2015. This will result in a total dividend for the financial year of 84.90 pence, representing growth of 5.6%. Since the start of AMP5, we've delivered a total shareholder return of 125.4%, well ahead of the 42.4% return from the FTSE100.

For many people, being able to afford our services is key and so we're pleased to have had the lowest average combined water and sewerage bills in the land for the last six years, a position which is set to continue at least to 2020. Our average bill in 2014/15 was £333, which is lower in real terms than at the start of AMP5.

As we conclude the final year of AMP5, we can look back on five years of continuous improvement. Looking forward to AMP6, we believe we've put the foundations in place to deliver continued long term sustainable growth for our shareholders and real benefits for our customers and the communities in which they live and work.

Andrew Duff, Chairman

SEVERN
TRENT

Chief Executive's review



We've put in place the building blocks to ensure that Severn Trent is a leader in our sector: the lowest bills for customers; strategically well positioned in sludge, retail competition and water resources; a standard setter in renewables; and the right people, leadership and organisational structure to deliver. ■■

It's the end of my first year as Chief Executive of Severn Trent and I have enjoyed every minute of the challenge of getting our business in the best possible shape for the next five years.

We are now facing the future with confidence, despite one of the toughest price settlements in our history.

When I took up my role in 2014, I was clear that in order to create the most trusted company in our sector we needed to focus on transforming our culture, driving operational excellence and putting customers at the heart of what we do. It's what successful businesses do, it's what we all want and it creates value for our customers and our shareholders.

The changes we have made over the last year have built those foundations, and I have been out to meet everyone in our business personally, to listen to their views and share our vision of the kind of awesome company we want to create. It's been a huge journey condensed down into a single year, but I genuinely believe that creating the right culture is how we'll get the whole organisation aligned as one and ready to deliver for the future.

To be in the best shape to deliver our strategy, we've created a new organisational structure and management team. No one else in our sector has this structure and we believe it gives us an edge. We've brought our water and waste water business together, and created senior roles focused on customers, engineering and procurement. We've also made other difficult but important changes, including de-layering of management. These will deliver over £100 million of savings for AMP6 and create a more dynamic, empowered culture, where the customer is at the heart of our business.

Together with £200 million of supply chain and other efficiencies that we have already identified, we now have over £300 million already locked in, as at the date of this report, for the coming five year period, which is a significant way towards the £372 million target agreed in our Final Determination.

Performance in 2014/15

Our performance over the last year has demonstrated where we are strong and the areas we need to drive improvement.

Looking at our improvement areas first, no one in our business is in any doubt that water quality is a key focus area for us. We've made progress in the year, but our performance hasn't been as good as we would like it to be. So we have put together a seven point improvement plan and re-prioritised £35 million of investment to replace and refurbish water quality assets nearing the end of their life, that will also provide a greater degree of resilience in both our networks and to our water treatment works. We will also put significant focus on investing in the professional expertise of our people and developing our process analytics to improve the reliability and availability of our assets.

The other area where we think we can do better is around 12 hour interruptions to water supply to our customers. We are good at managing three hour interruptions, but we are not as sharp as we could be on the bigger, more complex events. We've done a lot of work over the last year to improve on that and we will continue to invest and use better technology to help our teams to improve our service for customers.

On waste water services, we are very good at the majority of measures, but if there's one area where we can do a better job it's around sewer blockages and we have set the bar very high for the next few years.

Aside from these matters, there are also many highlights from the last year, where we are pleased with our performance.

Leakage performance has been very good over recent years and we have hit our target of 10% reduction over AMP5. We've set ourselves tough targets and we're challenging ourselves to improve further. We remain confident about our continuing performance where we are strong and on many of our waste water measures we are already upper quartile in the industry.

In 2014 we were recognised by the Environment Agency as the only 4* rated company across the entire sector for environmental performance. We're also proud of our focus on and commitment to catchment management and are one of the few companies to have put in serious investment in the coming five year period.

We have also improved our customer service performance. During the year we created approximately 100 new front line roles and have really focused on resolving customer issues faster. Together with the lowest average bills in the land, our customers increasingly feel that they are receiving good value for money, which is an encouraging sign that we are getting the balance right; although, of course, there is much more for us to do.

All of this makes us confident that Severn Trent will be one of the winners in the new world of ODIs from 1 April 2015, and in areas where we aren't currently doing as well as we would like, we have an opportunity to improve and then earn rewards.

Liv Garfield, Chief Executive

Regulated – Severn Trent Water

Wholesale water
and waste operations

Retail services

Key facts

Turnover

£1581.2m (2014: £1,544.8m)

Profit*

£539.0m (2014: £518.6)
* Before interest, tax and exceptional items.

Employees

5,181 (as at 31 March 2015)

Where we operate

Our regional stretches from the heart of the UK, from the Bristol Channel to the Humber, and from mid-Wales to the East Midlands.

Our goal is to provide a reliable service that our customers, communities and investors can trust. This means delivering an outstanding customer experience, the best value service and environmental leadership.

Business performance

In recent years, we've worked hard to improve our service and keep bills low for customers. We're pleased to have had the lowest average combined water and sewerage bills in Britain for the last six years. During the year, we have also added 100 new front-line roles. These efforts are reflected in rising customer satisfaction scores.

Our overall operational performance also continued to improve during the year. We achieved a stable or improved performance in 12 of Ofwat's 14 non-financial KPIs.

AMP5 investment completed

In 2014/15 we completed our AMP5 investment programme. Investment of £547.4 million during the year brought the total for the last five years to £2.6 billion.

Outlook

During 2014/15 we've put the foundations in place for success in AMP6 with a new organisational structure and management team. AMP6 will see our largest ever programme with £3.3 billion of capital investment.

Non-regulated – Severn Trent Services

UK Operating Services

US Operating Services

Renewable Energy

Key facts

Turnover

£216.3m (2014: £209.7m**)

Profit*

£9.7m (2014: £13.3m (restated)**)
* Before interest, tax and exceptional items.
** Restated to classify Water Purification as a discontinued operation.

Employees

1,853 (as at 31 March 2015)

Where we operate

Severn Trent Services includes our core non-regulated businesses operating in the UK, Americas and Europe.

Severn Trent Services reported revenue rose by 2.9% to £216.3 million, with reported PBIT down 27.1% to £9.7 million. After adjusting for the impact of exchange rate movements, revenue was 4.7% higher and PBIT increased by 27.1%.

Following the sale of our Water Purification business, we have reorganised and brought together our non-regulated businesses – Operating Services US, Operating Services UK, including non-household retail and Renewable Energy – into a new Business Services division.

The changes will create a business focused on creating value from our core businesses in water and waste water services and renewable energy.

Outlook

We believe Severn Trent Business Services has a number of attractive growth opportunities and that we've positioned the business to take advantage of them.

In Operating Services, our preparations for non-household retail competition in England are going well, and we see potential in the US market, which is showing signs of opening up.

We'll continue to invest in our renewables business, with the aim of increasing our external sales and providing around 50% of Severn Trent Water's energy needs by 2020. We intend to expand energy production from food waste, to upgrade our sewage anaerobic digestion to the latest technology and to add solar generation, with technological developments having made this more economically attractive.

Looking forward

The future is a world where there will be more competition in the water sector and we are already seeing the start of a gentle disaggregation of the value chain. New markets are opening, including the retail non-household market in 2017. We want to be an active part of that, and we would also like to see a competitive market for sludge trading and water trading, as we believe they present opportunities for competition in the sector and value for our customers.

We've put in place the building blocks to ensure that Severn Trent is a leader in our sector: the lowest bills for customers; strategically well positioned in sludge, retail competition and water resources; a standard setter in renewables; and the right people, leadership and organisational structure to deliver.

2014/15 has been a year of transformation, but for us there is always more to do, more efficiency to be found, more success to be had. It's the aggregation of small, marginal gains every year that you should expect from Severn Trent and that will translate into long term shareholder value.

We've done some good work over the last 12 months and we know where we need to improve. It's the start of a brand new regulatory period and we feel we're building from a good place.

Details of the AGM

This year's AGM will be held at the International Convention Centre, Broad Street, Birmingham B1 2EA at 11am on Wednesday 15 July 2015. Full details, including the business to be considered and explanatory notes for each resolution, can be found in the enclosed Notice of Meeting.

The doors will open at 10am. There will be also be the opportunity to meet with your board of directors before the meeting begins. Whether you are planning to attend the AGM or not, you can still register your vote by returning the enclosed Form of Proxy or, alternatively, by registering your vote electronically at www.sharevote.co.uk

Dividend information

The directors are recommending a final dividend of 50.94 pence per ordinary share, for the 2014/15 financial year. If approved by shareholders at the company's AGM, the dividend will be paid on 24 July 2015 to shareholders on the register of members on 19 June 2015. Together with the interim dividend of 33.96 pence per ordinary share, paid on 9 January 2015, this will bring the total dividend, for 2014/15, to 84.90 pence per ordinary share (2014: 80.40 pence).

The company's financial calendar, with details of future results announcement dates and dividend payment dates, is available at www.severntrent.com

Contact information

For shareholders:

Visit www.severntrent.com to access the full report and accounts and for additional company information.

If you have any queries relating to your Severn Trent shareholding you should contact our registrar, Equiniti.

Equiniti contact details:

Online: <https://help.shareview.co.uk> from here, you will be able to securely email Equiniti with your query.

Telephone: 0871 384 2967*

Overseas enquiries: +44 121 415 7044

Text phone: 0871 384 2255*

By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

* Calls cost 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

For customers:

Customers of Severn Trent Water can find further information by visiting www.stwater.co.uk

If you have any queries related to our services you can contact us via one of the following:

Email: customer.relations@severntrent.co.uk

For billing queries call 08457 500 500 (8am to 8pm Mon-Fri and 8am to 1pm Sat).

For operational emergencies (24 hour service) please call 0800 783 4444.



Severn Trent Plc website:
www.severntrent.com



This summary is distributed with your Notice of Meeting each year. It provides high level information from our financial results together with a summary of our performance, and brief details of this year's dividends and our AGM. The full report and accounts, together with additional company information, is available on our website www.severntrent.com

This Shareholder summary is extracted (without material adjustment) from, and should be read as an introduction to and in conjunction with, Severn Trent Plc's 2015 Annual Report and Accounts (ARA). This Shareholder summary is provided for information only, and is not intended to be a substitute for reading the ARA. In particular, this Shareholder summary does not constitute Summary Financial Statements and it does not contain sufficient information to allow for as full an understanding of the results of the group. Shareholders may view a copy of the ARA on www.severntrent.com or obtain a hard copy of the ARA free of charge, by contacting the company using the above details. If you have sold or transferred all your shares in Severn Trent Plc, you should send this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.