



European engagement: September 2023

Full Year Results 2022/23

Bringing water to life –
supporting the lives of
people and the places
they love for generations
to come



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Susan Davy

Group Chief Executive Officer



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Bringing water to life

Tackling the biggest challenges head on

Making progress in 2022/23 and towards our targets for 2025

Resilient financial performance

Developing a robust PR24 plan

Rebuilding trust over time through our actions

Tackling the biggest challenges head on

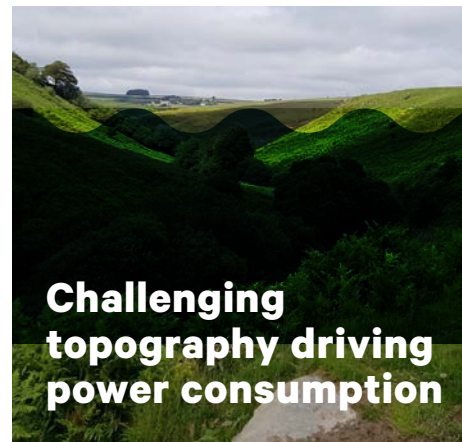
Storm overflows & pollutions



Water quality & resilience



Climate change – Net Zero 2030



Customer affordability



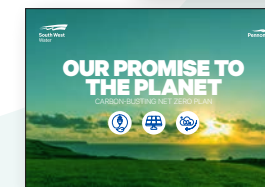
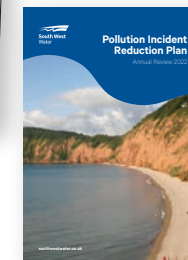
We're making progress but we know there's more to do

Tackling the biggest challenges head on

What we're doing

Delivering on accelerated change programmes and additional investments in the areas that matter most to our customers and the environment

- WaterFit, our plan to 2025 for healthy rivers and seas – targeting to halve the number of CSO releases by 2025
- Pollution Incident Reduction Plan – 50% reduction delivered to date in K7, on track for green EPA assessment of 4☆ for 2024
- Investing to optimise water resources – developing new water sources, building new infrastructure equivalent to c.45%¹ increase in Cornwall and c.30%¹ increase in Devon by 2025
- Accelerating the delivery of our Net Zero 2030 commitments – c.£160 million allocated to renewable energy generation, c.40 GWh site acquired, advanced discussions on further sites
- Delivering on our affordability pledges – bill support for all customers, doubling the customers benefiting from our support tariffs over K7, tackling water poverty
- Investing more than ever before – over £350 million in 2022/23 with more than £750 million investment planned to 2025, part of our £1.5bn K7 investment programme
- Innovating through sector-first international research – Centre for Resilience Environment, Water and Waste (CREWW)



Centre for Resilience in Environment, Water and Waste



University of Exeter



¹ Calculated as a percentage of seasonal resources available as a percentage of demand

Tackling the biggest challenges head on

Rebuilding trust over time through our actions

- WaterShare+ – sharing c.£40 million with customers through our second c.£20 million issuance, engaging regularly
- WaterFit Live – increasing transparency of environmental performance
- Save Every Drop – our largest ever customer engagement campaign
- Strengthening our capabilities

WaterShare+



SAVE EVERY DROP



Making progress against our key priorities



c.50% reduction
in pollutions since 2020

c.30% reduction
in storm overflow use in 2022

100%
bathing water quality – second consecutive year

2★ EPA
for 2022

Delivered in 2022/23

- **Pollutions** – delivering on our PIRP¹: 18 rising main replacements, 1,700 sewer depth monitors installed to date, 50 hotspot investments (260 to date in K7)
- **Storm overflows** – monitors installed at 100% of our storm overflows, reducing infiltration, adding storm storage, increasing treatment flows and operational optimisation



Coverack SPS

- **River water quality** – 4 phosphorous removal interventions supporting almost a third RNAG³ improvement to date in K7
- **Bathing water improvements** – 19 completed to date – pilots progressing on Rivers Tavy and Dart

Our 2025 target

4★ EPA rating (for 2024)³
– **80% reduction in pollutions in K7**

100% bathing water quality maintained and bathing water quality achieved on the Rivers Dart and Tavy

Reducing CSO releases to an average of 20 per asset, per year

How we'll achieve this

→ 30% further reduction required over 2023 and 2024 – roll out of telemetry and risk based interventions

→ Delivering all 22 bathing and shellfish water schemes, sewer separation and monitoring

→ Average releases reduced to 28 from 39 in 2022 – continued delivery on our WaterFit programme of investment

Making progress against our key priorities



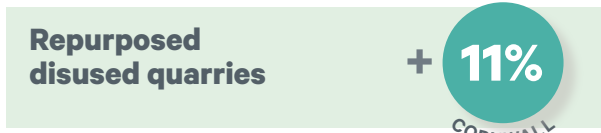
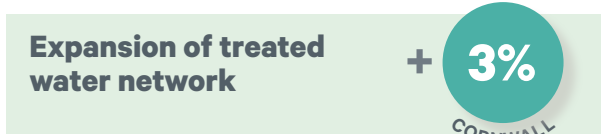
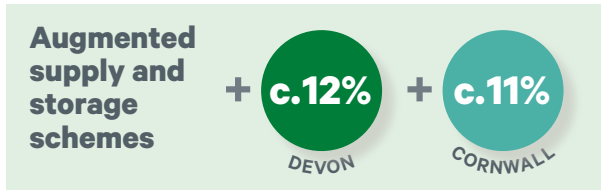
Quality First
Improved
 water quality

Augmented
supply & storage
 schemes

New resources
 – repurposing of quarries

Driving
 demand-side initiatives

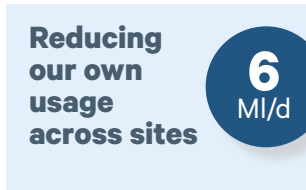
Supply-side investments underway, adding additional resources¹



Total increase to date

DEVON	CORNWALL
c.12%	c.25%

Demand-side initiatives supporting drought management



Our 2025 target
 Increasing water resources available by **c.45% in Cornwall and c.30% in Devon**

↓ **How we'll achieve this**

Investing c.£125 million in:
Cornwall – Desalination and further re-purposing of quarries adding a further 20%

c.25% delivered to date

Devon – New storage sources delivering c.18%

c.12% delivered to date

Making progress against our key priorities



Carbon footprint
**reduced
by c.40%**¹
since 2021

80%
of catchments
improved

Delivered in 2022/23

- **Sustainable living:** Reducing process emissions – carbon capture and storage trials underway, monitoring in place
- **Championing renewables:** Investing in solar PV schemes to achieve c.40% self-generation²
 - Investment of c.£14.5m to date in acquiring four sites across the UK, expected to produce to date across the UK expected to produce around 135 GWh of electricity on an annual basis from solar PV, with additional battery storage capacity of 60 MW
 - Increases energy security and resilience, and delivers returns ahead of regulatory earnings
- **Reducing carbon emissions:** 300 hectares of peatland improved
- **Biodiversity benefits delivered alongside:** >110,000 hectares improved, 220,000 trees planted to date

Our 2025 target

50% renewable energy self-generation³

↓ How we'll achieve this

£160m capital allocation to acquire and develop Solar PV sites, alongside our smaller scale roll-out in South West Water



Restoring 1,000 hectares of carbon-absorbing peatland



Delivering on our Green Recovery and Upstream Thinking programmes



Making progress against our key priorities



Below inflation
bill increases for 2023/24

Second issuance
of **WaterShare+**

c.£85 million
customer support to date

Delivered in 2022/23

- **Below inflation bill increases** – South West Water +0.8%, Bristol Water +5.5%
- **WaterShare+** – Second c.£20 million issuance equating to £13 bill reduction per household
- 23% increase in customers benefiting from our social tariffs, 110,000 customers accessing one or more of our affordability initiatives
- **Customer support to date:**

c.£40m **WaterShare+** + **c.£10m** **STOP THE DROP** + **c.£35m** **support unlocked**

Our 2025 target

Eliminating water poverty – 100% customer affordability

How we'll achieve this

→ Making good progress – 100% of Bristol Water customers already find their bill affordable, 97% for SWW customers – ahead of profile

Expansion of our affordability toolkit – including WaterCare, WaterSure and FreshStart

Doubling the customers benefiting from our social tariffs over K7

→ Increasing awareness of our customer outreach and engagement programmes, ensuring customers can access the right tariffs for their circumstances

Increase community investment by 30%

→ Engaging communities through our neighbourhood funds

Trials for fair charging

→ Seasonal tariffs, capacity charging, rising block tariffs

Performance impacted by challenging weather conditions

Hottest, driest summer on record, followed by periods of extreme rainfall and freeze/thaw event in December

ODIs on track or ahead of target ¹	South West Water	2020/21	2021/22	2022/23	Bristol Water	2020/21	2021/22	2022/23
		c.80%	c.80%	c.70%		c.70%	c.75%	c.65%

Maintaining quality and compliance a key underpin

- CRI² reduced, anticipated upper quartile performance
- Wastewater treatment works compliance – best ever

Drought driving water restrictions for the first time in 25 years

- Reliability of our works improving despite high demand

Freeze/thaw response improved from ‘2018 Beast from the East’

- Finding and fixing c.2,000 leaks per month
- Supply interruption events above target but impact c.85% lower than 2018

Continuing to drive improvements in wastewater

- Focus on external flooding and blockages – investing in further network monitoring to enable proactive intervention

Water quality a key area of focus – expanding ‘Quality First’ transformation programme to Bristol

Dry summer weather and freeze/thaw placing pressure on our network

- Peak summer demand challenging our treatment works reliability – increasing unplanned outage
- Leakage, mains repairs and supply interruptions increased and above target

Customer service measures remain strong – expanding learnings across the Group

- C-MeX ranking 6th again this year – best practice to share across the regions
- Total complaints reduced again this year – outperforming target
- Focus on increasing meter penetration to drive water efficiency

¹ ODIs on track or within regulatory tolerances

² Compliance Risk Index

Delivering on our largest ever environmental investment programme



c.£358 million

capex in 2022/23

c.50% increase

in 2022/23

Investing over

£750 million

over the next two years

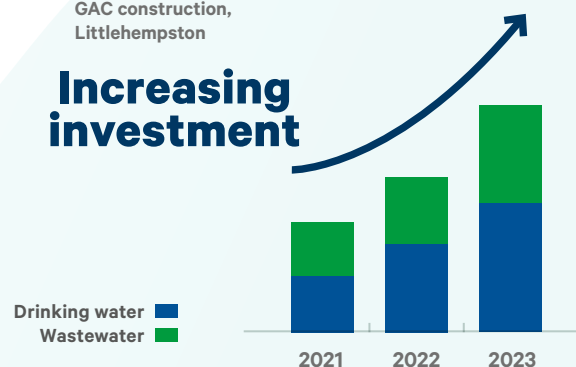
Capital delivery model for c.£1.5 billion K7

- SWW and Bournemouth plans delivered through two established Tier 1 construction partners, supported by regionally strong Tier 2 construction firms
- Bristol plan delivered by two regionally strong construction firms forming Bristol's intelligent partnership
- Attracting new supply chain for accelerated schemes in K8



GAC construction, Littlehempston

Increasing investment



Our 2025 target

Enhancing our supply chain capacity to deliver our accelerated investments, gearing up ready for the expected significant capital programme in K8

↓ How we'll achieve this

Currently underway with full retender for partners to deliver our current accelerated programmes and our step change K8 programme

- Excellent interest from multiple Tier 1 contractors
- Expected to contract with at least 4 Tier 1 contractors in 2023

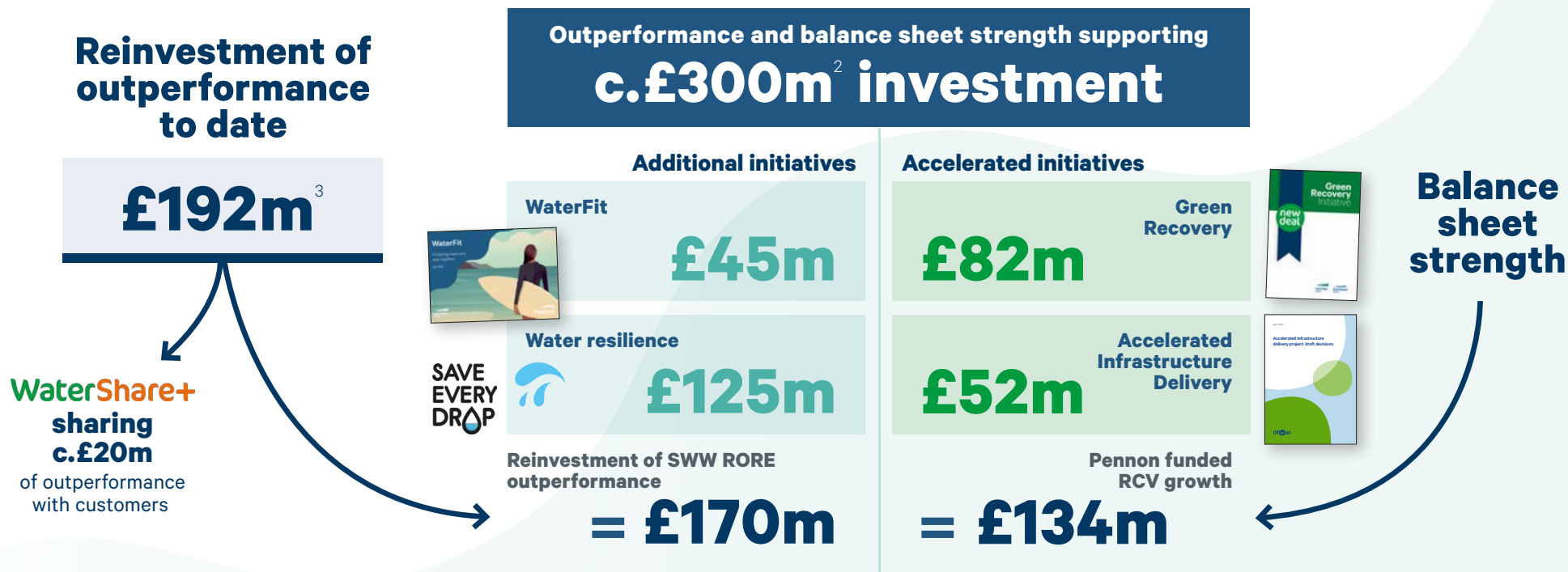
Financial resilience enabling accelerated investment



Double digit
RORE¹
11.1% SWW | 4.6% BRL

60.8% gearing
– a year on year reduction

Pension scheme in **surplus**



1 2022/23 RORE calculated on Ofwat basis – excluding reinvestment in additional commitments

2 Investment above K7 business plan commitments

3 Cumulative K7 RORE of 8.7% equivalent to £192 million outperformance

Summarised income statement

Results in line with management expectations

- As flagged, near term impact on earnings driven by inflationary pressures
- Non-underlying items include c.£20m WaterShare+ second issuance and other items as guided
- Dividend in line with policy – underpinned by strong RORE performance in SWW

Underlying ¹ (£m unless stated)	2022/23	2021/22
Revenue	825.0	792.3
EBITDA	307.8	383.9
Operating profit	153.1	237.2
Net finance costs	(136.6)	(93.7)
Profit before tax – underlying	16.8	143.5
Underlying tax	3.6	(13.9)
Non-underlying items after tax ²	(20.0)	(114.0)
Profit after tax	0.4	15.6
Statutory Earnings Per Share (p)	-	4.9
Adjusted Earnings Per Share (p)³	7.3	50.2
Dividend Per Share (p) ⁴	42.73	38.53

Note: South West Water dividend to Pennon restricted voluntarily in line with in-year earnings to £12 million

1 Measures are presented before non-underlying items

2 Non-underlying items are adjusted for by virtue of their size, nature or incidence to enable a full understanding of financial performance

3 Adjusted EPS: before deferred tax and non-underlying items

4 Dividend policy of CPIH + 2%. The CPIH rate used is 8.9% as of 31 March 2023

Profit before tax

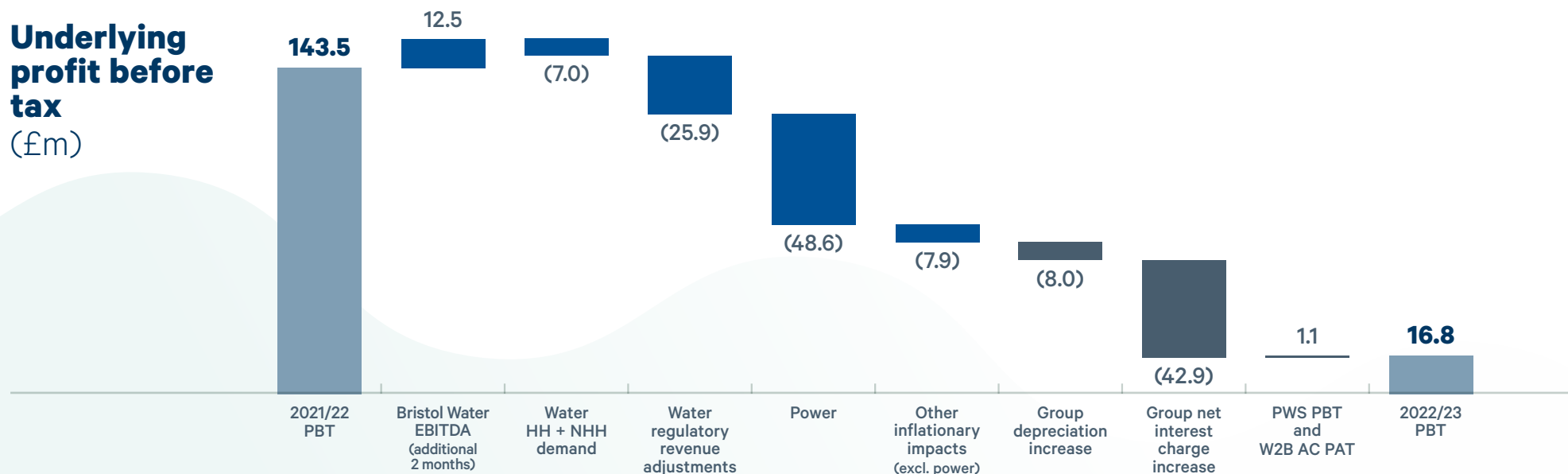
South West Water

- Net reduction in demand reflecting successful consumption reduction initiatives
- Regulatory revenue adjustments from 2020/21¹
- Total power costs £103 million – wholesale costs £67 million (FY22: £28m), non-commodity costs £36 million (FY22: £28m)
- Delivery of efficiencies through integration of Bristol Water

Pennon Group

- Inflation impact on index-linked debt – driving increase in net interest charge
- +80% growth in PWS pre-tax profits, driven by contract wins and demand recovery – approaching pre-Covid levels
- First contributions to associated company PAT from water2business (W2B)

Underlying profit before tax (£m)



Sustainable net debt

Pennon Group – summarised net debt flow (£m)	2022/23 flows	2021/22 flows
<i>Net debt excluding fair value uplifts 1 April</i>	(2,514.3)	107.8
Opening balance 1 April	(2,682.9)	64.3
Cash flows from operating activities	313.7	334.2
Corporation tax paid	(1.4)	(7.3)
Net interest paid	(154.8)	(72.0)
Rolled up interest on lease repayment included in net interest paid	51.5	-
Capital investment	(330.5)	(227.6)
Bristol Water acquisition, net of cash acquired	-	(421.2)
Debt increase on acquisition, including fair value adjustments	-	(526.2)
Repurchase of own shares	(40.0)	(201.7)
Net proceeds from sale of Viridor and other associated movements	-	9.2
Special dividend (July 2021)	-	(1,498.5)
Ordinary dividends paid	(101.6)	(91.8)
Non-cash index-linked accretion	(84.3)	(35.7)
Other movements ¹	64.9	(8.6)
Closing balance 31 March	(2,965.4)	(2,682.9)
<i>Net debt excluding fair value uplifts 31 March</i>	<i>(2,841.4)²</i>	<i>(2,514.3)</i>

¹ Including fair value unwinds on settlement of Bristol Water 2041 bond and net VAT recoverable from lease repayments

² Carrying value of fair value acquisition adjustments to debt as at 31 March 2023 – £36.4m Bournemouth Water, £87.6m Bristol Water

Agile and efficient financing

Funding secured since March 2022

- New and renewed facilities totalling c.£825 million
 - First syndicated £300 million private placement completed with an average maturity of 12 years
 - £205 million of new term loans and leasing with an average maturity of 9 years
 - £25 million 20-year private placement
 - £295 million new and renewed RCF secured
- Termination of Bristol Water index-linked c.£40 million bond generating c.£20 million benefit¹
- Bristol Water debt transitioned to South West Water
- All new funding raised through our Sustainable Financing Framework



Effective interest rate²

5.5%

Average maturity of debt

15 years

Pension schemes

c.£29m surplus

Year on year reduction in gearing

Net debt (SWW)²

£2.9bn

RCV (shadow)³

£4.7bn

Gearing⁴ (Net debt/RCV)

60.8%

March 2022 62.3%

¹ Non-underlying

² Based on South West Water Limited's group of companies, including Bristol Water plc

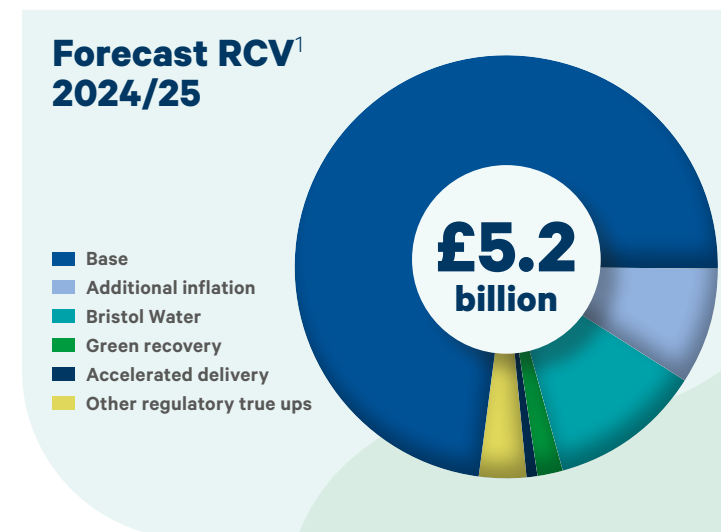
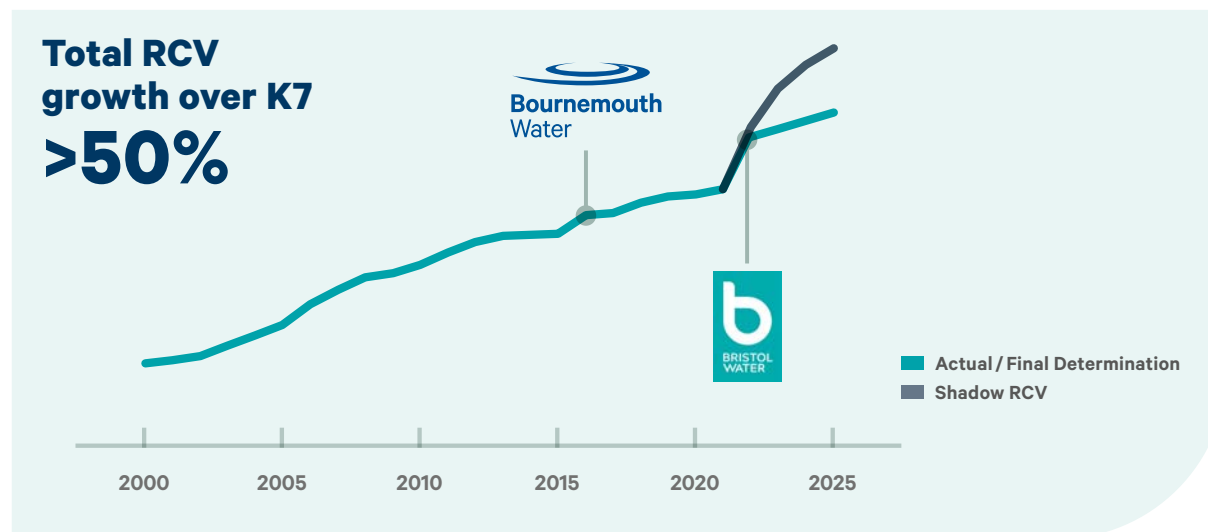
³ RCV to 2022/23 includes South West Water (including Bristol Water) actual shadow RCV (£4,716 million as at 31 March 2023)

⁴ Based on South West Water² net debt and shadow RCV

Financing portfolio – strategic positioning

Debt funding strategy

- Expanding our diverse debt portfolio – supporting flexibility and growth opportunities
- Strategically targeting between 20-25% index-linked debt into the long-term
- Maintaining dynamic hedging strategy – 10 year swaps to meet regulatory methodology for new debt
- Targeting strong investment grade credit ratings for South West Water to be in place for K8
- Maintaining headroom at Group level to provide flexibility and raising debt backed by commercial opportunities



- Reinvestment of outperformance on environmental enhancements in K7 financed through debt, increasing gearing in the short term and RCV for the long-term

Sustained elevated levels of inflation

SWW Revenue 

- Inflation reflected in 2023/24 tariffs in South West Water partially offset by in-year impact of regulatory adjustments and ODI penalties

SWW Opex 

- Ongoing inflationary increases on input costs
- Pay increases between c.5-7% agreed
- Power costs expected to be flat year on year¹
- Continued delivery of efficiencies

SWW Financing 

- RPI swaps over K7 to smooth the impact of inflation
- Increased variable rates on floating rate debt – c.65% of debt fixed
- Increased debt levels to support capital investment profile

SWW Capex 

- Continued increased capex supporting the delivery of additional and accelerated initiatives alongside our base business plan commitments
- Investment in excess of £750 million over the remainder of K7

B2B retail 

- Ongoing growth in our water retail businesses
- Increasing demand and contract wins leading to increased wholesale supply charges

¹ Based on current market pricing and current hedged position of c.75% for 2023/24, c.30% hedged for 2024/25.
 Note: All guidance on an underlying basis

Developing a robust plan for 2025 to 2030



What is important to our customers and communities



**CLEAN
& SAFE WATER
FOR EVERYONE**



**SUSTAINABLE
TOURISM**



**SPENDING TIME
AT THE BEACH
& IN THE WATER**



**ENVIRONMENTAL
LEADERSHIP FROM US**



**INVESTMENT TO
SUPPORT LOCAL
COMMUNITIES**



**A STAKE & A SAY
IN WHAT WE DO**



“Our environment is our biggest asset and I think that needs to be protected, so I think that’s the biggest challenge.”

Bristol future customer



“Storm overflows that are specifically effective in places like beaches need priority rather than something across all of the overflows.”

SWW customer, Aged 56+



“The cost of bills... I think that’s the one that has the most immediate impact on the customers.”

Bournemouth future customer



“I know I have safe, drinkable water coming out of my taps.”

SWW customer, Aged 45-59



“I think they’ll have to increase prices because demand will go up if the population growth is going up, and there is a need to protect the environment.”

Bournemouth customer, Aged 46+



PR24 – Building a plan for a sustainable future



- Prioritising beaches – making water fit for recreational use all year round
- Protecting ecologically sensitive sites – halving our negative impact
- Using sustainable solutions to boost and protect nature
- Upgrade 90 wastewater treatment works to meet tighter environmental standards – protecting rivers and wildlife
- Innovation to address micro plastics and forever chemicals



- Major upgrades at 16 water treatment works
- Replace up to 50,000 lead pipes
- Reduce leakage by up to 15%
- Investing in new sources – equivalent to water used by 150,000 people
- Start building new regional sources – including new reservoir at Cheddar
- Install half a million smart meters

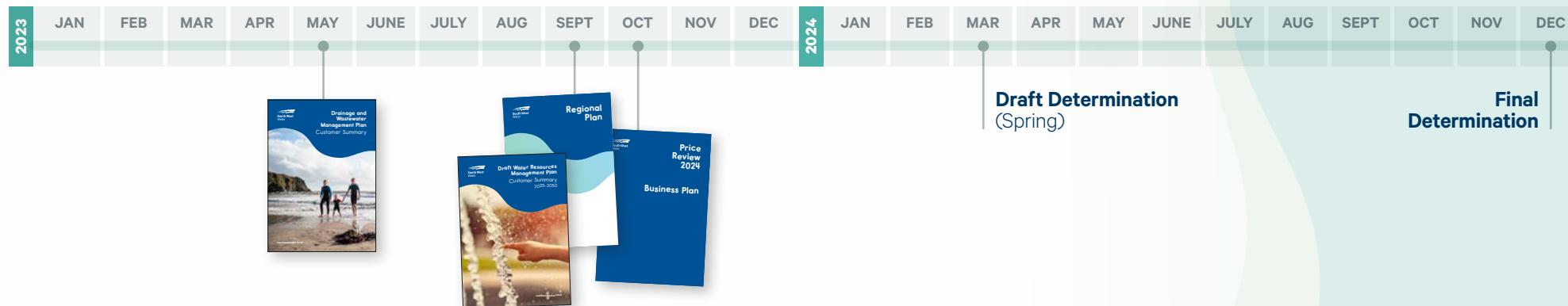


- Improvement to biosolid treatment to reduce nutrient run off into rivers
- 125,000 hectares of habitat creation – peatland and seagrass restoration
- 1,000 smart ponds to protect river flows and prevent flooding
- 50% renewable energy generation, enough energy to power 20,000 homes
- Saving 11,000 tonnes of carbon each year



- Developing progressive charging options and tariffs
- Continuation of our affordability toolkit – ensuring all customers can access the right support, especially the most vulnerable

PR24 – Building a plan for a sustainable future



Positive outlook for RCV growth in K8 and beyond

- A plan that reflects the unique needs of our region, and delivers excellent outcomes for customers and stakeholders
- Meets legal and regulatory obligations and ensures the operational resilience of our assets
- Balances service performance, financeability, deliverability and affordability

Step change in investment

- Targeted investment to tackle the most significant challenges, delivering long-term benefits for the environment, customers and communities
- More than quadrupling our enhancement investment

Spotlight on PR24

- 5 October 2023 – spotlight presentation and Q & A

Bringing water to life

Tackling the biggest challenges head on

Making progress in 2022/23 and towards our targets for 2025

Resilient financial performance

Developing a robust PR24 plan

Rebuilding trust over time through our actions

Appendix



Technical guidance full year 2023/24

Pennon Group		FY 2022/23	Change
Revenue*	<ul style="list-style-type: none"> Inflation reflected in 2023/24 tariffs in South West Water partially offset by in-year impact of regulatory adjustments and ODI penalties Ongoing growth in our retail businesses 	£825.0m	↑
Net debt	<ul style="list-style-type: none"> Continued delivery of accelerated environmental capital investment across the Group Accretion on index-linked debt 	£2,965.4m	↑
Current tax	<ul style="list-style-type: none"> 2022/23 effective credit rate reflects prior year credit as a result of additional super-deductions and lower non-deductible expenditure following the submission of the 2022 corporate tax computations Higher capital allowances from the Group's continued capital investment programme together with full expensing means that the Group anticipates generating tax losses in the remaining years of K7 resulting in effective tax rate around 0% 	16.1% (credit rate)	↑
Operating costs*	<ul style="list-style-type: none"> Ongoing inflationary increases on input costs Power costs expected to be flat year on year¹. We anticipate consumption to remain elevated while we recover from the drought conditions Pay increases agreed across the Group between c.5-7% Growth in retail businesses leading to higher wholesale supply charges external to our regions Continued delivery of efficiencies 	£517.2m	↔
Depreciation*	<ul style="list-style-type: none"> Expanded capital programme driving increases in depreciation 	£154.7m	↑
Net interest*	<ul style="list-style-type: none"> RPI swaps over K7 to smooth the impact of inflation Increased variable rates on floating rate debt – c.65% of debt fixed Increased levels of debt to support capital investment profile 	£136.6m	↑
Capex	<ul style="list-style-type: none"> Capital expenditure reflects K7 existing profile of investment along with additional and accelerated environmental investment 	£358.3m	↑
RORE (Group) (Underlying Ofwat measure)	<ul style="list-style-type: none"> Expected year on year reduction in line with lower inflation expectations – continued doubling of cumulative base returns for the Group 	10.5%	↓
RCV²	<ul style="list-style-type: none"> Increase in line with K7 business plan levels of investment in addition to additional and accelerated investment, regulatory true-ups and inflationary impact 	£4.7bn	↑

* All measures on an underlying basis

¹ Based on current market pricing and current hedged position of c.75% for 2023/24

² Based on South West Water (South West Water Limited group of companies including Bristol Water plc) net debt and shadow RCV

Focused on environmental improvement & long-term resilience



2022 performance highlights

- ✓ 100% EDM coverage at CSOs
- ✓ c.30% reduction in storm overflow releases
- ✓ c.30% reduction in wastewater pollutions
- ✓ c.75% reduction in serious (Cat 2) pollutions
- ✓ 100% bathing water quality – second year running
- ✓ 99.4% treatment works compliance

Resilient operations despite freeze/thaw

- c.70% ODIs on track or ahead of target – SWW
- c.65% ODIs on track or ahead of target – BRL

Investing to secure current and long-term resilience

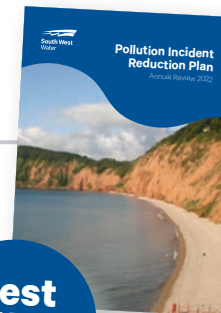
- Innovative demand-side initiatives
- Investment underway in new sources across the region

Pollution Incident Reduction Plan – reducing to <50 in 2024

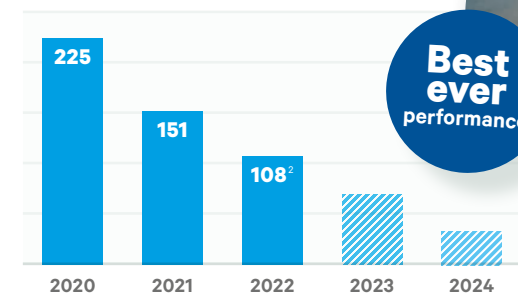
- Pollution incident reduction plan to achieve <50 in 2024
 - c.50% reduction in pollutions from 2020 to 2022 – including a 75% reduction in serious (Cat 2) pollutions (from 8 to 2) and maintaining our record of zero Cat 1 pollutions

Task Force and Pollution Reduction room set up to drive initiatives, examples include:

- Roll-out of 9,000 sewer depth monitors to be completed by March 2024
 - Providing visibility of network performance, reduce blockages and enabling proactive interventions across the network
- A step-change in the volume of sewer cleansing (200% increase)
- Extension of the internal ‘vector’ teams – to run 7 days per week (c.8,000 additional jobs a year)
- Catchment focused Hotspot 3 investment programme (fast tracking point solutions) – 260 hotspot interventions delivered to date
- Meniscus AI using weather and asset data to predict potential pollutions
- Rolling out telemetry across 100% of our pumping stations, enabling 24/7 review and response
- Improved alternative power supplies through fixed site generators or battery back up targeted at 150 pump station sites



Category 3 wastewater pollutions¹



Wastewater pollutions Cat 1-3

	2020	2021	2022	K7 reduction to date
STW	43	41	22	-49%
SPS	71	35	26	-63%
Foul Sewer	61	47	37	-39%
CSO	35	11	12	-66%

c.50% reduction from 2020

Centre for Resilience in Environment, Water and Waste



University of Exeter



South West Water

Innovyze®

Continued delivery of environmental improvements

Environmental Performance Assessment

- Relentless improvement focus, delivering our best ever performance in 2022
- Pollution Incident Reduction Plan delivering c.50% improvement since 2020
- Remain on track to achieve 4★ status for 2024

Measure	2021 performance	2022 performance	2024 target ¹
Pollutions (Cat 1-3)	151	108 • c.30% reduction delivered • Targeting further reductions	<50
Pollutions (Cat 1-2)	8	2 • 75% reduction	0
Self reporting	68%	78% • 15% improvement	80%
WWTW compliance	97.5%	99.4% • Best ever performance	99%
Sludge compliance	N/A	99.1% • New EPA measure for 2022	100%
WINEP	98%	99.6% • All complete bar one complex enhanced scheme • 2 phosphorous schemes delivered early	100%
SDBI	93	86 • Number of schemes to increase/enhance supply	100
EA rating	1★	2★	4★

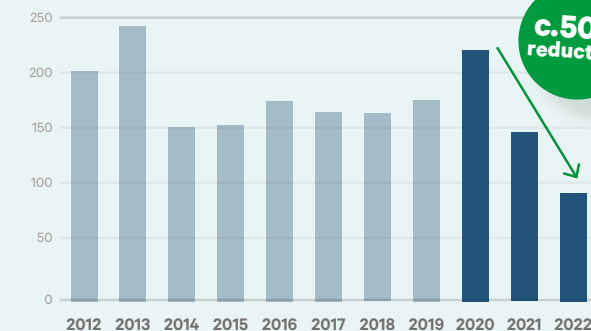
¹ Measures required for each star rating are as follows: 1★: 3 or more red metrics, 2★: 1 or 2 red metrics and/or 2 or less green metrics, 3★: 3 or more green metrics and no red metrics, 4★: 6 or more green metrics and no red metrics, including core metric (numeric compliance) at green

² Industry comparison 2021 performance

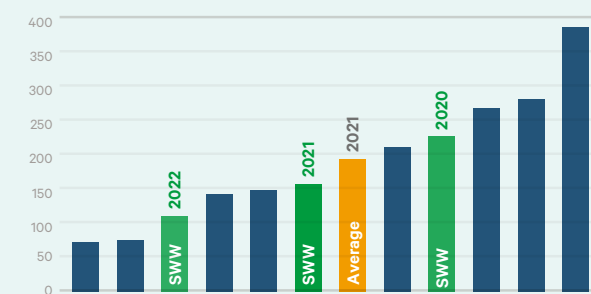


Category 1-3 wastewater pollutions

Absolute number



Industry comparison – absolute number²



WaterFit Live – Putting people in control

Positive feedback – greater transparency welcomed by stakeholders

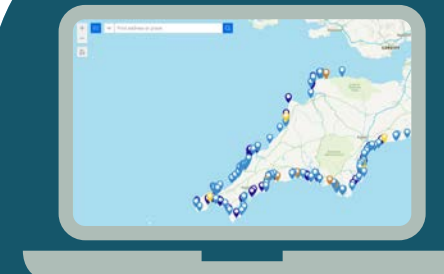
- 96% find the site clear and easy to use
- 78% consider the site important to view before visiting their local beach

WaterFit Live delivers:

- Context and information related to our network
- Historical and current wastewater performance
- What we’re doing to make a difference – including investments we have committed to improve water quality
- Ways in which customers and community groups can get involved

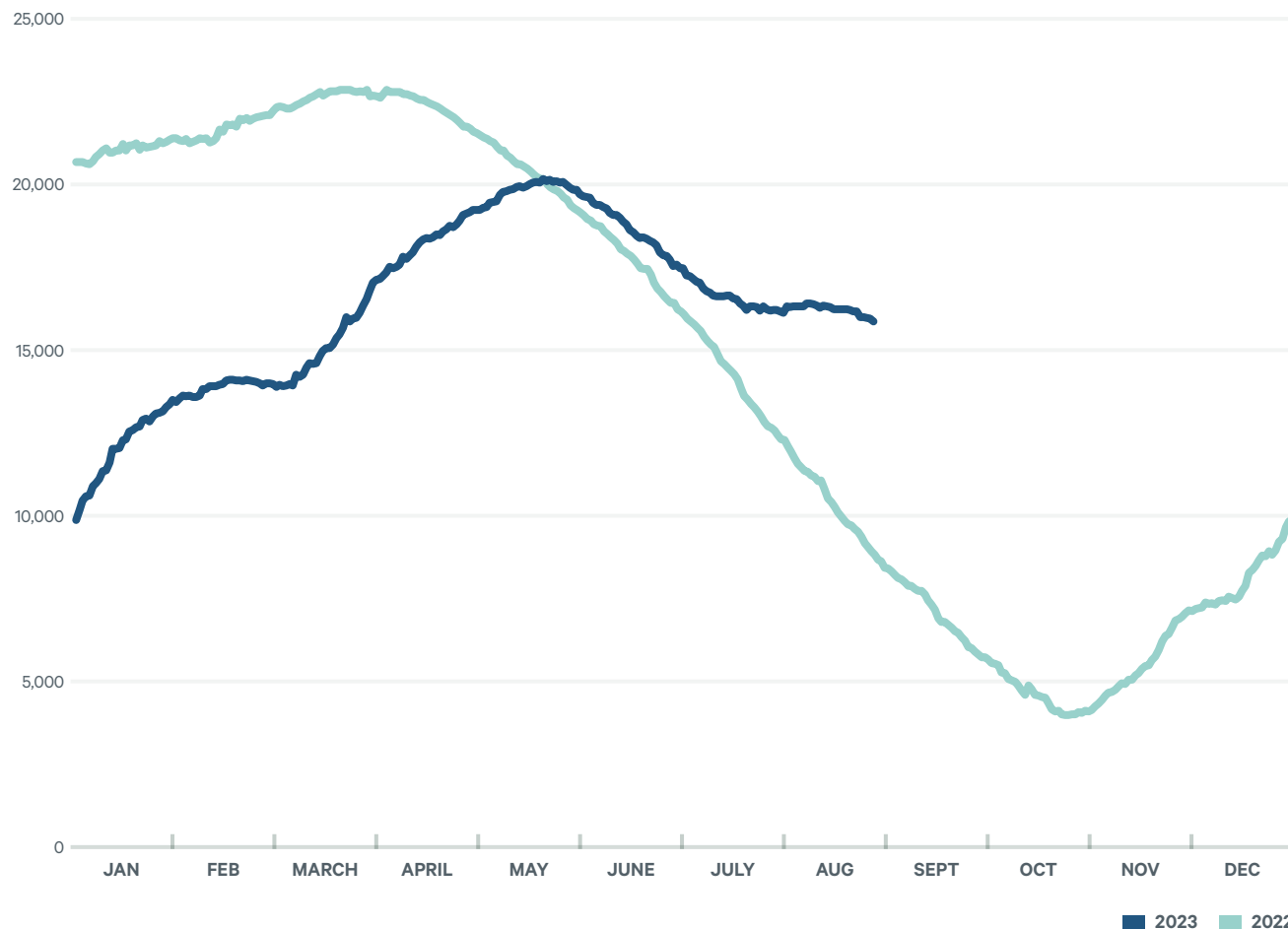
Next phase

- Recently launched – providing increased transparency, adding near real-time storm overflow data



Water resources

Colliford net storage – 2022 vs. 2023



2022/23 supply and demand side interventions positively impacting total reservoir storage

<p>Colliford reservoir (Cornwall)</p> <p>56% (2022: 31%)</p>	<p>Roadford reservoir (Devon)</p> <p>55% (2022: 47%)</p>
<p>Total reservoir storage</p> <p>65% (2022: 40%)</p>	

Diversifying water resources

Desalination

- c.50 MI/d abstraction of sea water on the coastline – Par Bay
- Modular, scalable, permanent desalination plant adjacent to Par Docks
- Delivered initially in two phases yielding 20MI/d in total
- Modular colution provides ability to scale up further
- Remineralised water transferred via buried pipeline of c.13km from Par directly to Restormel water treatment works
- 30MI/d discharged safely back to Par Bay
- Undertaking additional research and discussion on the following:
 - Reuse of Brine (lithium / salt)
 - Energy Recovery (hydro)
 - Energy Generation (wind / solar)
 - Carbon



Par site – abstraction and discharge

Repurposing quarries

- Abstraction of water from Blackpool Pit, a water-filled claypit, near St Austell in Cornwall, to support the recharge of Colliford Reservoir
- Blackpool Pit represents a significant potential water resource with a maximum capacity of 12MI/d over a seasonal abstraction (spring and summer)
- Abstracted water from Blackpool Pit will be transferred via a new pipeline to join existing Restormel Water Treatment Works to Colliford Reservoir recharge pipeline
- The proposed Blackpool Pit pipeline (21km in total) will comprise a combination of the following:
 - New construction
 - Rehabilitation of existing pipelines (slip lining)
 - The use of existing operational infrastructure

Our journey so far

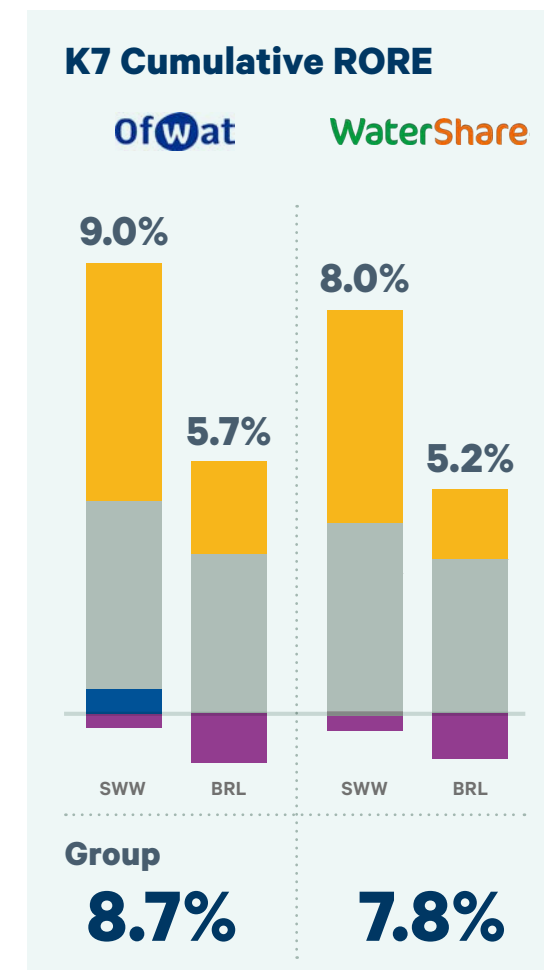
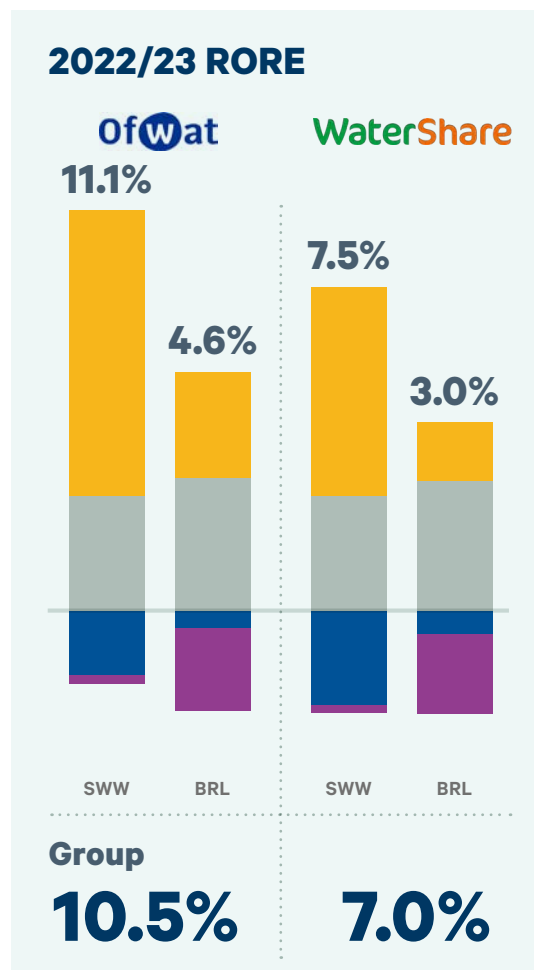
Investment over
£13bn
since
privatisation

	20-30 years ago	→	NOW
Water quality – samples failing tests	2%	→	0.04%
Sewage treatment	250 raw sewage outfalls open	→	All raw sewage outfalls closed
Sewer flooding inside properties (per 10,000 properties)	3.8	→	0.63
Sewage – sludge disposal	30% disposed to sea	→	100% treated/harvested into fertilizer
Bathing waters classed as good or excellent	28%	→	99% <small>with 100% meeting legal standards</small>
Low pressure (properties)	0.70%	→	0.02%
Supply interruptions (average minutes per property)	Up to 60+	→	5-10 minutes
Reservoirs	24	→	27

RORE outperformance

Cumulative RORE performance

£m	2020/21	2021/22	2022/23	Cumulative total
Financials				
Totex ²	60	33	-80	13
Financing	14	53	133	200
ODIs	-12	1 ¹	-10	-21
Ofwat	62	87	43	192
WaterShare	96	94	8	198
Outcome Delivery Incentives				
End of period	5	6	2	13
During period	-17	-5	-12	-34
Net ODI reward / (penalty)	-12	1	-10	-21



1 Excludes the ODI impact of the third-party Carland Cross event in 2021, which we are seeking to recover from the third-party

2 Including tax impacts

Financial Outcome Delivery Incentives – 2022/23 – c.70% on track or ahead of target

	Area of excellence 7	Outperformance 9	On track 15	Marginal 10	Area of focus 3
Bespoke ODIs	<ul style="list-style-type: none"> • Bathing water quality • Biodiversity enhancement • Wastewater resilience 	<ul style="list-style-type: none"> • Biodiversity – prevent deterioration • Customers on one of our support tariffs • Customers who find their water bill affordable • Installation of AMR meters • Voids • Odour contacts • Satisfaction on the PSR 	<ul style="list-style-type: none"> • Abstraction incentive mechanism • Biodiversity – compliance • Taste, smell and colour contacts • Customer value for money • Descriptive compliance • Inclusive provision • Scheme delivery (3 ODIs) • Total wastewater compliance • Wastewater operational contacts • Water operational contacts 	<ul style="list-style-type: none"> • Water pollution incidents • Sludge compliance • Water resilience • External sewer flooding incidents • Sewer blockages 	<ul style="list-style-type: none"> • EPA score • Water restrictions
Common ODIs	<ul style="list-style-type: none"> • Risk of sewer flooding • Sewer collapses • Unplanned outages 	<ul style="list-style-type: none"> • Mains repairs • Priority services 	<ul style="list-style-type: none"> • Treatment works compliance • Leakage • Risk of severe drought 	<ul style="list-style-type: none"> • C-MeX • Water quality • Per Capita Consumption • D-MeX 	
Comparative ODIs	<ul style="list-style-type: none"> • Internal sewer flooding 			<ul style="list-style-type: none"> • Supply interruptions 	<ul style="list-style-type: none"> • Wastewater pollutions

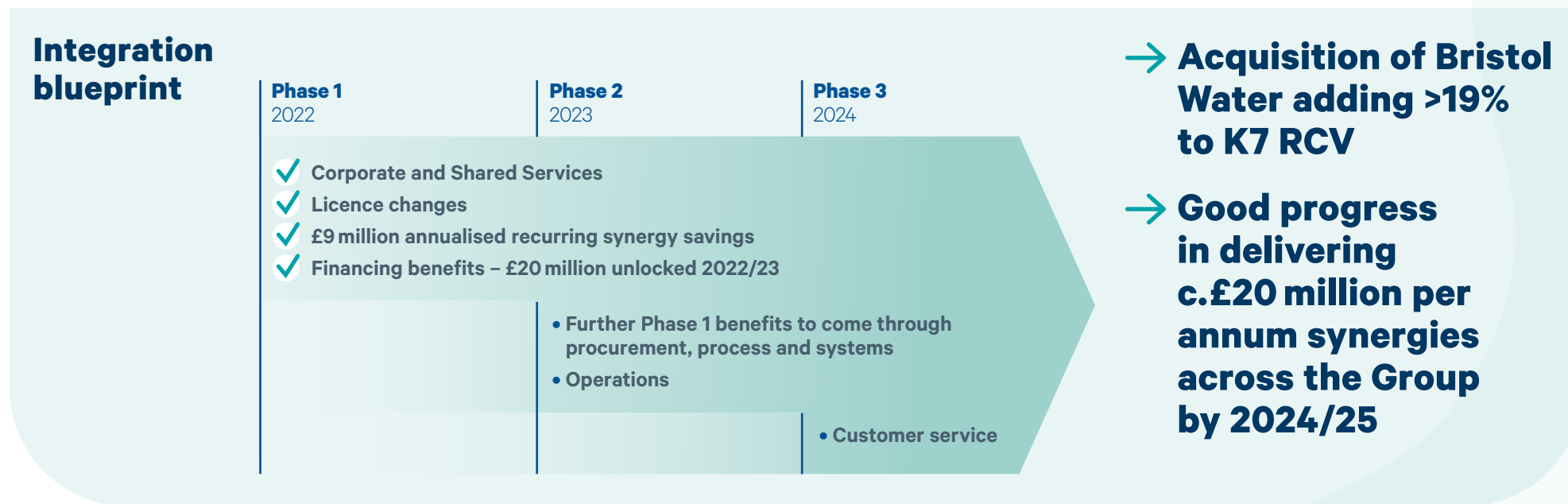
Financial Outcome Delivery Incentives – 2022/23 – c.65% on track or ahead of target

	Area of excellence 3	Outperformance 9	On track 7	Marginal 4	Area of focus 6
Bespoke ODIs	<ul style="list-style-type: none"> Local community satisfaction Properties – risk of low pressure Biodiversity index 	<ul style="list-style-type: none"> Satisfied vulnerable customers Unplanned maintenance – non-infra Raw Water Quality of Sources Water quality – taste and smell Total complaints Void properties 	<ul style="list-style-type: none"> Abstraction Incentive Mechanism Glastonbury Street network resilience Percentage of customers in water poverty Turbidity performance at treatment works Waste disposal compliance WINEP compliance WINEP delivery 	<ul style="list-style-type: none"> Water quality – appearance 	<ul style="list-style-type: none"> Meter penetration Value for money
Common ODIs		<ul style="list-style-type: none"> C-MeX D-MeX Priority Services 		<ul style="list-style-type: none"> Risk of severe drought Leakage 	<ul style="list-style-type: none"> Unplanned outages Per Capita Consumption Water quality Mains repairs
Comparative ODIs				<ul style="list-style-type: none"> Supply interruptions 	

Growing the business, bringing together the best of the best

Licence change and statutory transfer completed 1 Feb 2023

- Phase one complete – organisational and licence changes
- Phase two expanded to Group-wide evolution programme, incorporating culture, operating model, data and insight, governance and assurance and customer excellence
- Programme builds on the good progress already delivered in line with our proven integration blueprint



Revenue growth

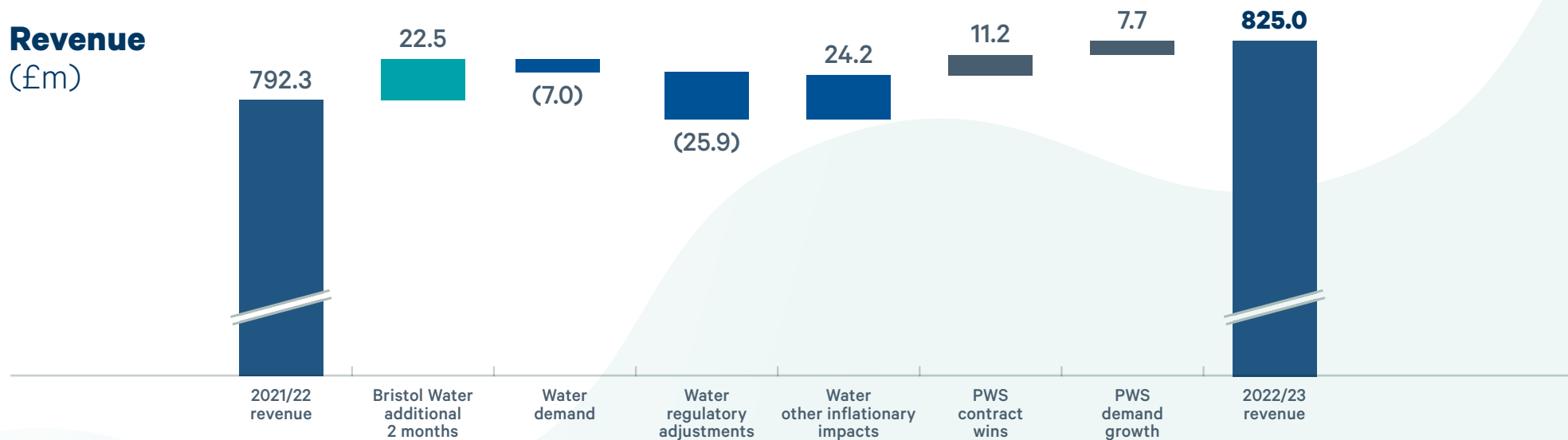
South West Water

- Full period contribution from Bristol Water
- Net overall demand reduction
 - Successful Household consumption reduction initiatives
 - Non-household activity approaching pre-Covid levels
- Regulatory revenue adjustments from 2020/21
- Inflationary increases supporting significant increase in input costs

Pennon Group

- Sustained growth in PWS
 - Contract wins driving growth
 - Demand outside region returning to pre-Covid levels

Revenue (£m)



Responsible approach to tax

Current tax position – effective credit rate of 16.1%

- Current tax credit arises from super-deductions on 45% of additions and continued pension relief following exceptional contributions in prior periods to the defined benefit scheme

Deferred tax credit

- Driven by tax losses carried forward to be utilised in future periods

Non-underlying items

- £2.8million current tax credit as a result of losses to be carried back against 2021/22 taxable profits
- £2.5million deferred tax credit arising from tax losses carried forward

Corporation tax (£m)

	2022/23	2021/22
Current tax	2.7	(5.0)
Deferred tax	0.9	(8.9)
Underlying tax	3.6	(13.9)
Non-underlying items ¹	5.3	1.3
Change of rate	-	(99.5)
Total tax credit/(charge)	8.9	(112.1)



Income statement – EPS reconciliation

Adjusted EPS (£m unless stated)	2022/23	2021/22
Loss / (profit) before tax	(8.5)	127.7
<i>Adjusted for:</i>		
Non-underlying items (pre-tax)	25.3	15.8
Current tax	2.7	(5.0)
Minority interest ¹	(0.3)	(0.2)
Profit for adjusted EPS	19.2	138.3
Basic weighted average number of shares (millions)	261.9	312.1
Adjustment to reflect the post-consolidation share base as if it had been in place from the start of the previous financial year (millions)	-	(36.6)
Adjusted basic weighted average number of shares (adjusted for share consolidation) (millions)	261.9	275.5
Basic adjusted earnings per share before non-underlying items and deferred tax (adjusted for share consolidation) (pence)	7.3	50.2
Statutory EPS (£m unless stated)	2022/23	2021/22
Profit before tax attributable to ordinary shareholders	0.1	15.4
Basic weighted average number of shares (millions)	261.9	312.1
Total Group statutory EPS (pence)	-	4.9

Balance sheet – Group capital expenditure

Group capital investment (£m)	2022/23	2021/22
South West Water	358.2	240.4
Clean water	210.6	139.1
Wastewater	147.6	101.3
Other Group	0.1	0.5
Capital additions	358.3	240.9
Group capital payments (£m)		
Group capital additions	358.3	240.9
Capital creditor increase (including non-cash items)	(27.1)	(8.7)
Grants and contributions	-	(3.2)
Proceeds from sale of PPE	(0.7)	(1.4)
Group capital payments	330.5	227.6

Balance sheet – Pensions

Pensions (£m)	31 March 2023	31 March 2022
Pension schemes' assets	749	1,052
Pension schemes' liabilities	(720)	(986)
Net pension schemes' assets	29	66
Deferred tax	(3)	(10)
Net of tax pension schemes' assets	26	56

March 2022 triennial valuation agreed – c.101% funded on agreed technical provisions

No further deficit recovery contributions required

Bristol Water scheme fully insured – buy-out progressing as planned

Balance sheet – Sustainable, diversified funding sources

Balance as at 31 March 2023 (£m)	Penon Group	South West Water
Leasing	1,065	1,065
Bank bilaterals	790	814
Index-linked debt (RPI)	744	644
Fixed rate bonds	214	196
Private placements	305	186
Preference shares	13	13
Total borrowings	3,131	2,918
Less: cash/liquid investments	(165)	(52)
Net borrowings	2,966¹	2,866

Balance sheet – Fair value of debt

Balance as at 31 March 2023
(£m)

	Pennon Group			
	Book value	Fair value	Variance	
Bank bilaterals	790	777	13	Overall net benefit on fair value of debt
Index-linked debt (RPI)	744	614	130	
Fixed rate bonds	214	205	9	
Private placements ¹	305	288	17	
Preference shares	13	22	(9)	
Total borrowings (excluding leases)	2,066	1,906	160	
Leases ²	1,065	1,009	56	
Total borrowings	3,131	2,915	216	

1 Includes £6m of other borrowings related to Pennon Water Services

2 Includes £38m of operating leases under IFRS 16: Leases

Resilient performance despite challenges from global pandemic

→ **Household demand reduced**

→ **Reflects additional two months of Bristol Water**

→ **Inflation impact on financing and operating costs, including power**

Underlying¹ (£m)

	2022/23	2021/22
Revenue ²	701.3	687.8
Operating costs	(392.9)	(303.0)
EBITDA	308.4	384.8
Depreciation and amortisation	(149.0)	(141.0)
Operating profit	159.4	243.8
Net interest	(145.3)	(98.0)
Profit before tax	14.1	145.8
Capital expenditure	358.2	240.4

Note: Financial performance includes the performance of Bristol Water in both this financial year and the comparative year

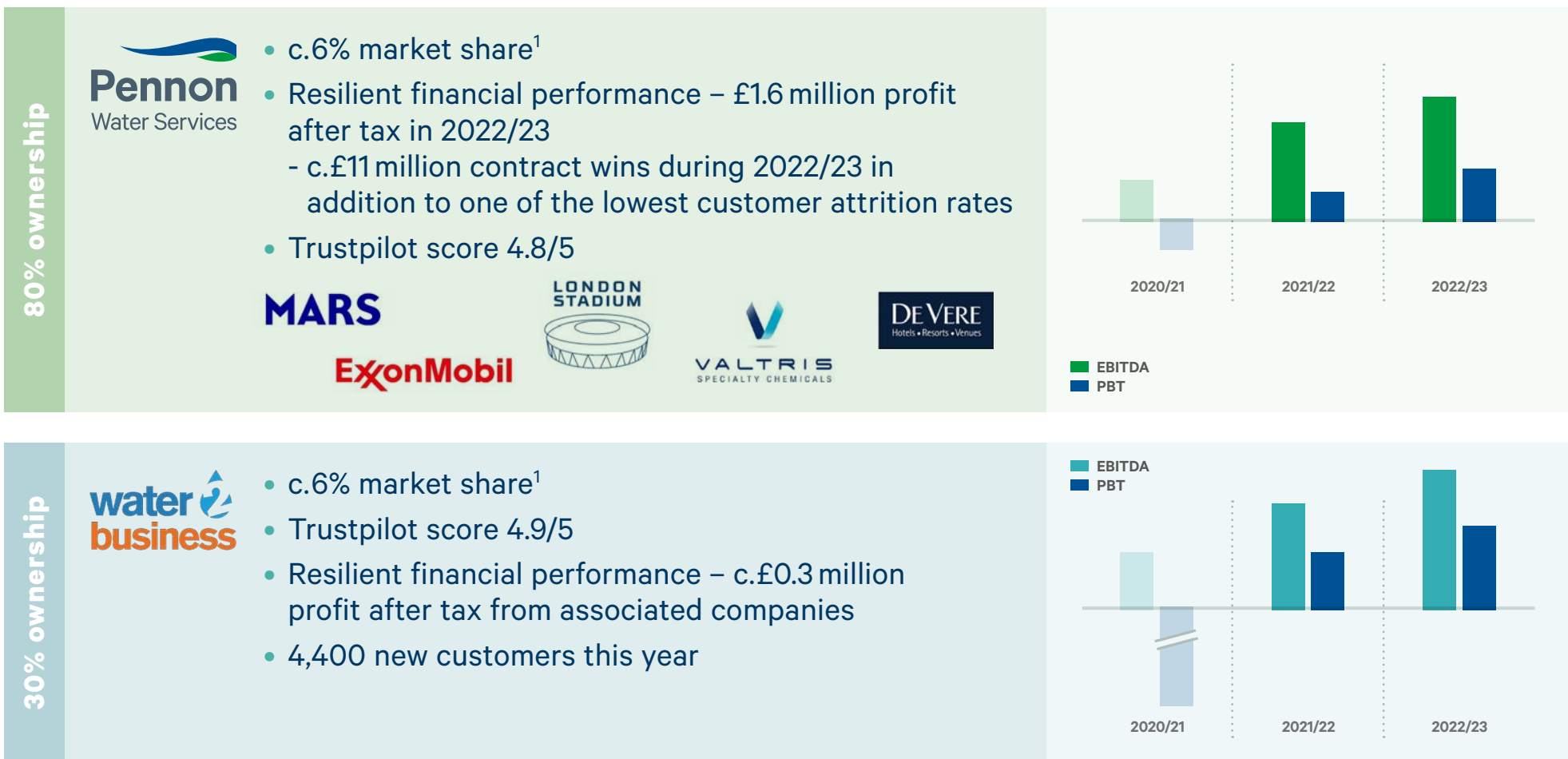
Net interest analysis

(£m unless stated)

	2022/23 South West Water ¹	2021/22 South West Water ¹
Underlying net interest charge	(145.3)	(100.4)
Less: pensions net interest	(1.6)	(0.2)
Add: capitalised interest	(4.9)	(1.3)
Net interest for average rate calculation	(151.8)	(101.9)
Split between:		
Interest payable	(148.8)	(101.6)
Capitalised interest payable	(4.9)	(1.3)
Other finance income	1.9	1.0
Net interest payable	(151.8)	(101.9)
Effective interest rate	5.5%	3.9%

¹ A measure of the mean average interest rate payable on net debt associated with South West Water Limited's group of companies, which excludes interest costs not directly associated with net debt (2021/22 water business comparator of 3.7% re-analysed to provide comparative performance under post-integration South West Water Limited group of companies' structure).

Long-term sustainable growth – growing a profitable, sustainable national platform for business retail



Strong market performance

→ **Business wins underpinning revenue growth**

→ **NHH recovery**

→ **Stable cost base**

→ **Supporting our customers and employees**

Underlying² (£m)

	2022/23	2021/22
Revenue	218.0	195.3
<i>Water segment wholesale elimination</i>	<i>(94.7)</i>	<i>(90.9)</i>
<i>Revenue excluding elimination</i>	<i>123.3</i>	<i>104.4</i>
Operating costs	(213.7)	(191.9)
<i>Water segment wholesale elimination</i>	<i>94.7</i>	<i>90.9</i>
<i>Operating costs excluding elimination</i>	<i>(119.0)</i>	<i>(101.0)</i>
EBITDA	4.3	3.4
Depreciation and amortisation	(0.7)	(0.8)
Operating profit	3.6	2.6
Net interest	(1.8)	(1.6)
Profit before tax	1.8	1.0
Capital expenditure	0.1	0.1