Half Year Results 2024/25

20 November 2024

WONDERFUL ON TAP

SEVERN TRENT

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LIV GARFIELD

Chief Executive

AMP7 REFLECTIONS

A successful AMP7 setting us up for a strong AMP8

Generating Growth

Nominal RCV growth of **40%**, boosted by Green Recovery

PR24 Plan **fully equity funded**, raised £1.25bn in AMP7

Delivered **40%** Total Shareholder Return

Enhancing the Environment

30% reduction in emissions[1] and created sector blueprint for Net Zero

Delivering over **1,000** commitments under National Environmental Programme

Enhancing biodiversity on **15,000 hectares**, **3%** of UK Govt target

Driving Performance

Awarded **4* EPA status** each and every year of AMP7

Achieving **over 80%** of ODI targets to deliver around **£420m[2]** of ODI reward

More than doubled the base return, over **13%** in nominal prices

Giving Back

Supported families with **c. £200m** affordability programme

Supported communities through Societal Strategy and donation of **1% of all profits** to local projects

Engagement scores in **top 5% of utilities globally**

[1] Based on scope 1 and 2 emissions from a 2019/20 baseline.
[2] Quoted pre-tax, post-sharing, in nominal prices.

HALF YEAR HIGHLIGHTS

Expect to deliver **>£100m[1]** net ODI reward this year, pre-sharing

4* EPA status confirmed for a fifth consecutive year

Delivered **900 interventions** to reduce spills this year

On track for upper end of **£1.3-£1.5bn** capital investment guidance range

Achieved **Outstanding status** for our PR24 plan

[1] *Quoted pre-tax in 2017/18 prices.*

HELEN MILES

Chief Financial Officer

HALF YEAR FINANCIAL HIGHLIGHTS

Strong financials including **PBIT** and **EPS growth year-on-year**

£13.6bn expected closing AMP7 RCV

58.6% economic regulated gearing[1]

Strong liquidity, with over **£2bn** in cash and facilities

Interim dividend of **48.68p** in line with policy

[1] Economic regulated gearing includes the full expected impact of end-of-AMP RCV adjustments earned to date in AMP7.

COST EFFICIENCY

Driving efficiency to deliver more today while investing for the future

Delivering more for our allowance

Supplying
10%
more water than forecast in PR19

Treating
15%
more waste than forecast in PR19

c. 85%
increase in activity to reduce leakage vs AMP6

Treating
9%
more sludge than forecast in PR19

Investing totex to drive long-term success

30%
more direct labour in operations and engineering

£220m
in Net Zero and climate change adaptation

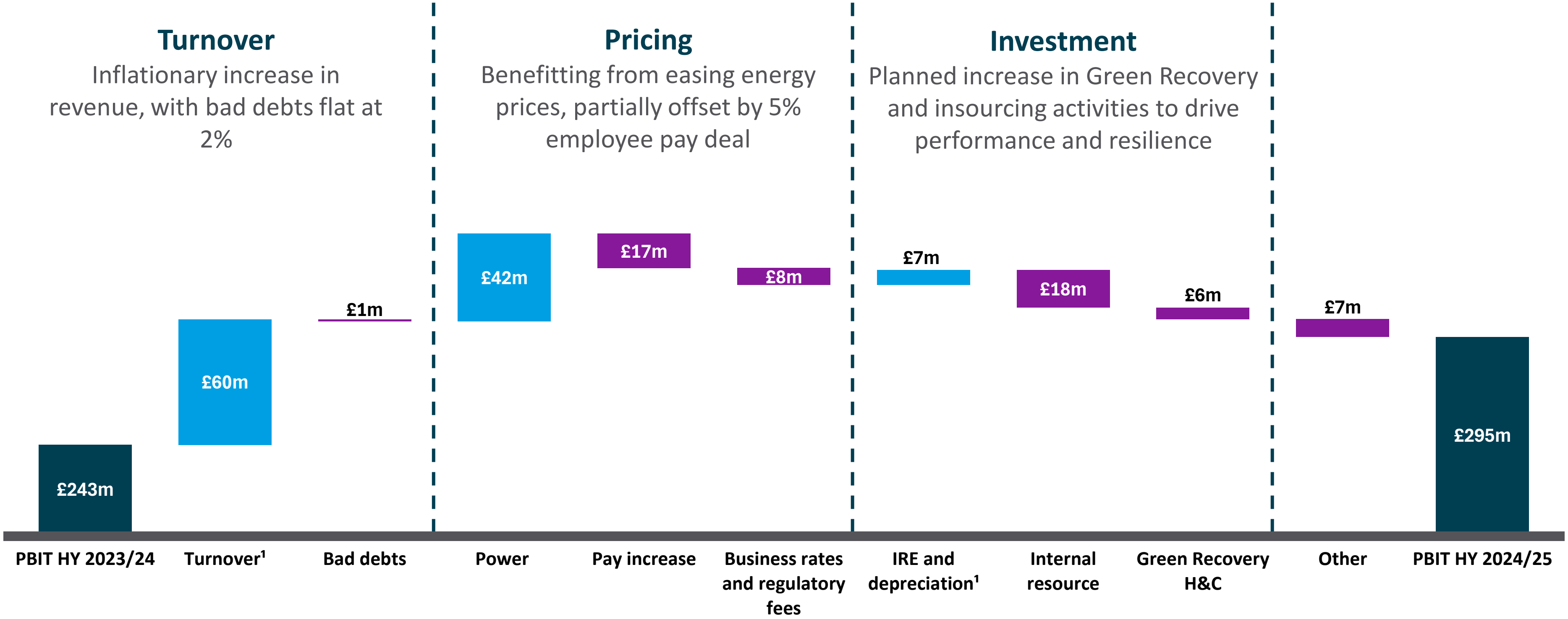
£100m
enhancing our technology and systems

75%
increase in fleet of water tankers

While also investing to deliver higher ODI rewards, with nominal £420m reward expected across AMP7

REGULATED WATER AND WASTEWATER PBIT

21% higher PBIT with higher turnover and lower power costs



[1] Turnover and IRE stated net of diversions income, which is £9.8m lower this half year mainly related to lower HS2 activity. Including diversions income, the variance on turnover is £51m and on IRE and depreciation is £17m.

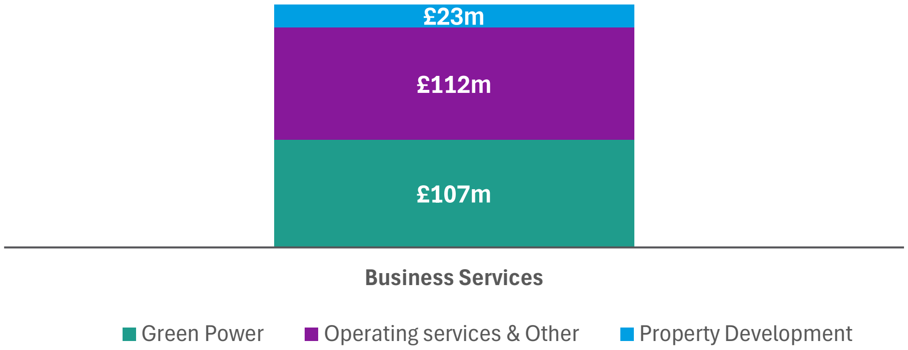
BUSINESS SERVICES

Supporting our net zero ambitions and contributing £242m EBITDA to the Group during AMP7

EBITDA: reliable earnings supporting the group

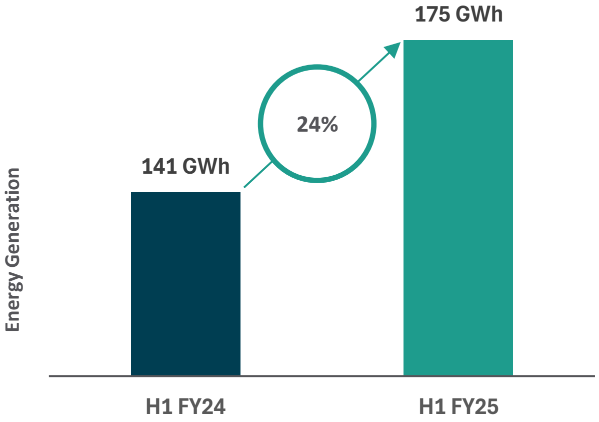
Business Services EBITDA – AMP7 to date

Total = £242m



Green Power: growth in generation offsets lower energy prices

Asset optimisation and Andigestion acquisition significantly boosting energy generation, taking group self-generation to **66%** of consumption

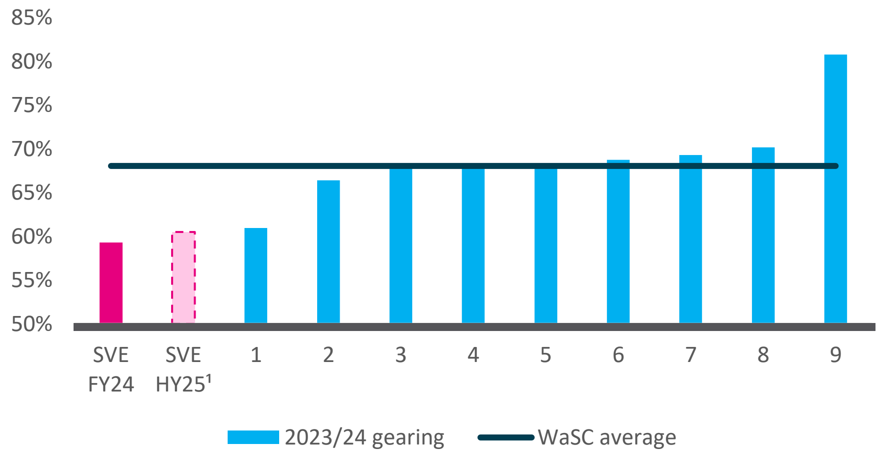


FINANCING STRATEGY

Resilient financial position and access to markets gives confidence in AMP8 outperformance

Balance sheet strength	**Credit ratings** reaffirmed by Moody's and S&P **Ahead** of pension funding plan
Stable debt book	**68%** of debt is fixed Average tenure of **13 years**
Access to markets	**Over £400m** raised in new markets this year **Flexibility** provided by healthy **liquidity**
Track record of successful debt raises	**£600m** raised during the first half Credit spreads amongst the lowest in the sector

Shadow regulated gearing well below sector average



Economic Regulated Gearing: 58.6%
including end-of-AMP RCV adjustments earned to date

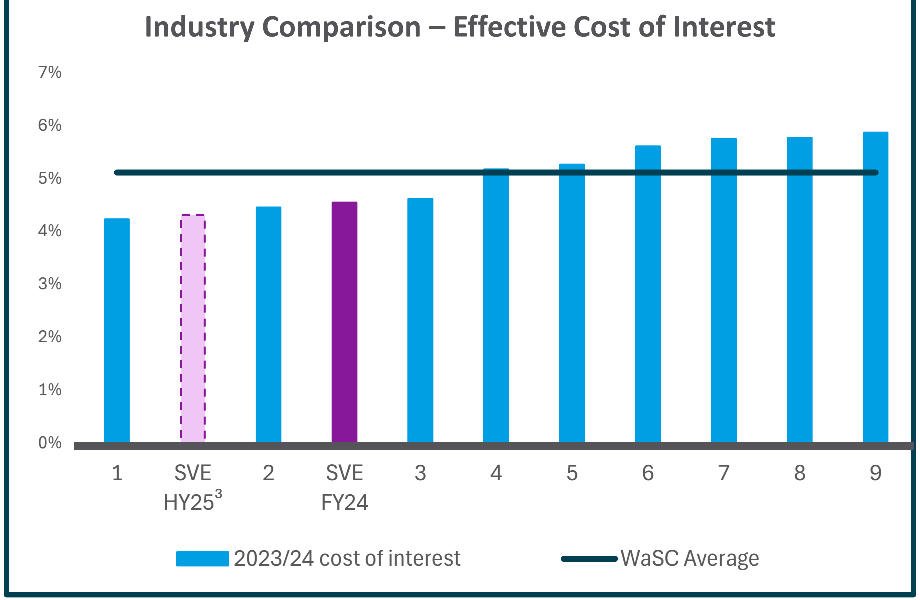
[1] *Severn Trent Water shadow gearing.*

STRONG FINANCING PERFORMANCE

Strong track record on financing performance and well positioned versus sector

3.4% RoRE	Financing outperformance AMP to date (real)
4.4%	Effective cost of interest[1] down 120bps
3.3%	Effective cash cost of interest[2] down 10bps
Lower	30% reduction in finance costs versus prior HY

Strong position on embedded debt compared to the sector



[1] *Includes inflation accretion on index-linked debt but excludes net pension finance costs.*
[2] *Excludes inflation accretion on index-linked debt and net pension finance costs.*
[3] *HY25 STW effective interest cost, calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs, divided by the monthly average net debt during the year.*

LONG-TERM RCV GROWTH

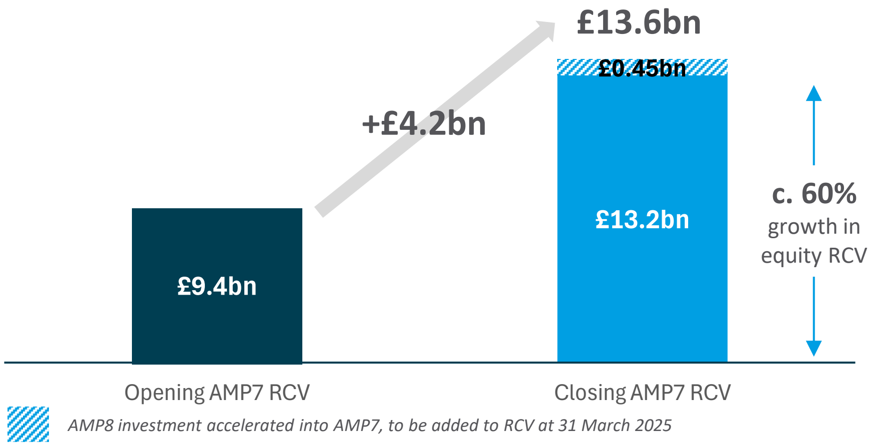
Highest ever RCV growth in AMP7

Green Recovery boosting growth

Capital structure increasing **inflation benefit**

£1.4bn end-of-AMP RCV adjustments

Closing AMP7 with **12% real** and **40% nominal** RCV growth[1]



Step change in growth in AMP8

At least **28%** **real** RCV growth[1]

Equivalent to **c. 40%** **nominal** RCV growth[1]

£1bn
raised for fully equity funded PR24 plan

Unlocked growth drivers to 2050

- The need for 13 enhancement cases has been approved by Ofwat and backed by statutory requirements
- Investment driven by population growth, urbanisation and climate change
- Visibility of multi-AMP investment programme

[1] *Transition Expenditure is included in AMP8 RCV growth rate.*

TECHNICAL GUIDANCE

		FY24	FY25
Regulated Water and Wastewater	Turnover	£2.15bn	Higher year-on-year ↑
	Operating costs & IRE	£1.3bn	Lower year-on-year ↓
	ODIs	£55m	Over £100m pre-sharing ↑
	Economic RCV	£12.5bn	Growing to £13.6bn ↑
Group	Interest charge	£282m	Lower year-on-year ↓
	Capital investment	£1.2bn	Higher: £1.3bn-£1.5bn ↑

See appendix (slide 24) for details

LIV GARFIELD

Chief Executive

TACKLING SPILLS

Watch: [Our progress so far]

Watch: [Our YouTube Playlist]

Delivering solutions at speed and at scale, innovating to reach global best practice

2,472 Storm overflows in our patch	**900** Interventions delivered this year	**Over 500** People working on our spills programme	**24.9** Average spills last year	**£1.2bn** Storm Overflow spend approved for AMP8
923 Priority sites	**600** Further interventions delivered next year	**24,000** Spills prevented this year[1]	**<18** Average spills targeted for the year 2025	**Halving** Average spills by 2030

Weir raise completed at Ironville storm overflow

Submerged Aerated Filtration units installed at Hurley

Storm tanks installed at Braunston

[1] *Based on preliminary analysis of interventions delivered so far this year.*

SCALED UP INVESTMENT

In a strong position to deliver our AMP8 capital programme

Record capital run rate

- Delivering a **record year of investment**
- **£600m** Green Recovery programme, enabling step up in capacity
- **£450m** transition spend providing head start on AMP8 commitments

Important strategic calls made

- **Embedded design team** unlocking digital and automation capability
- **Programme of insourcing** strengthening in-house skills
- Speed and efficiency increased through **Plug and Play programme**

Supply chain in place

- Work underway on **£3.5 billion** of AMP8 capital programme
- Supply chain resource secured on over **£2 billion** of projects
- Over **£1 billion** of AMP8 capital costs locked in

SUSTAINING OPERATIONAL EXCELLENCE IN WATER

Green on c. 90% of water measures

Significant progress on water measures over AMP7

Low pressure	Expected outturn of a **95%** total reduction
Leakage	On track for a **15%** total reduction
Supply Interruptions	Best ever performance, on course for a **30%** total reduction

While achieving our targets every year this AMP

- Water quality contacts
- Unplanned outage
- Speed of response
- Metering

Spotlight: Leakage

- Increased internal resource enabling us to detect leaks significantly earlier
- Brought over **300 leakage roles** in house, moving to a fully insourced model which increases internal capability
- Creating new **440-strong team** to prevent leaks through renewal of **1,400km** of water mains in AMP8
- Trained 100 leakage apprentices through **Severn Trent Academy**, strengthening skills for the long term

CONTINUED STRENGTH IN WASTEWATER

Strategic investments to maintain leading performance into AMP8

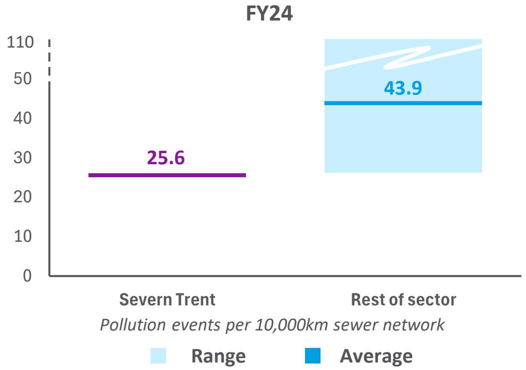
Spotlight: Insourcing in Wastewater

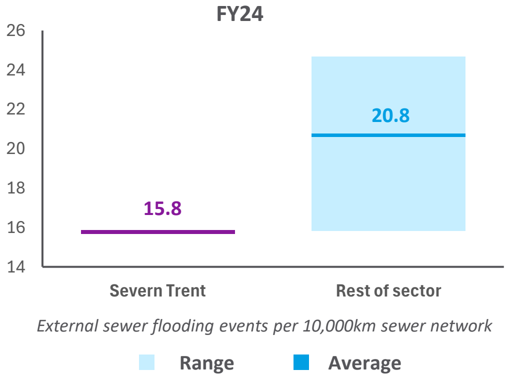
40 jobs created in new Waste Control Centre

c. 400 jobs insourced in Networks last year

- Resolving jobs **three times** faster in wet periods, with fewer chase calls and complaints
- New Waste Operational Control Centre taking learnings from Water
- Better utilisation of live data, meaning **quicker response to prevent spills**, prevention of pollutions, and identifying blockages sooner

Pollutions performance leading the sector ahead of AMP8, when the incentive rate will more than triple

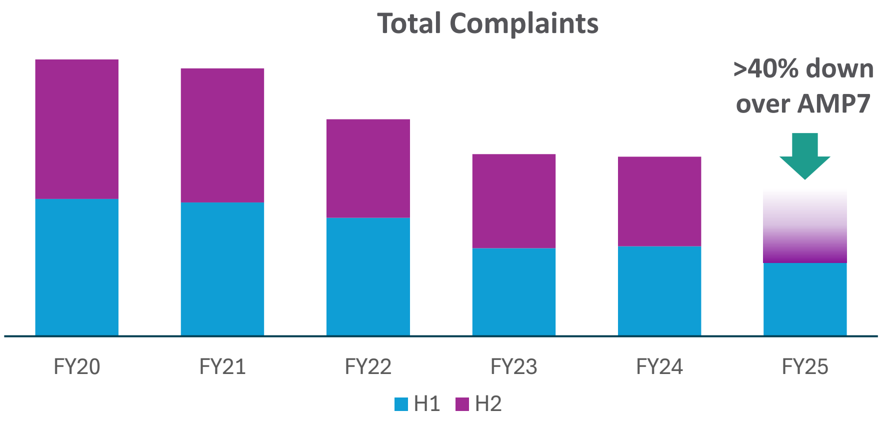




External sewer floodings performance top in the industry ahead of the measure becoming a common ODI for the first time

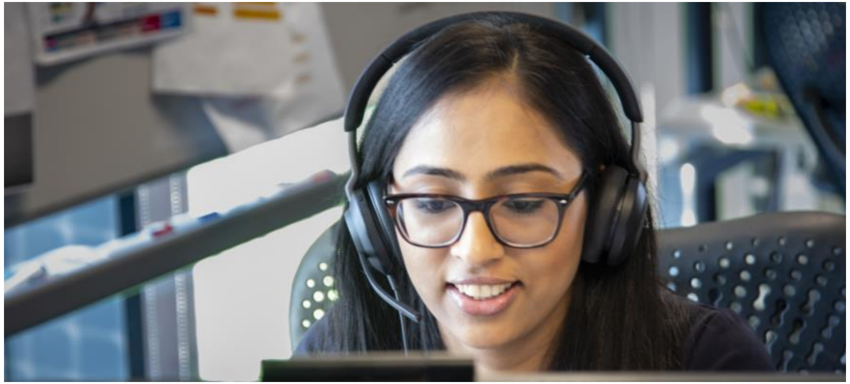
IMPROVING CUSTOMER SERVICE

Good progress in AMP7 → **But more to do to improve C-MeX**



Issue identified	Solution underway
Outdated customer system	Rolling out Kraken, improving service through AI and new operating model
Too many hand-offs	Insourcing to drive end-to-end ownership, including new contact centre in Leicester

Upper Quartile	STW and HD in top 3 performers on complaints
4.8	Trustpilot rating joint highest in the FTSE100
Top 3	D-MeX performance every year of the AMP



SUSTAINING OUR PERFORMANCE

Our unique culture positions us strongly for the future

Invested in skills

Direct access to **critical skills** gives us additional **control** and **resilience**

Insourced vital teams like capital design, network response and waste networks

Bespoke **Training Academy** ensures we have the skills and knowledge to deliver

Performance-driven culture

Embedded '**Communication Cells**' drive accountability and quick interventions

Bonus measures **aligned from top to bottom**

Around **3 in every 4** employees participating in Sharesave schemes

An experienced and engaged workforce

Engagement score of **8.6** out of 10, placing us in the **top 5% of utilities** globally

Providing **fair reward**, investment in **skills**, and **meaningful** work

Average employee tenure of nearly **a decade**

SUMMARY

PR24	Final Determination: 19 December 2024 Investor presentation and Q&A: 20 December 2024
AMP7	Closing a successful AMP as the standout performer
AMP8	Well positioned to outperform as we grow
SPILLS	Made major progress on key sector reputational issue

Capital Markets Day: 5 March 2025

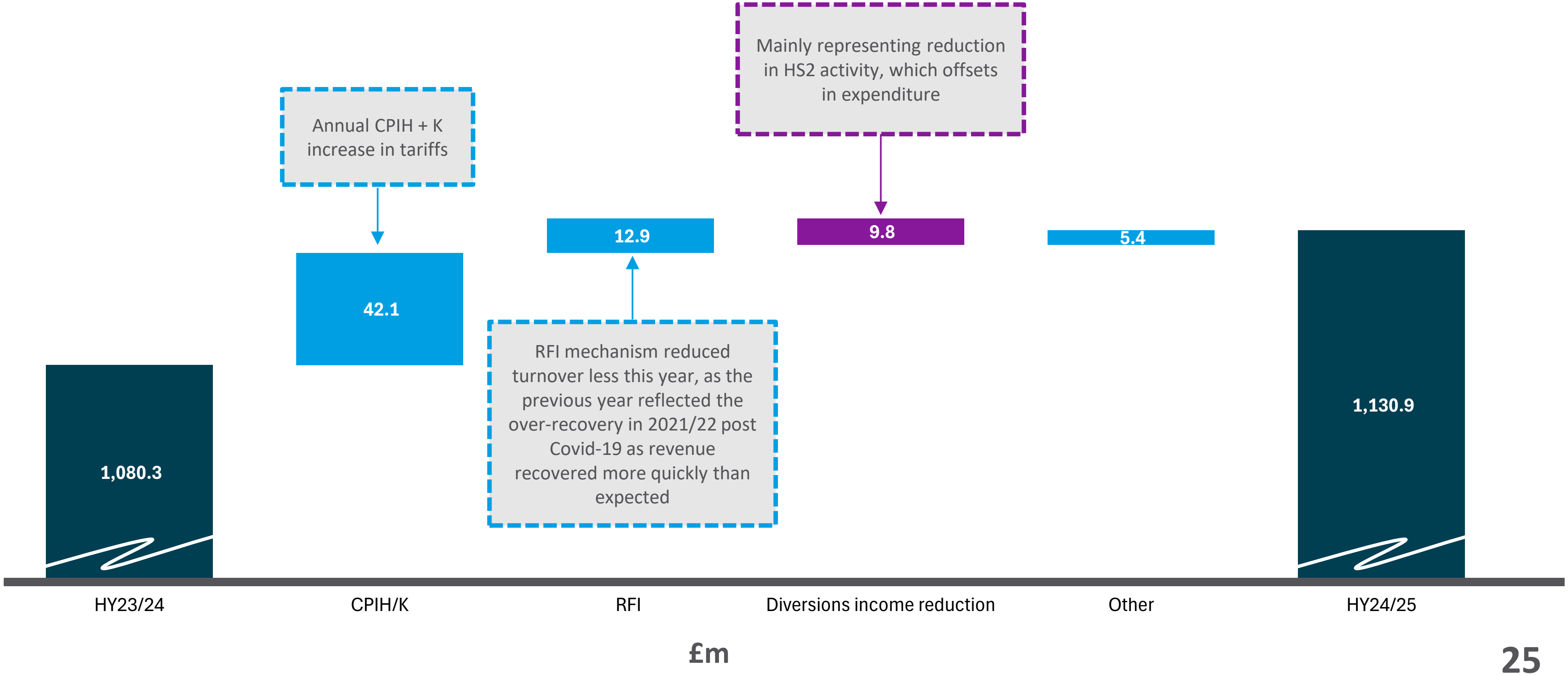
APPENDIX

TECHNICAL GUIDANCE 2024/25

Regulated Water and Wastewater		FY24	Year-on-year
Turnover[1]	Higher year-on-year including inflation increase, partly offset by an expected reduction of diversions income mainly relating to HS2.	£2.15bn	▲
Operating costs & IRE[2]	Lower year-on-year, driven by a reduction in energy cost and diversions expenditure mainly relating to HS2, partly offset by an increase in growth-related opex investment, and above inflation cost increases.	£1.3bn	▼
ODIs[3]	Net reward of over £100 million (pre-customer sharing), which would result in a net reward of around £60 million (post-customer sharing) dependent on the mix of net rewards earned. Both include end-of-AMP ODI rewards.	£55m	▲
Business Services			
EBITDA	Lower year-on-year due to the impact of lower energy prices on Green Power revenue.	£59m	▼
Group			
Interest charge[4]	Lower year-on-year with higher cost of new debt offset by reducing inflation on index-linked debt and increased capitalised borrowing costs.	£282m	▼
Adjusted effective current tax rate	Adjusted effective current tax rate of nil due to “full expensing" and other accelerated capital allowances on our substantial capital investment programme.	0.2%	▼
Capital investment	Set to deliver our largest annual investment programme investing between £1.3 billion - £1.5 billion.	£1.2bn	▲
Dividend[5]	2024/25 dividend of 121.71 pence, in line with our policy of annual growth by CPIH.	116.84p	▲
AMP7			
Cumulative ODIs[6]	Cumulative AMP7 ODI rewards of around £320 million in 2017/18 prices and around £420 million in nominal prices (post-customer sharing).		
Totex	We expect totex to impact RoRE by around 1%, reflecting 0.7% of energy costs, as previously guided, and reinvestment of 0.3% of our RoRE outperformance to set us up for success in AMP8 while delivering benefits for customers and the environment.		
RCV[7]	Expected 2024/25 RCV of £13.6 billion which is inclusive of transitional expenditure.		

1. *Including Green Recovery allowance.*
2. *Including AMP8 preparation expenditure, Transitional expenditure and Green Recovery related Opex.*
3. *Customer Outcome Delivery Incentives are quoted pre-tax in 2017/18 prices. We assume a 25% rate of corporation tax to be in place when ODIs are taken into revenue. A net reward of £100 million (pre-sharing) would deliver a net reward of £60 million +/- 10% (post-sharing), dependent on the mix of ODI net rewards earned.*
4. *Based on Oxford Economics April inflation forecast. Index-linked debt comprising around a quarter of our total debt.*
5. *2024/25 dividend growth rate based on November 2023 CPIH of 4.17%.*
6. *Based on inflation of the year in which ODI rewards are taken into revenue, post-sharing and assuming 2023/24 ODI rewards are taken into revenue in 2025/26 and 2024/25 ODI rewards are taken into revenue in 2026/27. ODIs are quoted gross of tax.*
7. *AMP7 nominal Regulatory Capital Value is measured including expected additions from Green Recovery, real options and transitional expenditure, as well as other estimated midnight adjustments. Expected Nominal RCV at 1 April 2025 assumes forecasted CPIH of 2% for 2024/25 and RPI of 2.9% for 2024/25 as per Oxford Economics April 2024 forecast.*

REGULATED WATER AND WASTEWATER REVENUE



EBITDA[1]

H1 2023 £m		H1 2024 £m	Variance £m	Variance %
450.2	Regulated Water and Wastewater	**510.6**	60.4	13.4
24.7	Business Services	**24.4**	(0.3)	(1.2)
12.6	*Operating Services and Other*	*13.0*	*0.4*	*3.2*
10.7	*Green Power*	*10.5*	*(0.2)*	*(1.9)*
1.4	*Property Development*	*0.9*	*(0.5)*	*(35.7)*
(3.9)	Corporate and other	**(10.8)**	(6.9)	(176.9)
–	Consolidation adjustments	**(0.6)**	(0.6)	–
471.0	**Severn Trent Group**	**523.6**	52.6	11.2

1. *Earnings before interest, tax, depreciation and amortisation.*

NET FINANCE COSTS

H1 2023 Income statement charge £m	H1 2023 Capitalised interest £m	H1 2023 Gross interest incurred £m		**H1 2024 Income statement charge £m**	**H1 2024 Capitalised interest £m**	**H1 2024 Gross interest incurred £m**
90.3	31.1	121.4	Cash interest (including accruals)	**79.9**	**43.0**	**122.9**
6.6	–	6.6	Net pension finance cost	**5.0**	**–**	**5.0**
82.3	–	82.3	Inflation uplift on index-linked debt	**39.7**	**–**	**39.7**
179.2	31.1	210.3		**124.6**	**43.0**	**167.6**

ADJUSTED EARNINGS PER SHARE

H1 2023 £m		**H1 2024 £m**	Variance £m	Variance %
255.1	Profit before interest and tax	**297.8**	42.7	16.7
(179.2)	Net finance costs	**(124.6)**	54.6	30.5
(1.1)	Share of current year profit/(loss) of joint venture	**0.6**	1.7	154.5
74.8	Adjusted profit before tax	**173.8**	99.0	132.4
–	Current tax	**(0.2)**	(0.2)	–
74.8	Earnings for the purpose of adjusted basic and diluted earnings per share	**173.6**	98.8	132.1
251.8	Weighted average number of ordinary shares for basic earnings per share	**299.4**	47.6	18.9
29.7	Adjusted basic EPS (pence)	**58.0**	28.3	95.3

ADJUSTED NET DEBT

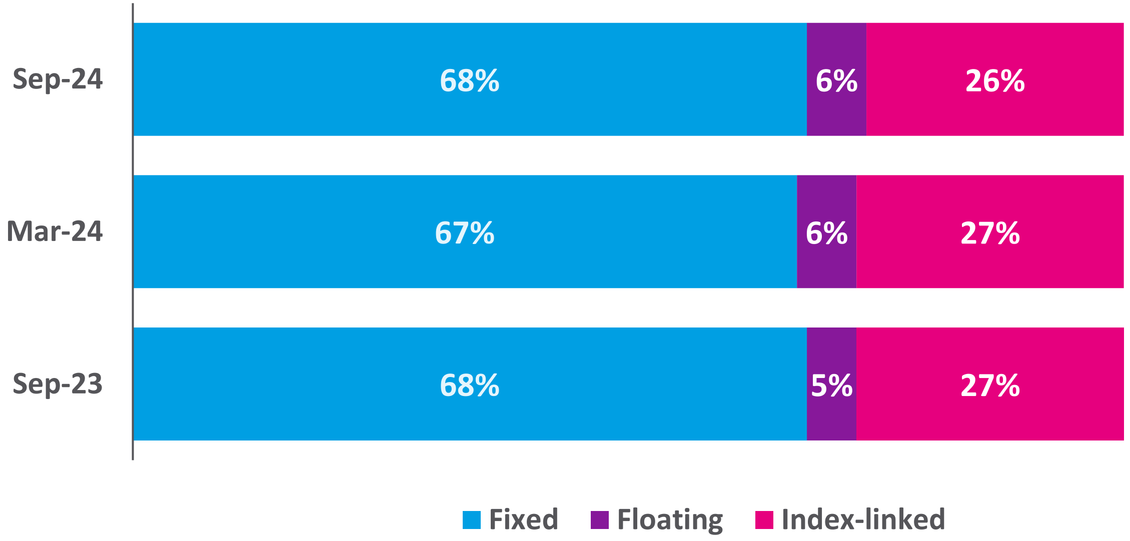
31 March 2024 £m		**30 September 2024 £m**	Variance £m	Variance %
(783.5)	Bank loans	**(785.1)**	(1.6)	(0.2)
(7,357.9)	Other loans	**(7,904.4)**	(546.5)	(7.4)
(120.0)	Lease liabilities	**(119.1)**	0.9	0.8
951.4	Net cash and cash equivalents	**1,046.0**	94.6	9.9
29.8	Fair value accounting adjustments	**26.5**	(3.3)	(11.1)
19.7	Exchange on currency debt not hedge accounted	**0.6**	(19.1)	(97.0)
72.6	Loans receivable from joint ventures	**70.1**	(2.5)	(3.4)
(7,187.9)	Adjusted net debt	**(7,665.4)**	(477.5)	(6.6)

FAIR VALUE OF DEBT [1]

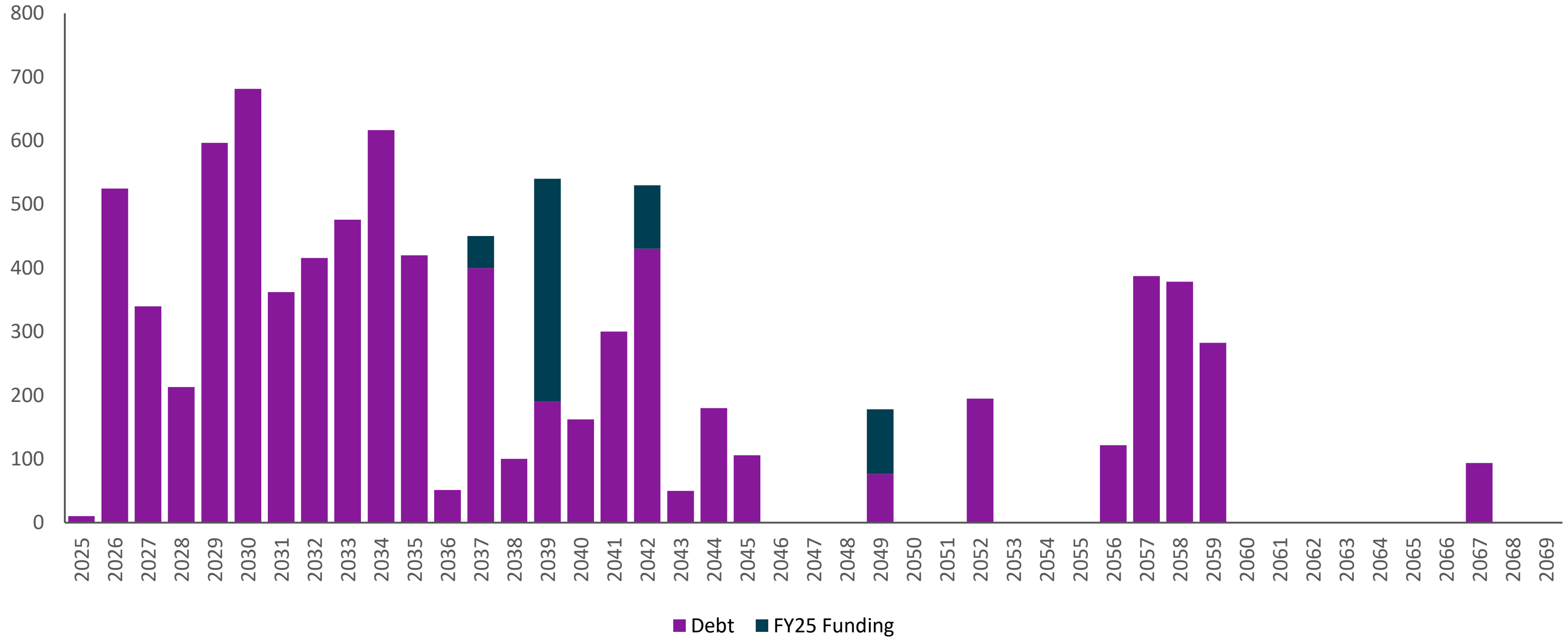
31 March 2024 £m		**30 September 2024 £m**	Variance £m	Variance %
(788.7)	Floating rate debt [2]	**(791.9)**	(3.2)	(0.4)
(5,049.5)	Fixed rate debt	**(5,357.0)**	(307.5)	(6.1)
(1,957.9)	Index-linked debt	**(1,777.0)**	180.9	9.2
(7,796.1)		**(7,925.9)**	(129.8)	(1.7)
951.4	Net cash and cash equivalents	**1,046.0**	94.6	9.9
72.6	Loans due from joint venture	**70.1**	(2.5)	(3.4)
29.8	Fair value accounting adjustments	**26.5**	(3.3)	(11.1)
19.7	Exchange on currency debt not hedge accounted	**0.6**	(19.1)	(97.0)
(6,722.6)	Fair value of net debt	**(6,782.7)**	(60.1)	(0.9)
(7,187.9)	Adjusted net debt (previous slide)	**(7,665.4)**	(477.5)	(6.6)
(465.3)	Difference	**(882.7)**	(417.4)	(89.7)

1. *The floating, fixed and index-linked debt classification above is shown before the impact of interest rate swaps or cross currency swaps*
2. *The floating rate debt excludes the overdraft amount as this is included within net cash and cash equivalents*

GROSS DEBT MIX



DEBT MATURITY



GEARING

31 March 2024	**Adjusted net debt/RCV**	**30 September 2024**[1]
58.3%	Severn Trent Plc Group Shadow Gearing[2]	**60.7%**
59.7%	Shadow Regulated Gearing[3]	**60.6%**
58.7%	Economic Regulated Gearing[4]	**58.6%**
61.3%	Regulated Gearing[5]	**62.8%**

1. *Based on estimated RCV at 30 September 2024.*
2. *Based on statutory adjusted net debt of £7,665m (31 March 2024: £7,188m) divided by Shadow RCV, being FD RCV plus adjustments for Green Recovery.*
3. *Based on Severn Trent Water Group regulated adjusted net debt of £7,583m (31 March 2024: £7,292m) and Hafren Dyfrdwy regulated adjusted net debt of £70m (31 March 2024: £66m) divided by Shadow RCV.*
4. *Based on the same measure of regulated adjusted net debt as used in Shadow Regulated Gearing plus adjustments to the FD RCV such as Green Recovery, Real Options and Transition Expenditure.*
5. *Based on the same measure of regulated adjusted net debt as used in Shadow Regulated Gearing and FD RCV.*

CREDIT RATINGS

31 March 2024			30 September 2024		
Severn Trent Water	Severn Trent Plc		**Severn Trent Water**	**Severn Trent Plc**	**Outlook**
Baa1	Baa2	Moody's	Baa1	Baa2	Stable
BBB+	BBB	Standard and Poor's	BBB+	BBB	Stable
BBB+	BBB	Fitch	BBB+	BBB	Stable