

Full Year Results 2023/24

22 May 2024

WONDERFUL ON TAP

SEVERN

TRENT

DISCLAIMERS

Cautionary statement regarding forward-looking statements

This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

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LIV GARFIELD

Chief Executive



2023/24 HIGHLIGHTS

Highly confident
of retaining
4* EPA status
for fifth
consecutive year

Earned
**£55m net ODI
reward**

Delivered
a record £1.2bn
of capital
investment

Accelerating
£450m
of investment into
AMP7

**Strongford Net
Zero Hub**
live and
operational

HELEN MILES

Chief Financial Officer



2023/24 FINANCIAL HIGHLIGHTS

£1bn
added to the
RCV this year

59.7%
shadow
regulated
gearing

8.1%
cumulative
RoRE
performance

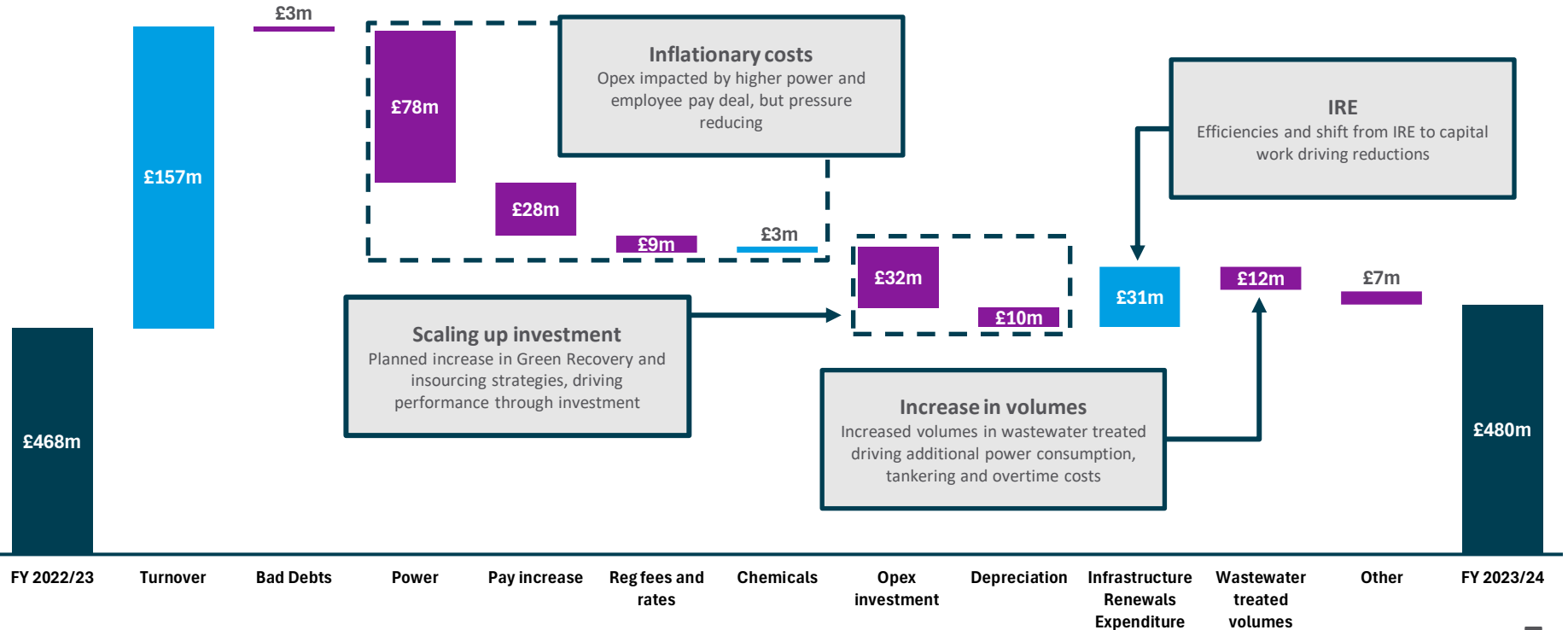
36%
adjusted EPS
growth,
including
£512m Group
PBIT

£1bn
equity raise
supporting
long-term
growth

116.84p
proposed full
year dividend,
in line with
policy

REGULATED WATER AND WASTEWATER PBIT

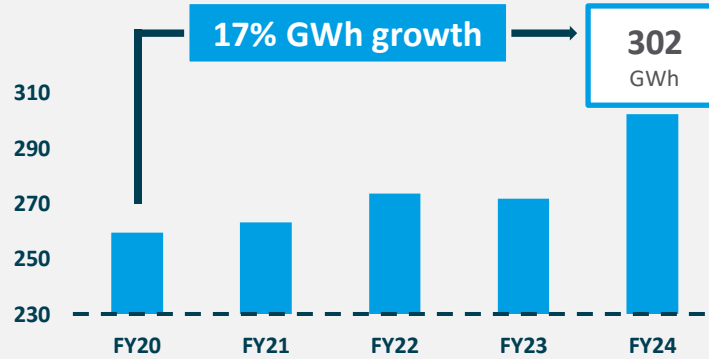
PBIT up despite cost pressures and planned increase in investment



ENERGY GENERATION

Long-term investments driving 34% increase in generation

Energy generation GWh



17% GWh growth

302
GWh

Bioresources

Four Thermal Hydrolysis Plants enhancing our generation output

Taken imports from five WASCs in FY24

Maximising non-appointed opportunities

AMP8 plans to drive efficiencies through site consolidation and includes **two new Advanced Treatment Hubs**

60%
Total self-generation

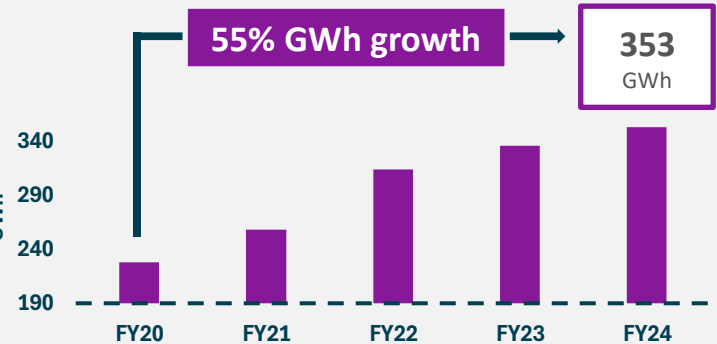
Green Power

UK's largest producer of renewable energy from food waste, processing over **600,000 tonnes a year**

Acquiring Andigestion and expansion of facilities in Derby led to **record energy generation**

Further generation growth expected from new and expanded Anaerobic Digestion and solar sites

Energy generation GWh



55% GWh growth

353
GWh

FINANCING

Strong financing performance, as we continue to go to market effectively

Effective cost of interest¹

4.7% down 150bps

Effective cash cost of interest²

3.2% up 20bps

FY23:
£363m

↓ 22% in net
finance costs

FY24:
£282m

Strong liquidity, with access to global markets

£2.1bn ✓

In cash and undrawn
committed facilities providing
strong liquidity

59.7%³ ✓

Shadow regulated gearing

£1.5bn ✓

Debt raised this year, across
diverse markets

83% ✓

Capex alignment on EU
Taxonomy

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.

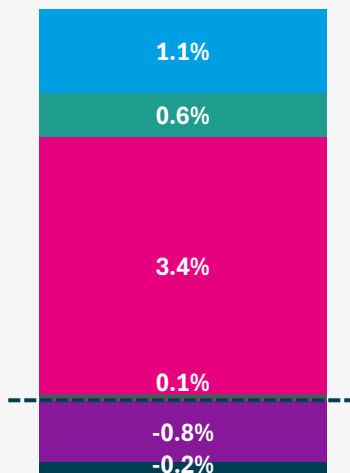
3. Based on shadow RCV which includes Green Recovery; regulated net debt includes £600m of £1bn equity raise. Shadow regulated gearing reduces to 58.7% when including estimated midnight adjustments earned to date.

RETURN ON REGULATED EQUITY

Continued strong RoRE, with 8.1% cumulative return

FY24 cumulative outperformance¹:

4.2%



■ Fast Track Premium ■ Financing ■ Tax ■ ODI ■ Totex ■ Retail

ODIs²

Continued focus on operational excellence achieving net £55m ODI reward in FY24

Financing

Consistent financing outperformance through inflation strategy and active treasury management placing us well relative to the sector

Totex & Retail

Largely reflecting higher energy prices, as well as a step up of strategic investments in preparation for AMP8

Consistently outperforming the sector average³

FY23 cumulative RoRE outperformance



¹Cumulative RoRE of 8.1% includes 3.9% base return and 4.2% outperformance

²FY24 ODIs include in-year reward earnings from ODIs, end-of-AMP ODIs are not included in the RoRE calculation

³Data from Ofwat's published 'Monitoring Financial Resilience Report' for 2022/23 assuming a 3.9% base return, with the sector average including Severn Trent Water

SUBSTANTIAL RCV GROWTH

A growing platform for future returns

Record year of capital investment

£1bn

added to Economic RCV¹ in FY24

£12.5bn

Economic RCV as at 31 March 2024

Investment and inflation driving significant AMP7 growth

c. 40%

Nominal RCV² growth in AMP7

c. 7%

Nominal CAGR

PR24 plan proposes largest ever capital investment programme

31%

Proposed real RCV growth

Doubling

Nominal RCV from 2020 to 2030



¹ Economic RCV includes estimated end-of-AMP adjustments that have been earned to date. These adjustments relate to Green Recovery, Real Options, Transitional Expenditure and Other midnight adjustments.

² AMP7 nominal RCV 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.

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	Broadly flat year-on-year with higher cost of new debt offset by reducing inflation on index-linked debt.	£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.

LIV GARFIELD

Chief Executive



TACKLING SPILLS

Delivering improvements at 900 sites over the next 12 months

Investment

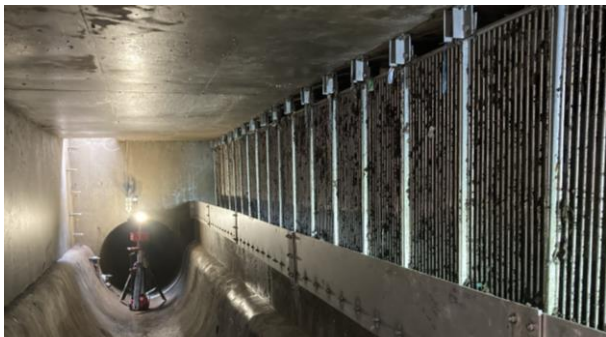
- **Accelerating investment** to average below 20 spills by 2025
- **£1.1bn** of AMP8 investment to halve spills by 2030

Interventions

- **700** storage solutions to increase capacity at treatment works
- **71** reed beds providing nature-based treatments within river catchments

Innovation

- **Zero Spills Hub** partnering with world-leading companies on spills
- **Utilising AI** to optimise flow and enable temporary storage



Weir raise completed at Spondon storm overflow



Storage tank installation at Stroud

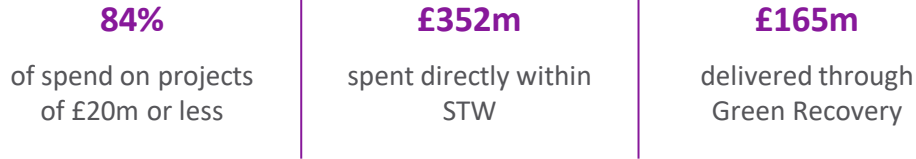


Reed bed refurbishment at Fenny Compton

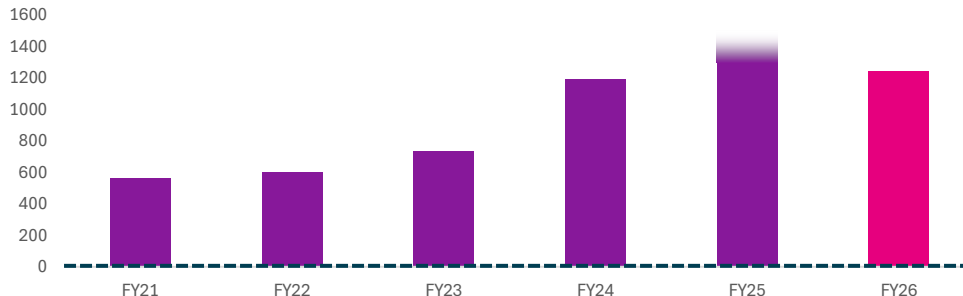
DRIVING EFFICIENT GROWTH

Record capital investment of £1.2 billion positioning us well as we approach AMP8

FY24 capital investment delivered across c. 2,000 schemes



Already operating at required capital run rate for the start of AMP8



Capital Investment for FY21-FY24, guidance for FY25, and Business Plan submission for FY26

Examples of schemes

- **£4m** on a new rising main to improve river quality and increase storm water storage at Toton (Nottinghamshire)
- **£8m** to introduce new processes and increase capacity in response to population growth at Lower Gornal (Dudley)
- **£1m** employing natural solutions to improve the quality of final effluent at Frampton (Gloucestershire)



Moving Bed Biofilm Reactor at Lower Gornal

CONTINUED STRENGTH IN WATER

Green on >80% of water ODIs, delivering over £35m net reward

ODI metrics

Low pressure Best ever performance, targeted investment across capital schemes

Supply Interruptions Best ever performance, a 27% reduction year on year

PCC Lowest spot year this AMP for per capita consumption

Water Quality Contacts Beat our target every year in AMP7, and hit ODI reward cap three years in a row

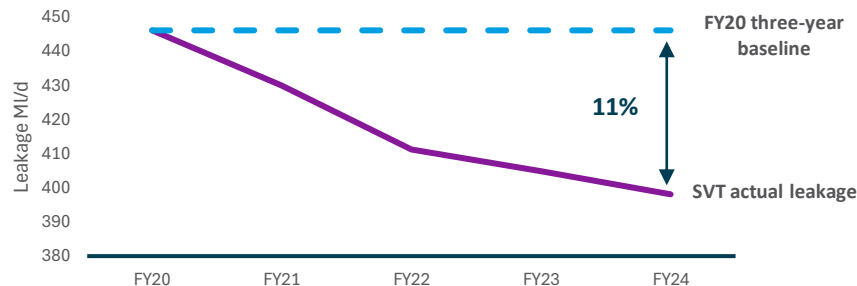
CRI Missed target, but investing in innovative treatment technologies to improve



Leakage



- **Best ever** performance, and highest ever year-on-year reduction
- **£56m** capital investment deployed on repairs
- **c. 50%** more leakage jobs on our network vs first year of AMP7
- **25%** reduction in average repair time year-on-year

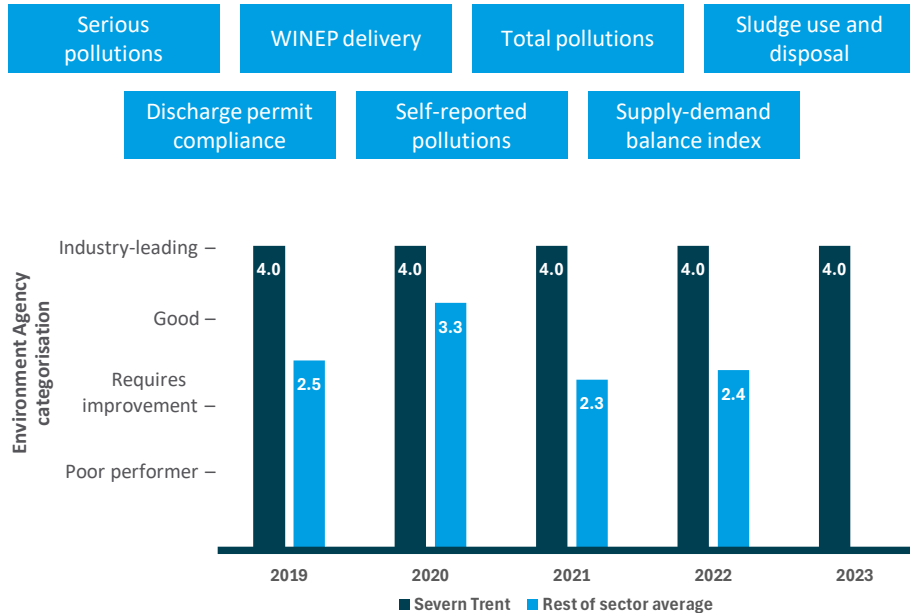


Installation of one million smart meters by end of AMP8 to help manage PCC and meet further 16% leakage reduction target

DRIVING PERFORMANCE IN WASTEWATER

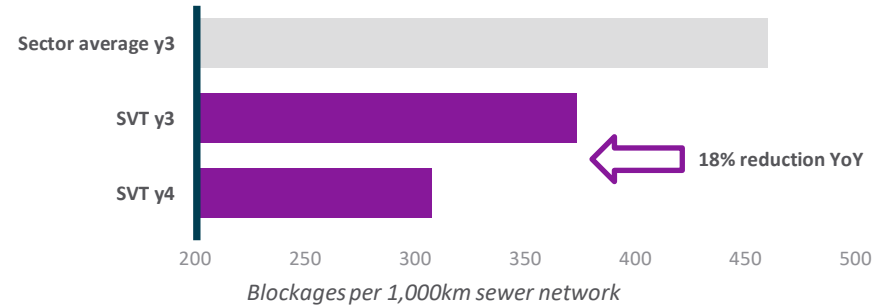
Demonstrating operational leadership across EPA and ODs

Confident of a record five consecutive years of EPA 4*

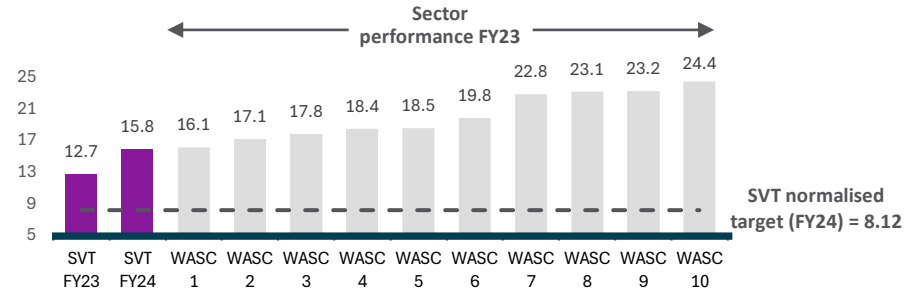


Including no serious pollutions in 2023

Best ever blockages performance, well ahead of sector average...



...but increase in hydraulic flooding driven more external sewer floods



External Sewer Flooding incidents per 10,000 connected properties

ENVIRONMENTAL LEADERSHIP

Delivering our ambitious environmental plans

Rivers

We are now responsible for 14% of the RNAGS¹ in our region, and working hard to get below 10% this year



Green Recovery

Investing £76m in Mansfield to prevent flooding with sustainable urban drainage systems



Biodiversity

Hit upgraded Biodiversity target of improving 10,000 hectares of land one year early



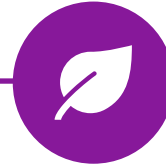
Net Zero

Technology operational at Strongford treatment works, eliminating all of the site's carbon emissions



Triple Carbon Pledge

By 2030:
Net Zero emissions
100% renewable energy
100% electric fleet²



¹ RNAGS: The EA's analysis of Reasons for Not Achieving Good Status (RNAGS) records the source, activity and sector involved in causing waters to be at less than 'good' status.

² Subject to the availability of specialist vehicles.

CUSTOMERS, COLLEAGUES AND COMMUNITIES

Embracing our responsibilities to our customers, colleagues and community



Supporting our customers

Supporting **over 6%** customers with bills

>9% of customers on Priority Services Register

Expanded our **care leavers support package**

Supporting our colleagues

Engagement score of **8.6** – in top 3% of utilities

27% of workforce promoted in the past 2 years

72% of employees participating in Sharesave

3,637 learning events at our Academy



Supporting our communities

124,000 hours of employability training

Big Boost for Brum and Derby

Funded **£9.6m** to local projects in AMP7

Partnership with **Trailblazers**

PR24 UPCOMING DATES

12 June

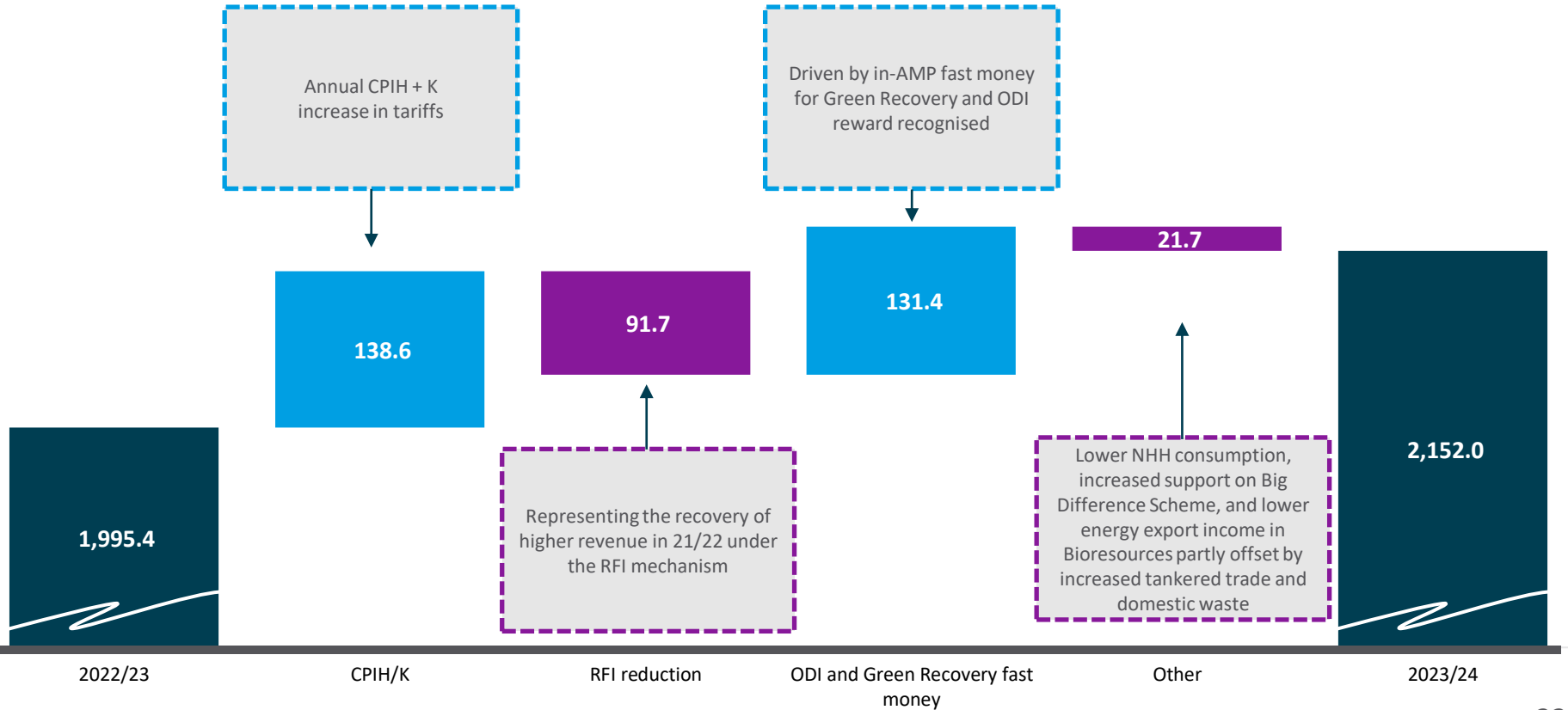
Draft Determination

20 June

Investor presentation and Q&A

APPENDIX

REGULATED WATER AND WASTE WATER REVENUE



EBITDA¹

2023 £m		2024 £m	Variance £m	Variance %
868.2	Regulated Water and Wastewater	889.9	21.7	2.5
65.8	Business Services	59.2	(6.6)	(10.0)
(7.9)	Corporate and other	(9.2)	(1.3)	(16.5)
–	Eliminations	0.2	0.2	–
926.1	Severn Trent Group	940.1	14.0	1.5

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

BUSINESS SERVICES EBITDA¹

	Regulated £m	Non Regulated £m	Total £m
Operating Services	–	19.9	19.9
Green Power	0.8	28.7	29.5
Property Development	3.8	0.3	4.1
Other	3.8	1.9	5.7
EBITDA	8.4	50.8	59.2
Depreciation	(0.2)	(17.6)	(17.8)
PBIT	8.2	33.2	41.4

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

SEGMENTAL PBIT¹

2023		2024	Variance	Variance
£m		£m	£m	%
467.5	Regulated Water and Wastewater	479.6	12.1	2.6
49.2	Business Services	41.4	(7.8)	(15.9)
(8.0)	Corporate and other	(9.4)	(1.4)	(17.5)
0.1	Consolidation adjustments	0.2	0.1	100.0
508.8	Severn Trent Group	511.8	3.0	0.6

1. Profit before interest and tax.

DEPRECIATION¹

2023 £m		2024 £m	Variance £m	Variance %
400.6	Regulated Water and Wastewater	410.3	9.7	2.4
16.6	Business Services	17.8	1.2	7.2
0.1	Corporate and other	0.2	0.1	100
417.3	Severn Trent Group	428.3	11.0	2.6

1. Including amortisation of intangible assets and depreciation of right-of-use assets.

NET FINANCE COSTS

2023				2024		
Income statement charge £m	Capitalised interest £m	Gross interest incurred £m		Income statement charge £m	Capitalised interest £m	Gross interest incurred £m
143.3	56.6	199.9	Cash interest (including accruals)	160.1	69.6	229.7
3.6	—	3.6	Net pension finance cost	13.4	—	13.4
215.7	—	215.7	Inflation uplift on index-linked debt	108.0	—	108.0
362.6	56.6	419.2		281.5	69.6	351.1

ADJUSTED EARNINGS PER SHARE

2023 £m		2024 £m	Variance £m	Variance %
508.8	Profit before interest and tax	511.8	3.0	0.6
(362.6)	Net finance costs	(281.5)	81.1	22.4
	– Increase in expected credit loss on loan receivable	(2.5)	(2.5)	–
146.2	Adjusted profit before tax	227.8	81.6	55.8
	– Tax at the adjusted effective rate of 0.2% (2023: 0.0%)	(0.5)	(0.5)	–
(0.2)	Current tax in relation to prior years	(5.0)	(4.8)	(2,400.0)
	– Share of current year loss of joint venture	(4.1)	(4.1)	–
146.0	Adjusted earnings	218.2	72.2	49.5
250.8	Weighted average number of ordinary shares for basic earnings per share	274.9	24.1	9.6
58.2	Adjusted basic EPS (pence)	79.4		

GROUP BALANCE SHEET

31 March 2023 £m		31 March 2024 £m	Variance £m	Variance %
11,124.8	Property, plant and equipment, right-of-use assets, intangible assets and goodwill	12,209.2	1,084.4	9.7
–	– Biological assets	5.7	5.7	–
16.5	Investment in joint venture	12.4	(4.1)	(24.8)
81.6	Working capital	115.6	34.0	41.7
(1,482.2)	Deferred income	(1,654.8)	(172.6)	11.6
(279.4)	Net retirement benefit obligations	(213.0)	66.4	(23.8)
(84.5)	Provisions	(83.5)	1.0	(1.2)
9.9	Current tax	(0.9)	(10.8)	(109.1)
(1,293.5)	Deferred tax	(1,364.5)	(71.0)	5.5
71.5	Derivative financial instruments	45.2	(26.3)	(36.8)
(70.2)	Fair value and foreign exchange adjustments on debt	(49.5)	(20.7)	29.5
8,094.5	Capital employed	9,021.9	927.4	11.5
970.6	Equity	1,834.0	863.4	89.0
7,123.9	Adjusted net debt	7,187.9	64.0	0.9
8,094.5		9,021.9		

CAPITAL EXPENDITURE (NET CASH)¹

2023 £m		2024 £m	Variance £m	Variance %
689.7	Regulated Water and Waste Water	1,138.3	448.6	65.0
(3.1)	Business Services	7.9	11.0	354.8
686.6	Severn Trent Group	1,146.2	459.6	66.9

1. Including purchases of property, plant and equipment, intangible assets, proceeds on disposal of property, plant and equipment and contributions and grants received.

ADJUSTED NET DEBT

31 March 2023 £m		31 March 2024 £m	Variance £m	Variance %
(713.0)	Bank loans	(783.5)	70.5	9.9
(6,474.2)	Other loans	(7,357.9)	883.7	13.6
(110.9)	Lease liabilities	(120.0)	9.1	8.2
28.7	Net cash and cash equivalents	951.4	922.7	3,215.0
47.9	Fair value accounting adjustments	29.8	(18.1)	(37.8)
22.3	Exchange on currency debt not hedge accounted	19.7	(2.6)	(11.7)
75.3	Loans receivable from joint ventures	72.6	(2.7)	(3.6)
(7,123.9)	Adjusted net debt	(7,187.9)		

1. Average monthly net debt was £7,216.6 million (31 March 2023: £6,720.6 million).

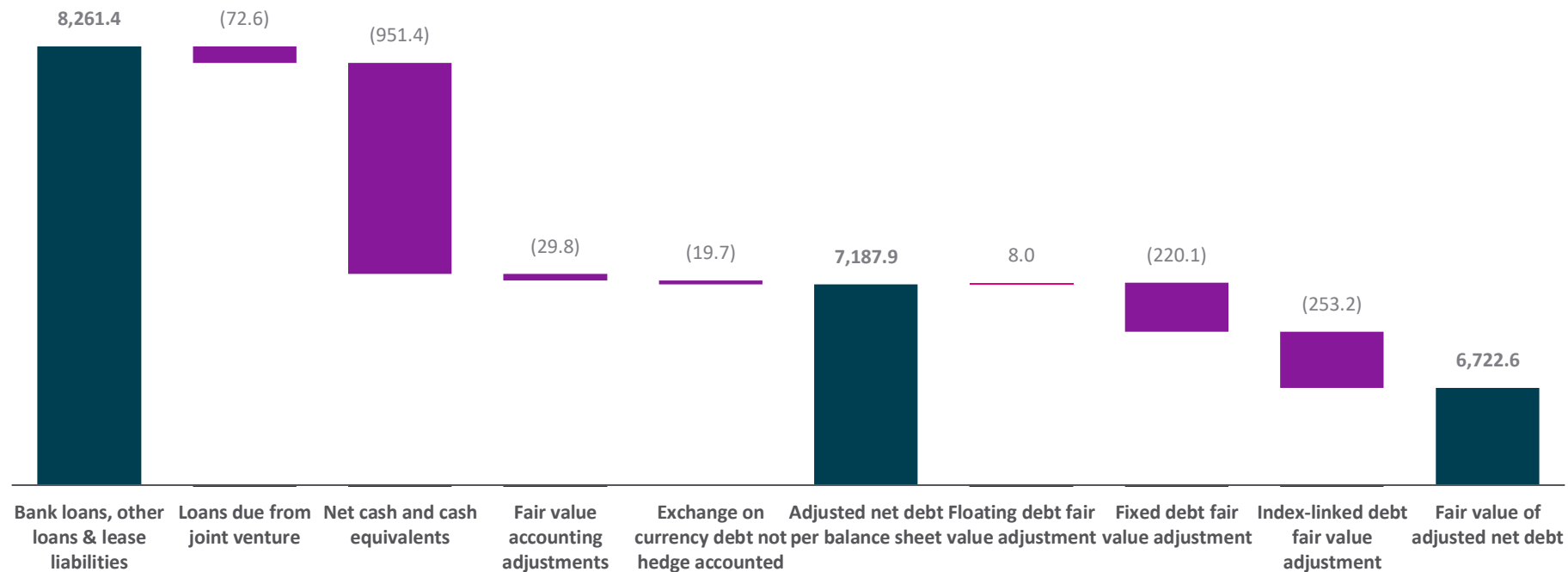
FAIR VALUE OF DEBT ¹

31 March 2023 £m		31 March 2024 £m	Variance £m	Variance %
(708.9)	Floating rate debt ²	(788.7)	79.8	11.3
(4,287.9)	Fixed rate debt	(5,049.5)	761.6	17.8
(1,935.1)	Index-linked debt	(1,957.9)	22.8	1.2
(6,931.9)		(7,796.1)	864.2	12.5
28.7	Net cash and cash equivalents	951.4	922.7	3,215.0
75.3	Loans due from joint venture	72.6	(2.7)	(3.6)
47.9	Fair value accounting adjustments	29.8	(18.1)	(37.8)
22.3	Exchange on currency debt not hedge accounted	19.7	(2.6)	(11.7)
(6,757.7)	Fair value of net debt	(6,722.6)	(35.1)	(0.5)
(7,123.9)	Adjusted net debt (previous slide)	(7,187.9)		
366.2	Difference	465.3		

1. The floating, fixed and index-linked debt classification above is shown before the impact of interest rate swaps or cross currency swaps

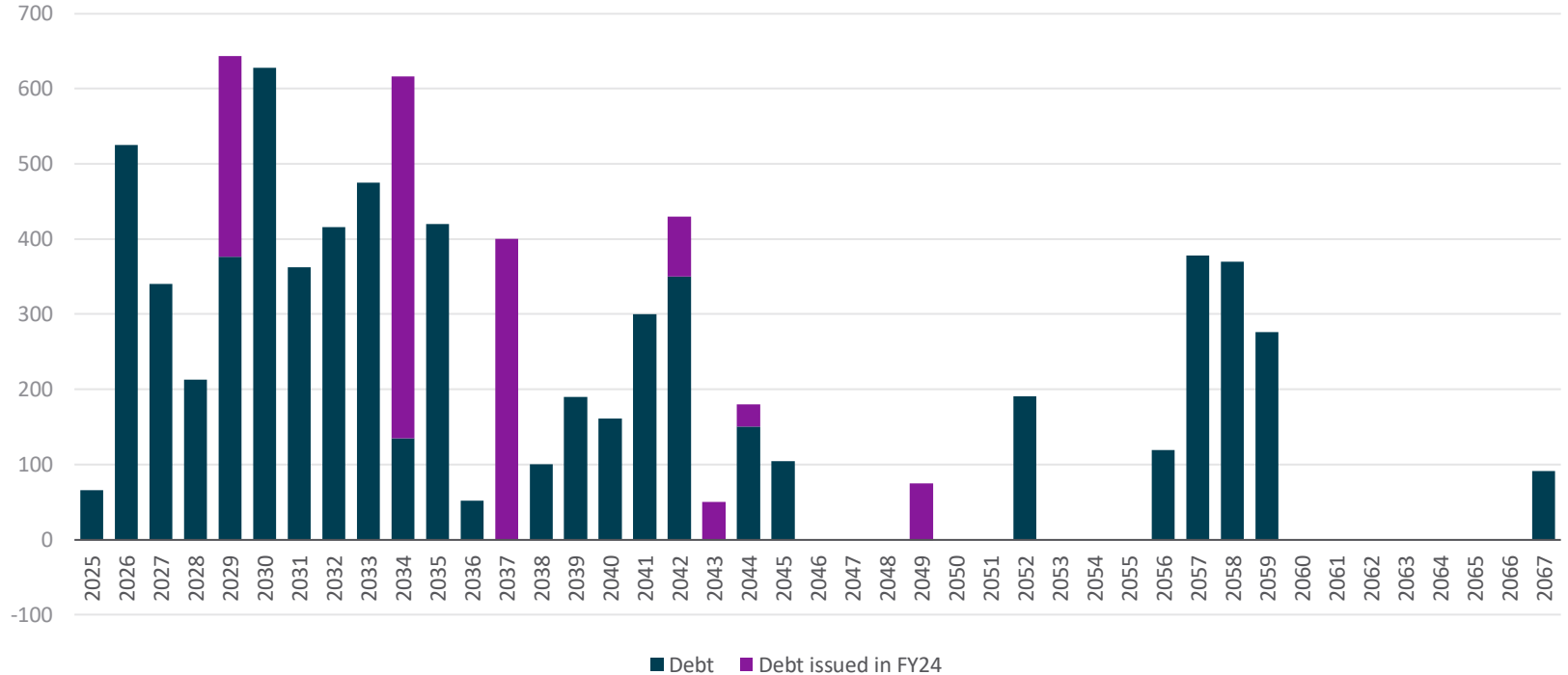
2. The floating rate debt excludes the overdraft amount as this is included within net cash and cash equivalents

ANALYSIS OF BORROWINGS & NET DEBT



DEBT MATURITY

Maturing Debt



GEARING AND CREDIT RATINGS

31 March 2023		Adjusted net debt/RCV ¹			31 March 2024		
61.8%		Severn Trent Plc Group Shadow Gearing ²			58.3%		
59.8%		Shadow Regulated Gearing ³			59.7%		
59.6%		Economic Shadow Regulated Gearing ⁴			58.7%		
31 March 2023					31 March 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 ⁵			BBB+	BBB	Stable

1. Estimated RCV at 31 March 2024 including Green Recovery, in line with Ofwat Shadow RCV reporting.

2. Based on statutory adjusted net debt of £7,188m (31 March 2023: £7,124m).

3. Based on Severn Trent Water Group regulated net debt of £7,292m (31 March 2023: £6,859m) and Hafren Dyfrdwy regulated net debt of £66m (31 March 2023: £64m).

4. Based on the same measure of regulated net debt as used in Shadow Regulated Gearing plus other estimated end-of-AMP adjustments to the Shadow RCV such as Real Options and Transitional Expenditure.

5. The FY23 rating was provided on 23 May 2023.