

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

PR24 Business Plan rated 'Outstanding'

We are delighted that our PR24 Business Plan, for the period 2025 to 2030, has been recognised by Ofwat as 'Outstanding'.

This rating provides a number of important benefits:

- A financial reward of £93 million;
- Protection from any decline in the Weighted Average Cost of Capital ('WACC') between Draft Determination and Final Determination while still benefitting from any increases;
- Protection from any reductions in base cost allowances between Draft Determination and Final Determination; and
- Guaranteed 50-50 cost sharing on base expenditure, meaning that Severn Trent bears 50% of any overspends and benefits from 50% of any underspends.

It is pleasing that, in its assessment, Ofwat agreed that Severn Trent has set an ambitious level of performance for the period ahead, as we work towards delivering the best possible service for our customers. Our customers will also benefit from an enhanced affordability package, which will enable us to provide support to anyone who is struggling to pay their bill.

The level of investment set to be delivered in AMP8 is unprecedented, with a £4.3 billion increase compared to AMP7. This is reflected in strong real RCV growth of 24%, which compares to 27% in our submitted Plan. Including investment accelerated into AMP7, real RCV growth is 28%, compared to 31% in our Plan. Based on costs approved in our Draft Determination, this would take our AMP8 closing RCV to £15.1 billion (2022/23 prices), compared to £15.7 billion in our submitted Plan.

We have a strong track record on delivering efficiently, and this is reflected in our base cost allowance. With the exception of energy, for which Ofwat have said they will introduce a true-up mechanism, and business rates, which will be subject to enhanced 90:10 customer-sharing rate, Ofwat have estimated that the base costs in our Draft Determination are roughly equal to those submitted in our PR24 Business Plan.

All 13 of our enhancement business cases have been approved, with further evidence requested on the costs associated with some of these projects, totalling around £1.2 billion¹, the majority of which relates to WINEP schemes and net zero. We are confident we have robust evidence to provide to Ofwat on these schemes in the coming weeks. Further protection is also offered through real price effect true ups on some cost elements.

We note the WACC has been set at 3.72% in the Draft Determination, reflecting a Cost of Equity of 4.8% (up from 4.19% in PR19).

We are currently reviewing the documents in more detail and will be sharing more information through a presentation which will be made available on Tuesday, 23 July 2024. Later that same day we will be hosting live Q&A sessions at 2.00pm and 10.00pm BST with members of our Executive Team, which you will be able to register for through our website nearer to the time.

We will respond to Ofwat by 28 August 2024 and look forward to continued constructive dialogue until the Final Determination on 19 December 2024.

Footnotes

1. Enhancement cases

Amount stated is before frontier shift efficiency and real price effects, per Ofwat's 'our approach' document, p16.

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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.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. The final PR24 Business Plan is subject to approval by Ofwat and there can be no assurance that the PR24 Business Plan will be approved, in whole or in part, and, as a result, no assurances can be given that the forward-looking statements in this document will be realised. This statement extends to and includes the draft determination for the PR24 Business Plan which remains subject to final approval and publication of the final determination by Ofwat. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

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