

Sustainable growth

Shareholder summary 2012

SEVERN
TRENT



'I'm delighted to report on another good year for Severn Trent. We delivered sound financial results and continued to improve key aspects of our operational performance.'

Sound financial results

Severn Trent has a good financial track record and we delivered another solid set of results in 2011/12. Total group revenue rose by 3.5% to £1.77 billion, while our profit before tax, exceptional items and losses on financial instruments was £275.3 million, a decrease of 4.6%. This gave us adjusted earnings per share excluding deferred tax of 88.9 pence, down by 15.8%.

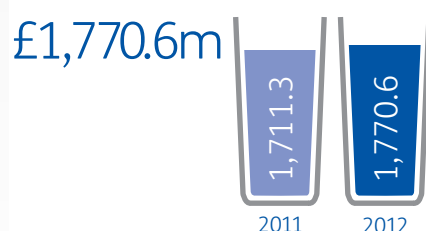
Our dividend policy is to grow our dividend by 3% more than the retail price index up to 2014/15. The board is therefore proposing a final dividend of 42.06 pence, to be paid on 27 July 2012. This will give a total dividend for the year of 70.10 pence, representing growth of 7.7%.

We are pleased to share the benefits of our strong balance sheet with our stakeholders, in an efficient and sustainable way which maintains our investment grade credit rating. We will increase by £150 million our investment programme in our water and waste water networks, to improve further our services to customers, and propose to return an additional £150 million to our shareholders. This special dividend, subject to shareholder approval, equates to 63 pence per share and will be payable with the final dividend on 27 July 2012. These actions underpin our ability to invest in our networks in the future, for the benefit of all stakeholders.

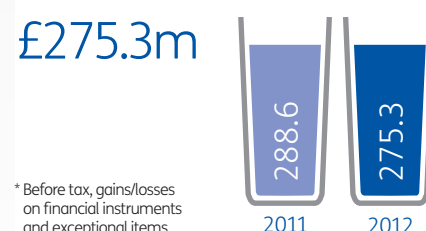
2012 Severn Trent group highlights

- Leakage reduced by 7% year on year to a record low level, and below Ofwat target.
- Maintaining the lowest combined water and waste water bills for our customers.
- No usage restrictions in the Severn Trent Water region forecast for this year.
- Severn Trent Water operating expenditure below level allowed in Ofwat's Final Determination.
- Additional investment of £150 million in Severn Trent Water's networks over the next 3 years to enhance security and resilience for our customers, on top of £1.6 billion previously planned.
- Proposed capital return of £150 million to shareholders maintains an efficient and sustainable balance sheet with a strong investment grade credit rating.

Group turnover £m

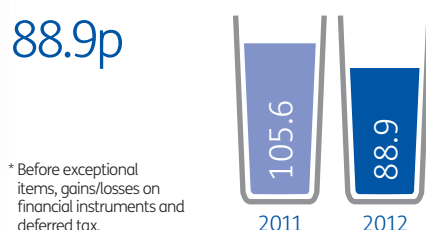


Group profit* £m



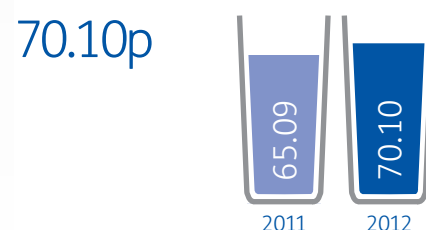
* Before tax, gains/losses on financial instruments and exceptional items.

Earnings per share* pence

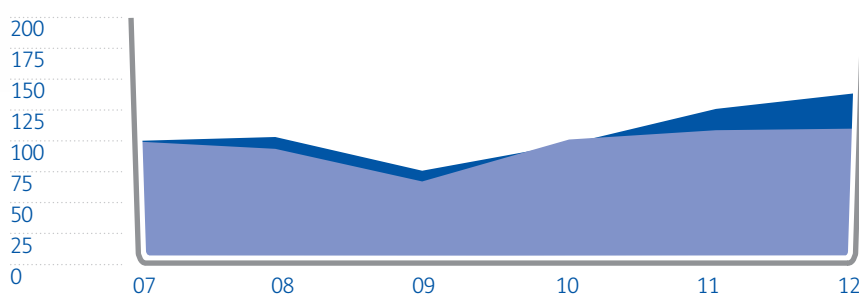


* Before exceptional items, gains/losses on financial instruments and deferred tax.

Dividend pence per share



Total shareholder return (value £)



● Severn Trent Plc ● FTSE 100 index

This graph illustrates the value, by 31 March 2012, of £100 invested in Severn Trent on 31 March 2007 compared with the value of £100 invested in the FTSE 100 Index. The intermediate points show the value at intervening financial year ends.

Chief Executive's review



‘Our long term success depends on balancing the needs of all our stakeholders and our ability to continually improve our services and efficiency. We also aim to drive the industry forwards, by leading the regulatory debate.’

Strategy

Our strategy is focused on delivering sustainable growth. This is crucial to us because we have to plan far ahead – often over decades. To be truly sustainable, we must maintain the appropriate balance across our customers, people, the environment and investors.

Water is vital to life, so we look to offer the highest quality at a price customers can afford. We need to attract investment, so we can fund the infrastructure our service depends on. Our people must have the skills, support and motivation to continually improve our service. We have to protect the environment because our business and our customers depend upon it to provide the resources we need.

Achieving this balance leads directly to good financial performance. It allows us to deliver organic growth and reliable returns over the long term, without excessive risk.

The timescales we work to are long, but our industry doesn't stand still. Politics, regulation, climate and the availability of finance all change over time, both in the UK and internationally. For this reason, our board considers strategic topics regularly and formally reviews our strategy every year. The experience of recent years supports our view that we're following the right strategy. Whatever happens to economies around the world, the need for clean water and sanitation remains.

Business performance review

Severn Trent delivered good financial and operational performance in 2011/12, despite challenging UK and international markets. We maintained our focus on efficiency and service improvement, and both Severn Trent Water and Severn Trent Services achieved high standards for their customers.

Whilst keeping prices low, we delivered anticipated returns for investors, maintaining our dividend promise to grow our dividend by 3% more than the retail price index up to 2014/15. We also took important steps to maintain our financial strength. We completed a successful £250 million 30 year bond issue at 4.875%. We bought back 75% of our 2014 £200 million bond, which was due for repayment shortly before the next price review, when raising finance could be more difficult. We thus reduced a future refinancing risk.

Our performance is a credit to our employees throughout the group. We are proud of their continuing commitment whilst we've made major changes over the last few years, including key change projects introducing new systems and processes, and a significant change in benefits for our employees, being the closing of our defined benefit pensions schemes to future accrual from 2015.

Our employees have proved adaptable and willing to embrace change which is important for our future prospects of success.

Looking forward

The UK economy will remain tough for both consumers and businesses. This means we must continue to focus on delivering efficient, high quality and low cost services, and be attentive to our customers' needs. The UK climate will also be a challenge and we will have to manage our water resources carefully. The coming year will see us continuing with our preparations for the next price review in 2014 (PR14). Engaging with our customers and other stakeholders will be key, as we develop with them our plans for investment

in our water and waste water networks to maintain the services provided, deliver our environmental obligations and ensure security of supply.

In Severn Trent Services our new management team is focused on operating efficiency and positioning for growth when the economy improves. We also continue to target new opportunities. For example, in addition to our existing England and Wales licence, we have been granted both water and sewerage retail licences in Scotland. Having the necessary operating licences in both markets prepares our business for the creation of a market across all of Great Britain as indicated in the UK Government's Water White Paper, 'Water for Life'.

This will enable customers with sites across Great Britain to easily switch to Severn Trent Services as their single national water services supplier as the market opens up.

For several years, Severn Trent Water has been at the forefront of shaping the future of the water sector in the UK through the development of a series of publications known as 'Changing Course'. We're encouraged that our ideas are reflected in Ofwat's publications on regulatory compliance and future price limits, and in the UK Government's Water White Paper. These ideas will lead to optimal use of water resources, better financial and environmental outcomes for customers and more certainty for investors. Looking to future opportunities for growth, Severn Trent Water is ideally placed to benefit from water trading and to help other water companies meet their strategic shortfalls in supply – something we first championed in 'Changing Course' and that has now been picked up by Ofwat and the UK Government.

Severn Trent Water – performance

Continually improving our performance

I'm delighted that at Severn Trent Water we improved our operational performance in 2011/12. In particular, we were able to reduce leakage, to a record low level. Severn Trent Water is the only company targeting significant reductions in leakage over this five year regulatory period.

After the driest 18 months on record, it is pleasing that we are managing our water resources so well. Our customers continued to receive a high quality water supply and we have avoided a hosepipe ban to date. Good water management also helps us to maintain our environmental performance.

At Severn Trent, we know that we can always do better. The desire to continuously improve runs right through our company. We enjoyed our first full year in our new operating centre in Coventry which is helping our people to work together more effectively as a cohesive team. Our SAP based systems allow us to respond to our customers more quickly and flexibly and make us more efficient. We're also continuing to invest in the training and development of our people so they can give our customers the best possible service.

Delivering a good service and value for money

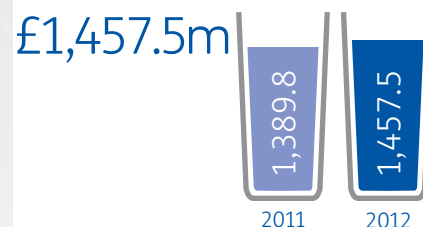
Severn Trent Water customers over the last year have received high quality water, good overall service and value for money, with the lowest average annual water and sewerage bill in the UK. However, we recognise that we can do better in the way in which we deal with customers if they have reason to contact us.

Whilst complaints have significantly fallen and our new processes and systems mean that we handle customer enquiries efficiently, we do not always make it easy enough for customers to deal with us or resolve their problems at the first time of asking. This is an area of focus for us and at the end of the year we were seeing positive signs that the changes we are putting in place are making a difference.

I am also pleased to see the continued improvement in the level of service we provide to our customers. In other areas, Severn Trent Water has met its leakage targets and significantly reduced interruptions to supply.

 [Severn Trent Water website: www.stwater.co.uk](http://www.stwater.co.uk)

Turnover



Key facts



Severn Trent Services – performance

Severn Trent Services

Severn Trent Services performed creditably against a challenging economic backdrop. Severn Trent Services faced tough trading conditions, particularly in the first half of the year. Political unrest in the Middle East and North Africa (MENA) as well as sluggish economic growth in developed markets made for a challenging environment for product sales and contract renewals. Refinancing of the receivables for part of our business in Italy remained difficult for all partners amid the ongoing Eurozone crisis.

Over the year as a whole, our revenues were slightly ahead on a constant currency basis (versus last year), although profits were down by around a third, in part due to £2 million of investment in business development opportunities in both Products and Operating Services. Our Operating Services business continued to do well in the UK and Ireland but US markets were tougher and, as we reported at the half year, we have ceased any further development of our business activities in Italy.

Water purification products saw a slow recovery, with challenging markets in North Africa and the US, but better conditions in the Far East and the UK.

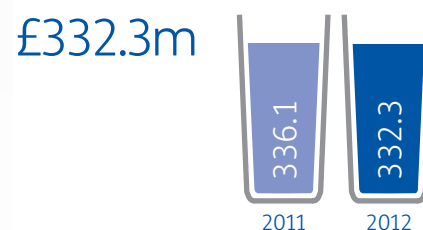
We made further progress with our new treatment product BALPURE®, our ballast water treatment system, which received Type Approval and we're pleased to have sold the first units in what is a potentially sizeable market.

Our UK Analytical Services business has reduced as two water utility clients have decided to insource their work.

At the end of the year, for Severn Trent Services, we appointed Martin Kane as the new Chief Executive Officer along with a new Chief Financial Officer, Stephane Bouvier.

 [Severn Trent Services website: www.severntrentservices.com](http://www.severntrentservices.com)

Turnover



Key facts



Looking forward

Severn Trent is committed to helping shape the future of the water industry so it is better able to meet future challenges.

In 2010 we published the first of our 'Changing Course' documents setting out our contribution to the debate on the future of the industry. We have been encouraged by how many of these ideas were reflected in recent UK Government and Ofwat publications.

In December 2011, the UK Government published 'Water for Life', its Water White Paper setting out its strategic vision for the water industry. We welcome the objectives and strategic direction of the White Paper. We are particularly encouraged by the White Paper's support for water trading, upstream competition and catchment management. We also welcome the UK Government's strong and explicit acknowledgement of the need to maintain the confidence of investors.

Earlier in May, Ofwat published 'Future price limits – statement of principles' setting out how it proposes to regulate the industry in the future. We welcome this document and look forward to working with Ofwat and others to achieve the best possible outcomes for our stakeholders.

In terms of general principles set out in 'Future price limits', we particularly support:

- Ofwat's overall objectives of creating a more targeted, proportionate and appropriate regulatory framework which focuses on the most important outcomes;
- the aim of reducing the regulatory burden and a move to a more targeted, risk based approach for the next price review; and
- more involvement from customer groups in the price setting process.

We were also pleased to see the strong encouragement by Ofwat for water trading, building on the policy direction set by ministers in the White Paper.

We will continue to work constructively with the UK Government, our regulators and others to help shape the water industry so it can meet future challenges.

The case for change has been made

In summary, the case for change has been made and the direction is set. 'Water for Life' is the start of a process of breaking down the sector's rigidity, by creating space for competition and allowing more flexibility, so we can meet the challenges of climate change, affordability and carbon reduction. As an industry, we should get behind it and work out the best outcomes.

 **Severn Trent Plc website:**
www.severntrent.com

Details of the AGM

This year's AGM will be held at the International Convention Centre, Broad Street, Birmingham B1 2EA at 11am on Wednesday 18 July 2012. Full details, including the business to be considered and explanatory notes for each resolution, can be found in the enclosed Notice of Meeting.

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

Dividend information

The directors are recommending a final dividend of 42.06 pence per ordinary share, for the 2011/12 financial year. If approved by shareholders at the company's AGM, the dividend will be paid on 27 July 2012 to shareholders on the register of members on 22 June 2012. Together with the interim dividend of 28.04 pence per ordinary share, paid on 13 January 2012, this will bring the total dividend, for 2011/12, to 70.10 pence per ordinary share.

In addition to the recommended final dividend, the directors are recommending a special dividend of 63 pence per ordinary share to be paid on 27 July 2012 to shareholders on the register on 22 June 2012. The payment of the special dividend is subject to shareholder approval at the AGM.

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

Contact information

For shareholders:

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

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

Equiniti contact details:

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

Telephone: 0871 384 2967*

Overseas enquiries: +44 121 415 7044

Text phone: 0871 384 2255*

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

* Calls to these numbers are charged at 8 pence per minute from a BT landline. Other providers' costs may vary. Lines are open from 8.30am to 5.30pm Monday to Friday.

For customers:

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

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

Email: customer.relations@severntrent.co.uk

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

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

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

This Shareholder summary is extracted (without material adjustment) from, and should be read as an introduction to and in conjunction with, Severn Trent Plc's 2012 Annual Report and Accounts (ARA). This Shareholder summary is provided for information only, and is not intended to be a substitute for reading the ARA. In particular, this Shareholder summary does not constitute Summary Financial Statements and it does not contain sufficient information to allow for as full an understanding of the results of the group. Shareholders may view a copy of the ARA on www.severntrent.com or obtain a hard copy of the ARA free of charge, by contacting the company using the above details. If you have sold or transferred all your shares in Severn Trent Plc, you should send this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.