

# Preliminary Announcement of Annual Results

20 May 2026

Results for the year to 31 March 2026



## £1.9 billion of capital invested with performance incentives ahead of expectations and upgraded earnings outlook

James Jesic, Chief Executive, said:

*“This has been another year of exceptional growth. We have invested £1.9 billion to deliver long-term benefits for our Severn Trent Water customers, increasing the scale of our investments by over 60% in two years. Our unique strength of internal capabilities coupled with strong supply chain relationships have enabled acceleration of investment delivery and growth in our water and wastewater infrastructure.*

*“I understand how vital it is we deliver for the local communities we serve and the responsibility we have to the people, businesses and public services depending on us for their water and wastewater services every day. More broadly, we are helping around 330,000 households with their bills and reaching over 15,000 people through employability support programmes.*

*“We continue to deliver meaningful outcomes for over 9 million people, while maintaining exceptional water quality standards and enabling economic growth in our region. Our investments are driving environmental improvements, including a 41% year-on-year reduction in average spills from storm overflows. There is more to do, and with the strength of our performance culture, I am excited by our ability to deliver for all stakeholders on the opportunities ahead.”*

Group Financial Performance – FY26	31 March 2026	31 March 2025	Increase
Revenue	£2,831m	£2,427m	16.6%
PBIT	£861m	£590m	45.9%
Net finance costs	£302m	£244m	23.8%
Adjusted EPS <sup>1</sup>	184.4p	112.1p	64.5%
Basic EPS	123.5p	76.6p	61.2%
Full year dividend per ordinary share	126.02p	121.71p	3.5%
Capital investment	£1,954m	£1,674m	16.7%

### Financial highlights

- Invested £1.9 billion driving a 13% increase in regulatory asset base to £15.4 billion.
- PBIT growth of 45.9% driven by increased revenues, operational leverage and efficiencies.
- Regulatory return<sup>2</sup> of 17.2% from performance and indexation on our regulatory asset base.
- £1.8 billion debt financing raised this year at 66bps below the regulatory allowance for the cost of new debt.
- Regulated gearing<sup>3</sup> of 63.6% (62.7% at 31 March 2025).

### Operational highlights

- Reduced pollutions by 35%, leakage by 8% and sewer floodings by 12% year-on-year, with AI contributing to efficiency, productivity and customer experience.
- Total performance incentives<sup>4</sup> earned of £73 million<sup>5</sup> (£59 million in 2022/23 prices), including year one regulatory delivery targets for mains renewal and meter installations.
- Accelerated delivery of storm overflow performance commitment from year two.
- £127 million of bill support provided for around 330,000 households.

### Outlook

- Upgrading 2028 adjusted EPS outlook to at least 250p, from 224p.
- Investing £2.2 – 2.5 billion in FY27 with regulatory asset base growth of 13% to £17.4 billion.
- Targeting at least £50 million<sup>5</sup> (£40 million in 2022/23 prices) of total performance incentives in FY27.
- Reaffirming guidance of over £300 million<sup>6</sup> total performance incentives to 2030.
- Cost base resilience with 90% of our energy costs<sup>7</sup> hedged to FY29, including 100% in FY27.
- Infrastructure Services on track to deliver around £100 million EBITDA in FY30.



## Chief Executive's Review

At Severn Trent, we provide essential water and wastewater services to over 9 million people across the Midlands and mid-Wales every day. We abstract, treat and supply clean drinking water, and collect and treat wastewater, then safely return it to the environment. Through sustained long-term investment, innovation and responsible operations, we protect public health, support regional growth and enhance the resilience of water supplies and natural ecosystems. We also generate green energy which contributes to net zero targets and reduced exposure to energy prices.

We are regulated by Ofwat, the Environment Agency and the Drinking Water Inspectorate, who are responsible for setting the operating standards and economic frameworks in which we operate. Five-year cycles govern the bills we charge customers for our services and our total expenditure to support current operations and future plans. With the current regulatory period running to 2030, we have clear visibility of our revenues, while long-term planning, set cost allowances and inflation protection gives us confidence in our outlook.

The UK water industry requires significant investment in infrastructure to deliver improved outcomes and resilience for our customers and the environment. The work we have undertaken in the previous regulatory period to prepare ourselves for the biggest investment programme in our history has meant we have got off to a flying start. It has been a year of extremes, including periods of long drought and high rainfall, and we have delivered better outcomes for our customers with £73 million in performance incentives earned this year.

Our regulatory asset base is projected to increase by an average of 10% compounded annually between 2025 and 2030, one of the highest in the sector and before the impact of additional investment through reopeners and AMP9 transition spend. In May, we submitted proposals to Ofwat totalling almost £600 million for the first of three rounds of reopeners. For Severn Trent customers, we propose investing in rebuilding and upgrading water storage tanks, securing the integrity of ground-water sources, sewer network upgrades and being able to support and enable growth across our region. Our track record of delivering regulatory outcomes on time means we are well positioned to be awarded additional funding.

We are well into the journey of delivering substantial growth with a record £1.9 billion invested this year. The investments we are making increase the value of our regulatory asset base, which also grows with inflation. A growing regulatory asset base is value accretive as it is a key component of the regulatory model, driving future earnings and returns.

The alignment of our capital programme to long-term thematic trends and our ability to execute our plan underpin a clear investment proposition. We operate in an inflation-adjusted regulatory framework which provides resilience and visibility over a growing revenue line, asset base, returns and dividends. Severn Trent has consistently outperformed regulatory expectations, excelling at operational delivery, capital execution and environmental improvements. Complemented by a growing Infrastructure Services division with strategically integrated capabilities, we are pleased to upgrade our 2028 earnings outlook.

Our people and our performance-led, highly-engaged culture are the foundation of our success. This year, we met around 80% of our operational targets and continued to deliver against our operational and environmental commitments. In a year shaped by political, regulatory and environmental change, disciplined financial management gave us the resilience to respond to both challenges and opportunities.

From over two decades in the business, I have seen first-hand the great work our teams do to deliver for our customers every day. But there is also an opportunity to transform our processes and mindset to further improve the service our customers experience. Doing this will result in reduced failure, improved service and outcomes and will also drive efficiencies within the business. I have just completed my all people roadshows and these are the priorities I have made clear to the organisation and believe that every colleague can influence.

The growth outlook requires a relentless drive for efficiency at every level of the organisation to help manage affordability for our customers and make our money go further. We have made good progress in deploying new technology and innovative solutions to deliver more efficiently and we will continue to expand this as our investment programme builds. Recent geopolitical tensions have amplified the need for tight cost control, and with our active energy hedging strategy and inflationary protection built into the regulatory model, we have a healthy level of resilience to cost pressures.

The growth ahead is significant, not just for the next five years, but for decades to come. Climate change, population growth and regulated environmental improvement ambitions create investment opportunities as we prepare to deal with more extreme weather events and increases in demand. The networks we operate will require an increasing level of maintenance to improve resilience and meet more challenging regulatory standards, and

while our investments are already delivering environmental improvements, we have a responsibility to strive for more. With such a strong start to this regulatory period, it is a privilege to be leading the organisation through this next phase.

## **Water resilience and quality for customers**

During 2025, we experienced a record hot, dry summer which caused a significant increase in demand for water and put pressure on supply. Being able to manage this without imposing a temporary use ban on our customers is testament not only to excellent operational management, but the investments made in our assets over a long period of time. By rerouting our network, optimising resources and making targeted interventions to manage consumption along with our strong leakage performance over many years, we successfully treated and supplied increased volumes of water while maintaining the high quality our customers expect. Furthermore, by investing to improve resilience over the past three regulatory periods 98% of our customer base have a second source of supply.

Of course, a key component of the water treated and supplied is leakage levels. This year has seen particularly strong progress in leakage which, with an 8% year-on-year reduction to our three-year average, is now at its lowest ever level, and we remain firmly on track to achieve our 31.6% leakage reduction target by 2030 from a 2020 baseline. 17% of water into supply is currently lost through leakage and 'no-dig' techniques are now used on 44% of our communication pipe repairs. To date, we have deployed more than 650,000 smart meters across our network, enabling us to detect leaks and provide guidance to our customers on how to address them. With a carefully pressure-controlled network, we are confident the improvements we have driven in our leakage performance are embedded and sustainable.

Climate change is a key driver of growth and is increasing the need to prioritise resilience in our water network. We are seeing the effects of this in water consumption levels, most notable in last year's drought period, and as a result we missed this year's per capita consumption target. Although we reduced the duration that customers experienced an interruption to their water supply by over 35% compared to the average of the last regulatory period, we missed this year's regulatory target due to adverse weather conditions including storms, which placed additional pressure on the network.

With extreme weather becoming more typical, we are using data to forecast daily demand to improve operational preparedness and target customer response with real time insights. We are also investing £1.4 billion this regulatory period in water resources and resilience as well as supporting customers with water efficiency measures. It is clear that climate change and demand shifts are driving growth in investment across the industry to maintain high clean water quality standards for an increasing number of customers.

## **Improvement in waste and the environment**

In March, we published our updated Pollution Incident Reduction Plan ('PIRP') for 2026-2030 which details the investments and interventions that have enabled us to achieve a 35% year-on-year reduction in pollution incidents to 178 in 2025. This year alone we have invested around £1 billion in waste, focusing on building in-house capabilities, strengthening resilience and our response times when we have an issue. The PIRP sets out the trajectory to 2030, aligned with our 25-year plan for improving and maintaining our drains and wastewater systems. For sewage pumping stations, treatment works, foul sewers, rising mains and combined sewer overflows we are investing in power resilience, prevention of blockages, asset failure and structural defects.

We remain highly confident of retaining 4\* Environmental Performance Assessment rating for the seventh consecutive year, however we were disappointed to have had two confirmed serious pollution events in 2025 and we know we can do better. It is worth noting the Environment Agency commended our prompt response and our mitigating actions and we have implemented findings from our detailed root cause analyses to help prevent future incidents.

Environmental regulation is undergoing a period of significant change. With effect from 1 January 2026, the Environment Agency introduced a new assessment criteria for pollution incidents. We fully support robust environmental protection and transparent reporting, but under the new guidance, classifications have substantially changed. Our reported performance will appear to have worsened whilst there is no additional harm to the environment. As we await clarity from the regulators, we will continue investing in pollutions prevention and response.

We remain focused on delivering on the wastewater outcomes that impact customers. This year, internal sewer flooding performance reached its lowest-ever level, with a 20% year-on-year improvement, while external sewer flooding incidents reduced by 12%. The insourcing of our reactive sewerage services has delivered benefits in flooding metrics, and we have strengthened our waste operating model resulting in faster response times. We have installed additional monitoring across our waste network and are using artificial intelligence to monitor and identify sewer blockages and asset health issues, enabling us to make proactive interventions. This is driving efficiency in our operations and delivering benefits for customers. Also, with the help of our flooding liaison team, who work closely with local communities, we have been able to improve on-the-ground response and customer experience.

Storm overflows remain a critical focus, and with the support of our supply chain, we have now implemented over 3,000 solutions. We are seeing the benefits of our proactive investments in the previous regulatory period. In 2025, average spills reduced by 41% to 15 spills per storm overflow asset, outperforming our regulatory target and earning £10m in reward.

Biodiversity was one of our strongest-performing performance incentives this year, reaching the financial reward cap. We delivered an uplift of 510 biodiversity units and continued to enhance habitats across our region, including planting or rejuvenating 45 kilometres of hedgerow, planting almost 100,000 trees, and restoring 207 acres of habitat. We remain fully committed to protecting the 16,223 hectares of enhanced biodiversity delivered during the previous regulatory period, reinforcing our long-term approach to environmental stewardship.

We are also making clear, measurable progress in improving river health, turning data into actionable insights enabling us to understand water-quality patterns at the three designated bathing sites in our region that we are responsible for. By consistently monitoring bacteria throughout the bathing season, we have year-round visibility of water-quality risks and are using comprehensive catchment profiles to inform targeted investment decisions. One of the main measures used by the Environment Agency to measure harm to rivers is called RNAGS (Reasons for Not Achieving Good Ecological Status). We believe our contributions to RNAGS are now 9%, and are on track to meet our target of below 2% by 2030.

Artificial intelligence is embedded in our day-to-day waste operations and decision-making. We are using data to predict daily demand, storm impacts, flooding risks, and sewer blockages, all with a drive to implement proactive interventions and reduce service disruption. We are also deploying AI to optimise sensor placement, improve pollution detection, and trial real-time network control to minimise spills and flooding – resulting in improvements for customers, the environment and driving efficiency.

### **Accelerating programme delivery**

This year marks our highest ever level of capital investment of £1.9 billion, and thanks to our proactive approach, the scale of our investments has increased by over 60% in two years. Our insourced delivery model and vertical integration across key operational activities have enabled us to deliver at pace, while prioritising resilience across our water business and improving both cost and delivery certainty.

Strong and collaborative relationships with our engaged supply chain are a critical enabler of delivery. In recent years, we have expanded and diversified our supplier base to over 150 partners, reducing delivery risk and increasing flexibility, using specialist providers for better outcomes. We currently have over 40% of our enhancement programme for the 5-year period to 2030 in contract and anticipate having 80% in place by March 2027.

We have successfully delivered all year-one price control deliverable targets. This has been achieved through installation of around 230,000 smart meters this year, providing more accurate insight for our customers on their water usage, and renewing 219 kilometres of water mains, ensuring we sustain water quality and supply for now and decades to come. We have also accelerated storm overflow regulatory delivery by investing in capacity expansion across 15 treatment works, providing almost 40,000m<sup>3</sup> of additional wastewater storage.

Building on the momentum already established, we are delivering asset upgrades with schemes such as the expansion of our wastewater treatment works in Bromsgrove, Worcestershire, increasing capacity to better manage periods of heavy rainfall and strengthen storm resilience by 2028. This project will see an increase in treatment capacity of around 50% as the local population grows towards the 2038 planning horizon, delivering tangible benefits for customers and the environment earlier than planned.

This year we have made good progress towards our capital efficiency target of at least £500 million in this regulatory period. 89 of our waste treatment projects are being designed in-house by our own skilled designers and we have rolled out a bespoke tool which optimises tank sizes resulting in more cost-effective solutions. We are also

driving the use of natural coagulants, enabling project de-scoping, reducing chemical use and lowering embodied carbon.

Across our asset base, artificial intelligence enables us to forecast deterioration, model a multitude of investment scenarios, and optimise our long-term planning. In a sector first, we have created a digital twin of our wastewater treatment works allowing us to simulate, optimise, and reduce emissions and energy use while improving environmental outcomes. Advanced digital design and simulation tools further enhance efficiency in delivering new infrastructure.

There is further opportunity in our operational cost base and we are targeting around £150 million of total operating cost efficiencies by 2030. Our 'right first-time' customer approach means we are removing inefficiencies in our processes. We have also adopted our 'plug and play' initiative of scalable solutions to improve efficiency in our operations. For example, a recent success is the development of low-cost smart meter antenna that will drive operational efficiencies through reduced customer visits, at the same time as supporting price control deliverables and providing consumption and leakage benefits.

### **Customer service with a regional focus**

Our entire business is committed to improving the experience for our customers when they interact with Severn Trent. The performance incentive measure of customer experience, C-MeX, is scored using data from customer surveys which is benchmarked against the UK Customer Satisfaction Index. This year, our penalty is £28 million and we are taking actions to drive improvements to our customer service.

We are making it easier for customers to contact us through several platforms and are focused on a 'right first-time' approach to fix issues at source and reduce hand offs between departments. Our customer billing system, Kraken, is a key enabler to support with the step change in customer service required. The system uses artificial intelligence solutions to validate meter readings and flag anomalies before they reach households, reducing incorrect bills, lowering complaints, and improving customer satisfaction. Kraken also uses AI to transcribe customer calls, summarise conversation threads for faster specialist analysis, and generate accurate, verified customer responses to speed up query resolution, freeing up agent capacity to support better customer outcomes.

The insourcing of reactive sewer services in our waste operations and reviewing our operating model has also resulted in measurable performance improvements, including a 45% reduction in waste customer complaints over the past two years.

There are a number of major developers in our region, and through fostering long-term relationships, we play a key role in supporting housing needs driven by population growth in our region and understand our role as an enabler in this space. This year, we have made c.30,000 new property connections to our network and earned maximum reward for the regulatory incentive Developer Measure of Experience (D-MeX).

### **Making a difference in our region**

Severn Trent plays an important role in our community – we live and work amongst our customer base every day. We have a broad and diverse region and we have prioritised areas with high indices of multiple deprivation. This year we have reached over 15,000 people through meaningful, targeted programmes - empowering our local communities to thrive in the job market by delivering job fairs and targeted support to help people build skills, improve employability and access fulfilling work.

Our partnerships with local schools are making a difference to inspire and nurture young people through mock interviews, work experience opportunities and employability training. Alongside this, we are focused on creating a diverse and inclusive workplace that truly reflects the communities we serve, employing people facing barriers to work. This year, as part of our insourcing and customer service improvement strategies, we opened two customer contact centres in Birmingham and Leicester creating over 180 social recruitment roles.

In the last twelve months, a total of £127 million has been invested to support over 330,000 households with their bills, resulting in an average bill concession of 64%. This demonstrates good progress towards the affordability commitments we made at the beginning of the regulatory period, making a difference for around 1 in 6 households by 2030.

Last regulatory period, we made strategic decisions to insource and our workforce is more than 11,000 employees today. This year alone, we welcomed over 160 graduates and apprentices into the business and have a strong

pipeline of internal talent. We continue to attract and retain talent across all disciplines, and our engagement scores remain high at 8.8, putting us in the top 5% of utilities globally.

Severn Trent is committed to delivering for all stakeholders. We have a strong track record in operational performance and delivering our investment plans. Our performance-led culture enables us to flex and adapt to change, which means we will be able to continue to deliver long-term growth driven by climate change, population growth and environmental ambitions. I am confident the business is well positioned to deliver on the opportunities ahead.

## Chief Financial Officer's Review

We have delivered strong financial performance in the year and in line with expectations, with PBIT of £861 million, an increase of 46%. This demonstrates the resilience of the sector's regulatory model in challenging times against a backdrop of global economic uncertainty, and higher than forecast inflation.

This year's financial results do not reflect the benefits of our performance incentives and other regulatory income earned in the year. Our total regulatory income was £1,078 million (2024/25: £1,013 million), reflecting strong performance against the regulatory model in the year and the value generated from the index-linked uplift on our growing regulatory asset base.

Looking forward, we are monitoring the potential challenges from higher energy costs, and the impacts of higher oil prices on our input costs from chemicals and pipes made from materials derived from petrochemicals. We have hedged around 90% of energy costs to March 2029 including all of our expected consumption for next year at prices set before the conflict in the Middle East increased energy prices. A significant benefit of our regulatory model is its link to CPIH inflation along with over 50% of our totex protected by relevant indices.

A summary of our financial performance for the year is set out below:

	2026	2025	Change	
	£m	£m	£m	%
Turnover	2,831	2,427	404	16.6
PBIT	861	590	271	45.9
Net finance costs	(302)	(244)	(58)	(23.8)
Losses on financial instruments, share of results of joint venture and impairment of loans receivable	(35)	(26)	(9)	(34.6)
Profit before tax	524	320	204	63.8
Tax	(153)	(91)	(62)	(68.1)
Profit for the year	371	229	142	62.0

Group turnover was £2,831 million (2024/25 £2,427 million) up £404 million (16.6%), driven by higher revenues in our Regulated Water and Wastewater business (up £380 million) mainly from tariff increases, but also from higher consumption during the drought period. In our Infrastructure Services business we saw growth from higher recoveries on our Ministry of Defence ('MoD') contract in Operating Services and the acquisition of two Network Services businesses.

Group PBIT was up £271 million (45.9%) to £861 million. Regulated Water and Wastewater PBIT grew by £264 million driven by the higher revenue. In Infrastructure Services, EBITDA was £8 million higher.

Net finance costs were £58 million (24%) higher than the prior year at £302 million. Average net debt was up 19% at £9,237 million (2024/25: £7,755 million) and higher inflation in the year increased the cost of our index-linked debt by £22 million. Our effective interest cost was 4.8% (2024/25: 4.3%), with most of the increase due to higher interest rates on new debt raised.

Our adjusted effective tax rate of nil remained unchanged from 2024/25 and, as expected, there was no current tax payable in the year due to the capital allowances derived from the investment in our asset base. The tax charge of £153 million reflects our full effective tax rate this year of 29.2%, higher than the statutory rate of 25% due to prior year true ups.

Group profit after tax was £371 million (2024/25: £229 million) and our adjusted basic EPS was 184.4 pence (2024/25: 112.1 pence) reflecting the increase in earnings. Basic EPS was 123.5 pence (2024/25: 76.6 pence).

Our balance sheet remains strong. At 31 March 2026, we held cash and short term deposits amounting to £796 million (2025: £1,048 million). Our adjusted net debt was £10,054 million (2025: £8,545 million) and our regulated gearing was 63.6% (2025: 62.7%).

Our net pension deficit on an IAS 19 basis is £21 million (2025: £120 million). We paid contributions of £72 million, in line with our funding plan. Actuarial assumptions reduced the deficit by £39 million split evenly between changes in financial assumptions derived from market rates and changes to demographic assumptions to align with the latest funding valuation for the STPS. In line with our hedging strategy, these changes were partially offset by reductions in the value of hedging assets but overall the scheme's assets delivered a return of £108 million in the year. Net finance costs from unwinding of the discount on the opening deficit were £7 million and there were administration costs of £4 million.

Operational cash flow was £1,212 million, (2024/25: £869 million) as EBITDA increased by £311 million. Cash capex was £1,884 million, up £346 million due to the increasing capital programme. Net cash outflow before changes in net debt was £1,402 million (2024/25: outflow of £1,278 million).

Severn Trent Water's RoRE (Return on Regulated Equity) for the year, based on our actual capital structure, was 13.7%, 840 bps above the base return of 5.3%. Outperformance came mainly from financing, reflecting our outperformance against the iBoxx index when raising new debt and the benefit of a lower proportion of index-linked debt, as well as the benefit of tax allowances on our capital programme and strong performance against our ODI and PCD regulatory targets delivering rewards of £73 million, with 78% of our ODI measures in reward.

Our proposed final dividend of 75.62 pence (2024/25: 73.03 pence), is in line with our inflation-linked dividend policy and payable on 15 July 2026.

## Regulated Water and Wastewater

Turnover for our Regulated Water and Wastewater business was £2,629 million (2024/25: £2,249 million) and PBIT was £850 million (2024/25: £586 million).

	2026 £m	2025 £m	Change £m	%
Turnover	<b>2,629</b>	2,249	380	16.9
Net labour costs	<b>(252)</b>	(245)	(7)	(2.9)
Net hired and contracted costs	<b>(318)</b>	(275)	(43)	(15.6)
Power	<b>(183)</b>	(192)	9	4.7
Bad debts	<b>(46)</b>	(35)	(11)	(31.4)
Other costs	<b>(360)</b>	(321)	(39)	(12.1)
	<b>(1,159)</b>	(1,068)	(91)	(8.5)
Infrastructure renewals expenditure	<b>(136)</b>	(149)	13	8.7
Depreciation	<b>(484)</b>	(446)	(38)	(8.5)
PBIT	<b>850</b>	586	264	45.1

Turnover increased by £380 million compared to 2024/25 driven by a £378 million increase in core revenue. The movement in core revenue comprises:

- An increase of £66 million from the annual CPIH increase in prices;
- A £358 million real change in allowance due to tariff increases.
- A £45 million reduction due to the year-on-year change in ODIs billed.
- A £41 million reduction to Developer and Third Party revenue.
- Other small increases of £40 million.

Other revenue streams contributed a £3 million increase to turnover year-on-year with £7 million reduction to infrastructure renewal income, mostly in relation to HS2 work, which offsets in infrastructure renewals expenditure and a £10 million increase to income streams such as bulk water, OWC ('other water company') collection commission and tankered trade waste.

Net labour costs of £252 million were 3% higher than 2024/25. Investment in additional headcount to drive operational improvements in key strategic business areas such as pollutions, and to deliver the step up in our capital programme increased gross labour costs by £83 million. Annual pay increases, which take effect from 1 July each year, increased costs by £25 million. These increases were offset by a step up in capitalised salaries, reflecting the step up in the capital programme.

Net hired and contracted costs increased by £43 million (16%), £19 million of which relates to a planned step up in licence costs for our new billing system, Kraken, and a further £15 million due to additional tankering to manage the impacts of the prolonged drought and prevent pollutions. Operational efficiencies of £7 million have been generated through our no-dig pipe repair solution, which allows us to complete jobs faster, with lower need for excavation and gang costs.

Power costs were £9 million or 5% lower period-on-period, driven by the lower wholesale weighted average hedged price of electricity on imports (around £23/MWh lower). This was partly offset by increased consumption at our Water Treatment sites during the hot summer months.

Bad debt charges increased by £11 million but remained broadly flat as a proportion of household revenue at 2.1% (2024/25: 2.0%).

Other costs were £39 million higher compared to 2024/25. Higher business rates and regulatory fees resulted in a £13 million increase to costs year-on-year. A further £17 million is driven by increased plant hire and material usage to manage extreme weather events and mitigate pollutions. The remaining variance is driven by a number of smaller increases such as chemical and sludge recycling costs.

Infrastructure renewals expenditure was £13 million lower compared to 2024/25, £7 million of which is due to lower HS2 activity, which offsets the same amount of lower infrastructure revenue above. The remaining reduction is driven by a higher proportion of capital works.

Depreciation of £484 million was £38 million higher due to our increasing asset base driven by our significant capital investment.

### Return on Regulatory Equity ('RoRE')

RoRE is a key performance indicator for the regulated business and reflects our combined performance on totex, ODIs and financing compared to the base return allowed in the Final Determination.

Severn Trent Water's RoRE, based on our actual capital structure, for the year ended 31 March 2026 is set out in the following table:

	<b>2025/26</b>
	<b>%</b>
Base return	5.3
Enhanced RoRE reward	0.3
Totex performance	0.2
ODI and PCD outperformance	1.2
Financing outperformance	3.9
Tax outperformance	2.8
<b>Return on Regulatory Equity (based on the actual capital structure)</b>	<b>13.7</b>

We have delivered RoRE of 13.7% in the year, outperforming the base return by 8.4% as a result of:

- Delivery against our Performance Incentives with outperformance of 1.2%, driven by strong performance across the majority of ODI measures, with 78% meeting or exceeding regulatory targets and a strong start on our PCDs;
- Financing performance of 3.9%, driven by our AMP8 financing strategy of maintaining a low level of index-linked debt; and
- the tax benefit of full expensing of certain capital expenditure.

### Regulatory performance measures

In addition to RoRE we have developed further performance measures to highlight aspects of value created by the Group that are not reflected in our financial performance indicators. These are set out below.

### Economic Equity Value Added

Our first measure gives an indication of the economic value generated by the Group over the AMP to date. Our Economic Value Added metric measures the growth in our RCV and our investment in our non-regulated business net of changes in net debt, pension liabilities and cash tax. We measure this over the AMP period:

	2025/26 £m	AMP8 opening £m	Value added £m
Economic RCV	15,314	13,657	1,657
Revenue earned not billed	510	501	9
Regulated economic value	15,482	14,158	1,666
Other Group investments			52
Change in net debt, pensions and tax			(1,414)
Retained economic equity value added			304
Cashflows (from)/to equity holders			371
Economic equity value added			675

The components of Economic RCV are shown below

	2025/26	AMP8 opening	Value added
FD RCV	15,367	13,657	1,710
Blind year RCV adjustments	(33)		(33)
Other	(20)		(20)
Economic RCV	15,314	13,657	1,657

Blind year adjustments arise from true ups to estimates that were included in the PR24 Final Determination in relation to the year ended 31 March 2025. They represent the difference between the amount estimated and the final amount.

Other comprises a number of small adjustments to the RCV at the start of the new AMP.

## Regulatory income

This measure reflects income that will be recognised in IFRS financial statements in future years. IFRS financial statements do not currently reflect rights that we have earned in the period to bill additional revenue in future periods.

In addition, the inflation accretion on the principal amount of our index-linked debt is charged to finance costs in our IFRS financial statements but the inflation uplift on our RCV is not recognised under IFRS. Our regulatory income metric includes the benefit of inflation on RCV and the cost of inflation on index-linked debt for Severn Trent Water and Hafren Dyfrdwy combined.

	2025/26 £m	2024/25 £m
Adjusted IFRS earnings (see financial statements note 9)	554	336
Change in revenue earned not billed	9	263
RCV inflation	515	414
Total regulatory income	1,078	1,013

The movement in revenue earned not billed in the year is set out below in its major components:

	Revenue £m	ODIs £m	Totex £m	True-ups £m	Total £m
At 1 April 2025	85	141	299	(24)	501
Inflation	6	9	23	(2)	36
Earned in year	47	73	13	(35)	98
Billed in year	(17)	(54)	(61)	7	(125)
Change in year	36	28	(25)	(30)	9
At 31 March 2026	121	169	273	(54)	510

Revenue is an adjustment for the difference between revenue billed and the amount allowed in the Final Determination. These adjustments are generally billed two years in arrears.

ODI rewards earned in a given period can be recovered through revenue after two years (or carried forward further at the Company's choice). This is shown net of tax, in current prices.

Differences between totex spent and the amount allowed are 'shared' with customers in the following AMP. Part of this difference is recovered through adjustments to revenue (included here) and the remainder through adjustments to the RCV.

The regulatory model includes a number of 'true ups' for differences from original assumptions arising through the AMP and recovered from customers in the next AMP. These true ups include cost of debt, third party services and delayed delivery cashflow mechanism and brought forward from AMP7: tax, land sales, cost of debt and the RPI-CPIH wedge.

## Infrastructure Services

	2026 £m	2025 £m	Change £m	%
<b>Turnover</b>				
Operating Services and other	124	100	24	24.0
Green Power	83	83	–	–
Network Services	23	–	23	N/A
	<b>230</b>	<b>183</b>	<b>47</b>	<b>25.7</b>
<b>EBITDA</b>				
Operating Services and other	26	21	5	23.8
Green Power	24	23	1	4.3
Network Services	–	–	–	–
Property Development	5	3	2	66.7
	<b>55</b>	<b>47</b>	<b>8</b>	<b>17.0</b>

Infrastructure Services turnover was £230 million (up 25.7%) and EBITDA was £55 million (up 17%). This includes the performance of the two Network Services acquisitions, Industrial Water Jetting Systems Limited ('IWJS') and Watertight Management Limited ('Watertight'), that were completed on 31 July and 1 August 2025 respectively.

In our Operating Services and Other businesses, turnover increased by £24 million due to recovery of higher charges from water and wastewater suppliers in our MoD contract, the acquisition of Reigate Environmental Services Limited and higher project revenue in Oren Services, our reed bed business.

EBITDA was £26 million, £5 million higher mainly due to the additional wholesaler charges above, partly offset by a refund of legal costs in relation to the Environmental Information Request ('EIR') case in 2024/25 and bid costs relating to the retender of the MoD contract which expires in 2030.

In Green Power, turnover was £83 million, flat year-on-year as a result of generation mix and higher export prices. This was offset by slightly lower generation (2 GWh) due to lower hydro activity over the drought period and downtime for asset replacements.

Network Services includes our two new acquisitions. IWJS provides sewer rehabilitation and jetting services, removing sewer blockages to prevent pollutions and sewer flooding events. Watertight was one of our key civil engineering suppliers and brings experience in complex mains renewals, infrastructure upgrades and incident response. Both businesses were acquired as part of a strategic vertical integration of the Severn Trent Water supply chain, securing this element of the supply chain and creating opportunities for Infrastructure Services to benefit from the increased sector investment over AMP8 and beyond. These businesses have contributed additional revenues to the period of £23 million and EBITDA of £2 million before acquisition costs of £2 million.

Profits from Property Development were £5 million, up £2 million. Our long-term plans to deliver £150 million profit by 2032 remain on track.

## Corporate and other

Corporate costs were £15 million (2024/25: £20 million). The decrease includes £3 million due to lower executive Directors' variable pay and £2 million lower professional costs as 2024/25 included legal fees incurred in relation to the collective action claim brought against Severn Trent Water at the Competition Appeal Tribunal, which was subsequently dismissed.

Our other businesses, which comprises our captive insurance company, generated PBIT of £1 million (2024/25: £1 million).

### **Net finance costs**

Net finance costs for the year were £58 million (24%) higher than the prior year at £302 million. Average net debt was up 19% at £9,237 million (2024/25: £7,755 million) and higher inflation in the year increased the cost of our index-linked debt by £22 million. Our effective interest cost was 4.8% (2024/25: 4.3%), with most of the increase due to higher interest rates on new debt raised.

We issued £1,657 million of new debt at tight pricing with low credit spreads compared to the sector average and within the regulatory allowed cost of debt, and agreed a £100 million bilateral term loan which was undrawn at 31 March. Our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was higher at 3.8% (2024/25: 3.4%).

Capitalised interest of £150 million was £47 million higher year-on-year, due mainly to increased capital work in progress compared to the previous year and also the higher cost of debt.

Our earnings before interest, tax depreciation and amortisation (EBITDA) interest cover was 4.6 times (2024/25: 4.5 times) and PBIT interest cover was 2.9 times (2024/25: 2.5 times). See note 17 for further details.

### **Gains/losses on financial instruments**

We use financial derivatives solely to hedge risks associated with our normal business activities including:

- Exchange rate exposure on foreign currency borrowings;
- Interest rate exposures on floating rate borrowings;
- Exposures to increases in electricity prices; and
- Changes in the regulatory model from RPI to CPIH.

We hold interest rate swaps with a net notional principal of £433 million floating to fixed, and cross currency swaps with a sterling principal of £3,133 million, which economically act to fix the sterling liability on certain foreign currency borrowings.

We revalue the derivatives at each balance sheet date and take the changes in value to the income statement, unless the derivative is part of a cash flow hedge.

Where hedge accounting is not applied, if the risk being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement. During the year there was a net gain of £41 million (2024/25: net loss of £18 million) in relation to these instruments, partly offset by the exchange loss on the related currency loan (2024/25: gain of £11 million).

Note 6 to the financial statements gives an analysis of the amounts charged to the income statement in relation to financial instruments.

As part of our power cost management strategy, we have fixed the wholesale price for around 90% of our estimated wholesale energy usage to March 2029 including all of our expected consumption for 2026/27 through physical hedges with suppliers and natural hedges from the export of self-generated energy.

### **Share of loss of joint venture**

Our share of Water Plus's result for the year was a loss of £5 million (2024/25: loss of £22 million). The brought forward carrying value of our investment in Water Plus was £2 million. As we do not have an obligation to contribute to the losses in excess of our investment, we have restricted the loss recognised in our income statement to the value of our investment at the start of the year, £2 million.

## Taxation

We are committed to paying the right amount of tax at the right time, and were pleased to be awarded the Fair Tax Mark for the seventh consecutive year. We pay a range of taxes, including business rates, employer's national insurance and environmental taxes such as the Climate Change Levy as well as the corporation tax shown in our tax charge in the income statement.

	2026	2025
	£m	£m
<b>Tax incurred:</b>		
Corporation tax	–	–
Business rates and property taxes	100	97
Employer's National Insurance	63	47
Environmental taxes	7	7
Other taxes	7	6
	<b>177</b>	<b>157</b>

Further details on the taxes and levies that we pay can be found in our report "Explaining our Tax Contribution 2025/26", which will be made available at [www.severntrent.com/sustainability-strategy/reports-and-publications/tax/](http://www.severntrent.com/sustainability-strategy/reports-and-publications/tax/) when our Annual Report and Accounts is published in June.

The corporation tax charge for the year recorded in the income statement was £153 million (2024/25: £91 million) and we made net corporation tax payments in the year of £0.4 million (2024/25: £0.4 million). The difference between the tax charged and the tax paid is summarised below:

	2026	2025
	£m	£m
Tax on profit on ordinary activities	153	91
Tax effect of timing differences	(139)	(85)
Under/(over) provisions in previous years	(14)	(6)
Net tax paid in the year	–	–

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2024/25: nil).

Note 7 in the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax charge for the year was £3 million, which arose from adjustments to tax provisions from previous years (2024/25 nil). The deferred tax charge was £150 million (2024/25: £91 million).

Our effective tax rate was 29.2% (2024/25: 28.4%), which is higher than the UK rate of corporation tax of 25% in both years mainly due to prior year true ups and permanent differences arising from costs that are not deductible for tax.

Our adjusted effective current tax rate was nil (2024/25: nil) (see note 17).

UK tax rules specify the rate of tax relief available on capital expenditure. Typically this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. In the current and previous, year a significant proportion of our capital expenditure qualified for 100% deduction for tax in the year of spend.

The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. Under IFRS accounting, we make a provision for the tax that we would pay in future periods, if the depreciation charge arising on expenditure for which tax relief has already been received is not offset by further tax allowances in those periods. However, the nature of our business, including a significant rolling capital programme and the long lives of our assets, means we do not expect these timing differences to reverse for the foreseeable future, and they may never do so. This is the most significant component of our deferred tax position.

Our net deferred tax provision is reduced by the benefit of taxable losses amounting to £2,392 million (2024/25 £1,768 million) that we have incurred as a result of the capital allowances claimed under the super deduction and full expensing.

### Profit for the year and earnings per share

Total profit for the year was £371 million (2024/25: £229 million).

Basic earnings per share was 123.5 pence (2024/25: 76.6 pence). Adjusted basic earnings per share was 184.4 pence (2024/25: 112.1 pence). For further details see note 9.

### Cash flow

	2026	2025
	£m	£m
Operational cashflow	<b>1,212</b>	869
Cash capex	<b>(1,884)</b>	(1,538)
Net interest paid	<b>(341)</b>	(254)
Purchase of subsidiaries net of cash acquired	<b>(35)</b>	(14)
Net proceeds/(payments) for swap terminations	<b>2</b>	(1)
Free cash flow	<b>(1,046)</b>	(938)
Dividends	<b>(371)</b>	(356)
Issue of shares	<b>15</b>	16
Change in adjusted net debt from cash flows	<b>(1,402)</b>	(1,278)
Non-cash movements	<b>(107)</b>	(79)
Change in adjusted net debt	<b>(1,509)</b>	(1,357)
Opening adjusted net debt	<b>(8,545)</b>	(7,188)
Closing adjusted net debt	<b>(10,054)</b>	(8,545)

	2026	2025
	£m	£m
Net cash and cash equivalents	<b>788</b>	<b>1,045</b>
Bank loans	<b>(785)</b>	<b>(785)</b>
Other loans	<b>(10,087)</b>	<b>(8,798)</b>
Lease liabilities	<b>(104)</b>	<b>(111)</b>
Accounting adjustments on debt	<b>83</b>	<b>33</b>
Loans due from joint venture	<b>51</b>	<b>71</b>
Adjusted net debt	<b>(10,054)</b>	<b>(8,545)</b>

Operational cash flow was £1,212 million (2024/25: £869 million). The increase arose mainly from higher EBITDA.

Net cash capex increased to £1,884 million (2024/25: £1,538 million), our highest ever level of investment, reflecting our fast start on our AMP8 capital programme.

Our net interest payments of £341 million (2024/25: £254 million) were higher than the previous year due to the impact of higher net debt, and an increase in the effective cash cost of interest (which excludes the non-cash indexation charge on index linked debt).

The benefits of the full expensing capital allowances meant that we had no taxable profit in the year and no tax paid.

We received £15 million from the exercise of options under the employee Save As You Earn share scheme (2024/25 £16 million). Our dividends paid increased in line with our policy to increase by CPIH each year during AMP 8.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase in adjusted net debt of £1,509 million (2024/25: increase of £1,357 million).

At 31 March 2026 we held £788 million (2025: £1,045 million) in net cash and cash equivalents. Average debt maturity was around 12 years (2025: 13 years). Including committed facilities, our cash flow requirements are funded until August 2027.

Adjusted net debt at 31 March 2026 was £10,054 million (2025: £8,545 million). Regulated gearing was 63.6% (2025: 62.7%).

The estimated fair value of debt at 31 March 2026 was £2,248 million lower than book value (2025: £1,051 million lower). The change in the difference between book and fair value is largely due to the impacts of inflation expectations on the fair value of our index-linked debt and of higher interest rate expectations on our fixed-rate debt.

Our policy for the management of interest rates is that at least 40% of our borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 31 March 2026 interest rates for 64% (2025: 66%) of our gross debt of £10,984 million were fixed; 14% were floating and 22% were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Our long-term credit ratings are:

Long-term ratings	Severn Trent Plc	Severn Trent Water	Outlook
Moody's	Baa2	Baa1	Stable
Fitch	BBB	BBB+	Stable

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and report this to the Treasury Committee.

## Pensions

We have three defined benefit pensions arrangements, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual.

The most recent formal actuarial valuation for the Severn Trent Pension Scheme ('STPS'), which is by far the largest of the schemes, was completed as at 31 March 2025. The future funding plan agreed with the Trustee was unchanged from the 2022 valuation (save for inflationary uplifts where applicable) and includes:

- Deficit reduction payments of £40 million to be made each year until 31 March 2027, with the March 2026 payment having been increased in line with the annual increase in CPI to November 2025. Thereafter future contributions for the STPS increase in line with CPI inflation. The contributions are paid into a limited liability partnership that the Group and Trustee have set up. It is expected that all future deficit reduction contributions will continue to be paid into this limited liability partnership, which is recognised as an asset of the Scheme.
- Payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue if the Scheme's assets are less than the Scheme's Technical Provisions; and
- Inflation-linked payments of £15 million per annum under an asset-backed funding arrangement, with payments having started in the year ended 31 March 2018, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed.

The Severn Trent Mirror Image Pension Scheme ('MIPS'), which represents around 4% of the Group's defined benefit liabilities, benefits from a bulk annuity buy-in. Under the buy-in, the liabilities of this scheme will be met by an insurance policy and as a result the Group's risk is substantially reduced.

Hafren Dyfrdwy participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme ('DVWS'). DVWS funds are administered by trustees and held separately from the assets of the Group. DVWS is closed to new entrants. The most recent formal actuarial valuation of DVWS was completed as at 31 March 2023 and no deficit reduction contributions are required. The DVWS also benefits from a bulk annuity buy-in insurance policy that covers the majority of the scheme obligations and in March 2024 the DVWS closed to future accrual.

No deficit reduction contributions are payable for MIPS or DVWS.

On an IAS 19 basis, the net position (before deferred tax) of all of the Group's defined benefit pension schemes was a deficit of £21 million (2025: £120 million). To calculate the pension deficit for accounting purposes, IAS 19 requires corporate bond yields to be used as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the scheme's assets or their expected returns.

On an IAS 19 basis, the funding level increased to 99% (31 March 2025: 93%).

The movements in the net deficit during the year were:

	Fair value of scheme assets	Defined benefit obligations	Net deficit
	£m	£m	£m
At 1 April 2025	1,677	(1,797)	(120)
Amounts credited/(charged) to income statement	89	(102)	(13)
Actuarial gains taken to reserves	14	26	40
Net contributions received and benefits paid	(47)	119	72
<b>At 31 March 2026</b>	<b>1,733</b>	<b>(1,754)</b>	<b>(21)</b>

The income statement includes:

- Scheme administration costs of £4 million
- Interest on scheme liabilities and expected return on the scheme assets – together a net cost of £7 million.
- Past service cost of £2 million relating to unfunded obligations relating to enhanced benefits on redundancy granted in previous years.

Higher interest rate expectations increased the discount rate by 30bps. Inflation expectations have also increased by around 30bps since the previous year end. The impacts of these changes are broadly offsetting, but reduced liabilities by £18 million.

Demographic assumptions were updated to align with the recent funding valuation. This reduced liabilities by £19 million.

The actual outturn in the year for inflation was slightly higher than previous assumptions and this increased scheme liabilities by £11 million.

The overall return on scheme assets was £14 million higher than the interest return derived from the discount rate.

Contributions paid to the STPS in the year included:

- The amounts due under the asset-backed funding arrangements (£31 million); and
- The deficit reduction payment of £41 million, which was paid to our LLP funding vehicle.

## Dividends

In line with our policy for AMP7 to increase the dividend by at least CPIH each year, the Board has proposed a final ordinary dividend of 75.62 pence per share for 2025/26 (2024/25: 73.03 pence per share). This gives a total ordinary dividend for the year of 126.02 pence (2024/25: 121.71 pence).

The final ordinary dividend is payable on 15 July 2026 to shareholders on the register at 29 May 2026.

## **Principal risks and uncertainties**

The Board has overall responsibility for determining the nature and extent of the risks in which Severn Trent participates and for ensuring that risks are managed effectively across the Group. The Board considers the principal risks and uncertainties affecting the Group's business activities to be those detailed below:

### **Health and Safety:**

- Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public.

### **Infrastructure Failure and Asset Resilience:**

- We do not provide a safe and secure supply of drinking water to our customers.
- We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.

### **Customer Service and Experience:**

- We do not meet the needs of our customers or anticipate changing societal expectations through the customer service we provide.

### **Supply Chain and Capital Project Delivery**

- Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality).

### **Security and Resilience**

- Core operational capabilities are compromised through physical, people or technological threats.

### **Political, Legal and Regulatory:**

- Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions.

### **Financial Liabilities:**

- Failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility.

### **Climate Change, Environment and Biodiversity:**

- Failure to ensure our operations remain resilient to the effects of climate change and effectively mitigate our environmental impact as a steward of natural capital.

### **People and Culture:**

- Failure to maintain a workforce with the right capability, skill set and values to drive the Group's strategy.

## Outlook Statement

### Long-term earnings

We are upgrading our Group adjusted basic EPS outlook for 2027/28 to be at least 250.0 pence.

We reaffirm our outlook of increasing EBITDA from Infrastructure Services to around £100 million in the period 2029/30, driven by growth in Network Services as well as our Green Power, Operating Services, and Property businesses. This includes our long-term plan to achieve £150 million of profit from our Property business by 2032.

### Financial resilience

Our financial resilience outlook remains unchanged, with regulated gearing expected to be between 60%-65% at the end of the AMP. We expect to maintain current credit ratings for both Severn Trent Plc and Severn Trent Water Limited throughout AMP8.

### Technical Guidance 2026/27

Year-end guidance		FY26	Year-on-Year
<b>Regulated Water and Wastewater</b>			
Turnover	Around £2.9 billion including HS2 related income.	£2.6bn	▲
Operating costs & IRE	7%-9% higher year-on-year.	£1.3bn	▲
Total performance incentives <sup>1</sup>	At least £50 million of ODI and PCD reward in current prices using March 2026 CPIH of 140.8, equivalent to at least £40 million in 22/23 prices.	£73m	▼
<b>Infrastructure Services</b>			
EBITDA	10%-20% increase year-on-year.	£55m	▲
<b>Group</b>			
Interest charge <sup>2</sup>	20%-30% higher year-on-year driven by higher inflation and additional debt to fund the AMP8 investment programme.	£302m	▲
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%	↔
Capital investment	Set to invest between £2.2 billion-£2.5 billion.	£1.9bn	▲
Dividend <sup>3</sup>	2026/27 dividend of 130.5 pence, in line with our AMP8 policy of annual growth by CPIH.	126.0p	▲

### Footnotes to Technical Guidance

1. Performance Incentives include Outcome Delivery Incentives and Price Control Deliverables and are quoted post tax.
2. Based on Oxford Economics April inflation forecast. Index-linked debt comprises around 20%-25% of our total debt. Information on the mix of relevant indices and lags for our inflation-linked debt can be found in table 4B of our Annual Performance Report.
3. 2026/27 dividend growth rate based on November 2025 CPIH of 3.57%.

### Investor Timetable

<b>28 May 2026</b>	<b>Ex dividend date (Final)</b>
<b>29 May 2026</b>	<b>Dividend record date (Final)</b>
<b>24 June 2026</b>	<b>DRIP election date (Final)</b>
<b>09 July 2026</b>	<b>Annual General Meeting</b>
<b>09 July 2026</b>	<b>Q1 Trading update 2026/27</b>
<b>15 July 2026</b>	<b>Final dividend payment date</b>
<b>18 November 2026</b>	<b>Interim Results Announcement 2026/27</b>
For more information please visit: <a href="https://www.severntrent.com/investors/financial-calendar-and-regulatory-news/">https://www.severntrent.com/investors/financial-calendar-and-regulatory-news/</a>	

#### **Further Information**

For further information, including the Group's full-year results presentation, see the Severn Trent website ([www.severntrent.com](http://www.severntrent.com)).

**Consolidated income statement**  
For the year ended 31 March 2026

	Note	2026 £m	2025 £m
<b>Turnover</b>	2,3	<b>2,831</b>	2,427
Operating costs before charge for bad and doubtful debts		<b>(1,924)</b>	(1,802)
Charge for bad and doubtful debts		<b>(46)</b>	(35)
<b>Total operating costs</b>		<b>(1,970)</b>	(1,837)
<b>Profit before interest and tax</b>		<b>861</b>	590
Finance income	4	<b>150</b>	143
Finance costs	5	<b>(452)</b>	(387)
Net finance costs		<b>(302)</b>	(244)
Net losses on financial instruments	6	<b>(33)</b>	(15)
Share of net loss of joint venture accounted for using the equity method	10	<b>(2)</b>	(11)
<b>Profit on ordinary activities before taxation</b>		<b>524</b>	320
Current tax	7	<b>(3)</b>	–
Deferred tax	7	<b>(150)</b>	(91)
Taxation on profit on ordinary activities	7	<b>(153)</b>	(91)
<b>Profit for the year</b>		<b>371</b>	229
<b>Earnings per share (pence)</b>			
	Note	2026	2025
Basic	9	<b>123.5</b>	76.6
Diluted	9	<b>123.1</b>	76.4

## Consolidated statement of comprehensive income

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
<b>Profit for the year</b>		<b>371</b>	<b>229</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to the income statement:			
Net actuarial gains	11	40	38
Deferred tax on net actuarial gains		(10)	(9)
		<b>30</b>	<b>29</b>
Items that may be reclassified to the income statement:			
Gains on cash flow hedges		17	9
Deferred tax on gains on cash flow hedges		(4)	1
Net gains on cash flow hedges transferred to the income statement		(9)	(13)
Net losses on terminated hedges transferred to losses on financial instruments		7	13
Deferred tax on transfer to the income statement		–	(3)
		<b>11</b>	<b>7</b>
<b>Other comprehensive income for the year</b>		<b>41</b>	<b>36</b>
<b>Total comprehensive income for the year</b>		<b>412</b>	<b>265</b>

## Consolidated statement of changes in equity

For the year ended 31 March 2026

	Note	Equity attributable to owners of the Company				
		Share capital	Share premium	Other reserves	Retained earnings	Total
		£m	£m	£m	£m	£m
At 1 April 2024		295	1,363	168	8	1,834
Profit for the year		–	–	–	229	229
Net actuarial gains	11	–	–	–	38	38
Deferred tax on net actuarial gains		–	–	–	(9)	(9)
Gains on cash flow hedges		–	–	9	–	9
Deferred tax on gains on cash flow hedges		–	–	1	–	1
Net gains on cash flow hedges transferred to the income statement		–	–	(13)	–	(13)
Net losses on terminated hedges transferred to losses on financial instruments	6	–	–	13	–	13
Deferred tax on transfers to the income statement		–	–	(3)	–	(3)
<b>Total comprehensive income for the year</b>		–	–	7	258	265
Share options and LTIPs						
– proceeds from shares issued		1	15	–	–	16
– value of employees' services		–	–	–	11	11
Issue from treasury shares		–	–	–	2	2
Deferred tax on share based payments		–	–	–	(1)	(1)
Dividends paid	8	–	–	–	(356)	(356)
<b>Transactions with owners, recognised directly in equity</b>		1	15	–	(344)	(328)
<b>At 1 April 2025</b>		<b>296</b>	<b>1,378</b>	<b>175</b>	<b>(78)</b>	<b>1,771</b>
Profit for the year		–	–	–	371	371
Net actuarial gains	11	–	–	–	40	40
Deferred tax on net actuarial gains		–	–	–	(10)	(10)
Gain on cash flow hedges		–	–	17	–	17
Deferred tax on gain on cash flow hedges		–	–	(4)	–	(4)
Net gains on cash flow hedges transferred to the income statement	6	–	–	(9)	–	(9)
Net losses on terminated hedges transferred to gains/(losses) on financial instruments	6	–	–	7	–	7
Deferred tax on transfers to the income statement		–	–	–	–	–
<b>Total comprehensive gain for the year</b>		–	–	11	401	412
Share options and LTIPs						
– proceeds from shares issued		1	14	–	–	15
– value of employees' services		–	–	–	13	13
Deferred tax on share based payments		–	–	–	1	1
Dividends paid	8	–	–	–	(371)	(371)
<b>Transactions with owners, recognised directly in equity</b>		1	14	–	(357)	(342)
<b>At 31 March 2026</b>		<b>297</b>	<b>1,392</b>	<b>186</b>	<b>(34)</b>	<b>1,841</b>

## Consolidated balance sheet

At 31 March 2026

	Note	31 March 2026 £m	31 March 2025 £m
<b>Non-current assets</b>			
Goodwill		152	117
Other intangible assets		224	207
Property, plant and equipment		15,079	13,307
Biological assets		4	5
Right-of-use assets		142	141
Investment in joint venture	10	–	2
Derivative financial instruments		99	60
Trade and other receivables		67	91
Retirement benefit surplus	11	5	5
		<b>15,772</b>	<b>13,935</b>
<b>Current assets</b>			
Inventory		48	43
Trade and other receivables		933	878
Derivative financial instruments		22	6
Cash and cash equivalents		796	1,048
		<b>1,799</b>	<b>1,975</b>
<b>Current liabilities</b>			
Borrowings		(366)	(533)
Derivative financial instruments		(1)	(3)
Trade and other payables		(872)	(862)
Provisions for liabilities		(52)	(47)
Current tax payable		(4)	–
		<b>(1,295)</b>	<b>(1,445)</b>
<b>Net current assets</b>		<b>504</b>	<b>530</b>
<b>Total assets less current liabilities</b>		<b>16,276</b>	<b>14,465</b>
<b>Non-current liabilities</b>			
Borrowings		(10,618)	(9,164)
Derivative financial instruments		(50)	(45)
Trade and other payables		(2,064)	(1,839)
Deferred tax		(1,634)	(1,472)
Retirement benefit obligations	11	(26)	(125)
Provisions for liabilities		(43)	(49)
		<b>(14,409)</b>	<b>(12,694)</b>
<b>Net assets</b>		<b>1,841</b>	<b>1,771</b>
<b>Equity</b>			
Called up share capital		297	296
Share premium account		1,392	1,378
Other reserves		186	175
Retained earnings		(34)	(78)
<b>Total equity</b>		<b>1,841</b>	<b>1,771</b>

## Consolidated cash flow statement

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Cash generated from operations	13	<b>1,265</b>	913
Tax paid	13	–	–
<b>Net cash generated from operating activities</b>		<b>1,265</b>	913
<b>Cash flows from investing activities</b>			
Purchase of subsidiaries net of cash acquired		<b>(35)</b>	(14)
Purchases of property, plant and equipment		<b>(1,896)</b>	(1,553)
Purchases of intangible assets		<b>(46)</b>	(40)
Proceeds on disposal of property, plant and equipment		<b>5</b>	11
Net loans repaid by joint venture		<b>20</b>	1
Interest received		<b>58</b>	58
<b>Net cash outflow from investing activities</b>		<b>(1,894)</b>	(1,537)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(399)</b>	(312)
Dividends paid to shareholders of the parent		<b>(371)</b>	(356)
Repayments of borrowings		<b>(517)</b>	(55)
Principal elements of lease payments		<b>(15)</b>	(14)
New loans raised		<b>1,657</b>	1,440
Issues of shares		<b>15</b>	16
Proceeds/(payments) for swaps		<b>2</b>	(1)
<b>Net cash inflow from financing activities</b>		<b>372</b>	718
<b>Net movement in cash and cash equivalents</b>		<b>(257)</b>	94
<b>Net cash and cash equivalents at the beginning of the year</b>		<b>1,045</b>	951
<b>Net cash and cash equivalents at end of year</b>		<b>788</b>	1,045
Cash at bank and in hand		<b>33</b>	59
Bank overdrafts		<b>(8)</b>	(3)
Short term deposits		<b>763</b>	989
		<b>788</b>	1,045

## Notes to the financial statements

### 1. General information

#### Basis of preparation

The preliminary financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Financial Reporting Standards ('IFRS'). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Including undrawn committed credit facilities, the Group is fully funded for its investment and cash flow needs until August 2027. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and hence the financial statements have been prepared on the going concern basis.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The financial information set out in this announcement does not constitute the Company's statutory accounts, within the meaning of section 434 of the Companies Act 2006, for the years ended 31 March 2026 or 2025, but is derived from those accounts. While the financial information included within this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, it does not comply with the disclosure requirements of IFRS. Statutory accounts for 2025 have been delivered to the Registrar of Companies and those for 2026 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The auditors have consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under the FRC's bulletin : The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules.

### 2. Segmental analysis

#### a) Background

The Group is organised into two main business segments:

Regulated Water and Wastewater includes the activities of Severn Trent Water Limited, except affinity products, hydro-electric generation and property sales, and Hafren Dyfrdwy Cyfyngedig.

Infrastructure Services (formerly Business Services) includes the Group's Operating Services businesses, the Green Power business including Severn Trent Water's hydro-electric generation, Network Services, the Property Development business and our other non-regulated businesses including affinity products and searches.

The Severn Trent Executive Committee ('STEC') is the Group's chief operating decision maker. The reports provided to STEC include segmental information prepared on the basis described above.

Results from interests in our joint venture are not included in the segmental reports reviewed by STEC.

Goodwill is allocated and monitored at the segment level.

Transactions between reportable segments are included within segmental results, assets and liabilities in accordance with Group accounting policies. These are eliminated on consolidation.

## 2. Segmental analysis (continued)

### b) Segmental results

The following table shows the segmental turnover and PBIT:

	2026		2025	
	Regulated Water and Wastewater	Infrastructure Services	Regulated Water and Wastewater	Infrastructure Services
	£m	£m	£m	£m
External turnover	2,629	202	2,249	178
Inter-segment turnover	–	28	–	5
Total turnover	2,629	230	2,249	183
Profit before interest and tax	850	29	586	25

The reportable segments' turnover is reconciled to Group turnover as follows:

	2026 £m	2025 £m
Regulated Water and Wastewater	2,629	2,249
Infrastructure Services	230	183
Corporate and other	2	2
Consolidation adjustments	(30)	(7)
	2,831	2,427

Segmental PBIT is reconciled to the Group's profit before tax as follows:

	2026 £m	2025 £m
Regulated Water and Wastewater	850	586
Infrastructure Services	29	25
Corporate and other	(15)	(20)
Consolidation adjustments	(3)	(1)
Profit before interest and tax	861	590
Net finance costs	(302)	(244)
Net losses on financial instruments	(33)	(15)
Share of net loss of joint ventures accounted for using the equity method	(2)	(11)
Profit on ordinary activities before taxation	524	320

The Group's treasury and tax affairs are managed centrally by the Group Treasury and Tax departments. Finance costs are managed on a group basis and hence interest income and costs are not reported at the segmental level. Tax is not reported to STEC on a segmental basis.

## 2. Segmental analysis (continued)

### c) Segmental capital employed

The following table shows the segmental capital employed:

	2026		2025	
	Regulated Water and Wastewater	Infrastructure Services	Regulated Water and Wastewater	Infrastructure Services
	£m	£m	£m	£m
Operating assets	16,055	421	14,241	389
Goodwill	63	89	63	55
Segment assets	16,118	510	14,304	444
Segment operating liabilities	(3,014)	(41)	(2,866)	(42)
Capital employed	13,104	469	11,438	402

Operating assets comprise other intangible assets, biological assets, property, plant and equipment, right-of-use assets, retirement benefit surpluses, inventory and trade and other receivables.

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

## 3. Revenue from contracts with customers

Revenue recognised from contracts with customers is analysed by type of revenue and by business segment below:

Year ended 31 March 2026

	Regulated Water and Wastewater	Infrastructure Services	Corporate and other	Consolidation adjustments	Group
	£m	£m	£m	£m	£m
Water and wastewater services	2,581	–	–	–	2,581
Operating services	–	107	–	(4)	103
Network Services	–	23	–	(18)	5
Renewable energy	42	83	–	(6)	119
Other sales	6	17	2	(2)	23
	2,629	230	2	(30)	2,831

Year ended 31 March 2025

	Regulated Water and Wastewater	Infrastructure Services	Corporate and other	Consolidation adjustments	Group
	£m	£m	£m	£m	£m
Water and wastewater services	2,204	–	–	–	2,204
Operating services	–	85	–	–	85
Renewable energy	40	83	–	(5)	118
Other sales	5	15	2	(2)	20
	2,249	183	2	(7)	2,427

### Water and wastewater services

Revenue from water and wastewater services provided to customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year end. For customers who are not metered, the performance obligation is to stand ready to provide water and wastewater services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year and revenue is recognised on a straight-line basis over the financial year.

### 3. Revenue from contracts with customers (continued)

Payment received from customers in advance of the service period represents a contract liability. Changes in the Group's contract liabilities from payments received in advance were as follows:

	2026	2025
	£m	£m
Contract liability at 1 April	174	149
Revenue recognised	(1,970)	(1,669)
Cash received	1,869	1,694
Contract liability at 31 March	73	174

#### Operating services

The Operating Services business includes a material 25-year contract with multiple performance obligations. Under this contract the Group bills the customer based on an inflation-linked volumetric tariff and invoices are payable on normal commercial terms. The performance obligations; which are satisfied as the services are performed; are:

- **operating and maintaining the customer's infrastructure assets;**
- **upgrading the customer's infrastructure assets;**
- **administrating the services received from statutory water and sewerage undertakers; and**
- **administrating billing services of the customer's commercial and Non-Base Dependant customers.**

Revenue has been allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Changes to projected margins are adjusted on a cumulative basis in the period that they are identified.

Other than the provision of water and wastewater services, there is no direct correlation between the satisfaction of the performance obligations and the timing of billing and customer payments. The estimated transaction price for the contract is derived from estimates of the customer's consumption at the contract tariff rate, adjusted for inflation. This estimate is updated on an annual basis. The estimated transaction price has increased from 31 March 2025 as a result of higher inflation and consumption. At 31 March 2026 the aggregate amount of the estimated transaction price allocated to performance obligations that were not satisfied was £249 million (2025: £306 million). This amount is expected to be recognised as revenue as follows:

	2026	2025
	£m	£m
In the next year	60	59
Between one and five years	189	247
After more than five years	–	–
	249	306

The assumptions and other sources of estimation uncertainty in relation to this contract do not present a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year and are therefore not included as a source of estimation uncertainty.

Revenue recognised in excess of amounts billed is recorded as a contract asset and amounts billed in excess of revenue recognised are recorded as contract liabilities. Changes in contract assets in the year were as follows:

	2026	2025
	£m	£m
Contract asset at 1 April	31	47
Amounts billed	(64)	(64)
Revenue recognised	62	48
Contract asset at 31 March	29	31

#### 4. Finance income

	2026	2025
	£m	£m
Interest income earned on bank deposits	51	53
Other financial income	6	5
<b>Total interest receivable</b>	<b>57</b>	<b>58</b>
Interest income on defined benefit scheme assets	93	85
	<b>150</b>	<b>143</b>

#### 5. Finance costs

	2026	2025
	£m	£m
Interest expense charged on:		
Bank loans and overdrafts	39	41
Other loans	309	242
Lease liabilities	4	4
Total borrowing costs	352	287
Other financial expenses	–	4
Interest cost on defined benefit scheme liabilities	100	96
	<b>452</b>	<b>387</b>

#### 6. Net losses on financial instruments

	2026	2025
	£m	£m
Loss on swaps used as hedging instruments in fair value hedges	(12)	(1)
Gain arising on debt in fair value hedges	13	5
Exchange (loss)/gain on other loans	(69)	11
Net loss on terminated hedges transferred from equity	(7)	(13)
Gain/(loss) arising on swaps where hedge accounting is not applied	41	(18)
Amortisation of fair value adjustment on debt	1	1
	<b>(33)</b>	<b>(15)</b>

## 7. Tax

	2026	2025
	£m	£m
<b>Current tax</b>		
Current year at 25% (2025: 25%)	–	1
Prior years	3	(1)
<b>Total current tax charge</b>	<b>3</b>	<b>–</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences:		
Current year	139	85
Prior years	11	6
<b>Total deferred tax charge</b>	<b>150</b>	<b>91</b>
	<b>153</b>	<b>91</b>

## 8. Dividends

Amounts recognised as distributions to owners of the Company in the year:

	2026		2025	
	Pence per share	£m	Pence per share	£m
Final dividend for the year ended 31 March 2025 (2024)	73.03	220	70.10	210
Interim dividend for the year ended 31 March 2026 (2025)	50.40	151	48.68	146
Total dividends paid	123.43	371	118.78	356
<b>Proposed final dividend for the year ended 31 March 2026</b>	<b>75.62</b>	<b>228</b>		

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 9. Earnings per share

### a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares and those held in the Severn Trent Employee Share Ownership Trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period. Potential ordinary shares are not treated as dilutive if their conversion does not decrease earnings per share or increase loss per share.

Basic and diluted earnings per share are calculated on the basis of profit attributable to the owners of the Company.

The calculation of basic and diluted earnings per share is based on the following:

#### i) Earnings for the purpose of basic and diluted earnings per share

	2026	2025
	£m	£m
Profit for the period	371	229

#### ii) Number of shares

	2026	2025
	m	m
Weighted average number of ordinary shares for the purpose of basic earnings per share	300.4	299.5
Effect of dilutive potential ordinary shares:		
- share options and LTIPs	1.1	0.7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	301.5	300.2

### b) Adjusted earnings per share

	2026	2025
	pence	pence
Adjusted basic earnings per share	184.4	112.1
Adjusted diluted earnings per share	183.7	111.8

Adjusted earnings per share figures are presented for continuing operations. These exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments, and deferred tax in both 2026 and 2025. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures set out above.

The adjustments to earnings that are made in calculating adjusted earnings per share are as follows:

	2026	2025
	£m	£m
Earnings for the purpose of basic and diluted earnings per share	371	229
Adjustments for:		
- net losses on financial instruments	33	15
- deferred tax	150	91
Earnings for the purpose of adjusted basic and diluted earnings per share	554	335

## 10. Investment in joint venture

Our principal joint venture undertaking at 31 March 2026 is Water Plus Group Limited, which is the largest business retailer in the non-household retail water market in England and Scotland.

Movements in the investment were as follows:

	2026	2025
	£m	£m
Carrying value of joint venture investment at 1 April	2	13
Group's share of loss after tax and comprehensive loss	(2)	(11)
Carrying value of joint venture investment at 31 March	–	2

During the current year, the Group has recognised its share of Water Plus's losses of £2 million (2025: £11 million) against the value of the investment.

As at 31 March 2026, the Group's unrecognised share of joint venture losses amounts to £3 million (2025: nil). These losses have not been recognised in the consolidated financial statements.

## 11. Retirement benefit schemes

The Group operates three defined benefit schemes in the UK, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual. The Group also has an unfunded obligation to provide benefits to certain former employees whose earnings were in excess of the pensions cap that operated when the benefits were accrued. The Group participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme, which is a defined benefit sectionalised scheme (the 'DVWS').

The defined benefit pension schemes and the dates of their last completed formal actuarial valuations as at the accounting date are as follows:

	Date of last formal actuarial valuation
Severn Trent Pension Scheme ('STPS')*	31 March 2025
Severn Trent Mirror Image Pension Scheme ('MIPS')	31 March 2022
Water Companies Pension Scheme – Dee Valley Water Limited Section ('DVWS')	31 March 2023

\* The STPS is by far the largest of the Group's UK defined benefit schemes, comprising around 94% of the Group's overall defined benefit obligations.

The major financial assumptions used in the accounting valuation of the obligations for the STPS which represents by far the largest defined benefit obligation for the Group were as follows:

	2026 %	2025 %
Price inflation - RPI	3.4	3.1
Price inflation - CPI	<b>Pre 2030:</b> <b>Post 2030:</b>	2.1 3.0
Discount rate	6.1	5.8
Pension increases	3.4	3.1
Remaining life expectancy for members currently aged 60 (years)		
- men	26.0	25.8
- women	27.9	28.7

The calculation of the scheme obligations is sensitive to the actuarial assumptions and in particular to the assumptions relating to discount rate, price inflation (capped, where relevant) and mortality. The following table summarises the estimated impact on the Group's obligations from changes to key actuarial assumptions whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1% pa	Decrease/increase by £18 million
Price inflation	Increase/decrease by 0.1% pa	Increase/decrease by £15 million
Mortality	Increase in life expectancy by 1 year	Increase by £58 million

In reality, inter-relationships exist between the assumptions, particularly between the discount rate and price inflation. The above analysis does not take into account the effect of these inter-relationships. Also, in practice any movement in obligations arising from assumption changes are likely to be accompanied by movements in asset values – and so the impact on the accounting deficit may be lower than the impact on the obligations shown above.

The defined benefit assets have been updated to reflect their market value as at 31 March 2026. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income. Service cost and the cost of administering the scheme are recognised in operating costs; interest cost is recognised in net finance costs.

## 11. Retirement benefit schemes (continued)

Movements in the net deficit recognised in the balance sheet were as follows:

	Fair value of plan assets	Defined benefit obligations	Net deficit
	£m	£m	£m
At 31 March 2025	1,677	(1,797)	(120)
Past service cost	–	(2)	(2)
Scheme administration costs	(4)	–	(4)
Interest income/(cost)	93	(100)	(7)
Return on plan assets	14	–	14
Actuarial gains recognised in the statement of comprehensive income	–	26	26
Contributions from the sponsoring companies	72	–	72
Employees' contributions and benefits paid	(119)	119	–
<b>At 31 March 2026</b>	<b>1,733</b>	<b>(1,754)</b>	<b>(21)</b>

The net deficit is presented on the balance sheet as follows:

	2026 £m	2025 £m
Retirement benefit surplus	5	5
Retirement benefit obligations	(26)	(125)
	<b>(21)</b>	<b>(120)</b>

## 12. Acquisitions

Details of the more significant acquisitions are set out below.

Goodwill recognised on business combinations is not deductible for tax purposes.

### a) Industrial Water Jetting Systems Limited

On 31 July 2025, the Company acquired the trade and assets of Industrial Water Jetting Systems Limited for a total consideration of £13 million. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	12
Deferred consideration	1
Total consideration	13

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Property, plant and equipment	6
Net identifiable assets acquired	6
Add: goodwill	7
	13

The fair value of the acquired net assets of £6 million is provisional, as management evaluation of the fair value of net assets remains ongoing.

### b) Watertight Management Limited and Synergen Holdings Limited

On 1 August 2025, the Company acquired 100% of the issued shares in Watertight Management Limited and Synergen Holdings Limited as part of a strategic supply chain integration, for a total consideration of £26 million. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	20
Deferred consideration	4
Contingent consideration	2
Total consideration	26

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Property, plant and equipment	1
Trade and other receivables	4
Cash and cash equivalents	4
Inventory	1
Trade and other payables	(5)
Net identifiable assets acquired	5
Add: goodwill	21
	26

The fair value of the acquired net assets of £5 million is provisional, as management evaluation of the fair value of net assets remains ongoing.

## 12. Acquisitions (continued)

The Group also paid £9 million consideration relating to the acquisition of Reigate Environmental Services Limited and Howlett Associates Water Treatment Limited resulting in the recognition of £8 million goodwill.

Total acquisition related costs of £1 million were recognised as an expense in the income statement.

## 13. Cash flow

### a) Reconciliation of operating profit to operating cash flows

	2026	2025
	£m	£m
<b>Profit before interest and tax</b>	<b>861</b>	590
Depreciation of property, plant and equipment	441	410
Depreciation of right-of-use assets	7	7
Amortisation of intangible assets	50	38
Impairment of property, plant and equipment	10	14
Pension service cost	2	–
Defined benefit pension scheme administration costs	4	4
Defined benefit pension scheme contributions	(72)	(70)
Share based payment charge	13	11
Profit on sale of property, plant and equipment and intangible assets	(5)	(5)
Release from deferred credits	(18)	(18)
Contributions and grants received	53	44
Provisions charged to the income statement	21	26
Utilisation of provisions for liabilities	(63)	(56)
<b>Operating cash flows before movements in working capital</b>	<b>1,304</b>	995
Increase in inventory	(5)	(2)
Increase in amounts receivable	(45)	(64)
Increase/(decrease) in amounts payable	11	(16)
<b>Cash generated from operations</b>	<b>1,265</b>	913

### 13. Cash flow (continued)

#### b) Non-cash transactions

Non-cash additions to right-of-use assets during the year were £8 million (2025: £5 million). Assets transferred from developers at no cost were recognised at their fair value of £124 million (2025: £189 million). Under the LTIP 194,051 (2025: 185,056) shares were issued to employees for no cash consideration.

#### c) Exceptional cash flows

There were no cash flows from items classified as exceptional in the income statement (2025: nil).

#### d) Reconciliation of movement in cash and cash equivalents to movement in adjusted net debt

	Net cash and cash equivalents £m	Bank loans £m	Other loans £m	Lease liabilities £m	Fair value accounting adjustments £m	Exchange on currency debt not hedge accounted £m	Loans due from joint venture £m	Adjusted net debt £m
At 1 April 2025	1,045	(785)	(8,798)	(111)	23	10	71	(8,545)
Cash flow	(257)	6	(1,146)	15	–	–	(20)	(1,402)
Fair value adjustments	–	–	19	–	(19)	–	–	–
Inflation uplift on index-linked debt	–	(5)	(88)	–	–	–	–	(93)
Foreign exchange	–	–	(69)	–	–	69	–	–
Other non-cash movements	–	(1)	(5)	(8)	–	–	–	(14)
<b>At 31 March 2026</b>	<b>788</b>	<b>(785)</b>	<b>(10,087)</b>	<b>(104)</b>	<b>4</b>	<b>79</b>	<b>51</b>	<b>(10,054)</b>

### 14. Post balance sheet events

Following the year end the Board of Directors has proposed a final dividend of 75.62 pence per share.

### 15. Contingent liabilities

#### a) Bonds and guarantees

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability (2025: nil) is expected to arise in respect of either bonds or guarantees.

#### b) Ongoing combined sewer overflow investigations

Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry. The Environment Agency is investigating all English wastewater companies in respect to compliance with conditions of permits (therefore excluding Hafren Dyfrdwy Cyfyngedig). Ofwat has been investigating all English and Welsh wastewater companies' compliance with licence conditions, section 94 of the Water Industry Act 1991 and the Urban Wastewater Treatment Regulations.

## 15. Contingent liabilities (continued)

### b) Ongoing combined sewer overflow investigations (continued)

In summer 2024, Ofwat served notices upon Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, along with the other companies that had previously been excluded from the original list of enforcement cases, to enable Ofwat to request information to ascertain whether or not there has in-fact been any non-compliance in relation to their wastewater treatment processes as part of Ofwat's sector wide investigation. Both the Ofwat and EA investigations are ongoing. We have responded quickly and comprehensively to all questions from the regulators and have had open conversations with them on the issues under investigation.

### c) Collective Action Claim

In December 2023, STW and Severn Trent Plc were served with the collective proceedings order ('CPO') application, alongside five other water and sewerage companies for separate (but equivalent) claims, in respect of potential collective proceedings to be brought before the Competition Appeal Tribunal ('CAT') (formerly referred to as the "Leigh Day Claim"). The Group have received a claim for £239 million (excluding interest) on behalf of a class comprising certain consumers of STW (on an opt-out basis) who alleged to have been overcharged for sewerage services as a result of an alleged abuse of a dominant position.

The preliminary Certification Hearing to determine if the claim is capable of being heard by the CAT and should proceed to trial was held on 23 September 2024 and on 7 March 2025 the CAT handed down judgment. The CAT held that the alleged failure of the potential defendants to supply accurate information for the statutory regime of price control under the Water Industry Act 1991 was an "essential ingredient" of the claimant's claims for breach of statutory duty under the Competition Act 1998. As a result, the CAT concluded that the claims for abuse of dominance were excluded by s18(8) of the Water Industry Act 1991 and dismissed. On 28 March 2025 the claimant sought permission to appeal the dismissal with the CAT. On 5 March 2026, the Court of Appeal dismissed the appeal. On 9 April 2026, Professor Roberts applied for permission to appeal to the Supreme Court. It is unknown if the Supreme Court will pick up the appeal but we remain hopeful that the Supreme Court will not grant permission to appeal, not least as it has recently considered the leading authority for this claim (i.e. Manchester Ship Canal), and the matter is finally concluded.

## 16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Trading transactions between the Group and its joint venture Water Plus are disclosed below.

	2026 £m	2025 £m
Sale of services	238	234
Net interest income	4	5
	<b>242</b>	<b>239</b>

Outstanding balances between the Group and the joint venture as at 31 March were as follows:

	2026 £m	2025 £m
Amounts due to related parties	–	(1)
Loans receivable from joint venture	51	71
	<b>51</b>	<b>70</b>

The retirement benefit schemes operated by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 11.

## 16. Related party transactions (continued)

### Remuneration of key management personnel

Key management personnel comprise the members of STEC during the year, and non-executive directors of the Company.

The remuneration of the directors is included within the amounts disclosed below. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report in the 2026 Annual Report and Accounts.

2026	Fixed pay and	Bonus	Bonus	LTIPs	Service	Total
	benefits	Bonus	(deferred into		Contracts	
	£'000	£'000	shares)	£'000	£'000	£'000
Non-Executive Directors	–	–	–	–	783	783
Executive Directors	1,625	112	112	1,304	–	3,153
Other members of the executive committee	2,621	1,319	1,301	1,616	–	6,857
	4,246	1,431	1,413	2,920	783	10,793

  

2025	Fixed pay and	Bonus	Bonus (deferred	LTIPs	Service	Total
	benefits	Bonus	into shares)		Contracts	
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive Directors	–	–	–	–	754	754
Executive Directors	1,562	665	665	1,884	–	4,776
Other members of the executive committee	2,422	1,124	1,124	1,197	–	5,867
	3,984	1,789	1,789	3,081	754	11,397

The remuneration amounts disclosed above for executives are equivalent to those disclosed in the 'total single figure of remuneration (audited)' in the annual report on remuneration with the exception of members who have not been in office for the full financial year. The remuneration for these individuals is pro-rated in the directors' remuneration report whereas the table above presents their remuneration for the full financial year.

## 17. Alternative Performance Measures ('APMs')

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APMs'). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own APMs, these might not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

### a) Adjusted earnings per share

Adjusted earnings per share figures exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments and deferred tax. The Directors consider that the adjusted figures provide a useful additional indicator of performance and remove non-performance related distortions. See note 9.

### b) Adjusted net debt

Adjusted net debt comprises borrowings excluding fair value accounting adjustments on debt, net cash and cash equivalents, and loans to joint ventures. Foreign currency borrowings that are hedged by cross currency swaps are included at the notional principal of the sterling payable leg of the swap. See note 13.

## 17. Alternative Performance Measures (APMs) (continued)

### c) Effective interest cost

The effective interest cost is calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs divided by the monthly average adjusted net debt during the year.

	2026	2025
	£m	£m
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Capitalised finance costs	150	103
	<b>445</b>	<b>337</b>
Average adjusted net debt	<b>9,237</b>	<b>7,755</b>
Effective interest cost	<b>4.8%</b>	<b>4.3%</b>

This APM is used as it shows the average finance cost for the adjusted net debt of the business.

### d) Effective cash cost of interest

The effective cash cost of interest is calculated on the same basis as the effective interest cost except that it excludes finance costs that are not paid in cash but are accreted to the carrying value of the debt (principally indexation adjustments on index-linked debt).

	2026	2025
	£m	£m
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Indexation adjustments	(93)	(70)
Capitalised finance costs	150	103
	<b>352</b>	<b>267</b>
Average adjusted net debt	<b>9,237</b>	<b>7,755</b>
Effective cash cost of interest	<b>3.8%</b>	<b>3.4%</b>

This is used as it shows the average finance cost that is paid in cash.

### e) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

	2026	2025
	£m	£m
PBIT	861	590
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Net finance costs excluding net finance costs from pensions	<b>295</b>	<b>234</b>
	<b>ratio</b>	<b>ratio</b>
PBIT interest cover ratio	<b>2.9</b>	<b>2.5</b>

This is used to show how the PBIT of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

## 17. Alternative Performance Measures (APMs) (continued)

### f) EBITDA and EBITDA interest cover

The ratio of profit before interest, tax, depreciation and amortisation to net finance costs excluding net finance costs from pensions.

	2026	2025
	£m	£m
PBIT	861	590
Depreciation (including right-of-use assets)	448	416
Amortisation	50	38
Impairment	10	14
EBITDA	1,369	1,058
Net finance costs	302	244
Net finance costs from pensions	(7)	(10)
Net finance costs excluding finance costs from pensions	295	234
EBITDA interest cover ratio	4.6	4.5

This is used to show how the EBITDA of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

### g) Adjusted effective current tax rate

The current tax charge for the year, excluding prior year charges and current tax on financial instruments, divided by profit before tax, net losses/gains on financial instruments and share of net loss of joint ventures accounted for using the equity method.

	2026	2025
	Current tax thereon	Current tax thereon
	£m	£m
Profit before tax	524	320
Adjustments		
Share of net loss of joint venture	2	11
Net losses on financial instruments	33	15
	559	346
Adjusted effective current tax rate	0%	0%

This APM is used to remove distortions in the tax charge and create a metric consistent with the calculation of adjusted earnings per share in note 9. Share of net loss of joint ventures is excluded from the calculation because the loss is included after tax and so the tax on joint venture profits is not included in the current tax charge.

### h) Operational cash flow

Cash generated from operations less contributions and grants received.

	2026	2025
	£m	£m
Cash generated from operations	1,265	913
Contributions and grants received	(53)	(44)
Operational cashflow	1,212	869

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

## 17. Alternative Performance Measures (APMs) (continued)

### i) Cash capex

Cash paid to acquire property, plant and equipment and intangible fixed assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible fixed assets.

	2026	2025
	£m	£m
Purchases of property, plant and equipment	<b>1,896</b>	1,553
Purchases of intangible assets	<b>46</b>	40
Contributions and grants received	<b>(53)</b>	(44)
Proceeds on disposal of property, plant and equipment	<b>(5)</b>	(11)
Cash capex	<b>1,884</b>	1,538

This APM is used to show the cash impact of the Group's capital programmes.

### j) Capital investment

Additions to property, plant and equipment and intangible fixed assets less contributions and grants received, assets contributed at no cost, and capitalised finance costs.

	2026	2025
	£m	£m
Additions to property, plant and equipment	<b>2,235</b>	1,969
Additions to intangible assets	<b>46</b>	40
Contributions and grants received	<b>(53)</b>	(44)
Assets contributed at no cost	<b>(124)</b>	(189)
Capitalised finance costs	<b>(150)</b>	(103)
Capital investment	<b>1,954</b>	1,673

Includes £42 million (2025: £42 million) of provisions for future capital expenditure arising from regulatory obligations.

## **Glossary**

### **Asset Management Plan (AMP)**

Price limit periods are sometimes known as AMP (Asset Management Plan) periods. The period 2025-2030 is known as AMP8 because it is the seventh cycle since the water industry was privatised in 1989.

### **C-MeX (Customer Measure of Experience)**

C-MeX is the incentive mechanism for companies to improve the experience of residential customers. C-MeX comprises two surveys – the customer service survey of residential customers who have recently contacted their water company and the customer experience random survey of members of the public in relation to their experience of their water company.

### **D-MeX (Developer Services Measure of Experience)**

D-MeX is the incentive mechanism for companies to improve the experience of developer services customers. D-MeX comprises a qualitative element which is a survey of developer services customers who have recently completed a transaction with their water company and a quantitative element which measures performance against a set of Water UK developer services level of service metrics.

### **Infrastructure Renewals Expenditure**

The costs of like-for-like replacement of infrastructure components. These are recognised in the income statement as they arise.

### **Notional Net Debt**

For each price review Ofwat sets a notional capital structure for companies in determining prices limits. This includes a notional (assumed) regulated gearing level. Notional net debt is the RCV multiplied by the notional regulated gearing level.

### **Ofwat**

The water industry's economic regulator in England & Wales.

### **Outcome Delivery Incentive (ODI)**

A framework made up of outcomes, measures, targets and incentives which provides companies with rewards for achieving stretching performance targets and compensates customers if performance is below performance targets.

### **PR19 and PR24**

The price review (PR) is a financial review process led by Ofwat where wholesale price controls for water and sewerage companies are set every five years. PR19 (Price Review 2019) set wholesale price controls for water and sewerage companies for 2020 to 2025. PR24 (Price Review 2024) will set wholesale price controls for water and sewerage companies for 2025 to 2030.

### **Price Control Deliverables (PCDs)**

Price Control Deliverables set expectations for delivery of improvements funded through enhancement expenditure allowances. Where water companies fail to deliver these outcomes they will return funding to customers, and where they deliver their programme on time they will earn a reward.

### **Price Limits**

The Price Limits are set to enable water companies to deliver the services required of them over the AMP period. These include allowing for capital maintenance of assets, ensuring security of supply and meeting drinking water and environmental quality requirements.

### **Real Options**

Real Options are commitments that were agreed with Ofwat at PR19 to be adjusted to the RCV (see below) at the end of the AMP contingent on the delivery of environmental benefits, which are either delivered or on track.

### **Reasons for Not Achieving Good Status (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.

**Regulatory Capital Value (RCV), Regulatory Asset Base**

The regulatory capital value is used to measure the capital base of a company when setting price limits. The RCV increases each year by a proportion of totex that is set at each price review and by an adjustment for inflation. The RCV is reduced each year through the run-off mechanism (which is similar to depreciation of fixed assets). The run-off amount is recovered through revenue in the year.

**Regulatory Return**

The return generated on actual regulatory equity, calculated using average actual gearing applied to the Final Determination RCV. It encompasses the base return, outperformance, and the uplift to our regulatory asset base from inflation, and is stated on the actual company structure.

**Reopener**

Additional expenditure to be approved by Ofwat as part of the cost change process over and above the Final Determination.

**Return on Regulated Equity (RoRE)**

Return on Regulated Equity (RoRE) measures the returns (after tax and interest) that companies have earned by reference to regulated equity, where regulated equity is calculated from the RCV and net debt. RoRE may be stated on a notional or actual basis using notional or actual net debt respectively.

**Totex**

Totex (shortened form of total expenditure) includes operating expenditure (opex), infrastructure renewals expenditure (IRE) and capital expenditure (capex).

**Transition Expenditure**

Spend during a regulatory period relating to programmes included in the future regulatory period plan.

## **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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