

Our business model and the investment case...

Pennon Group Plc is a large FTSE 250 company which operates and invests in utility infrastructure businesses.

The Group is committed to:

- Sustainable development
- Enhancing the environment and
- Providing high quality customer services

We have around £4.1 billion assets and employ over 4,300 people.

The Group has two principal subsidiaries:

- South West Water provides water and sewerage services in Devon, Cornwall and parts of Dorset and Somerset
- Viridor is one of the UK's leading recycling, waste management and renewable energy businesses

Half year to September 2011

Profit before tax up 11.6% to £107m

- South West Water up 8.5% to £76m
- Viridor up 7.0% to £30m

4 year financial summary

Revenue

2010/11	£1,159m
2009/10	£1,069m
2008/09	£958m
2007/08	£879m

Profit before tax

2010/11	£189m
2009/10	£186m
2008/09	£159m
2007/08	£152m

Group investment characteristics:

- Top end FTSE 250 – market capitalisation around £2.5bn
- Clearly focused strategy
- Steady growth – exposure to resource cyclical upswings
- Strong SRI credentials
- Index-linked asset base
- Defensive

Dividend per share

2010/11	24.65p
2009/10	22.55p
2008/09	21.00p
2007/08	19.81p

Underlying earnings per share (excluding deferred tax)

2010/11	42.3p
2009/10	40.8p
2008/09	36.9p
2007/08	36.3p

Secure dividend – policy of 4% per annum real increases to March 2015

South West Water Limited

“Pure Water, Pure Service and Pure Environment”

Our strategy is to add value for shareholders by outperforming the regulatory contract and delivering:

- Pure Water
- Pure Service and
- Pure Environment

Key business statistics:

- 15,100 km of water distribution mains
- 9,300 km of sewers
- – A further c5,500 km to be adopted from October 2011
- 15 impounding reservoirs
- 39 water treatment works
- 636 waste water treatment works
- 71% domestic customers metered
- c1,200 employees

Viridor

Recycling and Waste Management Business of the Year⁽¹⁾

Our strategy is to grow and add value by:

- Proactively developing new recycling operations to meet ambitious EU/UK targets
- Successfully exploiting the huge potential in waste-based renewable energy generation and
- Capitalising on our strong position in landfill

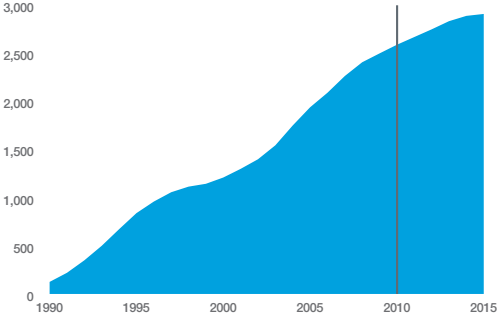
Key business statistics:

- 324 operating units as at 31 March 2011 including:
 - 26 Materials Recycling Facilities
 - 83 Household Waste Recycling Centres
 - 15 Composting/organics sites
 - 3 Energy from Waste plants
 - 34 Landfill gas power plants
- More than 90 local authority waste contracts
- c3,100 employees

⁽¹⁾ National Recycling Awards, July 2010

South West Water – Investment led growth

Regulatory Capital Value (RCV) £m



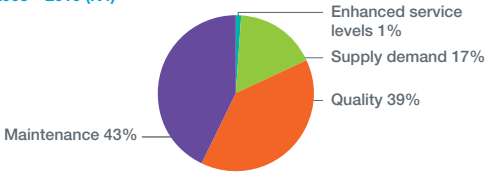
- Growth in RCV 2010-15 – 18.1%⁽¹⁾
- Expect growth in RCV to continue to exceed growth in net debt
- RCV of £2,703m at 31 March 2011, debt/RCV gearing 57%
- Potential investment to further increase RCV growth – e.g. private sewers adoption, water framework and revised bathing water directives (c£50m-£100m)

⁽¹⁾ Outturn prices growth for K5 based on RPI 3.5% for 2010/11, 3.3% average thereafter

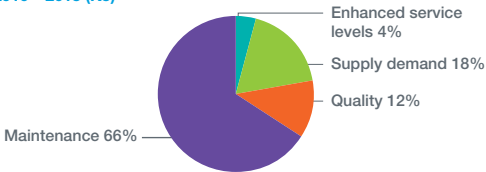
Asset maintenance focused investment programme for K5

Capital programme

2005 – 2010 (K4)



2010 – 2015 (K5)



- Targeting 5% outperformance of Final Determination

Low cost finance enhancing investor returns

Water industry 2010/11 average interest rate on net debt

Yorkshire	7.67%
Dwr Cymru	7.59%
Anglian	7.49%
Southern	7.25%
Thames	6.85%
Severn Trent	6.25%
Northumbrian	5.52%
United Utilities	4.76%
SWW	3.96%
Wessex	3.94%

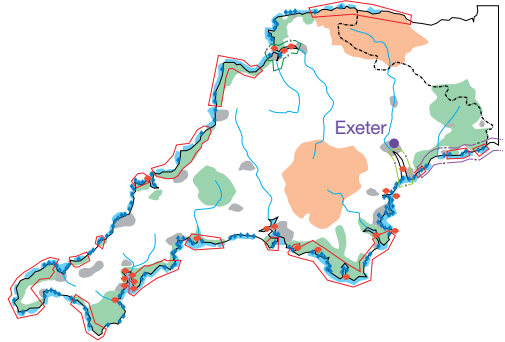
- Benefit from 2010/11 low RPI for companies with high level of index-linked debt
- SWW interest rate consistently low

Source: Pennon calculation based on company Annual Reports
Basis: Net interest payable (excluding pensions net interest) / average net debt

Delivering the Regulatory Contract – operational highlights

- 2010/11 efficiency of £8.4m (5.8%) (2009/10: £4.4m) – Ofwat target 2.8% average over K5
- Annual and 3 year rolling leakage targets achieved – despite severe winter
- No hosepipe bans or drought orders – 15th consecutive summer
- Water quality 99.97% – industry leading

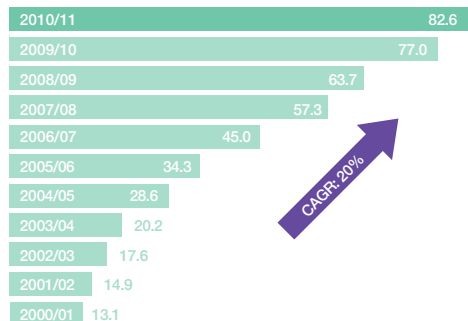
Enhancing a region of outstanding environmental quality



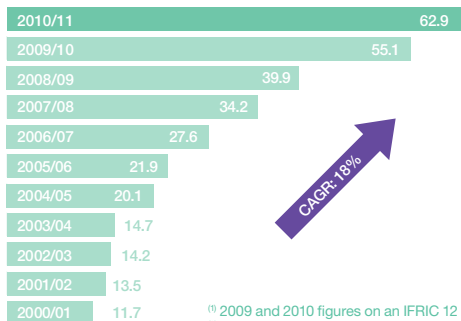
- Company Boundary (10,300 km²; 3,249 km² of Environmentally Sensitive Countryside; 1.65m resident population; 10m annual visitors)
- Population Centres
- World Heritage Coastal Site: "The Jurassic Coast"
- North Devon Biosphere Reserve
- Exe Estuary RAMSAR Site (Wetlands of International Importance)
- Environment Agency Designated Water Contact Sport Zones
- National Parks
- Areas of Outstanding Natural Beauty
- Heritage Coast Areas – 507km
- ◆ 144 EC Designated Bathing Waters (33%)
- ◆ 22 Designated Shellfish Waters (18%)

Viridor – A track record of delivering strong financial performance⁽¹⁾

PBIT + JVs⁽²⁾ £m



PBT £m

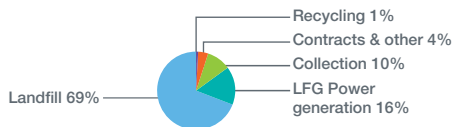


⁽¹⁾ 2009 and 2010 figures on an IFRIC 12 basis
⁽²⁾ JVs contributed from 2008

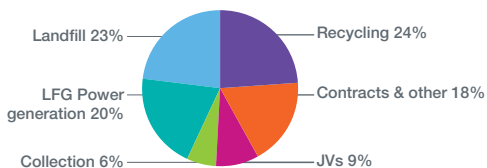
Business successfully evolving – 46% of profits from recovering value in waste

Profit contribution by segment

Year ended 31 March 2001



Year ended 31 March 2011



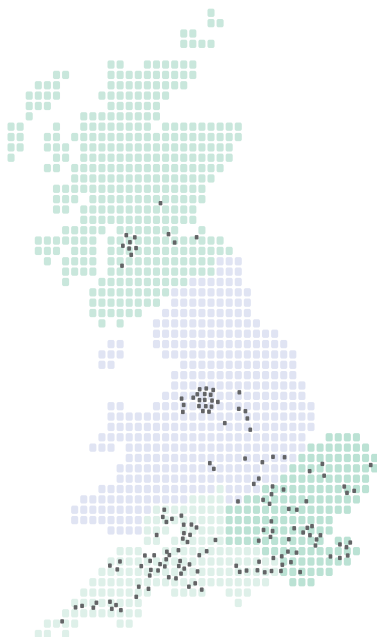
Strong investment pipeline driving future growth and shareholder value

- Successfully exploiting recycling opportunities:
 - Largest UK operator of Materials Recycling Facilities
- Successfully exploiting opportunities in renewable energy:
 - Lakeside (near Heathrow) Energy from Waste (EfW) operational
 - Runcorn Combined Heat & Power (CHP) under way
 - Oxfordshire PPP-contract signed March 2011
 - Preferred bidder for Cheshire PFI
 - Planning permission achieved for EfW plants in Exeter, Cardiff, Dunbar, Ardley and Avonmouth (Avonmouth subject to challenge)
- Healthy list of prospects
- Renewable energy summary:
 - Total operational capacity: 136.5MW⁽¹⁾
 - Total consented but not operational capacity: c.190MW⁽¹⁾
 - Target total operational capacity 300MW+ in 5 years' time

⁽¹⁾ Includes share of joint venture capacity

Main sites and facilities across the UK

Viridor has a fast-growing network of recycling, waste management and renewable energy operations across the UK. The company sells its high-quality recycleate internationally, with established relationships across Europe and in emerging markets including China and India.



	2010/11
Total waste handled	9.0 million tonnes
Waste recovered/recycled*	2.4 million tonnes
Renewable power generation capacity	136 MW

* Excludes materials used for energy generation

We are a low risk business (information below as contained in the Annual Report 2011)

Risk Factor	Exposure	Notes
Regulation	Low	<p>External factors may adversely affect existing and / or future regulatory agreements</p> <ul style="list-style-type: none"> • c.two-thirds of Pennon Group's profits economically regulated (SWW) • Viridor revenue / profit unregulated <p>Changes in environmental / quality standards could increase costs</p> <ul style="list-style-type: none"> • SWW environmental obligations addressed through five yearly price review or Interim Determination if material • Many Viridor contracts provide for indexation for legislative or technical changes
Economic downturn	Low	<p>Economic downturns may adversely affect volumes and Viridor pricing</p> <ul style="list-style-type: none"> • SWW volume risk offset by Ofwat Revenue Correction Price Control • Recyclate prices volatile but Viridor diversified revenue stream including exports to fast growing developing economies <p>Government cut-backs could impact demand</p> <ul style="list-style-type: none"> • Both businesses providing core utility services • Viridor's existing business with local authorities is covered by contracts on a variety of terms up to 25 years • New investment for both SWW and Viridor driven largely by EU targets
Financing	Low	<p>The Group may be unable to raise sufficient funds to finance its activities</p> <ul style="list-style-type: none"> • Ofwat statutory duty to ensure SWW can finance its functions • Robust treasury policies in place include substantial pre-funding / committed facilities
Operations	Low	<p>Operational failure could damage customer service and environmental performance</p> <ul style="list-style-type: none"> • Daily operations metrics in place in all operating divisions • Continuous monitoring and reporting of all SWW critical alarms through the Regional Control Centre • Established procedures, controls and contingency plans and incident management procedures in place

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