



**HSBC SRI/CleanTech Conference
Frankfurt
1-2 February 2012**



Pennon Group Plc (“Pennon Group”)

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Pennon Group Plc

Overview

- Pennon Group Plc is a large FTSE 250 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 circa 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, renewable energy and waste management businesses
- E-mail alert service available from website, www.pennon-group.co.uk
- For the latest news follow us on Twitter **@PennonGroup**

Pennon Group Plc

Corporate Responsibility Objectives:

- Manage group as sustainable and successful business
- Ensure all business activities have positive economic, social and environmental impact on the communities in which we operate
- Engage with all stakeholders and foster good relationships with them
- Strive for highest standards of health and safety in workplace
- Develop and motivate employees
- Aspire to leadership in minimising emissions contributing to climate change
- Develop climate change adaptation strategies
- Aspire to leadership in all aspects of waste prevention and resource efficiency

Pennon Group Plc

Corporate Responsibility Key Performance Indicators (KPIs) for 2010/11

Corporate responsibility KPIs	South West Water	Viridor
Renewable energy generation	13.79GWh	752GWh
Greenhouse gas emissions data	152,416tCO ₂ e	1,735,889CO ₂ e
Recycling volumes	52,400 tonnes of dry solids	1,717,512 tonnes
Community support, sponsorship and donations:	-	£0.2m
• Viridor Credits	-	£9.9m
• South West Water Community Sponsorship Fund	£79,671	-
RIDDOR accident statistics	Actual number 24 (2,008 per 100,000 employees)	Actual number 62 (2,049 per 100,000 employees)
Capital investment	£125.1m	£73.7m

Pennon

Environment Agency CRC ⁽¹⁾ league table – Pennon in top 12% of companies

Community support, sponsorship and donations:

- Pennon Environmental Fund ⁽²⁾ £72,043
- Pennon Charitable Donations Committee £78,678

⁽¹⁾ Carbon Reduction Commitment

⁽²⁾ Pennon Environmental Fund is a subset of Viridor Credits

- **SWW/Viridor notable 2010/11 SRI achievements on pages 20 and 34**

Pennon Group Plc

Investment Characteristics

- Top end of FTSE 250
- Clearly focussed strategy
- Steady growth with exposure to resource/cyclical upswings
- Strong SRI credentials
- Index-linked asset base
- Defensive
- Pennon was top ranked Utility in “Britain’s Most Admired Companies”⁽¹⁾ awards in 4 areas
 - quality of management
 - capacity to innovate
 - community and environmental responsibility
 - use of corporate assets

⁽¹⁾ *Management Today, December 2011*

Pennon Group Plc

Summary Financial Results

	For the half year ended 30 September			Full Year
	2011 £m	2010 £m	Change	2010/11 £m
Group revenue	642.6	593.2	8.3%	1,159.2
Group operating profit	143.1	133.3	7.4%	260.9
- SWW	107.9	100.4	7.5%	189.8
- Viridor	35.2	33.4	5.4%	71.6
Group profit before tax	107.4	96.2	11.6%	188.5
- SWW	76.2	70.2	8.5%	128.9
- Viridor	30.6	28.6	7.0%	62.9
- Plc/Other	0.6	(2.6)	N/A	(3.3)
Earnings per share⁽¹⁾	23.5p	21.0p	11.9%	42.3p
Dividend per share	8.22p	7.50p	9.6%	24.65p

⁽¹⁾ Underlying – before deferred tax

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Net Borrowings

	As at 30 September		As at 31 March
	2011	2010	2011
	£m	£m	£m
Loans and finance leases			
- over one year	2,390	2,339	2,390
- under one year	50	78	99
	<hr/>	<hr/>	<hr/>
	2,440	2,417	2,489
Less: cash and cash equivalents	(510)	(540)	(555)
Net borrowings	<hr/>	<hr/>	<hr/>
	1,930	1,877	1,934
	<hr/>	<hr/>	<hr/>
Net gearing ⁽¹⁾	72%	74%	71%
SWW debt/RCV	58%	58%	57%

- **Gearing stable**
- **Significant pre-funding for SWW & Viridor**
- **Net borrowings include £71m for EfW plant under construction (Runcorn II)**

⁽¹⁾ Net borrowings / (equity + net borrowings)

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Net Borrowings Analysis as at 30 September 2011

	£m
Finance leasing	1,222
Bank bilaterals - RCFs/term loans	382
EIB	259
Index-linked bond 2057	229
Bond 2040	132
Private placements	100
Convertible bond	116
Total gross debt	<u>2,440</u>
Less: Cash/liquid investments	(510)
Net borrowings	<u>1,930</u>

- **Key role of finance leasing**
- **Diversified funding sources**

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Net Interest Payable⁽¹⁾

	For the half year ended 30 September		Full Year
	2011 £m	2010 £m	2010/11 £m
Interest payable	(48.2)	(44.9)	(90.0)
Interest receivable on shareholder loans to joint ventures	3.3	3.1	6.7
Other interest receivable ⁽²⁾	6.2	2.6	6.1
Net interest payable	<u>(38.7)</u>	<u>(39.2)</u>	<u>(77.2)</u>
Average rate of interest	4.0%	4.2%	4.0%
Net interest cover	3.7x	3.4x	3.4x

- **Growing contribution from shareholder loans to JVs**
- **Effective management of interest rates**
 - **Group 4.0%**
 - **SWW 4.2%**
- **Average interest rate impacted by the cost of carry of pre-funding**
 - **SWW rate comprises debt interest cost 3.7% and cost of pre-funding 0.5%**

⁽¹⁾ Excludes pensions net interest, IFRIC12 "Contract interest receivable" and discount unwind on provisions

⁽²⁾ Includes net benefit from investment in equity-linked notes

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Efficient Financing Strategy

- Mix of fixed, floating and index-linked rate borrowings
 - locks in benefit of low interest rates versus OFWAT assumptions
 - c.24% of SWW current debt index-linked to 2041-2057
- 50% of SWW net debt fixed for K5
 - in line with Group Policy
 - weighted average rate of 3.3%
- Significant finance leasing with long maturity and secured margins
- Financing initiatives in 2011/12
 - new and renewed bank facilities £251m including:
 - £65m EIB facility committed for SWW (first tranche of a £125m facility)
 - £15m new finance lease
 - additional £100m swaps to fix SWW debt
- **Average debt maturity 22 years**
- **Index-linked debt: average real rate 1.66%**

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Fair Value of Indebtedness

As at 30 September 2011

As at 31 March 2011

	As at 30 September 2011			As at 31 March 2011		
	<u>Principal Value</u> £m	<u>Fair Value</u> £m	<u>Diff</u> £m	<u>Principal Value</u> £m	<u>Fair Value</u> £m	<u>Diff</u> £m
Finance leases	1,222	1,057	165	1,214	987	227
Bank bilaterals – RCFs/term loans	382	382	-	403	403	-
EIB	259	231	28	274	241	33
Index-linked bond 2057	229	165	64	229	183	46
Bond 2040	150	158	(8)	150	147	3
Private placements	100	86	14	100	83	17
Convertible bond	125	162	(37)	125	162	(37)
	<u>2,467</u>	<u>2,241</u>	<u>226</u>	<u>2,495</u>	<u>2,206</u>	<u>289</u>

- **'Fair value' benefit £226m**

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Liquidity

- Cash balances of £510m at 30 September 2011 (includes c.£107m deposits with Letter of Credit providers and lessors)
- Undrawn facilities of £408m at 30 September 2011
- Committed funding in place for South West Water up to March 2014
 - c.£140m will mature over the rest of K5 (c.6% of SWW gross debt)
 - c.£300m due to mature in K6

Pennon Group Plc

Dividends

- Interim dividend 2011/12 up 9.6% to 8.22p per share
- Full year dividend 2010/11 up 9.3% to 24.65p
- Scrip dividend alternative
- Sector-leading progressive dividend policy: 4% real to end of K5 period (March 2015)



SOUTH WEST WATER

South West Water Regional Context

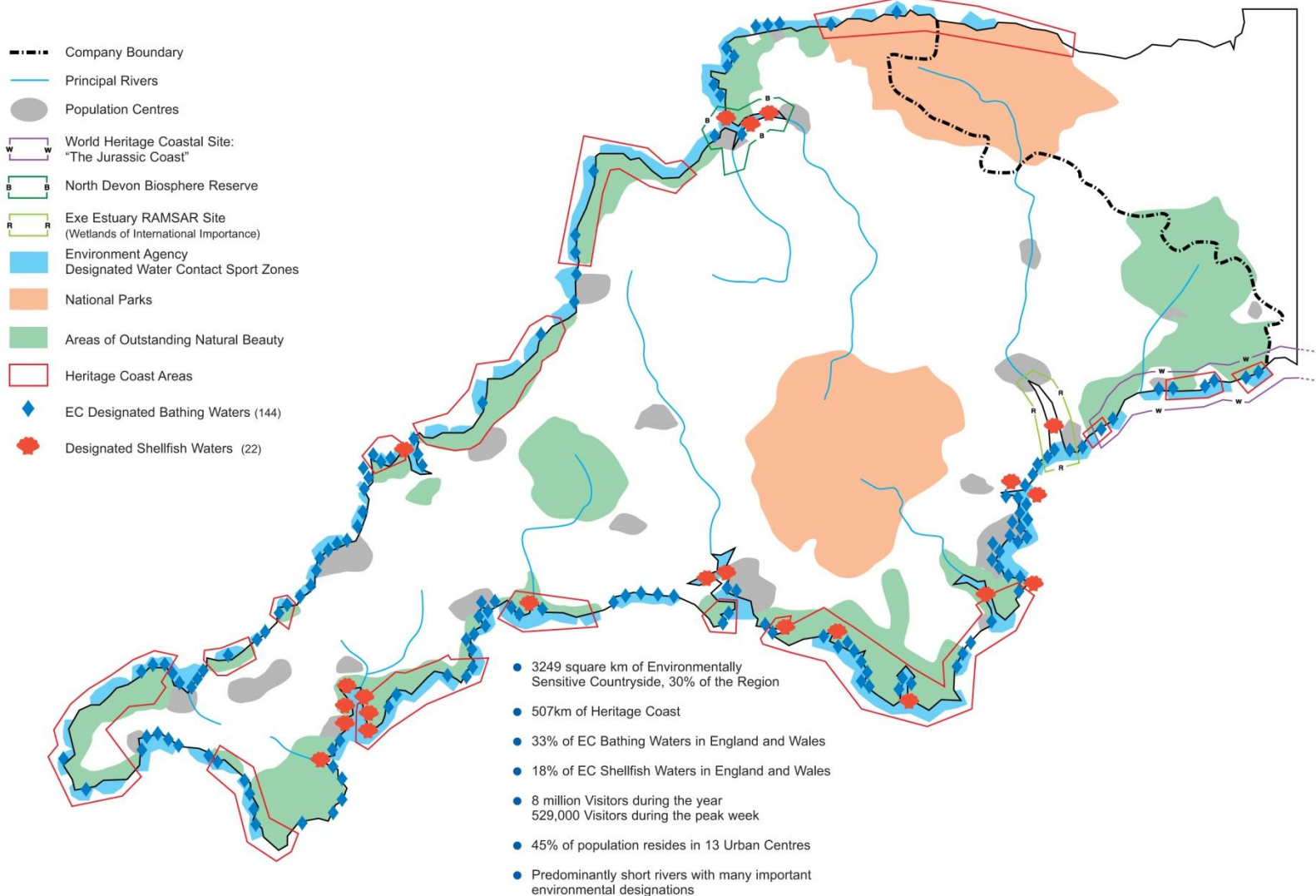


South West Water

Key Business Statistics

- 1.65m resident population; 10m annual visitors
- Water and sewerage undertaker serving a region of nearly 10,300 km²
- 15,100 km of water distribution mains; 9,300 km of sewers
- Private sewer adoption estimated to increase base by more than 50% from 1 October 2011
- 15 impounding reservoirs; 39 water treatment works; 636 waste water treatment works
- 71% domestic customers metered
- 1,200 employees
- Region of outstanding environmental quality

South West Water Environmental Context



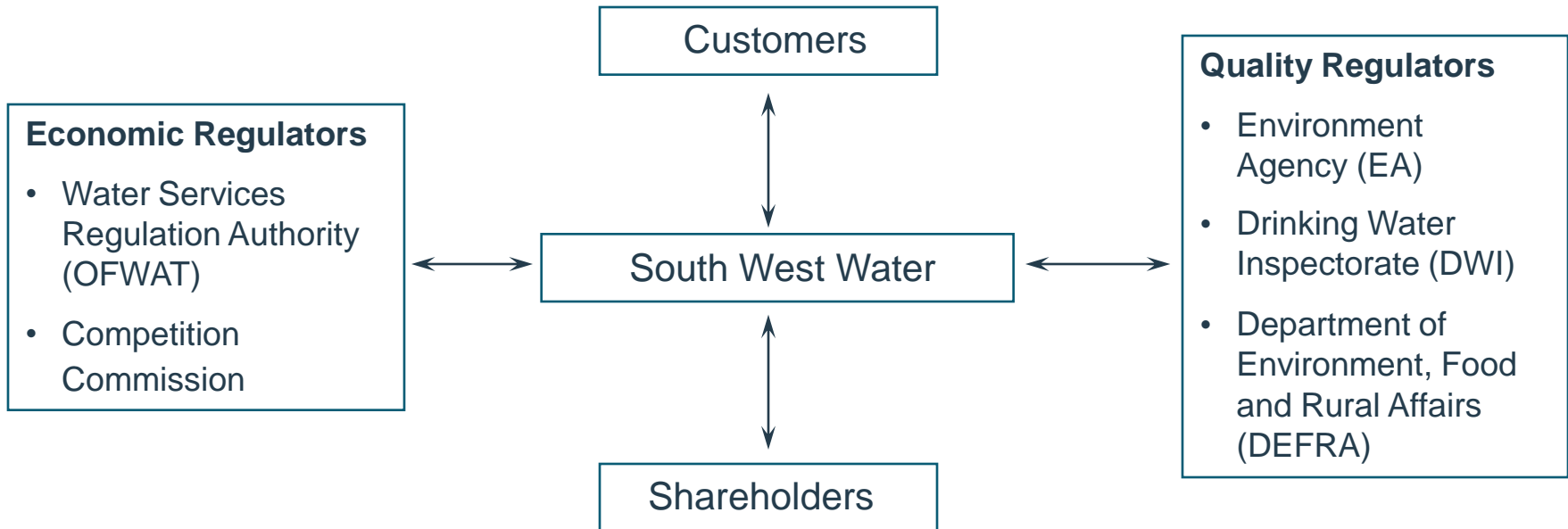
South West Water

Notable 2010/11 SRI Achievements

- No hosepipe restrictions or drought orders since 1996
- OFWAT leakage target met again (it has been met or beaten every year since inception) despite 2010 being the coldest December in England in the last 100 years
- Near perfect water quality
- Strong reliability
 - our operating assets again achieved 'stable serviceability' rating
- A reduction by over a quarter in the number of written complaints received

SWW's vision: "Pure Water, Pure Service and Pure Environment"

South West Water *Stakeholders and Regulators*



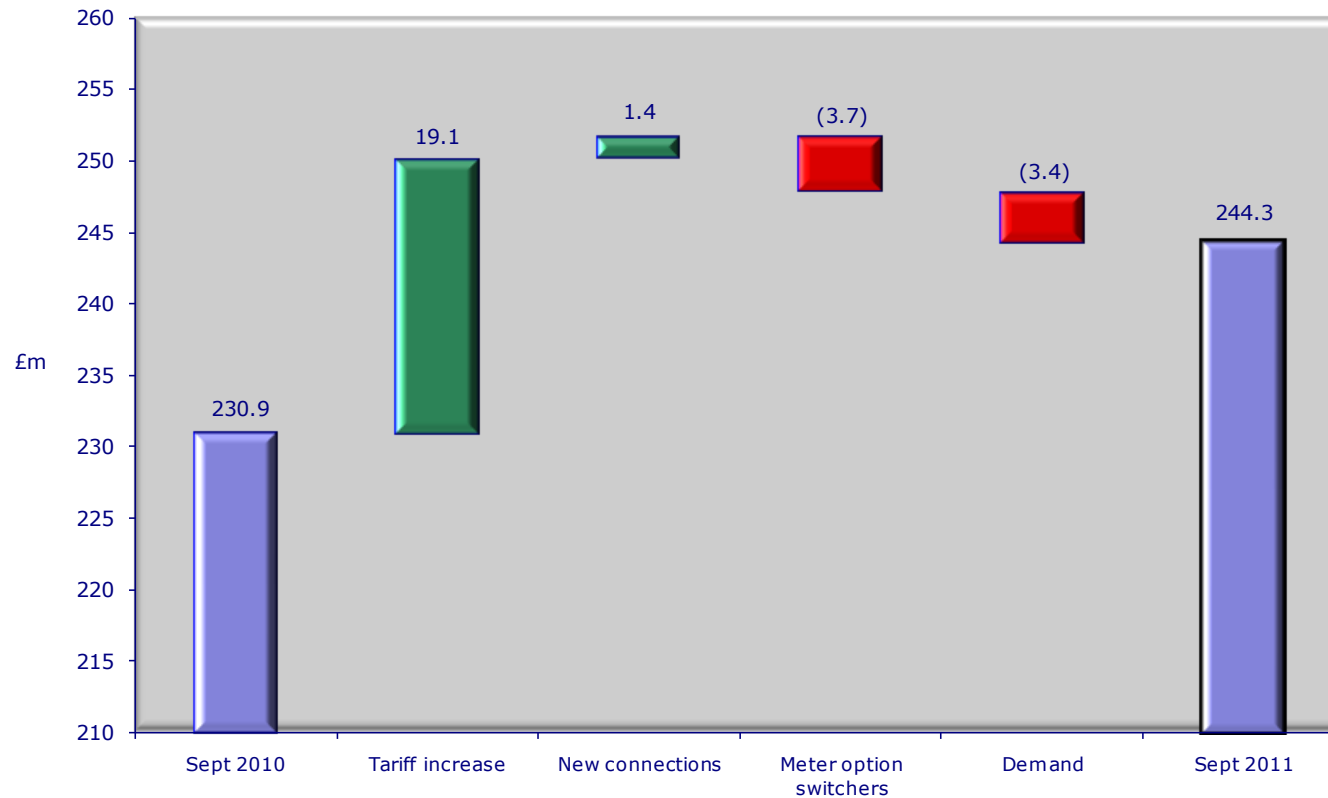
South West Water

Financial Performance Summary

	For the half year ended 30 September		Full Year
	2011	2010	2010/11
	£m	£m	£m
Revenue	244.3	230.9	448.8
Operating profit	107.9	100.4	189.8
Profit before tax	76.2	70.2	128.9

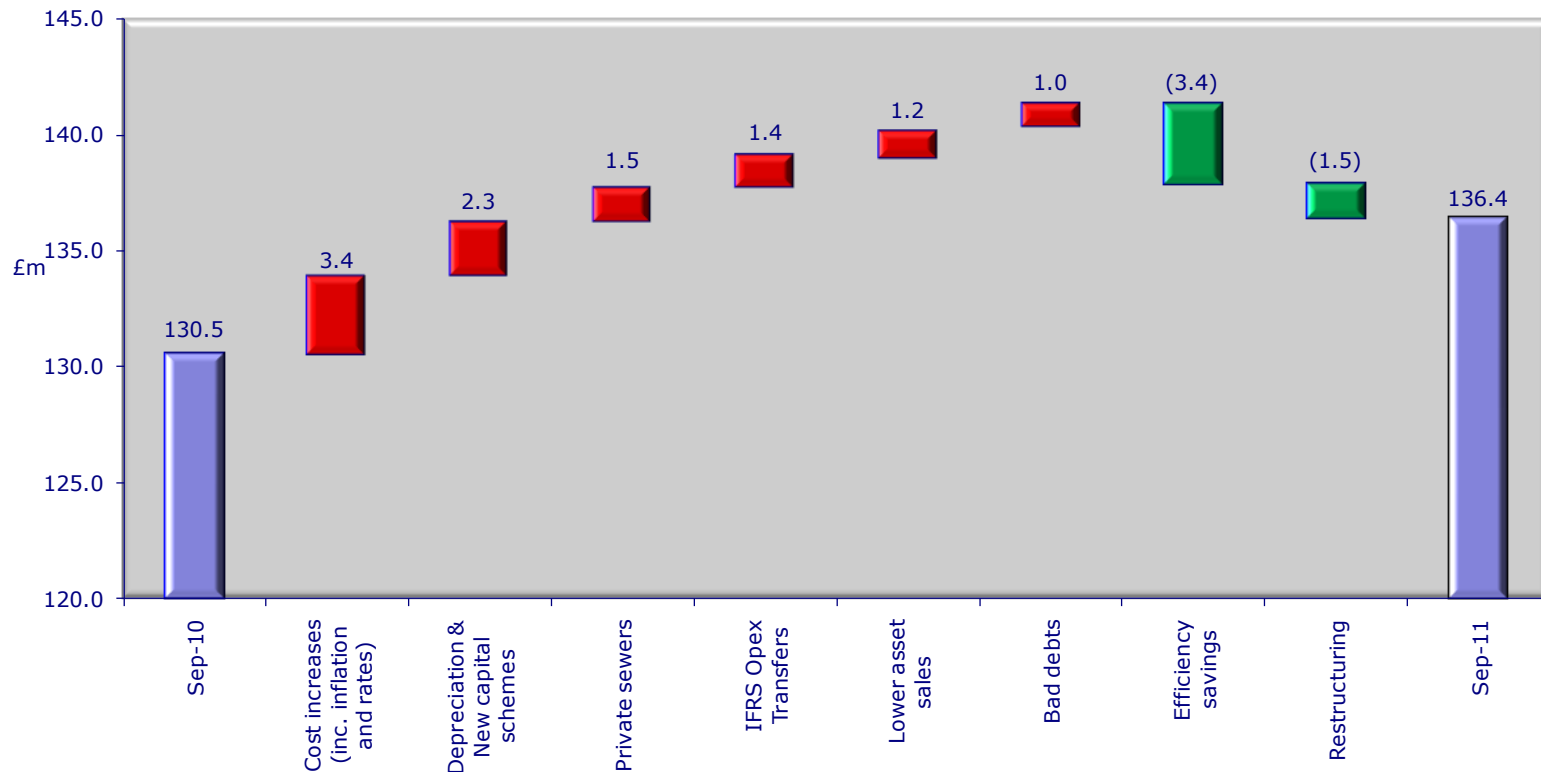
- Revenue up 5.8%
- Operating profit up 7.5%
- Profit before tax up 8.5%

South West Water Revenue



- Tariff increase of 8.1% (inc RPI)
- Reduced metered customer usage -2.3%, further demand falls expected in H2
- 72.5% of domestic customers metered

South West Water Operating Costs

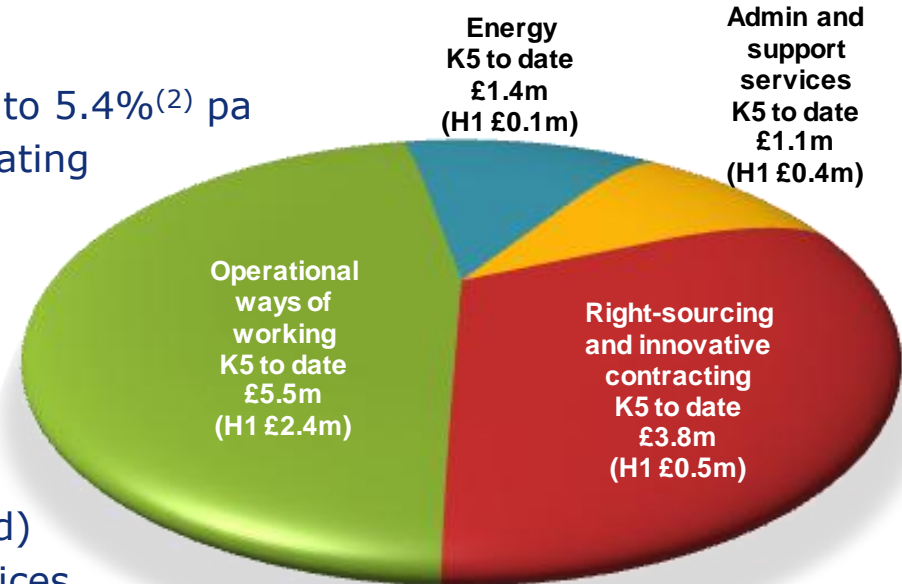


- Cost increases lower than RPI - efficiency savings offsetting cost increases
- New capital scheme costs and depreciation reflects growing asset base
- Lower asset sales reflecting the current market conditions
- Bad debts reflect the challenging economic environment

South West Water Operating Cost Efficiency

- Good operational cost control in a high inflation environment
- On track to deliver 2.8%⁽¹⁾ pa required efficiency over K5
 - focus on front loaded delivery
 - maintaining the pace – equivalent to 5.4%⁽²⁾ pa
 - targeting highest efficiency band rating
- Cumulative K5 efficiency £11.8m
 - £3.4m in H1 2011/12
- Efficiency programme progressing well
 - operational ways of working (PUROS⁽³⁾)
 - energy procurement and usage (94% of energy requirements fixed)
 - rationalising admin & support services
 - right-sourcing and innovative contracting

K5 cumulative operating cost efficiencies to September 2011



⁽¹⁾ Average over K5

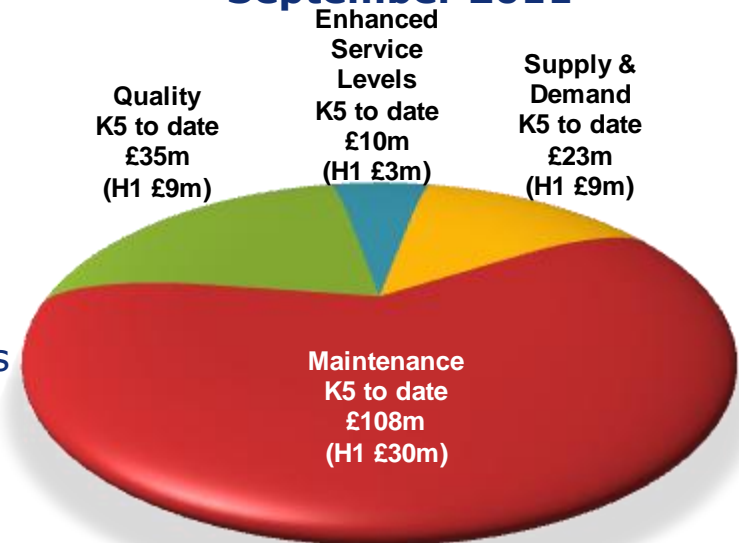
⁽²⁾ Annual equivalent rate based on first 18 months of K5

⁽³⁾ PUROS – Phased Utilisation of Remote Operating Systems

South West Water Capital Programme

- Maintenance focused investment programme
- Cumulative K5 capex £176m
- Expenditure £50.9m H1 2011/12 (H1 2010/11 £40.3m)
 - investment in new resources:
 - Park & Stannon lakes now fully operational
 - 1st borehole in 18 years being developed
 - major upgrades at 3 water treatment works
 - programme of waste water works enhancements
- Capex lower than CIS baseline to date in K5⁽¹⁾
- Targeting continued below CIS baseline expenditure and a 5% outperformance for K5⁽²⁾

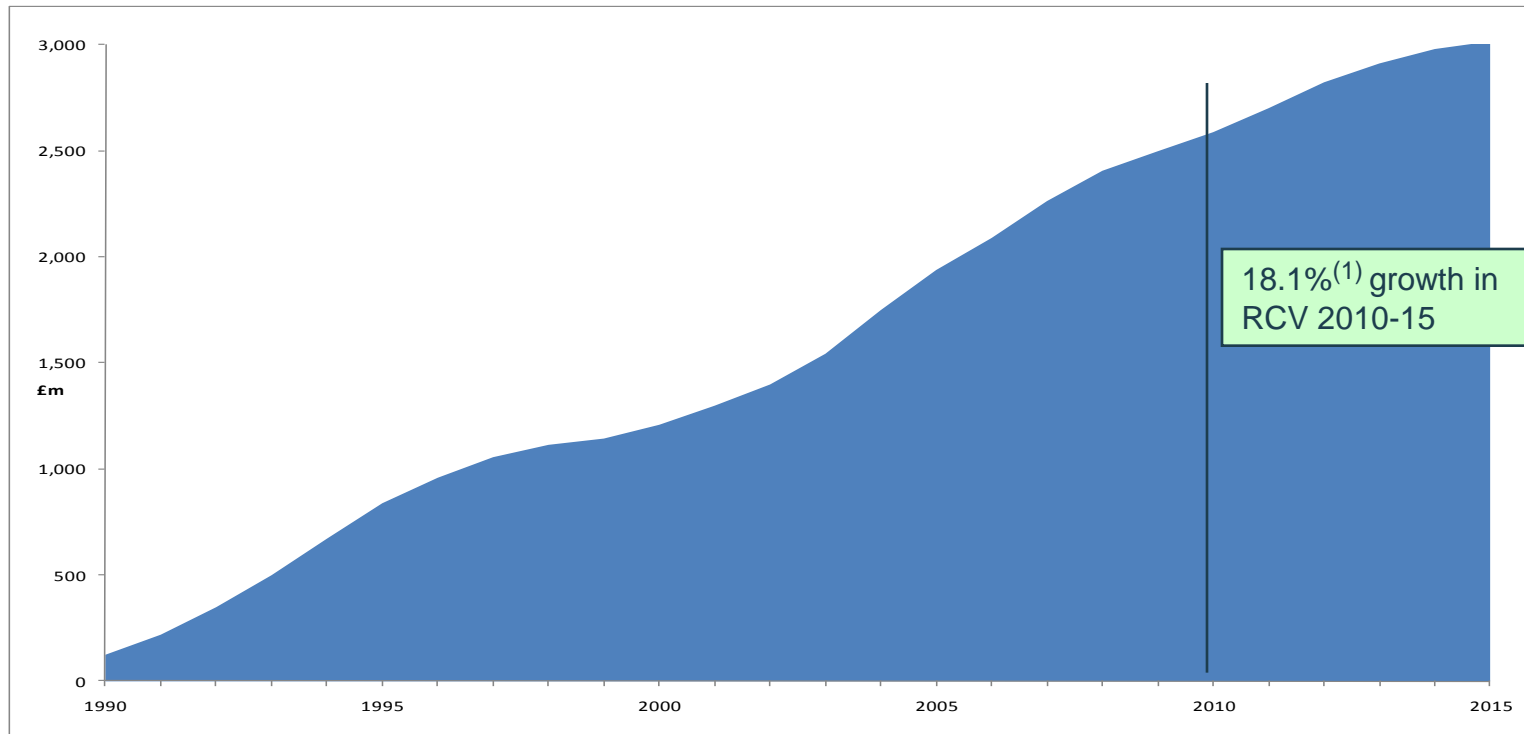
K5 cumulative capital expenditure to September 2011



⁽¹⁾ Based on current published Construction Output Price Index (COPI)

⁽²⁾ Using 2009 Final Determination estimates of COPI

South West Water Shareholder Value



- Growth in RCV is expected to continue to exceed growth in net debt
- RCV of £2,703m at 31 March 2011, debt/RCV gearing 58% at 30 September 2011
- RCV growth benefiting from higher inflation forecasts
- Future investment will further increase RCV growth
 - 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 2011/12, 3.3% average thereafter*

South West Water

Operational Highlights: Delivering the Regulatory Contract - I

- No hosepipe bans or drought orders in summer 2011
 - 15th consecutive summer
- Leakage target met, despite harsh 2010/11 winter
 - industry-leading performance maintained
- Outstanding water quality maintained – 99.97%
 - above industry average
- SIM⁽¹⁾ strategy delivering
 - 2010/11 complaints down by over a quarter compared to 2009/10
 - H1 2011/12 complaints down by a further 22%
 - highest ever customer satisfaction score
 - enhanced online services launched

⁽¹⁾ *Service Incentive Mechanism*

South West Water

Operational Highlights: Delivering the Regulatory Contract - II

- Best ever bathing water results
 - over 95% achieving excellent status - European ‘guideline’ standard
- Marginal increase in bad debt charge reflects challenging economic climate
 - schemes assisting vulnerable customers in place
 - Freshstart and Watercare
 - targeted collections initiatives, supported by debt advice
 - debt collection performance stabilising
- Assets achieved stable serviceability

South West Water

Operational Highlights: Private Sewers

- Estimated more than 50% increase in existing 9,300km sewer base adopted from 1 October 2011
- Current cost and operational activity at expected levels
- Estimated costs of transfer dependent on activity levels and asset condition
 - set-up costs c.£1.5m in H1 (£2.0m for full year) – system developments and sewer mapping
 - ongoing opex £2m-£5mpa – e.g. sewer blockage removals
 - ongoing maintenance £4m-£6mpa – e.g. sewer repairs
 - capex upgrades up to £44m – e.g. specific housing estates
- Private pumping stations phased transfer by October 2016
 - anticipated expenditure included in estimates above
- IDoK⁽¹⁾ mechanism to recover efficiently incurred costs

⁽¹⁾ *Interim Determination of K*

South West Water *Operational Highlights*

- ‘Source for business’ launched
 - new and enhanced services for business customers
- Transforming ways of working
 - remotely managed networks with mobile and flexible workforce (PUROS⁽¹⁾)
 - asset optimisation to reduce energy consumption
 - ‘Upstream Thinking’ projects to improve raw water quality
 - re-establishing wetlands on Exmoor & Dartmoor
 - working with farmers to protect rivers and watercourses from pollution



Continued very strong operational delivery and financial performance

⁽¹⁾ PUROS – Phased Utilisation of Remote Operating Systems

Viridor

Viridor *Transforming Waste*

- 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
 - capitalising on its strong position in landfill waste disposal
- At the beginning of the year we flagged
 - for the next two years Viridor's profits are expected to be driven by recycling
 - rollout of EfW pipeline (operations commencing 2013/14 onwards) could more than double Viridor's EBITDA in five years' time

Viridor

Notable 2010/11 SRI Achievements

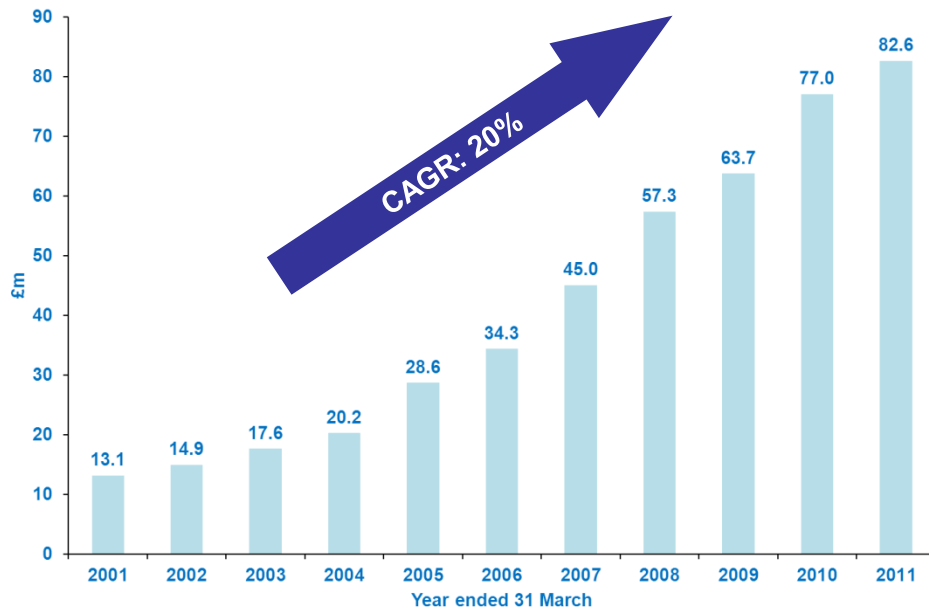
- Sustainability in all aspects (environmental, social and economic) is key to Viridor's business
 - Viridor in particular regard excess resource use as one of the major environmental issues facing the world
 - Viridor aims to transform waste into a resource
- Viridor over the past 10 years has
 - increased its recycling from under 0.1m tonnes to 2.0m tonnes
- increased its renewable energy capacity from 27MW to 136MW with plans to reach over 300MW in five years' time
- Recovering the resource value of waste now accounts for 50% of Viridor's profits
 - and over the same period Viridor's total profits have grown by around 20% per annum
- Board level focus on all corporate responsibility issues with the appointment of a dedicated Corporate Responsibility and Regulatory Director

2010 "UK Recycling and Waste Management Business of the Year"

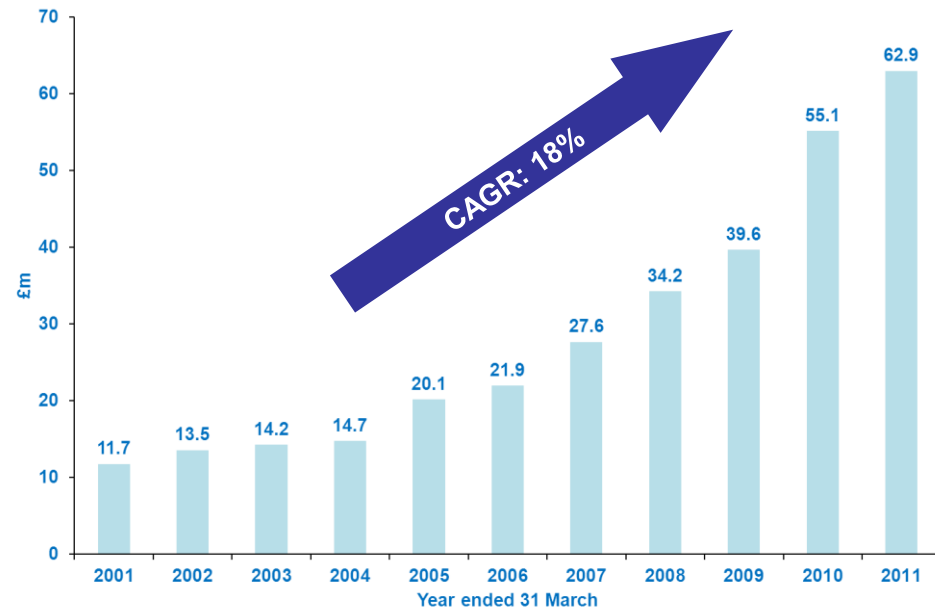
Viridor

Continuing to Deliver Strong Financial Performance (1)

PBIT + JVs (2)



PBT



(1) Figures after 2009 on an IFRIC 12 basis

(2) JVs contributed from 2008

Viridor

Financial Highlights

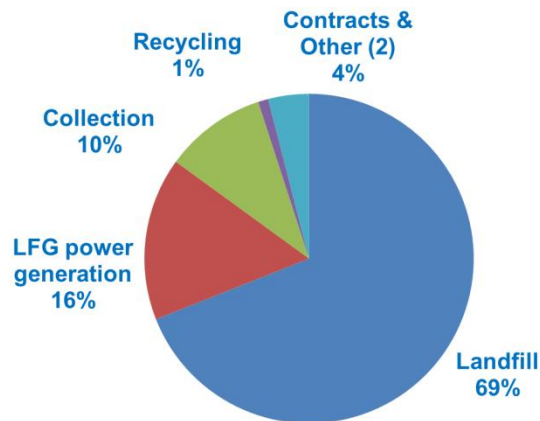
- Revenue increased by £36.1m (9.9%) to £399.2m
 - acquisitions ⁽¹⁾ accounted for £19.6m
 - existing business increased by £16.5m (including increase in landfill tax of £6.7m)
- Export sales £36.1m (H1 2010/11 - £29.4m)
- EBITDA increased by £2.8m (5.0%) to £58.4m
- PBIT increased by £1.8m (5.4%) to £35.2m
- PBIT plus joint ventures increased by £1.6m (4.2%) to £40.0m
- PBT increased by £2.0m (7.0%) to £30.6m
- Performance less strong in Q2 than in Q1
- Capex £49.0m (H1 2010/11 - £30.5m) including £32.3m on Runcorn II
- Investment in joint ventures £4.2m (H1 2010/11 - £7.2m)

⁽¹⁾ Storm Recycling in H1 2011/12 and full half year effect of 2010/11 acquisitions (Reconomy, Pearsons, Adapt Recycling, Swinnerton and Martock)

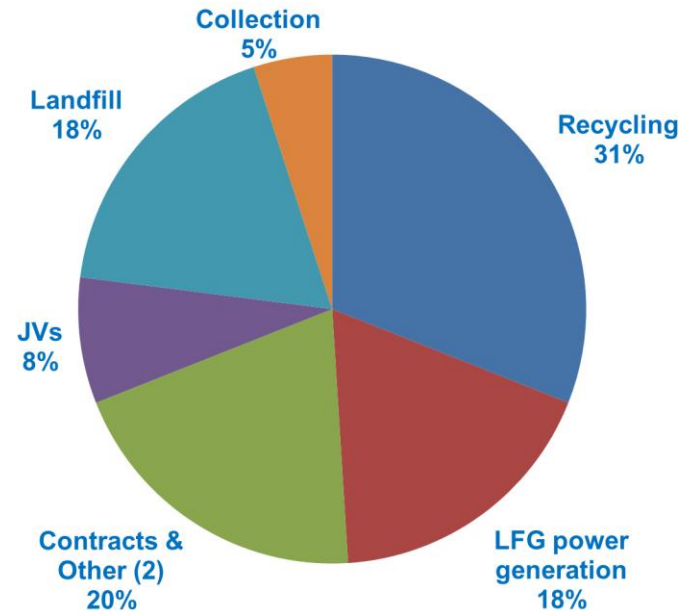
Viridor

Profit Contribution by Segment⁽¹⁾

Year ended 31 March 2001



Half Year ended 30 September 2011



- **Business successfully evolving**
- **51% of profits from recovering value in waste⁽³⁾**

⁽¹⁾ Contribution plus joint ventures (share of PAT and interest) before intangibles and overheads (including pensions)

⁽²⁾ "Contracts" includes Lakeside and Greater Manchester sub-contracts, West Sussex PFI, other municipal contracts and sludge contracts and "Other" includes asset disposals

⁽³⁾ Including more than 2% energy generation / recycling in JVs and Contracts & Other

Viridor

Operational Highlights – Recycling

- Volumes traded increased by 53k tonnes (6%) to 913k tonnes with improved mix
 - higher value recyclates up 122k tonnes (14%), primarily acquisitions
 - lower value recyclates down 69k tonnes (8%)
- Overall average revenue per tonne (gate fee and recyclate sale) up 16% to £125 compared to £107 in previous first half
 - prices may ease in the second half, reflecting world economic conditions
- Long-term economics of recycling and energy recovery enhanced by landfill tax increasing by £8 per year from current £56 per tonne to £80 per tonne from 1 April 2014
- Viridor collection fleet has an increasing role in feeding our recycling plants
- **Profit per tonne in recycling appreciably above the level in landfill**
- **Recyclate very economical compared to virgin materials**
- **For a three minute introduction to Viridor's MRFs, see <http://www.youtube.com/user/ViridorTV>**

Viridor *Acquisitions*

- Viridor continues to grow its business by targeting acquisitions which add value for shareholders
- In June 2011 Viridor acquired **Storm Recycling Limited** for £1.7m
 - annual volume 20k tonnes of recycle
- In October 2011 Viridor acquired **Veolia's trade waste collection** interests in Cornwall and North Devon for £0.6m
- In November 2011 Viridor acquired **JWS Churngold Limited** which provides transport and logistics solutions to the Lancashire Waste PFI for £14.25m
- In November 2011 Viridor acquired **Community Waste**, a recycling business in the south east of England, for £15.75m
- Above acquisitions are in line with Viridor's recycling and contracts strategies

Viridor

Operational Highlights – Contracts

- Strong performance with increased profits
 - PFI/PPP contracts/sub-contracts (Greater Manchester and West Sussex)
 - Lakeside sub-contract
 - other municipal contracts and sludge contracts

Viridor

Operational Highlights – Joint Ventures

- JVs' contribution (interest on shareholder loans and share of PAT) decreased slightly to £4.8m (from £5.0m in H1 2010/11)
 - sub-contract profit up £0.5m (within contracts segment)
- Lakeside
 - £0.6m interest on shareholder loans, down £0.7m because of partial repayment of shareholder loans
 - £1.2m share of PAT, down £0.5m reflecting full half year depreciation in 2011/12
 - winner of 2011 CIWM's "Peel People's Cup" for the best run facility in the UK and won the "EfW Facility of the Year" and "Best Designed Renewable Energy Facility" categories in the UK Renewable Infrastructure Awards 2011
- Viridor Laing Greater Manchester
 - £2.7m interest on shareholder loans, up £0.9m because of increased shareholder loans
 - £0.3m share of PAT IFRIC 12 basis (£1.4m profit UK GAAP), up £0.1m
 - 37 of the total 42 new planned facilities now operational
 - 99.7% customer satisfaction with Household Waste Recycling Centres
- **For a six minute introduction to Viridor's Energy from Waste plants and Lakeside, see <http://www.youtube.com/user/ViridorTV>**

Viridor

Operational Highlights – Landfill

- Total volumes decreased by 0.2m tonnes (9%) to 1.7m tonnes
 - site closure (Horton) accounted for half the decline
 - remaining decrease is primarily third party industrial and commercial
 - ongoing impact of landfill diversion/recycling and weak UK economy
- Average gate fees increased by 4.9% (to £22.83 per tonne)
- Consented landfill capacity fell from 69 million cubic metres (mcm) at 31 March 2011 to 67mcm at 30 September 2011 reflecting usage in the period

Viridor

Operational Highlights – Landfill Gas Power Generation

- Average price up 15% to £80 per MWh (£69 per MWh H1 2010/11) as flagged
- Total landfill gas power generation remained at last year H1 level of 280 GWh
 - approaching peak output
- Total operational capacity⁽¹⁾ decreased by 2MW since 31 March 2011 to 106MW at 30 September 2011 reflecting reduction in capacity at Somerset sub-contract sites
 - higher value ROC⁽²⁾ component increased from 69% to 71%; NFFO⁽³⁾ 29%
 - c.60% of NFFOs migrate to ROCs in 2013/14; balance up to 2016/17

⁽¹⁾ Excludes 3MW capacity at sub-contract sites in Suffolk

⁽²⁾ ROC – Renewables Obligation Certificate

⁽³⁾ NFFO – Non Fossil Fuel Obligation

Viridor

Renewable Energy Developments

- Construction of Runcorn phases I and II proceeding on schedule
- Exeter EfW contract signed and detailed design under way
- Ardley EfW legal challenge successfully resolved and Notice to Proceed issued
- Cardiff EfW EPC contract negotiations under way
- Preferred bidder, subject to challenge, for South Lanarkshire PPP (volumes to Runcorn or potentially Dunbar EfW)
- Two Anaerobic Digestion (AD) facilities now operational in Greater Manchester with two further plants under construction
- Terms agreed for AD plant at Walpole, Somerset

Viridor

Energy generation capacity – current projections

	Total		Viridor share	Viridor	
	Energy capacity (MW)	Waste capacity (kt)		Energy capacity (MW)	Waste capacity (kt)
Operational today					
Landfill gas	106	n/a	100%	106	n/a
Lakeside	37	410	50%	18.5	205
Bolton	9	120	100%	9	120
2* GM ADs	4	100	50%	2	50
Total	156	630		135.5	375
Operational by 2014					
2*GM ADs	4	100	50%	2	50
Runcorn I CHP	51	375	20%	10.2	75
Runcorn I EfW	28		20%	5.6	
Runcorn II EfW	42	375	100%	42	375
Walpole AD	1	30	100%	1	30
Exeter	3	60	100%	3	60
Total	129	940		63.8	590
Operational by 2016					
Ardley	24	300	100%	24	300
Cardiff	28	350	100%	28	350
Avonmouth ⁽¹⁾	28	350	100%	28	350
Dunbar – EfW ⁽¹⁾	23		100%	23	
Dunbar – CHP ⁽¹⁾	17	300	100%	17	300
Total	120	1,300		120	1,300
Overall total	405	2,870		319.3	2,265

⁽¹⁾ Projects are not yet committed

Viridor

Energy generation key statistics – current projections

	Capital cost ⁽¹⁾	Tonnes p.a.	MWs	Construction/commissioning		Operations
				Start	End	End ⁽²⁾
Lakeside	£160m	410k	37	Nov 2005	May 2010	2033
Bolton	n/a	120k	9	1970s/1998	1970s/2001	2034
Runcorn I	£218m	375k	28e/51CHP	Apr 2009	Mar 2013	25 years
Runcorn II	£214m	375k	42	Sep 2010	Mid 2014	25 years
Exeter	£46m	60k	3	Oct 2011	Jul 2014	25 years
Ardley	£205m	300k	24	Dec 2011	H1 2015	25 years
Cardiff	£218m	350k	28	2012	2015	25 years
Avonmouth ⁽³⁾	c.£200m	350k	28	H1 2013	H1 2016	25 years
Dunbar ⁽³⁾	c.£200m	300k	23e/17CHP	H2 2013	H2 2016	25 years

⁽¹⁾ Capital cost excludes capitalised interest and for projects for which the EPC contract has not yet been executed, capital cost may vary in accordance with the Euro exchange rate

⁽²⁾ Operational period post construction. This is usually the minimum guaranteed plant life

⁽³⁾ Projects are not yet committed

Viridor

Current PPP/PFI Projects

- **Oxfordshire PPP** – legal challenge successfully resolved and Notice to Proceed issued
 - 25 years; £205m capex
- **Exeter** – detailed design under way
 - 25 years; £46m capex
- **Greater Manchester PFI** – operational 2009
 - 25 years; £640m capex, 1.1m tonnes pa
 - UK's largest ever combined waste and renewable energy project
 - HWRCs, MRFs, MBT, AD, composting, transfer stations, bulk transport (including rail)
 - associated EfW / CHP (Runcorn)
- **South London Waste Partnership PPP** – operational 2008
 - 14 years, 450kt pa
 - recycling, transfer stations, transport, landfill
- **Somerset PPP** – operational 2006
 - 25 years, 200kt pa
 - landfill, composting, HWRC, partnership re AD / future residual treatment
- **West Sussex PFI** – operational 2005
 - 25 years, 350kt pa
 - HWRCs, MRF, transfer stations and bulk transport

Viridor *PPP Prospects*

- Preferred bidder for **South Lanarkshire** (Scotland), subject to challenge
- Successful participant/preferred bidder for **Glasgow**
- Preferred bidder for **South London Waste Partnership**
- One of last two for each of **Peterborough EfW** and **MRF**
- One of last two for **West Lothian** (Scotland)
- One of last two for **South East Wales**
- One of last three for **Heads of the Valleys** (Wales)
- Viridor continues to bid selectively for other contracts

- **Increasing landfill tax is the fundamental driver for the above projects**

- **Healthy list of prospects including renewable energy/combined heat and power and recycling opportunities**

Viridor

2011/12 H1 Key Achievements

- PBT up 7%
- 51% of profits from recovering value in waste
- Strong progress on EfW/PPP pipeline
- Further value enhancing acquisitions

Strong successful strategy with recycling key in the next two years, and long-term profit momentum underpinned by EfW/PPP pipeline

PENNON



GROUP PLC

Pennon Group Plc

Summary

- Strategy clearly focused on water and sewerage services; recycling; renewable energy and waste management
- A further £100m invested in key infrastructure to support the development of the UK economy
- **South West Water**
 - Very strong performance against K5 regulatory contract
 - delivering outperformance
- **Viridor** delivering continued growth by exploiting opportunities in recycling and renewable energy
 - 51% of profits from recovering value in waste
 - EfW / PPP pipeline underpins long-term profit momentum
- Well funded with efficient long-term financing

Group businesses remain well positioned in current difficult economic conditions

PENNON



GROUP PLC

Appendices

Pennon Group Plc

Pensions as at 30 September 2011

- Gross pension deficit of £108m (March 2011 - £86m)
 - £80m net of tax (March 2011 - £64m)

	September 2011	March 2011
Pension schemes' assets	£442m	£454m
Pension schemes' liabilities	<u>£550m</u>	<u>£540m</u>
	£108m	£86m
	= £80m net of tax	= £64m net of tax

- Market volatility H1 2011/12**
- SWW cash contributions within Final Determination**
- Net deficit less than 4% of market capitalisation**

Pennon Group Plc

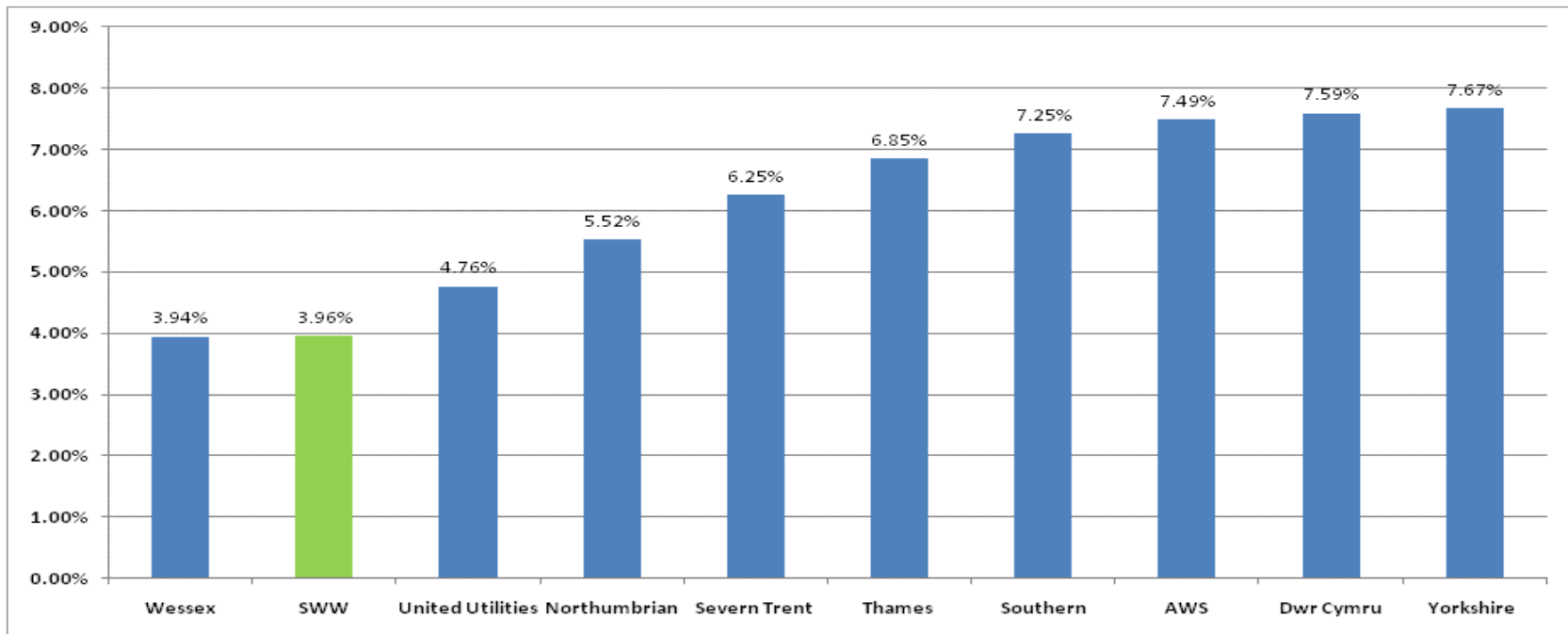
Taxation

	For the half year ended 30 September		Full Year
	2011 £m	2010 £m	2010/11 £m
Current tax	23.4	22.2	38.6
Deferred tax	3.5	(0.8)	3.4
Deferred tax reduction on change of corporation tax rate	(12.8)	(12.3)	(25.1)
	14.1	9.1	16.9

- **Mainstream tax charge 22% (H1 2010/11 - 23%)**

Water Industry

2010/11 Average Interest Rate on Net 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