

27 November 2025

Pennon Group plc

Half Year Results 2025/26

Pennon Group plc ('Pennon' or the 'Group') today announces its results for the half year ended 30 September 2025.

Susan Davy, Group Chief Executive Officer, commented:

"We have made a robust start to the first half of 2025/26 and the new K8 regulatory period. With a strong return to profitability and disciplined cost control, we are on track financially and growing sustainably.

Focused on our customer's priorities we are delivering step change improvements in our wastewater business, with pollution incidents halved compared to last year. This reflects our operational focus and continued momentum of record capital investment over the last two years, thanks to the early mobilisation of our supply chain.

Our strong balance sheet and funding approach position us well to deliver our largest ever capital programme through K8, focused on the four priorities that matter most to our customers - ensuring the availability of safe, clean drinking water as summers become hotter and drier, tackling pollutions and storm overflows, protecting the environment and supporting customers to use less and save more.

As the only water company to have received three successive outstanding business plan ratings, we understand what we do each day really matters. That's why my brilliant colleagues are firmly focused on ensuring we deliver on our five-year plan for the communities we serve, the places they call home, recognising there is always more to do."

FINANCIAL PERFORMANCE

	H1 2025/26	H1 2024/25
Revenue	£658.1m	£527.2m
Underlying EBITDA [^]	£254.4m	£163.5m
Underlying profit/(loss) before tax[^]	£65.9m	(£18.6m)
Non-underlying items before tax ¹	-	(£20.2m)
Profit/(loss) before tax - statutory	£65.9m	(£38.8m)
Profit/(loss) after tax - statutory	£57.3m	(£30.0m)
Earnings/(loss) per share		
Adjusted basic EPS [^]	14.0p	(5.5p) ²
Basic EPS	12.1p	(8.8p) ²
Dividend per share ³	9.26p	12.14p
Capital expenditure	£304.8m	£331.8m

Financial highlights for H1 2025/26

- Strong return to profitability for H1 2025/26, with statutory profit before tax of £65.9 million (H1 2024/25: loss of £38.8 million)
- Step change in underlying EBITDA as a result of disciplined cost management, with savings being released from the restructuring and efficiency programmes

- Regulated water revenue up c.26% year on year, driven by tariff increases and higher demand over the hot summer months, net of reprofiled Final Determination revenue into 2026/27 customer bills
- Continued efficient financing, with £300 million new bond issuances in South West Water demonstrating strong outperformance against the allowed cost of debt
- On track for Return on Regulated Equity^ (RORE) of 7%⁴, underpinned in 2025/26 by efficient financing, with efficiencies in capital programme offsetting other cost pressures
- Strong start to our K8 capital investment programme, with £304.8 million of capital investment across the Group in H1 - in line with expectations, as programmes continue momentum from K7 run rate
- Interim dividend of £43.7 million (2024/25: interim dividend £42.0 million), resulting in a dividend per share basis of 9.26p.

Operational highlights

- Pollutions Incident Reduction Plan (PIRP) driving results with pollution incidents in 2025 reducing by c.50%⁵, and our proactive approach has reduced repeat pollutions by c.75%
- Storm overflow spills cut by c.45%⁵, supported by interventions that avoided c.6,000 spills, bringing a total of c.20,000⁶ spills avoided over 18 months
- Spill duration down by a quarter over the bathing season and 100% bathing water quality for the fifth consecutive year⁷
- Water resources position has remained strong through the hot summer, thanks to strategic planning and investment following the 2022 drought, although changing weather fronts have tested the networks
- SES remains top performer for water quality, South West Water upper quartile, Bristol remains above average
- Our award-winning Upstream Thinking programme continues to expand and deliver impact and was recognised with two major industry awards this half year:
 - Biodiversity Challenge Award for Water Management (CIRIA)
 - Natural Capital Initiative of the Year (Water Industry Awards)
- Investment in Pennon Power has continued with two of our four sites, Fife and Aberdeenshire, fully constructed with Aberdeenshire now energised
- Continuing to support our customers with bill affordability, with a c.20% increase in customers on one or more of our support tariffs⁸. Cash collections remain robust, with debt charges as a percentage of revenue broadly stable
- Launched our £5 million Better Futures Fund.

Outlook

- We are fully supportive of the Government's regulatory reform agenda, and we are actively engaged in Defra's Transition Planning process. We look forward to the publication of the forthcoming White Paper
- In FY 2025/26, we are returning to profitability, with Group underlying EBIDTA expected to increase by c.60%⁹ year on year
- First year investment underpinning growth in RCV[^] of c.8% this year rising by over a third by 2030
- Targeting K8 7% Return on Regulated Equity, underpinned by efficient financing for FY 2025/26

Notes

[^] Measures with this symbol are defined in the Alternative Performance Measures (APM) section of this document, underlying measures are presented before non-underlying items

¹ Non-underlying items are adjusted for by virtue of their size, nature or incidence to enable a full understanding of financial performance (note 5)

² Restated to reflect the bonus element of the rights issue commenced in January 2025 in accordance with IAS 33

³ Dividend policy of CPIH. The proposed interim dividend for 2025/26 is increased by 4.1% reflecting an increase in line with CPIH. Dividend per share reflects the share issuance post rights issue with H1 2024/25 restated on this basis.

⁴ 7% RORE – 5.1% base returns, 0.3% enhanced uplift to cost of equity, 1.6% outperformance

⁵ Reduction over 10 months to October 2025 compared with October 2024

⁶ Cumulative spills avoided, reflecting impact of wetter weather in 2024

⁷ On a like for like basis excluding those beaches designated in 2024

⁸ Since H1 2024/25

⁹ Assuming normalised demand in the second half of the year

Results presentation

A presentation of the Half Year 2025/26 results hosted by Susan Davy, Group Chief Executive Officer and Laura Flowerdew, Group Chief Financial Officer, will be available at 08:00am (GMT) today, 27 November 2025. This will be followed by a live Q&A session at 08:45am (GMT). The presentation and Q&A session can be accessed here: www.pennon-group.co.uk/investor-information

For further information, please contact:

Institutional equity investors and analysts

Sarah Heald – Chief Strategy, Regulatory Affairs and IR Officer 01392 443 364

James Murgatroyd – FGS Global 020 7251 3801

Institutional debt investors

Chris Tregenna – Group Treasurer 01392 44 3055

Retail investors

Link Asset Services 0371 664 9234

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

The first half of 2025/26 marked a strong return to profitability and progress in delivering for our customers, communities and the environment.

Water companies continue to face high expectations from the public, regulators and government. Pennon is meeting these expectations head-on across all the geographies we serve, the Isles of Scilly, Devon and Cornwall, Bournemouth, Bristol and Sutton and East Surrey. We are delivering improved services today, while investing in the long-term resilience and performance our regions need for the future. Whilst there is always more to do, our performance in the first half demonstrates Pennon's ability to lead through regulatory change and deliver sustainable growth.

Our Pennon retail businesses continue to deliver for business customers and are profitable. Pennon Power is continuing its build out of four sites, with Aberdeenshire recently energised and Fife in final commissioning.

A strong start to K8, focused on delivery and efficiency

Our performance this half year reflects the work we have done to reset the business over the last 18 months, reshaping our organisation, strengthening governance, and putting more resources on the frontline than ever before.

These actions, together with the benefits of our operational efficiency programme, are driving a material improvement in financial performance. We are on track to deliver a c.60%¹⁰ increase in underlying EBITDA year on year and we are progressing well with our record capital programme. We are already securing strong efficiencies, helping to offset inflationary and operational pressures. This positions us well to meet our 7% underlying RORE target for K8, supported by our efficient financing strategy and continued strong liquidity, bolstered by our £300 million bond issuance in September.

We have made a strong start on our five-year capital delivery programme with more than 1,000 schemes underway. Our 'amplify' strategic delivery alliance is fully mobilised, and efficiencies are being realised as major projects move from design to construction. Having ramped up expenditure during K7, we have made a fast start with over 60% of the K8 Price Control Delivery programme in progress.

Resilient water supplies through a hot summer

This summer brought unusually hot and dry conditions, increasing demand for water across our five geographical regions. Thanks to the investments we made following the 2022 drought, including new treatment capacity, repurposing former quarries and mines as resilient resource hubs, and targeted network upgrades, we have been able to maintain robust water supplies without restrictions.

While higher demand has put pressure on parts of the network, contributing to increases in leakage and interruptions, we have responded quickly with targeted interventions, enhancing monitoring and network re-zoning. Safe, clean drinking water remains our customers' top priority. We have strengthened our quality assurance framework across all areas, expanding our "Quality First" culture and training programme, and investing in additional monitoring capabilities. Our teams continue to work closely with the Drinking Water Inspectorate (DWI) to embed learning and ensure resilience for the future.

¹⁰ Assuming normalised demand in the second half of the year

Pollutions halved and storm overflow spills reduced by 45%

We know customers expect to see visible progress on the environment. Pollution incidents in our wastewater network have halved year on year and storm overflow spills have significantly reduced by c.45%. These improvements reflect the early impact of our long-term pollution reduction plan, strengthening pumping station resilience, increasing storm storage, separating surface water from the sewer system, and optimising flows across the network.

This progress also means we are targeting to achieve a net neutral Outcome Delivery Incentive (ODI)¹¹ position in Wastewater Services this year, a first for South West Water since ODIs were introduced.

Supporting customers and keeping bills affordable

We continue to support more customers than ever before through our affordability schemes. As bills rise to fund record investment, we remain absolutely focused on ensuring those who need help receive it, and on helping all customers use less water and save more through metering, efficiency campaigns and targeted tariff designs.

The introduction of profiling tariffs this year has helped smooth customer bills and manage affordability, while regulatory mechanisms ensure reprofiled revenue is recovered in 2026/27¹¹.

Our people and culture

Everything we deliver is built on the commitment of our colleagues. Our teams have responded with professionalism and resilience throughout a period of intense operational pressure, particularly during the hot summer months. I would like to thank each of them. Their dedication to serving our communities continues to inspire me every day.

As we embed our new operating model, with clear business lines for Water Services, Wastewater Services, Pennon Power and Retail Services, we are building a culture of accountability, technical excellence and customer focus across the Group.

Well positioned for the future

We enter the second half of the year with strong momentum:

- Tangible environmental improvements
- A return to profitability underway
- A stable and efficient financing position to deliver on the K8 growth period
- A major capital programme delivering at pace
- Clear progress on customer priorities
- A clear and resilient regulatory platform for K8.

While there is always more to do, the progress we have made demonstrates the impact of our reshaping and the commitment of our people. We remain absolutely focused on delivering for the customers and communities we serve, today and for the long term.

Making progress on what matters most to customers, delivering on our four priorities

We remain resolutely focused on our customer's key priorities. With record levels of investment to come across K8, we are focused on tackling the use of storm overflows at our beaches and reducing

¹¹ c.£20 million of regulatory revenue reprofiled into 2026/27 customer bills

pollutions, protecting water quality and enhancing resilience, driving environmental gains and supporting our customers in making sure their bills are as affordable as they can be, whilst delivering improved services.

Reducing pollutions and tackling the use of storm overflows

We are delivering a step change in our wastewater performance. In 2024, South West Water was confirmed as the only company to reduce pollution incidents, and we have made significant improvements since. In 2025 incidents have reduced by half¹², as a result of our Pollution Incident Reduction Plan delivering benefits across our five pillars. Our proactive approach has reduced repeat pollutions by c.75% in 2025. Using the EA's EPA metric of total pollution incidents per kilometre of main, we are on track to have improved our position for 2025 by two thirds.

In the South West, internal sewer flooding incidents have reduced by over 70% since 2020 and c.12,000 smart network sensors using AI are now helping us detect developing issues earlier and shift from reactive to preventative intervention, supported by CREWW, our partnership with the University of Exeter.

We are also resolutely focused on delivering against our 15-year programme to 2040 to reduce the use of storm overflows. Whilst rainfall has returned to more 'normal levels', our interventions have avoided an estimated 6,000 spills this year (c.20,000¹³ over 18 months) with total storm overflow spills reducing by c.45% over the year to date – and we have been targeting our highest spilling sites, making gains across the region.

Over the bathing water season spills have remained consistent, maintaining a c.20% reduction over the regulatory period, and we have seen a c.25% reduction in the duration of these spills. Our long-term storm overflow target of fewer than 10 spills per overflow per year by 2040 remains on track a decade early. Our existing bathing waters have also achieved 100%¹⁴ compliance this year.

Overall, 2025/26 ODIs in wastewater are tracking to be net neutral – a first for South West Water since these were introduced and a demonstration of the growing momentum and capabilities we have built.

Protecting water quality and enhancing water resilience

The top priority for our customers is safe, clean drinking water across all of our regions and we have been investing to enhance resilience and protect water quality.

For Water Services across our geographical regions, H1 2025/26 has been dominated by the record hot, dry spring and summer seasons.

The resultant increased demand put our water resources under increased pressure this year. Despite this, we ended the peak season in a better position than many other areas with all of our operating areas having avoided imposing usage restrictions on our customers despite higher household consumption for the first half of the year.

The changing weather fronts have tested our networks, increasing the number of bursts. Whilst the customer impacts have been mitigated on 70% of these, it has been challenging for the operational teams with water supply interruptions performance in South West Water dominated by a one-off,

¹² Reduction over 10 months to October 2025 compared with October 2024

¹³ Cumulative spills avoided, reflecting impact of wetter weather in 2024

¹⁴ On a like for like basis excluding those beaches designated in 2024

unforeseen incident at Dousland. Despite the 15% increase in activity, we have held leakage at 2024/25 levels and are targeting improvements in the second half of the year.

Our leakage delivery plans include actions to address not just reported leakage, but also upstream losses (water lost before reaching end user) including a greater numbers of mains repairs. We remain on target for year end mains replacement performance across all operating areas.

We are never complacent about water quality. SES remains the top performer in the industry with South West Water upper quartile across the water and sewerage companies. Whilst Bristol is above average, we are confident that we can do even more as we share best practice. We continue to roll out our successful Quality First culture and training programme in Bristol, with plans to replicate in SES.

Driving environmental gains

A healthy environment is important for our region, and in the face of climate change, ecological decline and greater recreational use of rivers and seas, customers and stakeholders rightly tell us that they expect environmental leadership from us as a priority.

During this half year, our Peatland Programme has been delivering impactful restoration and engagement, including over 350 volunteer hours contributed to vegetation and invertebrate monitoring, 50 stakeholder events engaging regulators and partners, and planned restoration of over 300 hectares involving over 15 stakeholders.

Our award-winning catchment management programme, which has worked in c.95% of our catchments with over 2,000 farms across 144,610 hectares of land, restoring c.5,000 hectares of peatland, is leading the way for biodiversity gains as well as continuing to help the way others manage their land, improve water quality, biodiversity and climate resilience.

Our Upstream Thinking Programme, which has just celebrated its 15th year, has been recognised with two major industry awards during this half year:

- Biodiversity Challenge Award for Water Management (CIRIA)
- Natural Capital Initiative of the Year (Water Industry Awards)

Since we completed our baseline in 2020/21, we have achieved a c.45% reduction in emissions¹⁵. With our commitment to Net Zero, our investment in Pennon Power has continued with two of our four sites, Fife and Aberdeenshire, fully constructed with Aberdeenshire recently energised and the Fife site (including the co-located 60 MWh battery storage unit) is in final commissioning. The remaining two sites are scheduled to be operational by Q2 2026/27. Pennon Power has contractual protections against the delays incurred at Fife. By 2030, these sites will be generating the equivalent of c.40%¹⁶ of current energy consumption. Equity returns are expected to be in the range of 11% to 15%¹⁷.

Our £20 million investment in CREWW, continues to lead the way with our state-of-the-art microplastics lab, researching some of the most important challenges facing the sector and society, from micro-plastics in sewage sludge, to future fibres and plastics in clothes. And as we

¹⁵ 2020/21 baseline emissions of 130,050 tCO₂e compared to a 2024/25 outturn of 71,242 tCO₂e. Total consists of all Market-based Scope 1 and Scope 2 emissions and some Scope 3 emissions (grid electricity transmission and distribution, business travel and outsourced operational activities), by the regulated water businesses only, covering six of the seven greenhouse gas emissions

¹⁶ Group energy requirements excluding SES, including battery storage

¹⁷ Based on 55% assumed leverage, pre-tax, 7-9% unleveraged pre-tax returns

look to support the removal of 40,000 lead pipes, supporting the commitment to be lead free by 2050.

Supporting affordability, delivering for customers

This half year has been defined by both increased customer contact and heightened sensitivity to affordability, following bill price rises introduced for our customers and across the wider industry. Understandably, many customers have reached out to discuss their bills and, for some, to seek support in managing payments.

In response to this, we have bolstered our front-line capacity with additional resources to ensure customers can reach us more quickly and receive the right support. This has helped us reduce call waiting times and improve speed to answer. We continue to invest in our new billing system and customer platforms, using AI to improve the customer and contact experience.

We continue to provide tailored help to those who need it most, with over 164,000 customers supported through affordability and payment-assistance schemes — a c.20% increase from H1 2024/25. This number that continues to grow as we extend our reach and partnerships with local authorities and community organisations. This is also coupled with our largest ever package of support of over £200 million to 2030, to help those who are struggling to pay, including providing proactive transfers onto support tariffs where needed. Additionally, our Priority Services Register now has 266,000 customers registered to receive tailored support meaning one in seven households across our Group are now listed. Cash collections remain robust, with debt charges as a percentage of revenue broadly stable.

Over this half year, South West Water hosted 290 drop-in sessions, engaging with over 5,000 customers, with other regions contributing additional sessions and footfall. Customer engagement events were another major success, with South West Water reaching customers through 12 major events, and many smaller ones across our regions.

To provide further support to our communities, Pennon has launched the £5 million Better Futures Fund which has benefitted over 55,000 people to date. £2.5 million of the fund will go towards alleviating hardship, with the remaining £2.5 million for community groups involved with physical activity, education, health and wellbeing, and positive environmental impacts.

We also continue to be fully committed to listening to and engaging with our customers through our WaterShare+ programme, which gives customers both a voice and a stake in how our business is run. Regular customer panels, chaired by independent members and attended by executive leaders, and engagement sessions are held across all our regions including our customer AGM in Bournemouth. These sessions give customers the opportunity to share their views on our performance and record investment plans. With nearly 100,000 shares now issued, and an ambition to reach one in ten customers as shareholders by 2030, WaterShare+ remains a unique way of deepening trust, transparency and accountability across Pennon.

Record investment and growth for K8

By accepting our Final Determination early, we secured funding certainty, raised equity from our investors and moved straight into K8 mobilisation. We have delivered a strong start to investment in K8, with £304.8 million in the first half of 2025/26 which is on track and in-line with our expected early phase of investment. This is being supported by our capital delivery supply chain partnership 'amplify' through which we have over 1,000 deliverables mobilised, representing around one-third of K8 investment, focused on resilience, environmental outcomes and customer experience.

By partnering with amplify, we have secured some of the best talent and organisations across a range of suppliers and local partners to help deliver our largest ever capital programme efficiently. 23 frameworks have been up and running since 2024, delivering a combination of hundreds of transformative and targeted interventions shaped by our customers' priorities. Our £760 million Turning the Tide initiative, a transformative environmental programme, is already underway focused on tackling storm overflows at our region's bathing beaches - with the major project in Dawlish soon to complete.

100% of our Year-1 WINEP¹⁸ schemes are also underway with our delivery partners, and all water and wastewater schemes remain on track. Strong efficiencies are being secured as projects progress from design into delivery, with c.£100 million of totex^ outperformance identified.

Our investment in Pennon Power of £25.2 million during this half year reflects the accelerated progress across the sites and the ongoing commitment to deliver the Group's Net Zero targets, as well as offsetting energy price volatility across the Group once sites reach operation.

Shaping and supporting regulatory reform

This is a year of significant change for our sector, with the Independent Water Commission's Final Report in the Summer setting a clearer and more coherent long-term direction for how the water system should be planned, regulated and governed. The Commission's recommendations aim to deliver a more transparent, accountable, and outcomes-focused framework that can support the scale of environmental and resilience investment the country now requires.

Pennon has been closely engaged throughout the review process, shaping proposals that support long-term system planning, stronger alignment across sectors and a regulatory environment that is both rigorous and investable. We welcome the ambition to create a framework that provides clarity over the long term while maintaining high standards of performance and accountability.

The process of moving from recommendation to implementation is now underway. Government has already outlined early commitments, including steps towards establishing a new single regulator bringing together Ofwat and the Drinking Water Inspectorate, with water functions from the Environment Agency and Natural England, the creation of a statutory water ombudsman, greater transparency through enhanced monitoring, a regional element in the new regulator and a commitment to investability. These initial developments signal positive momentum and provide early clarity for companies and investors as the new arrangements take shape.

We also support the direction towards a more streamlined, outcomes-focused performance framework. A smaller number of clearer incentives, aligned to the priorities that matter most for customers and the environment, will help strengthen transparency and provide a more stable basis for long-term investment.

A core theme of the Commission's work is the need to restore confidence in the sector's investment framework. Achieving national goals on water quality, resilience and asset health will require sustained, long-term capital investment, underpinned by a regulatory regime that recognises risk and enables a fair and stable return. We strongly support this direction. Through Water UK, and directly with Government and regulators, we are working constructively to support transition planning and ensure that the emerging arrangements deliver a system that is investable, aligned with long-term priorities and able to support delivery at pace.

We expect the reforms to deliver:

¹⁸ Water Industry National Environment Programme – as agreed with the Environment Agency and Ofwat

- Clear long-term direction for UK water
- New single regulator and supervisory regime
- Customer focused
- Clear plans for improving water quality
- Securing water resilience
- A fair deal for investors, balancing risk and reward.

Pennon remains well positioned to play a leading role as the sector enters this next phase of reform, while continuing to invest for customers, communities and the environment.

K8 reporting frameworks – a more holistic view of performance

Under the EA's recently announced EPA guidance for 2026-2030, the sector will see a significant increase in reportable pollution incidents due to the changes made. In particular, South West Water's underlying operational performance will be better reflected under the new and balanced methodology.

The newly refreshed Water Company Performance Report (WCPR), which categorises companies as leading/average/lagging, also provides a clearer comparison across companies, and reflects a broader range of performance measures - not just ODIs. SES Water is expected to return to 'average' after last year's one-off event, demonstrating the framework recognises credible recovery and sustained improvement.

Our people

With a history and heritage built up over many years, we continue to learn, innovate and grow. Everyone who works at Pennon is fiercely proud of our heritage in the water sector, with generations of fathers, sons, mothers and daughters, who have dedicated their lives to water, and I am extremely proud of our brilliant teams. It's not always been easy for them with a sector in the spotlight. As President of the Institute of Water, I was therefore delighted to host our 80th anniversary celebration in Plymouth in September, showcasing the best of what we do across Pennon, and marking eight decades of developing our people and the sector.

Our c.3,600 talented colleagues don't just bring water to life every day; we drive economic growth, and break down barriers to opportunity, supporting livelihoods in the areas we serve. As one of the largest private employers in the South West, and across the Group, leadership is all about making this a great place to work, and a safe place to work. Our Glassdoor external assessments are now tracking towards best-in-class levels. Our health and safety track record has improved for the past five years, as we focus on making sure everyone who works for us and with us, goes home safe every single day, through our Home Safe culture programme, and with our lowest ever LTIFR¹⁹ rate, which has halved over the last five years.

Our partnerships with the wider supply chain and our 'amplify' alliance more than doubles our workforce and plays a critical role in the regions too. As a living wage employer, we continue to invest in skills and jobs, with our earn and learn approach and have just been awarded platinum status member of the 5% club for the second year running. With our 680 apprenticeship and graduate placements we are well on with our own target of 1,000 by 2030. We are focused on making sure we have the talent and trained colleagues we need across the sector for our record investment and delivery.

¹⁹ Lost Time Injury Frequency Rate

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

The Group has delivered a strong return to profitability in the first half of the 2025/26 financial year, consistent with the expectations outlined in our September Trading Statement. This performance reflects the strength of our core operations, the impact of regulatory outcomes, and the disciplined execution of our integration and operational efficiency agenda despite ongoing inflationary and cost pressures.

Group revenue increased by 24.8% to £658.1 million (H1 2024/25: £527.2 million), primarily driven by the benefit of increased regulatory revenue allowances (net of c.£20 million of revenue reprofiled into 2026/27 customer bills) and higher consumption. This uplift reflects revised tariff structures and enhanced service obligations under the regulatory framework, supporting our long-term investment and service delivery plans.

Group operating costs rose by 11.0% year on year to £403.7 million (H1 2024/25: £363.7 million), principally reflecting wholesale water costs in the retailers (across their national customer base) increasing by c.22%, with operating costs for the Water Group rising broadly in line with inflation.

Underlying EBITDA increased by 55.6% to £254.4 million (H1 2024/25: £163.5 million), demonstrating the operational leverage achieved through revenue growth and cost discipline.

Depreciation and amortisation rose modestly to £95.8 million (H1 2024/25: £94.0 million), reflecting the Group's expanding asset base from the ongoing capital investment programme.

Net financing costs increased to £93.4 million (H1 2024/25: £88.6 million), reflecting higher levels of borrowing to support the K8 capital programme and strategic investment in Pennon Power.

As a result, the Group reported a statutory profit before tax of £65.9 million, a step change from the £38.8 million statutory loss before tax reported in H1 2024/25.

Our integration and operational efficiency programmes continue to deliver material benefits. As of 30 September 2025, we have fully delivered our target efficiencies and operational benefits, supported by efficiencies achieved through the integration of both Bristol Water and SES Water, and the reshaping of the Group to right size and right source the skills and delivery capability we need to meet our ambitious plans to 2030.

Capital expenditure during the period totalled £304.8 million, reflecting our commitment to delivering improved services, network resilience, and environmental outcomes across our regions. This includes £25.2 million invested in Pennon Power, supporting our renewable energy and decarbonisation strategy. Our Water Group investments are aligned with our K8 delivery roadmap and underpin our ability to meet our stretching performance commitments.

Pennon Group gearing, based on net debt (excluding other non-cash indebtedness) at 30 September 2025 and expected shadow RCV at 31 March 2026, was 63.2%, comfortably within our policy parameters whilst our Water Group gearing remained strong at 59.8%, and South West Water at 60.1%.

Both South West Water and SES Water continue to maintain strong investment-grade credit ratings, enabling access to competitive financing. In September, South West Water successfully executed a 6-year £300 million bond issuance in the public sterling market, providing 109 basis points of outperformance against the iBoxx, further strengthening our liquidity position and funding capacity. Total new borrowings to September 2025 across the Group totalled £515 million.

In line with Pennon's 2025–2030 dividend policy of CPIH, the Board has declared an interim dividend of 9.26 pence per share for the half year ended 30 September 2025 (H1 2024/25: 12.14 pence per share, restated²⁰). This reflects our continued confidence in the Group's financial strength and long-term value creation strategy.

Group performance – summary

	Revenue		Underlying EBITDA	
	£m	£m	£m	£m
	H1 2025/26	H1 2024/25	H1 2025/26	H1 2024/25
South West Water	479.2	371.3	245.0	150.7
SES Water	39.3	41.6	11.5	15.3
Total Water Group	518.5	412.9	256.5	166.0
Retail*	135.8	110.0	3.4	4.6
Other	3.8	4.3	(5.5)	(7.1)
Group	658.1	527.2	254.4	163.5

*includes water segment wholesale elimination

The Group's revenue for H1 2025/26 was £658.1 million (H1 2024/25: £527.2 million) an increase of 24.8% year on year. Water Group revenue increased by £105.6 million or 25.6%, driven by the positive impact of the Final Determination, which was accepted at the start of the calendar year for both South West Water and SES Water, net of c.£20 million allowed revenues reprofiled into 2026/27. These regulatory changes have provided a stable platform for growth and a reset for the K8 regulatory period. Non-household retail revenue increased by £25.8 million to £135.8 million.

Overall, the Group's underlying EBITDA has increased 55.6% from £163.5 million to £254.4 million. This has been supported by the increase in Water Group revenue and continued focus on operational efficiency, underscoring the resilience of our business model and the benefits of strategic investment in transformation initiatives.

Cash collections across the Group have remained robust during the financial year. Expected credit loss charges for H1 2025/26 of £9.0 million (H1 2024/25: £6.5 million) for the Group (1.4% of revenue) are broadly in line with previous levels (H1 2024/25: 1.2%), reflecting effective management of customer debt, despite the increase in tariffs, and our ongoing commitment to affordability and support schemes for those in need.

The Group reported a statutory profit before tax of £65.9 million (H1 2024/25: loss of £38.8 million) with £nil non-underlying items (H1 2024/25: £20.2 million). The Group recognised an underlying profit before tax of £65.9 million (H1 2024/25: underlying loss of £18.6 million).

Segmental performance – Water businesses

The Water Group has seen revenue increase by 25.6% in H1 2025/26 from £412.9 million to £518.5 million. This growth reflects tariff increases resultant from the commencement of the K8 regulatory

²⁰ Dividend per share reflects the share issuance post rights issue with H1 2024/25 restated on this basis.

period, coupled with higher year on year customer usage, offset by customers choosing to move to metered supply and tariff impacts being managed across the five year regulatory cycle.

Underlying operating costs for the Water Group amounted to £262.0 million in H1 2025/26 (H1 2024/25: £246.9 million) an increase year on year 6.1%. This increase reflected inflationary cost pressures of c.4% (in-line with inflation), and additional one-off costs of c.£9 million including c.£4.0 million in customer compensation from the Dousland water supply incident. Our efficiency programme has delivered benefits, helping to mitigate these pressures whilst hedging of power prices has resulted in lower year on year power prices.

The Water Group's underlying EBITDA increased by 54.5% year on year to £256.5 million.

Underlying operating profit for the Water Group has more than doubled, up 115.5% to £162.5 million (H1 2024/25: £75.4 million) reflecting the improved EBITDA performance, offset by an increase in the depreciation charges of £3.4 million compared to last year, in line with our ongoing capital investment programme.

Net finance costs of the Water Group in H1 2025/26 of £94.6 million (H1 2024/25: £89.9 million), reflect an effective interest rate[^] of 5.6% (H1 2024/25: 5.4%) The year on year increase of £4.7 million was as a result of higher debt, funding the ongoing capital programme, partially offset by lower interest rates.

The Water Group's statutory profit before tax was £67.9 million (H1 2024/25: loss of £34.0 million) after non-underlying items of £nil (H1 2024/25: £19.5 million), marking a significant improvement in financial performance.

The Water Group's capital expenditure in H1 2025/26 was £279.2 million (H1 2024/25: £315.8 million), a continuation of the high levels of investment required during K8.

Segmental performance – Non-household retail

Our non-household retailers, Pennon Water Services²¹ and SES Business Water, have seen a total revenue increase of 23.5% to £135.8 million²² (H1 2024/25: £110.0 million) in line with underlying tariff increases across wholesale water charges. This has resulted in increased market engagement by customers, with our retailers focusing on providing strong customer service and continuing to target high quality, sustainable customers to retain existing and new customers.

Operating costs have increased during the half year due to the underlying wholesale increases; other operating costs remain under control despite cost pressures from rising employee and supplier costs.

During the half year, Pennon Water Services incurred additional spend regarding IT system enhancement work, which will drive efficiencies and improved customer service once in place. As a result, non-household retail EBITDA has decreased this half year period to £3.4 million (H1 2024/25: £4.6 million).

The businesses continue to maintain focus on targeting high quality, sustainable customers who will benefit from the value-added services, with new annualised contract wins of c.£9.1 million secured during the first half of the year.

²¹ Pennon Water Services (PWS) - 80:20 joint venture with South Staffordshire.

²² £196.1 million excluding water segment wholesale elimination of £60.3 million (H1 2024/25: £160.8 million excluding water segment wholesale elimination of £50.8 million).

Segmental performance – Other

The Other segment comprises the result of Pennon Group plc company and other Group businesses, including the ancillary businesses of SES. The Other segment contributed an underlying loss before tax of £3.5 million in H1 2025/26 (H1 2024/25: loss before tax of £6.7 million) with non-underlying items of £nil (H1 2024/25: £0.7 million).

Group finance costs (net)

Net financing costs of £93.4 million (H1 2024/25: £88.6 million) reflect an increase of £4.8 million year on year, this is primarily due to a £21.4 million increase relating to new debt facilities, offset by lower inflation and interest rates (£12.6 million), increased interest receivable as a result of higher cash levels (£5.2 million) and capitalised interest has remained stable as we continue to invest at the same run rate for our capital programme (£12.6 million) (H1 2024/25: £12.1 million).

Net financing costs for the Water Group (£94.6 million) reflect the decreasing inflation rates offset by increased levels of borrowing in South West Water. If the indices on index-linked borrowings had been on average 1.0% higher/lower, with all other variables held constant, this would equate to a c.£7.0 million increase/reduction in the interest charge.

South West Water continues to secure funding through its Sustainable Financing Framework and to ensure at least 85% of its interest rate risk is mitigated in line with the Group Treasury Policy, which is achieved both through issuing fixed rate debt and effective interest rate hedging, with a further element being index-linked.

Share of post-tax profit from associated companies

The Group has a 30% interest in Water2Business Limited (W2B), a water retailer joint venture with Wessex Water. This investment is accounted for under the equity method and as the financial performance improves as it has gained scale, we have recognised £0.7 million of profit after tax in our H1 2025/26 results (H1 2024/25: £0.5 million), an increase of 40.0%.

Responsible approach to tax

We are proud of our responsible approach to tax and continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs.

The Group is pleased to confirm it has once again maintained the Fair Tax Mark accreditation, having been the first water company to achieve this status in the UK. This is the eighth year in succession that the Group has been awarded the accreditation. Achieving the Mark demonstrates that we are paying the right amount of Corporation Tax at the right time and applying the gold standard of transparency.

The overall H1 2025/26 tax charge for the Group was £8.6 million (H1 2024/25: credit of £8.8 million). On an underlying basis, the tax charge for H1 2025/26 for the Group of £8.6 million (H1 2024/25: credit of £3.9 million) consisted of:

- Deferred tax charge of £8.7 million (H1 2024/25: credit of £4.0 million). This charge primarily arises in relation to capital allowances in excess of depreciation charged across the Group, largely due to full expensing. This is partially offset by a current year deferred tax credit in relation to tax losses carried forward for utilisation in later periods
- Current tax credit of £0.1 million (H1 2024/25: charge of £0.1 million) relating solely to prior year items.

There was a non-underlying deferred tax charge in the year of £nil (H1 2024/25: credit of £4.9 million) relating to the non-underlying items.

The Group continues to generate tax losses, all of which are carried forward for future relief. These tax losses arise as a result of the enhanced capital allowances available because of full expensing and first year allowances, pension payments made during recent years where tax relief is now due, and capitalised interest, which for tax purposes is deductible in the year incurred.

Given the Group's continued capital investment programme and full expensing deductions together with 50% first year allowances on long life assets and integral features, the Group does not expect to generate taxable profits for the foreseeable future and therefore does not expect to make any corporation tax payments in the immediate future.

Earnings per share

The Group has recorded a statutory earnings per share of 12.1 pence per share for the half year ended 30 September 2025 (H1 2024/25: loss of 8.8 pence per share, restated²³), reflecting the improved financial performance of the Group year on year.

Our adjusted earnings per share excludes the impact of deferred tax charges and non-underlying items. For the Group, we have generated adjusted earnings per share for H1 2025/26 of 14.0 pence (H1 2024/25: loss of 5.5 pence per share, restated²³).

Movement in Net debt

Pennon Group – summarised net debt flow (£m)	H1 2025/26 flows
Net debt excluding other non-cash indebtedness - 1 April	(3,936.2)
Opening balance 1 April – statutory basis	(4,078.2)
Cash generated from operations	261.5
Corporation tax received	1.0
Net interest paid	(95.4)
Capital investment [^]	(285.4)
Share Issue transaction costs net of share forfeitures	(3.8)
Ordinary dividends paid	(133.7)
Proceeds from dividend forfeiture	1.7
Non-cash index-linked accretion	(6.6)
Other movements ²⁴	(0.4)
Closing balance 30 September – statutory basis	(4,339.3)
Net debt excluding other non-cash indebtedness - 30 September	(4,201.6)

²³ Restated to reflect the bonus element of the rights issue commenced in January 2025 in accordance with IAS 33

²⁴ Includes unwind of fair value adjustments

The Group's cash flow from operating activities for H1 2025/26 was £261.5 million (H1 2024/25: £125.4 million).

Net interest payments in H1 2025/26 were £95.4 million (H1 2024/25: £60.5 million) with the higher payment in 2025/26 driven by increased debt consequent on our ongoing record levels of capital investment.

Capital investment has resulted in capital expenditure cash outflows in H1 2025/26 of £285.4 million (H1 2024/25: £355.9 million).

Other significant movements in net debt in H1 2024/25 include payment of our interim and final dividends for 2024/25 totalling £133.7 million (interim and final dividends for 2023/24: £126.9 million) and £6.6 million (H1 2024/25: £7.1 million) of non-cash indexation on our loan instruments.

Net debt

The Group's net debt on a statutory basis at 30 September 2025 was £4,339.3 million (31 March 2025: £4,078.2 million). This includes acquisition-related fair value adjustments of £106.6 million (31 March 2025: £109.8 million) which are released over the life of the related debt instruments and other non-cash accounting adjustments of £31.1 million (31 March 2025: £32.2 million). The Group's net debt position excluding these adjustments is £4,201.6 million (31 March 2025: £3,936.2 million).

Robust liquidity and flexible funding strategy

Group debt at 30 Sept 2025 (£m)	Gross debt	Net debt
Pennon Group Plc	347.0	298.7
Water Group	4,347.2	3,870.5
South West Water ²⁵	4,076.0	3,652.9
SES Water	271.2	217.6
Other Group companies	212.3	190.1
Intercompany borrowing eliminations	(157.7)	(157.7)
Total adjusted Group (excluding FV and hedging)	4,748.8	4,201.6
Non-cash indebtedness ²⁶	137.7	137.7
Total Group net debt – statutory basis	4,886.5	4,339.3

As at 30 September 2025, the Group had £1,107.2 million of cash and committed facilities (31 March 2025: £1,036.1 million). This consists of cash and cash deposits of £547.2 million (31 March 2025: £476.1 million), including £58.4 million (31 March 2025: £58.2 million) of restricted funds representing deposits against future obligations, and £560.0 million (31 March 2025: £560.0 million) of undrawn committed facilities.

²⁵ Based on South West Water Group, including Bristol Water

²⁶ Including acquisition related fair value adjustments and unamortised hedging adjustment

Since 31 March 2025, the Group has secured £515 million of new debt, through its diverse portfolio of debt, consisting of:

- £150 million in private placements with an average maturity of c.5 years
- £300 million in public bond issuances under our EMTN²⁷ programme
- £65 million of new term loans and leasing with an average maturity of 6 years (currently undrawn).

An additional £85 million of new and renewed revolving credit facilities have been signed to support the prefunding position - these remain undrawn.

The bond issuance continues to utilise our £2.5 billion EMTN programme, which allows us to issue funding across the forthcoming regulatory period to fund the growth in the business and improvement in services reflected in our Business Plan.

Pennon Group company raised a further £150 million to support the Group and refinance a loan facility, whilst the market remains challenging for non-operating company financing, the financing reflects the support available to the business and the level of understanding of the sector by debt investors.

Resulting from the changes above coupled with drawdowns of new debt during the year, South West Water gross debt at 30 September 2025 was £4,076.0 million (31 March 2025: £3,815.9 million). The debt has a maturity of up to 32 years with a weighted average maturity of 12 years.

South West Water net debt at 30 September 2025 is a mix of fixed/swapped (£2,641.2 million, 72.3%), floating (£234.3 million, 6.4%) and index-linked borrowings (£777.4 million, 21.3%), which reflects our diverse debt portfolio. Where appropriate, derivatives are used to fix the rate on floating rate debt.

At 30 September 2025, the Water Group net debt to RCV stood at 59.8% with an average cost of debt of 5.6%.

South West Water's net debt to RCV ratio²⁸ stood at 60.1% (31 March 2025: 62.0%). This is due to the increase in RCV in the current year, consequent on capital investment, whilst net debt has benefitted from stronger operating cashflows, offset by ongoing capital investment. South West Water's cost of finance, with an effective interest rate in 2025/26 of 5.5% (31 March 2025: 5.4%), continues to benefit from the diverse portfolio of debt, providing over 160 basis points of outperformance in H1 2025/26.

SES Water's net debt portfolio predominantly reflects index linked and fixed rate debt, based on the legacy portfolio acquired at the date of acquisition. Subsequent to the equity injections in 2024/25, SES Water's gearing levels relative to RCV have reduced to 55.9%, with recognition from Ofwat of their improving financial resilience as a result of Pennon's ownership. The effective interest rate on the SES debt book is 8.2%. As a material component of this debt book is index linked, it is anticipated this rate will decrease as UK inflation rates reduce. In addition, over time, as the legacy debt matures, we anticipate it will also benefit from being part of the diverse debt portfolio and hedging strategy employed by the wider Group.

²⁷ Euro Medium Term Note

²⁸ Based on South West Water group including Bristol Water net debt/shadow RCV forecast at 31 March 2026

Return on Regulated Equity (RORE)

We continue to target a return on regulated equity of 7% over the five year period, and are on track to deliver in the current year through efficient financing costs²⁹, with totex benefits offsetting potential ODI penalties.

Dividends

In January 2025, the Board announced our dividend policy to 2030 of growing the base dividend in line with CPIH. As a result, a final dividend of 19.43 pence per share was declared for the year ended 31 March 2025. For H1 2025/26, the Board are recommending an interim dividend of 9.26 pence per share.

The proposed interim dividend for 2025/26 is increased by 4.1% year on year to £43.7 million (2024/25: £42.0 million). This reflects an increase in line with CPIH. The comparison on a per share basis reflects the new shares issued under our rights issue commenced in January 2025. Current year interim dividends are covered 5.8 times by underlying EBITDA (2024/25: 3.9 times). Pennon Group plc has substantial retained earnings and a sustainable balance sheet to support its stated dividend policy. The strong fundamentals of its principal operating subsidiary, South West Water Limited, underpin this policy with its strong RORE and growing RCV. Dividends are charged against retained earnings in the year in which they are declared.

²⁹ Based on allowed return of 3.15% plus CPIH, compared with actual effective interest rate forecast for the full year

TECHNICAL GUIDANCE FOR FY 2025/26

		FY 2024/25	Change
Revenue*	- Regulated Water Group revenue increasing by £185-£210 million - Non-household retailers' revenue increase in line with sector wide tariff increases - Pennon Power first revenues from H2, following energisation	£1,047.8m	▲
Operating costs*	- Operating costs in the Water business stabilising in line with inflation, with upward cost pressures offset by operational efficiency programmes. - Non-household retailer costs increased in-line with as sector wide wholesale charge increases	(£712.2m)	▲
EBITDA*	Group EBITDA increasing by c.60%³⁰ year on year	£335.6m	▲
Depreciation*	Increase by c.5-10% as a result of ongoing investment programme and as Pennon Power projects are commissioned	(£187.1m)	▲
Net interest	Financing costs (net) increase with new debt, offset by lower inflation and interest rates	(£184.4m)	▲
Capital expenditure	£710-740 million Group wide capital investment - Front loaded Water Group investment over K8 to deliver early benefits - Ongoing construction for Pennon Power projects, with Aberdeen energisation	£652.5m	▲
RORE*	- Targeting 7% over K8 (including 30bps uplift for enhanced K8 Business Plan) - On track for RORE in FY 2025/26 supported by financing outperformance - Totex efficiency offsetting the impact of ODIs over 2025/26	6.0%	▲

*Underlying basis

³⁰ Assuming normalised demand in the second half of the year

PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks

During the year, there have been continued sector specific and broader geopolitical developments that have created an environment of continued heightened risk and uncertainty. Notwithstanding that from a regulatory perspective there is certainty as a result of the PR24 Final Determination, there remains continued focus on the financeability of the broader sector as well as ongoing government-commissioned reviews of the sector, the impact of global trade wars and of the continued war in Ukraine impacting operational costs and energy prices.

The Board has carried out a detailed review of the Group's principal risks in the context of the Group's strategic objectives and priorities as well as the external environment within which it operates. This has included:

- Confirming that the Group's risk appetite statements remain appropriate.
- Receiving and reviewing updates on the Group's principal risks, including movements in the risk exposure.
- Undertaking horizon scanning of emerging risks and trends.
- Performing deep dive reviews into key risk areas.
- Through the Audit Committee, confirming the effectiveness of the risk management and internal control framework.

The Group's principal risks are:

Law, Regulation and Finance

1. Changes in Government policy
2. Changes in regulatory frameworks and requirements
3. Non-compliance with laws and regulations
4. Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments
5. Non-compliance or occurrence of an avoidable health and safety incident
6. Failure to pay all pension obligations as they fall due and increased costs to the Group should the defined benefit pension scheme deficit increase

Market and Economic Conditions

7. Macro-economic near-term risks impacting on inflation, interest rates and power prices

Operating Performance

8. Failure to secure, treat and supply clean drinking water
9. Failure to improve wastewater performance resulting in environmental commitments not being delivered
10. Failure to provide excellent service or meet the needs and expectations of our customers and communities
11. Inability to attract and retain staff with the skills to deliver the Group's strategy

Business Systems and Capital Investment

12. Insufficient capacity and resilience of the supply chain to support the delivery of the Group's operational and capital programmes in K8

13. Inadequate technological control or cyber-attack results in a breach of the Group's assets, systems and data

FINANCIAL TIMETABLE

26 February 2026	Ordinary shares quoted ex-dividend
27 February 2026	Record date for interim dividend
March 2026	Pennon Trading Statement
9 March 2026	Final date for receipt of DRIP applications
3 April 2026	Interim dividend payment date
2 June 2026	Full Year Results 2025/26
June 2026	Annual Report and Accounts Published
July 2025	Annual General Meeting 2026
July 2025	Pennon Q1 Trading Update
July 2025*	Ordinary shares quoted ex-dividend
July 2026*	Record date for final dividend
10 August 2026	Final date for receipt of DRIP applications
4 September 2026*	Final dividend payment date
1 December 2026	Half Year Results 2026/27

* Subject to obtaining shareholder approval at the 2026 Annual General Meeting

CAUTIONARY STATEMENT IN RESPECT OF FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements relating to the Pennon Group's operations, performance and financial position based on current expectations of, and assumptions and forecasts made by, Pennon Group management which may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified in this Report by words such as "anticipate", "aim", "believe", "continue", "could", "due", "estimate", "expect", "forecast", "goal", "intend", "may", "outlook", "plan", "probably", "project", "remain", "seek", "should", "target", "will", "would" and related and similar expressions, as well as statements in the future tense. All statements other than of historical fact may be forward-looking statements and represent the Group's belief regarding future events, many of which, by their nature, are inherently uncertain and outside the Group's control. Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual future results, financial situation, development or performance of the Group and the estimates and historical results given herein. Important risks, uncertainties and other factors that could cause actual results, performance or achievements of Pennon Group to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things, changes in Government policy; regulatory and legal reform; compliance with laws and regulations; maintaining sufficient finance and funding to meet ongoing commitments; non-compliance or occurrence of avoidable health and safety incidents; tax compliance and contribution; failure to pay all pension obligations as they fall due and increased costs to the Group should the defined benefit pension scheme deficit increase; non-recovery of customer debt; poor operating performance due to extreme weather or climate change; macro-economic risks impacting commodity and power prices and other matters; poor customer service and/or increased competition leading to loss of customer base; business interruption or significant operational failure/incidents; difficulty in recruitment, retention and development of skills; non-delivery of regulatory outcomes and performance commitments; failure or increased cost of capital projects/exposure to contract failures; failure of information technology systems, management and protection, including cyber risks; and all other risks in the Pennon Group Annual Report published in June 2025. Such forward looking statements should therefore be construed in light of all risks, uncertainties, and other factors, including without limitation those identified above, and undue reliance should not be placed on them. Nothing in this report should be construed as a profit forecast.

Any forward-looking statements are made only as of the date of this document and no representation, assurance, guarantee or warranty is given in relation to them including as to their accuracy, completeness, or the basis on which they are made. The Group accepts no obligation to revise or update publicly these forward-looking statements or adjust them as a result of new information or for future events or developments, except to the extent legally required.

UNSOLICITED COMMUNICATIONS WITH SHAREHOLDERS

A number of companies, including Pennon Group plc, continue to be aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters which imply a connection to the company concerned. If shareholders have any concerns about any contact they have received, then please refer to the Financial Conduct Authority's website www.fca.org.uk/scamsmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

PENNON GROUP PLC

Consolidated income statement for the half year ended 30 September 2025

		Unaudited					
	Notes	Before non- underlying items half year ended 30 September 2025 £m	Non- underlying items (note 5) half year ended 30 September 2025 £m	Total half year ended 30 September 2025 £m	Before non- underlying items half year ended 30 September 2024 £m	Non- underlying items (note 5) half year ended 30 September 2024 £m	Total half year ended 30 September 2024 £m
Revenue	4	658.1	-	658.1	527.2	-	527.2
Operating costs							
Employment costs		(75.9)	-	(75.9)	(79.6)	(0.9)	(80.5)
Raw materials and consumables used		(31.9)	-	(31.9)	(26.3)	(0.2)	(26.5)
Trade receivables impairment		(9.0)	-	(9.0)	(6.5)	-	(6.5)
Other operating expenses		(286.9)	-	(286.9)	(251.3)	(19.1)	(270.4)
Earnings before interest, tax, depreciation and amortisation	4	254.4	-	254.4	163.5	(20.2)	143.3
Depreciation and amortisation		(95.8)	-	(95.8)	(94.0)	-	(94.0)
Operating Profit	4	158.6	-	158.6	69.5	(20.2)	49.3
Finance income	6	10.0	-	10.0	7.9	-	7.9
Finance costs	6	(103.4)	-	(103.4)	(96.5)	-	(96.5)
Net finance costs	6	(93.4)	-	(93.4)	(88.6)	-	(88.6)
Share of post-tax profit from associated companies		0.7	-	0.7	0.5	-	0.5
Profit / (loss) before tax	4	65.9	-	65.9	(18.6)	(20.2)	(38.8)
Taxation (charge) / credit	7	(8.6)	-	(8.6)	3.9	4.9	8.8
Profit / (loss) for the period		57.3	-	57.3	(14.7)	(15.3)	(30.0)
Attributable to:							
Ordinary shareholders of the parent		57.2	-	57.2	(15.0)	(15.3)	(30.3)
Non-controlling interests		0.1	-	0.1	0.3	-	0.3
Earnings / (loss) per ordinary share (pence per share)*	8						
- Basic				12.1			(8.8)
- Diluted				12.1			(8.8)

* Earnings per ordinary share restated for 2024, see note 8

The Group activities above are derived from continuing activities.

The notes on pages 28 to 45 form part of this condensed half year financial information.

PENNON GROUP PLC

Consolidated statement of comprehensive income for the half year ended 30 September 2025

	Unaudited					
	Before non-underlying items half year ended 30 September 2025 £m	Non-underlying items (note 5) half year ended 30 September 2025 £m	Total half year ended 30 September 2025 £m	Before non-underlying items half year ended 30 September 2024 £m	Non-underlying items (note 5) half year ended 30 September 2024 £m	Total half year ended 30 September 2024 £m
Profit / (loss) for the period	57.3	-	57.3	(14.7)	(15.3)	(30.0)
Other comprehensive (loss) / income						
<i>Items that will not be reclassified to profit or loss</i>						
Remeasurement of defined benefit obligations (note 16)	(11.5)	-	(11.5)	14.4	-	14.4
Income tax on items that will not be reclassified	2.7	-	2.7	(3.6)	-	(3.6)
Total items that will not be reclassified to profit or loss	(8.8)	-	(8.8)	10.8	-	10.8
<i>Items that may be reclassified subsequently to profit or loss</i>						
Loss on cashflow hedging*	(8.1)	-	(8.1)	(18.0)	-	(18.0)
Hedging losses recycled to profit and loss*	3.8	-	3.8	8.1	-	8.1
Income tax on items that may be reclassified	1.1	-	1.1	2.6	-	2.6
Total items that may be reclassified subsequently to profit or loss	(3.2)	-	(3.2)	(7.3)	-	(7.3)
Other comprehensive (loss) / income for the period net of tax	(12.0)	-	(12.0)	3.5	-	3.5
Total comprehensive income / (loss) for the period	45.3	-	45.3	(11.2)	(15.3)	(26.5)
Total comprehensive income / (loss) attributable to:						
Ordinary shareholders of the parent	45.2	-	45.2	(11.5)	(15.3)	(26.8)
Non-controlling interests	0.1	-	0.1	0.3	-	0.3

*Movements on cash flow hedges were presented net in 2024, the presentation has been restated to present as gross, see note 2 for further detail.

The notes on pages 28 to 45 form part of this condensed half year financial information.

PENNON GROUP PLC

Consolidated balance sheet at 30 September 2025

		Unaudited 30 September 2025 £m	Audited 31 March 2025 £m
ASSETS	Notes		
Non-current assets			
Goodwill		179.9	179.9
Other intangible assets	17	62.9	62.2
Property, plant and equipment	17	6,063.0	5,849.4
Other non-current assets		7.8	8.7
Financial assets at fair value through profit and loss		-	0.6
Derivative financial instruments		19.3	22.4
Investments in associated companies		2.5	1.8
Retirement benefit assets	16	8.5	22.0
		6,343.9	6,147.0
Current assets			
Inventories		13.1	12.8
Trade and other receivables		461.5	391.8
Current tax receivable		-	0.9
Financial assets at fair value through profit and loss		0.2	-
Derivative financial instruments		7.2	9.8
Cash and cash equivalents	14	488.8	417.9
Restricted funds	14	58.4	58.2
Retirement benefit assets	16	11.1	9.2
		1,040.3	900.6
LIABILITIES			
Current liabilities			
Borrowings	14	(224.9)	(257.4)
Financial liabilities at fair value through profit and loss		-	(0.3)
Derivative financial instruments		(0.8)	(0.5)
Trade and other payables	18	(413.4)	(331.0)
Provisions		(1.2)	(6.8)
		(640.3)	(596.0)
Net current assets		400.0	304.6
Non-current liabilities			
Borrowings	14	(4,661.6)	(4,296.9)
Other non-current liabilities	18	(178.2)	(171.3)
Derivative financial instruments		(2.9)	(1.6)
Deferred tax liabilities		(535.5)	(530.6)
Provisions		(0.6)	(0.5)
		(5,378.8)	(5,000.9)
Net assets		1,365.1	1,450.7
Shareholders' equity			
Share capital	10	288.1	288.1
Share premium account	11	755.6	755.0
Capital redemption reserve	12	157.1	157.1
Retained earnings and other reserves		161.7	248.0
Total shareholders' equity		1,362.5	1,448.2
Non-controlling interests		2.6	2.5
Total equity		1,365.1	1,450.7

The notes on pages 28 to 45 form part of this condensed half year financial information.

PENNON GROUP PLC

Consolidated statement of changes in equity for the half year ended 30 September 2025

	Unaudited					
	Share capital (note 10) £m	Share premium account (note 11) £m	Capital redemption reserve (note 12) £m	Retained earnings and other reserves £m	Non-controlling interests £m	Total equity £m
At 1 April 2024	174.6	398.2	157.1	431.3	1.4	1,162.6
(Loss) / profit for the period	-	-	-	(30.3)	0.3	(30.0)
Other comprehensive income for the period	-	-	-	3.5	-	3.5
Total comprehensive loss for the period	-	-	-	(26.8)	0.3	(26.5)
<i>Transactions with equity shareholders:</i>						
Dividends paid	-	-	-	(126.9)	-	(126.9)
Adjustments in respect of share-based payments (net of tax)	-	-	-	1.1	-	1.1
Own shares acquired by the Pennon Employee Share Trust in respect of Share options	-	-	-	(1.2)	-	(1.2)
Transaction costs arising on shares issued	-	(0.2)	-	-	-	(0.2)
Total transactions with equity shareholders	-	(0.2)	-	(127.0)	-	(127.2)
At 30 September 2024	174.6	398.0	157.1	277.5	1.7	1,008.9

	Unaudited					
	Share capital (note 10) £m	Share premium account (note 11) £m	Capital redemption reserve (note 12) £m	Retained earnings and other reserves £m	Non-controlling interests £m	Total equity £m
At 1 April 2025	288.1	755.0	157.1	248.0	2.5	1,450.7
Profit for the period	-	-	-	57.2	0.1	57.3
Other comprehensive loss for the period	-	-	-	(12.0)	-	(12.0)
Total comprehensive income for the period	-	-	-	45.2	0.1	45.3
<i>Transactions with equity shareholders:</i>						
Dividends paid	-	-	-	(133.7)	-	(133.7)
Dividends forfeited	-	-	-	1.7	-	1.7
Adjustments in respect of share-based payments (net of tax)	-	-	-	1.3	-	1.3
Own shares acquired by the Pennon Employee Share Trust in respect of Share options	-	-	-	(0.8)	-	(0.8)
Sale of Share forfeiture shares	-	0.6	-	-	-	0.6
Total transactions with equity shareholders	-	0.6	-	(131.5)	-	(130.9)
At 30 September 2025	288.1	755.6	157.1	161.7	2.6	1,365.1

The notes on pages 28 to 45 form part of this condensed half year financial information.

PENNON GROUP PLC

Consolidated statement of cash flows for the half year ended 30 September 2025

		Unaudited	
		Half year ended 30 September 2025	Half year ended 30 September 2024
	Notes	£m	£m
Cash flows from operating activities			
Cash generated from operations	13	261.5	125.4
Interest paid		(103.1)	(64.6)
Tax received		1.0	3.0
Net cash generated from operating activities		159.4	63.8
Cash flows from investing activities			
Interest received		7.7	4.1
Purchase of property, plant and equipment		(285.0)	(352.1)
Deposit of restricted funds		(0.2)	(0.7)
Purchase of intangible assets		(1.9)	(4.7)
Proceeds from sale of property, plant and equipment		1.5	0.9
Net cash used in investing activities		(277.9)	(352.5)
Cash flows from financing activities			
Purchase of ordinary shares by the Pennon Employee Share Trust		(0.8)	(1.2)
Proceeds from share forfeitures		0.6	-
Share issue transaction costs		(4.4)	-
Proceeds from new borrowings		502.4	655.1
Repayment of borrowings		(158.8)	(246.9)
Cash inflows from lease financing arrangements		-	25.0
Lease principal repayments (including net recoverable VAT paid / recovered)		(17.6)	(13.4)
Dividends paid	9	(133.7)	(126.9)
Proceeds from dividend forfeiture		1.7	-
Net cash received from financing activities		189.4	291.7
Net increase in cash and cash equivalents		70.9	3.0
Cash and cash equivalents at beginning of period	14	417.9	134.0
Cash and cash equivalents at end of period	14	488.8	137.0

The notes on pages 28 to 45 form part of this condensed half year financial information.

PENNON GROUP PLC

Notes to condensed half year financial information

1. General information

Pennon Group plc is a company registered in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 45. Pennon Group's business is operated through its principal subsidiaries. South West Water Limited, provides water and wastewater services in Devon, Cornwall and parts of Dorset and Somerset and water only services in parts of Dorset, Hampshire, Wiltshire and Bristol. Sutton and East Surrey Water plc ("SES Water") provides water only services in the South East region. Sutton and South East Surrey Water Services ("SESWS") provides water and wastewater retail services to non-household customer accounts. Pennon Group is the majority shareholder of Pennon Water Services Limited, a company providing water and wastewater retail services to non-household customer accounts across Great Britain. The Company owns a 30% share in Water 2 Business Limited, a joint venture with Wessex Water, operating in the same sector as Pennon Water Services Limited and SESWS.

This condensed half year financial information was approved by the Board of Directors on 26 November 2025.

The financial information for the period ended 30 September 2025 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for 31 March 2025 were approved by the Board of Directors on 3 June 2025 and have been delivered to the Registrar of Companies. The independent auditor's report on these financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

This condensed half year financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, and UK adopted IAS 34 'Interim financial reporting'. This condensed half year financial information should be read in conjunction with the Pennon Group plc Annual Report and Accounts for the year ended 31 March 2025, which were prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

Restatements

In the prior period movements on cash flow hedges were presented net in the statement of comprehensive income, the presentation has been amended to show the gross values in relation to the loss on cash flow hedging (half year ended 30 September 2024: £18.0 million) and hedging gains recycled to profit or loss (half year ended 30 September 2024: £8.1 million).

Going concern

The going concern basis has been adopted in preparing the condensed half year financial information (interim accounts). In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Group's going concern status, to do this the Group's business plan has been stress-tested. Whilst the Group's risk management processes seek to mitigate the impact of principal risks, individual sensitivities against these risks have been identified. These sensitivities, which are ascribed a value with reference to risk weighting, factoring in the likelihood of occurrence and financial impact, were applied to the baseline financial forecast which uses the Group's most recent forecast for FY 2025/26, and longer-term strategic business plan for the remainder of the going concern period to 28 February 2027. The risks and sensitivities include consideration of: legislative impacts such as change in government policy and non-compliance with laws and regulations, macro-economic impacts such as inflation and interest rate increases and operational impacts such as ensuring adequate water resources and failure of operational assets.

A combined stress testing scenario has been performed to assess the overall impact of these individual scenarios impacting the Group collectively. The combined weighted impact of the risks occurring is a cash outflow of c.£100.7 million, this value is considered equivalent to an extreme one-off event that could occur by 28 February 2027, the probability of such an event happening is deemed unlikely. Through this testing, it has been determined that none of the individual principal risks would in isolation, or in aggregate, compromise the going concern of the Group over the going concern period, the assessment has been considered by reviewing the impact on the solvency position as well as debt and interest covenants. In the combined scenario to ensure that the Group was able to continue as a going concern, additional mitigations could be deployed to reduce gearing and increase covenant headroom. In the combined stress test scenario, the group has sufficient liquidity and covenant headroom which reflects that no mitigations would be needed by the Group.

Notes to condensed half year financial information (continued)

2. Basis of preparation (continued)

However, if required examples of additional mitigations that could be used include; a reduction in discretionary operational expenditure, deferral of capital expenditure and/or cancellation of non-essential capital expenditure, reduction in the amount of dividend payable, and raising additional funding.

We have considered the Group's funding position and financial projections, which take into account a range of possible impacts, including the refinancing required within and immediately after the going concern assessment period. Having considered these factors, the Directors have a reasonable expectation that the Group will meet the requirements of its covenants and has adequate resources to continue in operational existence for the period to at least the end of the going concern assessment period of 28 February 2027, and that there are no material uncertainties to disclose. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

This condensed half year financial information has been reviewed, but not audited, by the independent auditor pursuant to the Auditing Practices Board guidance on the 'Review of Interim Financial Information'.

The preparation of the half year financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements for the year ended 31 March 2025.

3. Accounting policies

The accounting policies adopted in this condensed half year financial information are consistent with those applied and set out in the Pennon Group plc Annual Report and Accounts for the year ended 31 March 2025, except for the estimation of income tax (see note 7) and are in accordance with IFRS and interpretations of the IFRS Interpretations Committee expected to be applicable for the year ending 31 March 2026 in issue which have been adopted by the UK.

New standards or interpretations which were mandatory for the first time in the year beginning 1 April 2025 did not have a material impact on the net assets or results of the Group. New standards or interpretations due to be adopted from 1 April 2026 are not expected to have a material impact on the Group's net assets or results.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

4. Segmental information

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision-Maker (CODM), which has been identified as the Pennon Group plc Board ('the Board'). The earnings measures below are used by the Board in making decisions.

The Group is organised into two operating segments. The water segment comprises the regulated water and wastewater services undertaken by South West Water and the regulated water services undertaken by SES Water. The non-household retail segment (business retail) reflects the services provided by Pennon Water Services and SESWS. The other segment comprises smaller ancillary business as well as intermediate holding companies not further separated in reports to the Board.

Half year ended 30 September 2025

	Unaudited				
	Water	Non-household	Other	Eliminations	Group
	£m	retail	£m	£m	£m
Revenue	518.5	196.1	9.9	(66.4)	658.1
Employment Costs	(64.0)	(4.7)	(7.2)	-	(75.9)
Raw materials and consumables used	(31.0)	-	(0.9)	-	(31.9)
Other operating costs	(167.0)	(188.0)	(7.3)	66.4	(295.9)
Operating Profit before depreciation, amortisation and before non-underlying items (Underlying EBITDA)	256.5	3.4	(5.5)	-	254.4
Depreciation and amortisation	(94.0)	(0.2)	(1.6)	-	(95.8)
Operating Profit before non-underlying items	162.5	3.2	(7.1)	-	158.6
Finance income	10.8	0.3	5.0	(6.1)	10.0
Finance costs	(105.4)	(2.0)	(2.1)	6.1	(103.4)
Share of post-tax profit from associated companies	-	-	0.7	-	0.7
Profit before tax and non-underlying items	67.9	1.5	(3.5)	-	65.9
Non underlying items	-	-	-	-	-
Profit before tax	67.9	1.5	(3.5)	-	65.9

Half year ended 30 September 2024

	Unaudited				
	Water	Non-household	Other	Eliminations	Group
	£m	retail	£m	£m	£m
Revenue	412.9	160.8	10.8	(57.3)	527.2
Employment Costs	(65.7)	(6.9)	(7.0)	-	(79.6)
Raw materials and consumables used	(23.7)	-	(2.6)	-	(26.3)
Other operating costs	(157.5)	(149.3)	(8.3)	57.3	(257.8)
Operating Profit before depreciation, amortisation and before non-underlying items (Underlying EBITDA)	166.0	4.6	(7.1)	-	163.5
Depreciation and amortisation	(90.6)	(0.1)	(3.3)	-	(94.0)
Operating Profit before non-underlying items	75.4	4.5	(10.4)	-	69.5
Finance income	6.1	0.1	5.9	(4.2)	7.9
Finance costs	(96.0)	(2.0)	(2.7)	4.2	(96.5)
Share of post-tax profit from associated companies	-	-	0.5	-	0.5
Loss before tax and non-underlying items	(14.5)	2.6	(6.7)	-	(18.6)
Non underlying items	(19.5)	-	(0.7)	-	(20.2)
Loss before tax	(34.0)	2.6	(7.4)	-	(38.8)

PENNON GROUP PLC
Notes to condensed half year financial information (continued)
4. Segmental information (continued)

Intra-segment trading between different segments is under normal market based commercial terms and conditions. Intra-segment revenue of the other segment is reflected as a cost.

Factors such as seasonal weather patterns can affect sales volumes, income and costs in the water segments.

All revenue is generated in the United Kingdom. The grouping of revenue streams by how they are affected by economic factors, as required by IFRS 15, is as follows:

Six months ended 30 September 2025	Unaudited			
	UK total			Total
	Water	Non-household retail	Other	
	£m	£m	£m	£m
Segment revenue	518.5	196.1	9.9	724.5
Inter-segment revenue	(60.1)	-	(6.3)	(66.4)
Revenue from external customers	458.4	196.1	3.6	658.1
Significant service lines				
Water	458.4	-	-	458.4
Non-household retail	-	196.1	-	196.1
Other	-	-	3.6	3.6
	458.4	196.1	3.6	658.1

Six months ended 30 September 2024	Unaudited			
	UK total			Total
	Water	Non-household retail	Other	
	£m	£m	£m	£m
Segment revenue	412.9	160.8	10.8	584.5
Inter-segment revenue	(50.8)	(0.1)	(6.4)	(57.3)
Revenue from external customers	362.1	160.7	4.4	527.2
Significant service lines				
Water	362.1	-	-	362.1
Non-household retail	-	160.7	-	160.7
Other	-	-	4.4	4.4
	362.1	160.7	4.4	527.2

The Group's country of domicile is the United Kingdom and this is the country in which it generates the majority of its revenue.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

5. Non-underlying items

Non-underlying items are those that in the Directors' view are required to be separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Group's financial performance in the period and business trends over time. The presentation of results is consistent with internal performance monitoring. There were no non-underlying items in H1 2025/26. Non-underlying items for the previous half year 2024/25, are as follows;

	Unaudited	
	Half year ended 30 September 2025 £m	Half year ended 30 September 2024 £m
Operating Costs		
Restructuring / transformational costs ⁽¹⁾	-	(3.7)
Costs associated with water quality incident ⁽²⁾	-	(16.3)
Acquisition costs ⁽³⁾	-	(0.2)
Earnings before interest, tax, depreciation and amortisation	-	(20.2)
Non-underlying tax credit	-	4.9
Net non-underlying charges	-	(15.3)

- (1) In the period to 30 September 2024, £3.7 million of costs were incurred in connection with the business transformation.
- (2) £16.3 million of costs were incurred in the 6 months to 30 September 2024, following a water quality incident in May 2024, these included enhanced customer compensation, provision of bottled water over an eight-week period, and extensive interventions to clean and filter the network.
- (3) The Group incurred expenses of £0.1 million in the half year ended 30 September 2024 in relation to the costs of acquisition of SES and £0.1 million of expenses in connection with the acquisition of four renewable power generation investments.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

6. Net finance costs

	Unaudited					
	Half year ended 30 September 2025			Half year ended 30 September 2024		
	Finance costs £m	Finance income £m	Total £m	Finance costs £m	Finance income £m	Total £m
Cost of servicing debt						
Bank borrowings and overdrafts	(73.4)	-	(73.4)	(66.4)	-	(66.4)
Interest element of lease payments	(25.9)	-	(25.9)	(25.1)	-	(25.1)
Other finance costs	(4.1)	-	(4.1)	(5.0)	-	(5.0)
Interest receivable	-	7.7	7.7	-	5.9	5.9
Net gains on derivative financial instruments	-	1.2	1.2	-	1.2	1.2
	(103.4)	8.9	(94.5)	(96.5)	7.1	(89.4)
Notional interest						
Retirement benefit obligations	-	1.1	1.1	-	0.8	0.8
Net finance costs	(103.4)	10.0	(93.4)	(96.5)	7.9	(88.6)

In addition to the above, finance costs of £12.6 million have been capitalised on qualifying assets included in property, plant and equipment (H1 2024/25: £12.1 million).

Other finance costs include £0.5 million (H1 2024/25: £0.5 million) of dividends payable on listed preference shares issued by Bristol Water, which are classified as debt.

7. Taxation

	Unaudited					
	Before non- underlying items half year ended 30 September 2025 £m	Non- underlying items (note 5) half year ended 30 September 2025 £m	Total half year ended 30 September 2025 £m	Before non- underlying items half year ended 30 September 2024 £m	Non- underlying items (note 5) half year ended 30 September 2024 £m	Total half year ended 30 September 2024 £m
Analysis of charge						
Current tax (credit) / charge	(0.1)	-	(0.1)	0.1	-	0.1
Deferred tax charge / (credit)	8.7	-	8.7	(4.0)	(4.9)	(8.9)
Tax charge / (credit) for the period	8.6	-	8.6	(3.9)	(4.9)	(8.8)

UK corporation tax is calculated at 25% (H1 2024/25: 25%) of the estimated assessable profit for the year. The tax charge for September 2025 and September 2024 has been derived by applying the anticipated effective annual tax rate to the first half year profit before tax.

Tax on amounts included in the consolidated statement of comprehensive income, or directly in equity, is included in those statements respectively.

The effective tax rate for the period for the group, including prior year adjustments but before the impact of non-underlying items was an effective charge of 13.1% (H1 2024/25: charge of 21.0%).

The effective tax rate for the period for the group including prior year adjustments and the impact of non-underlying items for the period ended 30 September 2025 was a charge of 13.1% (H1 2024/25: charge of 22.7%).

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

8. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares. The Group has two types of dilutive potential ordinary shares – those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; and the contingently issuable shares under the Group's performance and Co-investment Plan, the long-term incentive plan and the deferred shares element of the Annual Incentive Bonus Plan, based on performance criteria for the vesting of the awards.

Basic and diluted earnings per share figures and the weighted average number of shares for the comparative period have been restated and adjusted for the bonus factor of 1.21 to reflect the bonus element of the rights issue which commenced in January 2025, in accordance with IAS 33 Earnings per Share. Amounts as originally stated at 30 September 2024 were (10.6)p basic and diluted earnings per share, (6.6)p basic and diluted adjusted earnings per share and 285.9 million weighted average number of shares.

Potential ordinary shares, as discussed above, that could dilute basic earnings per share in the future, were not included in the calculation for statutory earnings per share because they were anti-dilutive for the prior year. The weighted average number of shares and earnings used in the calculations are detailed in the table below.

	Unaudited	
	Half year ended 30 September 2025	Half year ended 30 September 2024 (restated)
Number of shares (millions)		
For basic earnings per share	471.9	345.9
Effect of dilutive potential ordinary shares from share options	1.2	-
For diluted earnings per share	473.1	345.9

Basic and diluted earnings per ordinary share

Earnings per ordinary share before non-underlying items and deferred tax are presented as the Directors believe this measure provides a more useful year on year comparison of business trends and performance. Deferred tax is excluded as the Directors believe it reflects a distortive effect of changes in corporation tax rates and the level of long-term capital investment. Earnings per share have been calculated as follows:

	Unaudited					
	Half year ended 30 September 2025			Half year ended 30 September 2024 (restated)		
	Profit after tax £m	Earnings per share Basic p	Earnings per share Diluted p	Loss after tax £m	Earnings per share Basic p	Earnings per share Diluted p
Statutory earnings	57.2	12.1	12.1	(30.3)	(8.8)	(8.8)
Deferred tax before non-underlying items	8.7	1.9	1.8	(4.0)	(1.1)	(1.1)
Non-underlying items (net of tax)	-	-	-	15.3	4.4	4.4
Adjusted earnings before non-underlying items and deferred tax	65.9	14.0	13.9	(19.0)	(5.5)	(5.5)

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

9. Dividends

Amounts recognised as distributions to ordinary equity holders in the period:

	Unaudited	
	Half year ended 30 September 2025 £m	Half year ended 30 September 2024 £m
Interim dividend paid for the year ended 31 March 2025: 12.14 pence (2024: 11.60 pence restated) per share	42.0	40.1
Final dividend paid for the year ended 31 March 2025: 19.43 pence (2024: 25.07 pence restated) per share	91.7	86.8
	133.7	126.9

In the six months to 30 September 2025 the 2024/25 interim and final dividends were paid resulting in a cash outflow of £133.7 million.

	Unaudited	
	Half year ended 30 September 2025 £m	Half year ended 30 September 2024 £m
Proposed interim dividend for the year ended 31 March 2026: 9.26 pence per share (31 March 2025: 12.14 pence restated)	43.7	42.0

The proposed interim dividend has not been included as a liability in this condensed half year financial information. The proposed interim dividend for the year ending 31 March 2026 will be paid on 3 April 2026 to shareholders on the register on 31 January 2026.

Proposed dividends per share for the 30 September 2024 comparative period have been restated and adjusted for the bonus factor of 1.21 to reflect the bonus element of the rights issue which commenced in January 2025, in accordance with IAS 33 Earnings per Share and as detailed in note 8.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

10. Share capital

Allotted, called up and fully paid:

1 April 2024 to 30 September 2024

	Unaudited		
	Number of shares		£m
	Treasury shares	Ordinary shares	
At 1 April 2024 ordinary shares of 61.05 pence each	5,628	286,045,323	174.6
For consideration of £21,000, shares issued in respect of the Company's Sharesave Scheme	-	3,386	-
At 30 September 2024 ordinary shares of 61.05 pence each	5,628	286,048,709	174.6

1 April 2025 to 30 September 2025

	Unaudited		
	Number of shares		£m
	Treasury shares	Ordinary shares	
At 1 April 2025 ordinary shares of 61.05 pence each	5,628	471,976,711	288.1
For consideration of £7,000, shares issued in respect of the Company's Sharesave Scheme	-	2,323	-
At 30 September 2025 ordinary shares of 61.05 pence each	5,628	471,979,034	288.1

Shares held as treasury shares may be sold, re-issued for any of the Company's share schemes, or cancelled.

The weighted average market price of the Company's shares at the date of exercise of share scheme options during the period was 488 pence (H1 2024/25: 625 pence – pre the rights issue which commenced in January 2025).

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

11. Share premium account

	Unaudited
	£m
1 April 2024 to 30 September 2024	
At 1 April 2024	398.2
Shares issued under the Sharesave Scheme	-
	398.2
Less: Transaction costs arising on share issues	(0.2)
	398.0
At 30 September 2024	398.0
1 April 2025 to 30 September 2025	
At 1 April 2025	755.0
Sale of Share forfeiture shares	0.6
	755.6
At 30 September 2025	755.6

12. Capital redemption reserve

	Unaudited
	£m
1 April 2024 to 30 September 2024	
At 1 April 2024 and 30 September 2024	157.1
1 April 2025 to 30 September 2025	
At 1 April 2025 and 30 September 2025	157.1

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

13. Cash flow from operating activities

Reconciliation of (loss)/profit for the period to net cash generated from operations:

Cash generated from operations

Profit / (loss) for the period

Adjustments for:

Share-based payments

Profit on disposal of property, plant and equipment

Depreciation charge

Amortisation of intangible assets

Share of post-tax profit from associated companies

Finance income

Finance costs

Taxation charge / (credit)

Changes in working capital:

(Increase) / decrease in inventories

(Increase) / decrease in trade and other receivables

Increase / (decrease) in trade and other payables

Decrease in provisions

Cash generated from operations

Total interest paid

Interest paid in operating activities

Total interest paid

Unaudited	
Half year ended 30 September 2025 £m	Half year ended 30 September 2024 £m
57.3	(30.0)
1.3	1.1
(0.8)	(0.5)
94.5	91.9
1.3	2.1
(0.7)	(0.5)
(10.0)	(7.9)
103.4	96.5
8.6	(8.8)
(0.3)	0.2
(69.0)	5.7
81.4	(24.4)
(5.5)	-
261.5	125.4

Unaudited	
Half year ended 30 September 2025 £m	Half year ended 30 September 2024 £m
103.1	64.6
103.1	64.6

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

14. Net borrowings

	Unaudited Half year ended 30 September 2025 £m	Audited Year ended 31 March 2025 £m
Cash and cash equivalents	488.8	417.9
Restricted funds	58.4	58.2
	547.2	476.1
<i>Borrowings – current</i>		
Bank and other current borrowings	(167.4)	(224.5)
Lease obligations	(57.5)	(32.9)
Total current borrowings	(224.9)	(257.4)
<i>Borrowings – non-current</i>		
Bank and other non-current borrowings	(3,662.8)	(3,265.1)
Listed preference shares	(12.5)	(12.5)
Lease obligations	(986.3)	(1,019.3)
Total non-current borrowings	(4,661.6)	(4,296.9)
Total net borrowings	(4,339.3)	(4,078.2)

Restricted funds are deposited with lessors or held for bond interest, are available for access, subject to being replaced by an equivalent valued security.

Lease liabilities include liabilities that are subject to secured financing arrangements and lease liabilities under IFRS 16.

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Notes to condensed half year financial information (continued)

14. Net borrowings (continued)

The movements in net borrowings during the periods presented were as follows:

	Unaudited				Net cash/ (borrowings) at 30 September 2024 (restated) £m
	Net cash/ (borrowings) at 1 April 2024 £m	Cash flows £m	Transfer between non-current and current £m	Other non- cash movements £m	
Bank and other current borrowings	(188.8)	147.0	(76.1)	1.2	(116.7)
Current lease obligations	(51.9)	38.5	(82.0)	(29.8)	(125.2)
Bank and other non-current borrowings	(2,691.8)	(555.2)	76.1	1.8	(3,169.1)
Listed preference shares	(12.5)	-	-	-	(12.5)
Non-current lease obligations	(1,071.2)	(25.0)	82.0	(4.2)	(1,018.4)
Total financing liabilities	(4,016.2)	(394.7)	-	(31.0)	(4,441.9)
Less:					
Cash and cash equivalents	134.0	3.0	-	-	137.0
Restricted funds	37.4	0.7	-	-	38.1
Net borrowings	(3,844.8)	(391.0)	-	(31.0)	(4,266.8)

	Net cash/ (borrowings) at 1 April 2025 £m	Cash flows £m	Transfer between non-current and current £m	Other non- cash movements £m	Net cash/ (borrowings) at 30 September 2025 £m
Bank and other current borrowings	(224.5)	103.8	(47.2)	0.5	(167.4)
Current lease obligations	(32.9)	38.8	(35.9)	(27.5)	(57.5)
Bank and other non-current borrowings	(3,265.1)	(447.4)	47.2	2.5	(3,662.8)
Listed preference shares	(12.5)	-	-	-	(12.5)
Non-current lease obligations	(1,019.3)	-	35.9	(2.9)	(986.3)
Total financing liabilities	(4,554.3)	(304.8)	-	(27.4)	(4,886.5)
Less:					
Cash and cash equivalents	417.9	70.9	-	-	488.8
Restricted funds	58.2	0.2	-	-	58.4
Net borrowings	(4,078.2)	(233.7)	-	(27.4)	(4,339.3)

The Group has entered into covenants with lenders and, while terms vary, these typically provide for limits on gearing and interest cover. The Group has been in compliance with its covenants during the year to date. Other non-cash movements for the Group in the period includes the increase in borrowings from interest which is rolled into the amount repayable.

An unamortised hedging adjustment was reclassified from fair value through profit and loss to borrowings in the year ended 31 March 2025 and the prior year restated. The 30 September 2024 values in the above table also reflect this adjustment to allow for comparison between periods. The total of the unamortised hedging adjustment as at 30 September 2024 was £33.3 million reflected in Bank and other current borrowings (£2.5 million) and Bank and other non-current borrowings (£30.8 million).

Notes to condensed half year financial information (continued)

15. Fair value disclosure for financial instruments

Fair value of financial instruments carried at amortised cost.

Financial assets and liabilities which are not carried at an amount which approximates to their fair value are:

	Unaudited		Audited	
	Half year ended 30 September 2025		Year ended 31 March 2025	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Non-current borrowings:				
Bank and other loans	3,662.8	3,383.3	3,265.1	3,079.1
Leases	986.3	930.1	1,019.3	1,007.4
Other non-current borrowings	12.5	18.5	12.5	18.5
Non-current borrowings	4,661.6	4,331.9	4,296.9	4,105.0

Valuation hierarchy of financial instruments carried at fair value

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments not traded in an active market (level 2, for example over-the-counter derivatives) is determined by using valuation techniques. A variety of methods and assumptions are used based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The Group's financial instruments are valued principally using level 2 measures:

	Unaudited	Audited
	Half year ended 30 September 2025 £m	Year ended 31 March 2025 £m
Level 2 inputs		
Assets		
Derivatives used for cash flow hedging	25.2	31.8
Derivatives used for fair value hedging	1.3	0.4
Total assets	26.5	32.2
Liabilities		
Derivatives used for cash flow hedging	(3.7)	(2.1)
Total liabilities	(3.7)	(2.1)

Notes to condensed half year financial information (continued)

16. Retirement benefit assets

Defined benefit schemes

All the Group's defined benefit pension schemes are closed to future accrual.

The principal actuarial assumptions were the rate used to discount schemes' liabilities and expected return on scheme assets with the same rate of 5.8% (H1 2024/25: 5.1%) and the inflation assumption of 2.9% (H1 2024/25: 3.1%).

	Unaudited					
	Half year ended 30 September 2025			Half Year ended 30 September 2024		
	Present value of obligation £m	Fair value of plan assets £m	Total £m	Present value of obligation £m	Fair value of plan assets £m	Total £m
At beginning of period	(673.3)	704.5	31.2	(774.2)	800.8	26.6
Amounts recognised in the income statement	74.3	(74.5)	(0.2)	(18.6)	18.3	(0.3)
Remeasurements through other comprehensive income	(8.5)	(3.0)	(11.5)	27.6	(13.2)	14.4
Company contributions	0.1	-	0.1	0.1	-	0.1
Benefits and expenses paid	22.6	(22.6)	-	23.7	(23.7)	-
At end of period	(584.8)	604.4	19.6	(741.4)	782.2	40.8

Recognition of surplus on principal pension scheme

In accordance with IAS 19 'Employee Benefits' the value of the net pension scheme surplus that can be recognised in the statement of financial position is restricted to the present value of economic benefits available in the form of refunds from the scheme or reductions in future contributions. In respect of the Group's principal pension scheme, PGPS, the surplus has been recognised as the Group believes that ultimately it has an unconditional right to a refund of any surplus assuming the full settlement of the plan's liabilities in a single event, such as a scheme wind up.

Bristol Water

The overall surplus includes a net surplus of c.£11.1 million (30 September 2024 (c.£9.4million) relating to the Bristol Water Section of the Water Companies Pension Scheme (WCPS). The planned buy-out of the Section was completed on the 11 July 2025. The section's assets and liabilities were remeasured prior to settlement using actuarial assumptions at this date. The assets and liabilities were both reduced by £92.6 million resulting in a net £nil income statement settlement charge. An actuarial gain of £2.7 million was recognised in other comprehensive income for the period 1 April 2025 to 11 July 2025.

The Group believes that it has an unconditional right to a refund of the remaining surplus and that the gross pension surplus can be recognised. This benefit is now only available as a refund. Under UK tax legislation a tax deduction of 25% is applied to a refund from a UK pension scheme, before it is passed to the employer. This tax deduction has been applied to restrict the value of the surplus recognised for this scheme. The process to wind up the scheme continues, and the Trustee has indicated its intention to return the surplus to the Company. The remaining assets relating to the Bristol Water Section are recognised as a current asset on the balance sheet.

Sutton and East Surrey Water

The Group believes that it has an unconditional right to a refund of surplus and that the gross pension surplus can be recognised. This benefit is only available as a refund as no additional defined pension benefits are being earned. Under UK tax legislation a tax deduction of 25% (2025: 25%) is applied to a refund from a UK pension scheme, before it is passed to the employer. This tax deduction has been applied to restrict the value of the surplus recognised for this scheme.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

16. Retirement benefit assets (continued)

In June 2023, the High Court handed down a decision (Virgin Media Limited v NTL Pension Trustees II Limited and others) which potentially has implications for the validity of amendments made by schemes, including the PGPS and other Group defined benefit schemes, which were contracted-out on a salary-related basis between 6 April 1997 and the abolition of contracting-out in 2016. This decision was upheld by the Court of Appeal in August 2024. There is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments that would otherwise be held void where the requirements of section 37 were not met. However, the Company has engaged with the relevant Trustee for PGPS and other Group defined benefit schemes who have confirmed that based on the governance processes in place and reviews of significant deed changes during the period in question, these bodies have no reason to believe that the relevant requirements were not complied with in relation to the Schemes with regard to the relevant period in question. Given that there is no indication of non-compliance with the relevant requirements, the PGPS and other Group defined benefit schemes' valuation as at 30 September 2025 does not reflect potential additional liabilities arising from the Virgin Media case.

17. Capital expenditure

	Unaudited Half year ended 30 September 2025 £m	Audited Year ended 31 March 2025 £m
Property, plant and equipment		
Additions	302.9	647.0
Assets adopted at fair value	7.1	17.4
Net book value of disposals	(0.7)	(0.7)
Intangible assets		
Additions	1.9	5.5
Net book value of disposals	-	-
Capital commitments		
Contracted but not provided for the Group	210.0	167.9

18. Trade and other payables & other non-current liabilities

	Unaudited Half year ended 30 September 2025 £m	Audited Year ended 31 March 2025 £m
Trade and other payables – current		
Trade payables	194.0	138.8
Contract liabilities	59.5	46.7
Other tax and social security	5.6	2.6
Accruals	63.8	54.4
Other payables	90.5	88.5
	413.4	331.0
Other non-current liabilities		
Contract liabilities	178.2	171.3

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

19. Contingencies and Financial Guarantee

Financial Guarantee

	Unaudited Half year ended 30 September 2025 £m	Audited Year ended 31 March 2025 £m
Performance bonds	27.5	20.0

Guarantees in respect of performance bonds relate to changes to the collateral requirements for the non-household retail business with other wholesalers. The possibility of the bond being required is remote hence the fair value of the bond is not material.

Contingency

Other contractual and litigation uncertainties

Ofwat and the Environment Agency (EA) announced an industry-wide investigation into sewage treatment works on 18 November 2021. On 10 July 2025, Ofwat announced its findings for South West Water and its decision to accept South West Water's enforcement package, in lieu of a financial penalty. The agreed undertakings result in investment and funding worth £24 million to be delivered over the period to 2030. These investments will provide improvements for both customers and the environment alongside our K8 plans to tackle all storm overflows at our bathing and shellfish waters and our highest spilling sites. The EA investigation is ongoing, the outcome of the investigation continues to be unknown, and it is not possible to estimate any obligations arising from the investigation with any certainty.

On 23 May 2023 Ofwat announced an investigation into South West Water's 2021/22 operational performance data relating to leakage and per capita consumption. This operational performance data was reported in South West Water's Annual Performance Report 2021/22. This report is subject to assurance processes which include independent checks and balances carried out by an external technical auditor. The Group continues to work openly and constructively with Ofwat to comply with the formal notice issued to South West Water as part of this investigation. The Group has undertaken its own internal investigation into the data and third party experts have concluded the calculations are within a tolerance as reported, as a result there were no detrimental impacts to customers through Outcome Delivery Incentives (ODIs). The Group recognises opportunities to enhance data quality to improve the estimation process and these have been shared with Ofwat. Until such time that an initial response is received, the potential outcome of these investigations continues to be unknown. Ofwat has a range of options that it could apply from closing the investigation with no further action, agreeing to formal S.19 undertakings through to fining the Group up to 10% of its revenue in relation to the regulated drinking water business. Given the wide range of possible outcomes therefore the potential outcome of this investigation continues to be unknown, and it is not possible to estimate any obligations arising from the investigation with any certainty.

On 2 February 2024 summons were received by South West Water Limited from the EA in relation to alleged non permitted discharges at 7 locations with a total of 30 charges. The EA have since withdrawn 6 of these charges relating to 1 site. At subsequent hearings, South West Water pleaded guilty to the remaining charges and the sentencing for all 24 charges is due to take place in March 2026.

On 7 September 2025 the Drinking Water Inspectorate (DWI) issued SWW with a court summons in relation to the cryptosporidium outbreak of May 2024, proceedings are due to take place in early 2026. There are a range of possible outcomes, it is therefore not possible to estimate any obligation arising from this case with any certainty at this stage.

PENNON GROUP PLC

Notes to condensed half year financial information (continued)

19. Contingencies and Financial Guarantee (continued)

The Group establishes provisions in connection with contracts and litigation where it has a present legal or constructive obligation as a result of past events and where it is more likely than not an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where it is uncertain that these conditions are met a contingent liability is disclosed unless the likelihood of the obligation arising is remote or the matter is not deemed material.

20. Related party transactions

Group companies entered into the following transactions with joint ventures which were not members of the Group. Bristol Wessex Billing Services Limited ("BWBSL") and Water 2 Business Limited ("Water 2 Business") are joint venture investments of Bristol Water plc.

Transactions with joint ventures

	Unaudited	
	Half year ended 30 September 2025	Half year ended 30 September 2024
	£m	£m
Sales to Water 2 Business	15.6	15.0
Purchases from BWBSL	2.2	2.0

Balances with joint ventures

	Unaudited	Audited
	Half year ended 30 September 2025	Year ended 31 March 2025
	£m	£m
Trade and other receivables		
Water 2 Business (including loan receivable of £7.8million, 2025: £8.7million)	8.0	10.9
BWBSL	-	0.2
Trade and other payables		
BWBSL	1.5	1.6

Pennon Group plc
Registered office:
Peninsula House
Rydon Lane
Exeter
Devon
EX2 7HR
pennon-group.co.uk

Registered in England: 2366640

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors named below confirm on behalf of the Board of Directors that this unaudited condensed half year financial information has been prepared in accordance with UK adopted IAS 34 "Interim financial reporting" and to the best of their knowledge the interim management report herein includes a fair review of the information required by DTR 4.2.4, DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period and their impact on the unaudited condensed half year financial information; a description of the principal risks and uncertainties for the remaining six months of the current financial year; and the disclosure requirements in respect of material related party transactions.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

The Directors of Pennon Group plc at the date of the signing of this announcement and statement are:

Andrea Blance
Dorothy Burwell
Jonathan Butterworth
Susan Davy
Iain Evans
Laura Flowerdew
Andrew Haines
David Sproul
Loraine Woodhouse

For and on behalf of the Board of Directors who approved this half year report on 26 November 2025.

L Flowerdew
Group Chief Financial Officer

PENNON GROUP PLC

Alternative performance measures

Alternative performance measures (APMs) are financial measures used in this report that are not defined by International Financial Reporting Standards (IFRS). The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group as well as enhancing the comparability of information between reporting periods.

As the Group defines the APMs they might not be directly comparable to other companies' APMs. They are not intended to be a substitute for, or superior to, IFRS measurements. The following APMs have been added or amended to those presented previously:

- Group dividend cover and EBITDA dividend cover are not presented in the half year APM disclosure. These ratios represent a measure of full year adjusted profit and dividend performance and cannot be calculated on a comparable basis using half year adjusted profits and the interim dividend.
- Underlying Return on capital employed is not presented in the half year APM disclosure. This ratio represents the total of underlying operating profit by capital employed (net debt plus total equity invested).
- The effective interest rate calculation is now calculated for the Water Group which includes SES Water. Previously this was for South West Water only.

(i) Underlying earnings

Underlying earnings are presented alongside statutory results as the Directors believe they provide a useful comparison on business trends and performance. Note 5 in the notes to the condensed half year financial information provides more detail on non-underlying items, and a reconciliation of underlying earnings for the current year and the prior year is as follows:

Underlying earnings reconciliation 30 September 2025	Underlying	Non-underlying items	Statutory results	Earnings per share
	£m	£m	£m	p
EBITDA (see below)	254.4	-	254.4	
Operating profit	158.6	-	158.6	
Profit before tax	65.9	-	65.9	
Taxation	(8.6)	-	(8.6)	
Profit after tax			57.3	
Non-controlling interests			(0.1)	
Profit after tax attributable to shareholders			57.2	12.1

Underlying earnings reconciliation 30 September 2024	Underlying	Non-underlying items			Statutory results	Earnings per share (restated)
		Restructuring / transformational costs	Costs associated with water quality event in Brixham	Acquisition costs		
	£m	£m	£m	£m	£m	p
EBITDA (see below)	163.5	(3.7)	(16.3)	(0.2)	143.3	
Operating profit	69.5	(3.7)	(16.3)	(0.2)	49.3	
Loss before tax	(18.6)	(3.7)	(16.3)	(0.2)	(38.8)	
Taxation	3.9	0.8	4.1	-	8.8	
Loss after tax					(30.0)	
Non-controlling interests					(0.3)	
Loss after tax attributable to shareholders					(30.3)	(8.8)

PENNON GROUP PLC

Alternative performance measures (continued)

(ii) Underlying EBITDA

Underlying EBITDA (earnings before interest, tax, depreciation and amortisation and non-underlying items) is used to assess and monitor operational underlying performance.

(iii) Effective interest rate

A measure of the mean average interest rate payable on net debt associated with the Water Group which excludes interest costs not directly associated with net debt. This measure is presented to assess and monitor the relative cost of financing for the Water Group.

	H1 2026 £m	H1 2025 £m
Net finance costs before non-underlying items (note 6)	93.4	88.6
Remove: net finance income before non-underlying items not associated with the Water Group	1.2	1.3
Net finance costs before non-underlying items associated with the Water Group	94.6	89.9
Net interest on retirement benefit obligations associated with the Water Group	1.1	0.8
Capitalised interest (note 6)	9.7	10.3
Non-debt related interest	1.1	(0.8)
Net finance costs for effective interest rate calculation	106.5	100.2
Group net debt (opening) (note 14)	4,078.2	3,844.8
Remove: unamortised hedging adjustment	(35.2)	(37.5)
Remove: opening net debt not associated with the Water Group	(344.9)	(238.2)
Opening net debt for calculation	3,698.1	3,569.1
Group net debt (closing) (note 14)	4,339.3	4,266.8
Remove: unamortised hedging adjustment	(34.0)	(36.3)
Remove: closing net debt not associated with the Water Group	(434.9)	(383.9)
Closing net debt for calculation	3,870.4	3,846.6
Average net debt (opening net debt + closing net debt divided by 2)	3,784.3	3,707.9
Effective interest rate (%)	5.6	5.4

(iv) Effective cash cost of interest

Effective cash cost of interest for South West Water Limited's group of companies is based on the effective interest cost calculation above, but excludes finance costs that are not paid in cash, but accrete to the carrying value of debt (principally the inflationary impact of indexation on index-linked debt).

	H1 2026 £m	H1 2025 £m (restated)
Net finance costs for effective interest rate calculation (as above)	96.7	89.0
Remove non-cash interest accrued (income statement indexation charge)	(10.5)	(12.6)
Net finance costs for effective cash cost of interest calculation	86.2	76.4
Opening net debt (as above)	3,811.7	3,294.7
Closing net debt (as above)	3,652.9	3,561.3
Average net debt (opening net debt + closing net debt divided by 2)	3,732.3	3,428.0
Effective cash cost of interest (%)	4.6	4.5

PENNON GROUP PLC

Alternative performance measures (continued)

(v) Underlying interest cover

Underlying net finance costs (excluding pensions net interest cost) divided by operating profit before non-underlying items.

	H1 2026	H1 2025
	£m	£m
Net finance costs after non-underlying items	93.4	88.6
Net interest on retirement benefit obligations	1.1	0.8
Net finance costs for interest cover calculation	94.5	89.4
Operating profit before non-underlying items	158.6	69.5
Underlying Interest cover (times)	1.7	0.8

(vi) Capital investment

Property, plant and equipment and intangible asset additions. The measure is presented to assess and monitor the total capital investment by the Group.

	H1 2026	H1 2025
	£m	£m
Additions to property, plant and equipment	302.9	327.1
Additions to intangible assets	1.9	4.7
Capital investment	304.8	331.8

(vii) Capital payments

Payments for property, plant and equipment (PPE) and intangible asset additions net of proceeds from sale of PPE and intangible assets. The measure is presented to assess and monitor the net cash spend on PPE and intangible assets.

	H1 2026	H1 2025
	£m	£m
Cash flow statements: purchase of property, plant and equipment	285.0	352.1
Cash flow statements: purchase of intangible assets	1.9	4.7
Cash flow statements: proceeds from sale of property, plant and equipment	(1.5)	(0.9)
Capital payments	285.4	355.9

Alternative performance measures (continued)

(viii) Return on Regulated Equity (RORE)

This is a key regulatory metric which represents the returns to shareholders expressed as a percentage of regulated equity.

Returns are made up of a base return (set by Ofwat, the water business regulator, at c.5.4% for South West Water and c.5.2% for SES Water for the period 2025-30) plus Totex (see ix) outperformance, financing outperformance and PCD outperformance. Returns are calculated post tax and post sharing (only a proportion of returns are attributed to shareholders and shown within RoRE). The three different types of return calculated and added to the base return are:

- Totex outperformance – Totex is defined below, and outperformance is the difference between actual reported results for the regulated business compared to the Final Determination (Ofwat published document at the start of a regulatory period), in a constant price base
- Financing outperformance – is based on the difference between a company's actual effective interest rate compared with Ofwat's allowed cost of debt
- PCD performance – If the PCD delivery is delayed, Ofwat applies a Time Value of Money (TVM) adjustment claw back, delivery dates are set in the Final Determination.

Regulated equity is a notional proportion of regulated capital value (RCV which is set by Ofwat at the start of every five-year regulatory period, adjusted for actual inflation). For 2025-30, the notional equity proportion is 45.0%.

Further information on this metric can be found in South West Water and SES Water's annual performance report and regulatory reporting, published in July each year. The most recent can be found at: www.southwestwater.co.uk/about-us/how-are-we-performing and www.seswater.co.uk/about-us/publications/our-annual-performance-report respectively.

(ix) Total Expenditure (Totex)

Operating costs and capital expenditure of the regulated water and wastewater business (based on the Regulated Accounting Guidelines).

(x) Outcome Delivery Incentive (ODI)

ODIs are designed to incentivise companies to deliver improvements to service and outcomes based on customers' priorities and preferences. If a company exceeds these targets a reward can be earned through future higher revenues. If a company fails to meet them, they can incur a penalty through lower future allowed revenues.

(xi) Regulatory Capital Value (RCV)

RCV has been developed for regulatory purposes and is primarily used in setting price limits.

RCV is widely used by the investment community as a proxy for the market value of the regulated business and forms part of covenant debt limits.

Shadow RCV reflects the addition of anticipated regulatory adjustments which amend RCV at the end of a regulatory period. These changes are accrued due to performance through ODIs, changes in levels of totex expenditure, changes in inflation rates and other regulatory adjustments.

(xii) Water Group Gearing

Gearing of the combined water business. Calculated as combined closing net debt of South West Water's Group of companies and SES Water over RCV.

	H1 2026	H1 2025
	£m	£m
Net debt	3,870.5	3,808.9
RCV	6,469.0	5,916.0
Water business gearing	59.8%	64.4%

INDEPENDENT REVIEW REPORT TO PENNON GROUP PLC

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed Pennon Group Plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Results of Pennon Group Plc for the 6 month period ended 30 September 2025 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Consolidated balance sheet as at 30 September 2025;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of cash flows for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Results of Pennon Group Plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the directors

The Half Year Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

PENNON GROUP PLC

INDEPENDENT REVIEW REPORT TO PENNON GROUP PLC (continued)

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

Bristol

26 November 2025