

1 December 2025

South West Water Limited

Half Year Results 2025/26

Pennon Group plc ("Pennon") announced its results for the half year ended 30 September 2025. Following this announcement South West Water Limited is providing an update on the South West Water performance for the same period. References to the "Group" in this announcement are to Pennon and its subsidiaries. References to "South West Water", "South West Water Group" or "SWW" are references to South West Water Limited and its subsidiaries. For the avoidance of doubt, Pennon does not provide any credit support in respect of any financial instruments guaranteed by South West Water Limited. South West Water Limited is a component part of, but not the totality of, the Group and the Group's results or SWW's results are not South West Water Limited's results. Primary statements located in this document relate to South West Water Limited.

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."

SOUTH WEST WATER FINANCIAL PERFORMANCE

	H1 2025/26	H1 2024/25
Revenue	£479.9m	£372.0m
Underlying EBITDA [^]	£245.3m	£151.2m
Underlying profit/(loss) before tax	£73.5m	(£11.4m)
Non-underlying items before tax ¹	-	(£19.5m)
Profit/(loss) before tax - statutory	£73.5m	(£30.9m)
Profit/(loss) after tax - statutory	£54.7m	(£23.8m)
Capital expenditure	£273.8m	£306.0m

South West Water Financial highlights for H1 2025/26

- Strong return to profitability for H1 2025/26, with statutory profit before tax of £73.5 million (H1 2024/25: loss of £30.9 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.29% 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%², 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 £273.8 million of capital investment by South West Water in H1 - in line with expectations, as programmes continue momentum from K7 run rate

Operational highlights

- Pollutions Incident Reduction Plan (PIRP) driving results with pollution incidents in 2025 reducing by c.50%, and our proactive approach has reduced repeat pollutions by c.75%
- Storm overflow spills cut by c.45%³, supported by interventions that avoided c.6,000 spills⁴, bringing a total of c.20,000 spills avoided over 18 months
- Spill duration down by a quarter over the bathing season and 100%⁵ bathing water quality for the fifth consecutive year
- 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
- SWW remains an upper quartile performer for water quality, with Bristol Water 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)
- Continuing to support our customers with bill affordability, with a c.20% increase in customers on one or more of our support tariffs. 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 UK 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 SWW underlying EBIDTA expected to increase by at least 55%⁶ 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

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

³ Reduction over 10 months to October 2025 compared with October 2024

⁴ Cumulative spills avoided, reflecting impact of wetter weather in 2024

⁵ On a like for like basis excluding those beaches designated in 2024

⁶ Assuming normalised demand in the second half of the year

For further information, please contact:

Institutional debt investors

Chris Tregenna – Group Treasurer

Clare Robinson – Group Investor Manager

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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. SWW is meeting these expectations head-on across all the geographies we serve, the Isles of Scilly, Devon and Cornwall, Bournemouth and Bristol. 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 SWW's ability to lead through regulatory change and deliver sustainable growth.

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.55% 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.

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)⁷ 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 2026/27⁷

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, Penon 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

⁷ c.£20 million of regulatory revenue reprofiled into 2026/27 customer bills

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 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 Limited was confirmed as the only company to reduce pollution incidents, and we have made significant improvements since. In 2025 incidents have reduced by half⁸, 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.20,000⁹ 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%¹⁰ 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.

⁸ Reduction over 10 months to October 2025 compared with October 2024

⁹ Cumulative spills avoided, reflecting impact of wetter weather in 2024

¹⁰ On a like for like basis excluding those beaches designated in 2024

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 Limited dominated by a one-off, 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. South West Water is upper quartile across the water and sewerage companies. Whilst Bristol Water 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.

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)

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 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, supporting all our regions including South West Water.

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 the Group.

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 £273.8 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 WINEP¹¹ 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.

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.

¹¹ Water Industry National Environment Programme – as agreed with the Environment Agency and Ofwat

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:

- 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.

South West Water 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.

Our people

With a history and heritage built up over many years, we continue to learn, innovate and grow. Everyone who works at South West Water 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 the Group, 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 LTIFR¹² 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.

¹² Lost Time Injury Frequency Rate

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

South West Water

SWW has delivered a strong return to profitability in the first half of the 2025/26 financial year, consistent with the expectations outlined in the Group's 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.

SWW revenue increased by 29.0% to £479.9 million (H1 2024/25: £372.0 million), primarily driven by the benefit of increased regulatory revenue allowances 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.

South West Water Operating costs rose by 6.2% year on year to £234.6 million (H1 2024/25: £220.8 million), which were largely inflation driven.

Underlying EBITDA increased by 71.5% to £245.3 million (H1 2024/25: £151.2 million), demonstrating the operational leverage achieved through revenue growth and cost discipline.

Depreciation and amortisation rose modestly to £85.5 million (H1 2024/25: £82.5 million), reflecting the South West Water Group's expanding asset base from the ongoing capital investment programme.

Net financing costs increased to £86.3 million (H1 2024/25: £80.1 million), reflecting higher levels of borrowing to support the K8 capital programme. An effective interest rate[^] of 5.5% (H1 2024/25: 5.3%) The year on year increase of £5.8 million was as a result of higher debt, funding the ongoing capital programme, partially offset by lower interest rates.

As a result, the South West Water reported a statutory profit before tax of £73.5 million, a step change from the £30.9 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 £273.6 million, reflecting our commitment to delivering improved services, network resilience, and environmental outcomes across our regions. Our investments are aligned with our K8 delivery roadmap and underpin our ability to meet our stretching performance commitments.

SWW gearing, based on net debt (excluding other non-cash indebtedness) at 30 September 2025 and expected shadow RCV at 31 March 2026, was 60.1%.

South West Water Limited continues 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, with the bonds issued by South West Water Finance plc and guaranteed by South West Water Limited, providing 109 basis points of outperformance against the iBoxx, further strengthening our liquidity position and funding capacity.

Group finance costs (net)

Net financing costs of £86.3 million (H1 2024/25: £80.1 million) reflect an increase of £6.2 million year on year, this is primarily due to a £22.3 million increase relating to new debt facilities, offset by lower inflation and interest rates (£12.1 million), increased interest receivable as a result of higher cash levels (£4.2 million) and capitalised interest has remained stable as we continue to invest at the same run rate for our capital programme (£9.3 million) (H1 2024/25: £9.9 million).

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.

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.

Given SWW's continued capital investment programme and full expensing deductions together with 50% first year allowances on long life assets and integral features, SWW 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.

Net debt & liquidity

SWW's net debt on a statutory basis at 30 September 2025 was £3,686.9 million (31 March 2025: £4,078.2 million). Another non-cash accounting adjustments of £34.0 million (31 March 2025: £35.2 million). SWW Group debt excluding non-cash adjustments was £3,652.9 million.

As at 30 September 2025, SWW had £858.1 million of cash and committed facilities (31 March 2025: £700 million). This consists of cash and cash deposits of £423.1 million (31 March 2025: £334.2 million), including £46.1 million (31 March 2025: £46.6 million) of restricted funds representing deposits against future obligations, and £435.0 million (31 March 2025: £435.0 million) of undrawn committed facilities.

Since 31 March 2025, the South West Water Group has secured £365 million of new debt, through its diverse portfolio of debt, consisting of:

- £300 million in public bond issuances under our EMTN¹⁰ programme
- £65 million of new term loans and leasing with an average maturity of 6 years (currently 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.

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.

South West Water's net debt to RCV ratio¹⁴ 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.

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 costs, with totex benefits offsetting potential ODI penalties.

¹³ Euro Medium Term Note

¹⁴ Based on South West Water Group including Bristol Water net debt/shadow RCV forecast at 31 March 2026

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

South West Water Limited

Consolidated income statement for the half year ended 30 September 2025

	Unaudited					
	Before non-underlying items half year ended 30 September 2025 £m	Non-underlying items 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 half year ended 30 September 2024 £m	Total half year ended 30 September 2024 £m
Revenue	479.9	-	479.9	372.0	-	372.0
Operating costs						
Employment costs	(49.4)	-	(49.4)	(50.5)	(0.4)	(50.9)
Raw materials and consumables used	(27.9)	-	(27.9)	(21.6)	(0.2)	(21.8)
Trade receivables impairment	(7.1)	-	(7.1)	(5.7)	-	(5.7)
Other operating expenses	(150.2)	-	(150.2)	(143.0)	(18.9)	(161.9)
Earnings before interest, tax, depreciation and amortisation	245.3	-	245.3	151.2	(19.5)	131.7
Depreciation and amortisation	(85.5)	-	(85.5)	(82.5)	-	(82.5)
Operating Profit	159.8	-	159.8	68.7	(19.5)	49.2
Finance income	7.0	-	7.0	2.5	-	2.5
Finance costs	(93.3)	-	(93.3)	(82.6)	-	(82.6)
Net finance costs	(86.3)	-	(86.3)	(80.1)	-	(80.1)
Profit / (loss) before tax	73.5	-	73.5	(11.4)	(19.5)	(30.9)
Taxation (charge) / credit	(18.8)	-	(18.8)	2.3	4.8	7.1
Profit / (loss) for the period	54.7	-	54.7	(9.1)	(14.7)	(23.8)

The activities above are derived from continuing activities.

South West Water Limited

Consolidated statement of comprehensive income/(loss) for the half year ended 30 September 2025

	Unaudited					
	Before non-underlying items half year ended 30 September 2025 £m	Non-underlying items 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 half year ended 30 September 2024 £m	Total half year ended 30 September 2024 £m

Profit / (loss) for the period	54.7	-	54.7	(9.1)	(14.7)	(23.8)
Other comprehensive (loss) / income						
<i>Items that will not be reclassified to profit or loss</i>						
Remeasurement of defined benefit obligations	(13.4)	-	(13.4)	14.5	-	14.5
Income tax on items that will not be reclassified	3.3	-	3.3	(3.6)	-	(3.6)
Total items that will not be reclassified to profit or loss	(10.1)	-	(10.1)	10.9	-	10.9
<i>Items that may be reclassified subsequently to profit or loss</i>						
Loss on cashflow hedging*	(8.0)	-	(4.4)	(17.2)	-	(17.2)
Hedging losses recycled to profit and loss*	3.6	-	3.6	7.8	-	7.8
Income tax on items that may be reclassified	1.1	-	1.1	2.3	-	2.3
Total items that may be reclassified subsequently to profit or loss	(3.3)	-	(3.3)	(7.1)	-	(7.1)
Other comprehensive (loss) / income for the period net of tax	(13.4)	-	(13.4)	3.8	-	3.8
Total comprehensive income / (loss) for the period	41.3	-	41.3	(5.3)	(14.7)	(20.0)

*Movements on cash flow hedges were presented net in 2024, the presentation has been restated to present as gross.

South West Water Limited

Consolidated balance sheet at 30 September 2025

		Unaudited	Audited
		30 September	31 March
		2025	2024
		£m	£
ASSETS	Notes		
Non-current assets			
Goodwill		299.6	299.
Other intangible assets		14.4	13.
Property, plant and equipment		5,198.7	5,005.

Derivative financial instruments	19.3	22.3
Investments in subsidiary undertakings	21.7	21.7
Retirement benefit assets	1.3	14.7
	5,555.0	5,377.2
Current assets		
Inventories	11.2	10.7
Trade and other receivables	331.0	267.8
Current tax receivable	3.0	3.2
Derivative financial instruments	5.9	9.3
Cash and cash equivalents	46.1	280.6
Restricted funds	369.8	46.1
	767.0	617.7
LIABILITIES		
Current liabilities		
Borrowings	(164.5)	(137.2)
Derivative financial instruments	(0.8)	(0.4)
Trade and other payables	(400.0)	(265.1)
Provisions	(0.9)	(5.1)
	(566.2)	(407.8)
Net current assets/(liabilities)	200.8	209.9
Non-current liabilities		
Borrowings	(3,976.4)	(3,747.1)
Other non-current liabilities	(198.4)	(191.7)
Derivative financial instruments	(2.9)	(1.6)
Deferred tax liabilities	(467.7)	(453.3)
	(4,645.4)	(4,393.7)
Net assets	1,110.4	1,193.4
Shareholder's equity		
Share capital	625.9	625.9
Share premium account	413.0	413.0
Retained earnings and other reserves	71.5	154.5
Total equity	1,110.4	1,193.4

South West Water Limited

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

	Unaudited			
	Share capital £m	Share premium account £m	Retained earnings and other reserves £m	Total equity £m
At 1 April 2024	295.9	413.0	202.3	911.



Profit for the period	-	-	(23.8)	(23.8)
Other comprehensive loss for the period	-	-	3.8	3.8
Total comprehensive loss for the period	-	-	(20.0)	(20.0)

Transactions with equity shareholders:

Adjustments in respect of share-based payments (net of tax)	-	-	0.5	0.5
Total transactions with equity shareholders	-	-	0.5	0.5

At 30 September 2024

Unaudited			
Share capital £m	Share premium account £m	Retained earnings and other reserves £m	Total equity £m

At 1 April 2025	625.9	413.0	154.5	1,193.4
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Loss for the period	-	-	54.7	54.7
Other comprehensive income for the period	-	-	(13.4)	(13.4)
Total comprehensive loss for the period	-	-	41.3	41.3

Transactions with equity shareholders:

Dividends paid	-	-	(125.0)	(125.0)
Adjustments in respect of share-based payments (net of tax)	-	-	0.7	0.7
Total transactions with equity shareholders	-	-	(124.3)	(124.3)

At 30 September 2025

625.9	413.0	71.5	1,110.4
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