



SOUTH WEST WATER FINANCE PLC
(incorporated with limited liability in England and Wales with registered number 05722435)

GBP 2,500,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by

SOUTH WEST WATER LIMITED
(incorporated with limited liability in England and Wales with registered number 2366665)

This Supplementary Prospectus (the “**Supplement**”) to the Base Prospectus dated 23 July 2024 (the “**Base Prospectus**”, which definition includes the Base Prospectus as supplemented, amended or updated from time to time and includes all information incorporated by reference therein) which constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (the “**UK Prospectus Regulation**”), constitutes a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000 and is prepared in connection with the GBP 2,500,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by South West Water Finance PLC (the “**Issuer**”). The payment of all amounts due in respect of Notes issued by the Issuer will be unconditionally and irrevocably guaranteed by South West Water Limited (the “**Guarantor**”).

This Supplement is supplemental to, forms part of, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer. Except as otherwise provided in this Supplement, terms and expressions defined in the Base Prospectus shall have the same meaning when used herein.

Each of the Issuer and the Guarantor (together, the “**Responsible Persons**”) accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Responsible Persons the information contained in this Supplement is in accordance with the facts and this Supplement does not omit anything likely to affect the import of such information.

Neither this Supplement nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

This Supplement has been approved by the FCA, as competent authority for the purposes of the UK Prospectus Regulation, as a supplement to the Base Prospectus.

1. Purpose

The purpose of this Supplement is to:

- (A) incorporate by reference an announcement dated 28 November 2024 entitled “*Half Year Update 2024/2025*” relating to the unaudited and unreviewed half year update for the Guarantor for the period ended 30 September 2024 (the “**HY24 Update Announcement**”);
- (B) incorporate by reference a presentation published on 28 November 2024 relating to the unaudited and unreviewed half year update for the Guarantor for the period ended 30 September 2024 (the “**HY24 Update Presentation**”); and
- (C) make certain amendments to the “Description of the Guarantor and the Group” section of the Base Prospectus.

2. Documents incorporated by reference

By virtue of this Supplement:

- (A) the HY24 Update Announcement (accessible at: <https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-limited-half-year-update-2024-25.pdf>); and
- (B) the HY24 Update Presentation (accessible at: <https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-half-year-update-presentation-2024-25.pdf>),

are hereby incorporated in, and form part of, this Supplement, and are thereby incorporated in and form part of the Base Prospectus.

3. Description of the Guarantor and the Group – AMP7 and AMP8

The second and third paragraphs in the sub-section entitled “AMP7 and AMP8” in the “Description of the Guarantor and the Group” section of the Base Prospectus are hereby deleted in their entirety and replaced with the following:

“Looking forward to the five-year regulatory period between 2025 and 2030, or AMP8, the Guarantor has further adapted its business plan in line with Ofwat’s draft methodology on the PR24 Business Plan submissions and the associated final methodology (both published in 2022), together with Ofwat’s draft determination which was published on 11 July 2024. The Guarantor’s PR24 Business Plan was given an ‘outstanding’ quality and ambition assessment by Ofwat in the draft determination (which was awarded to only one other company in the sector), marking the regulator’s recognition of the Guarantor’s ambitious package to deliver over the PR24 period.

*The Guarantor published its response to Ofwat’s draft determination on 28 August 2024 (the “**DD Response**”). As set out in its original business plan, the DD Response reinforces the Guarantor’s plans to continue to finance its activities in a way which is designed to maintain its key financial ratios (particularly debt/regulatory capital value*

(“RCV”) gearing and interest cover) at a level consistent with a strong investment grade rating. In forming the DD Response, the Guarantor considered the findings set out in Ofwat’s draft determination, and in particular the focus on increasing allowances when compared to AMP7 for companies’ base expenditure and investment, the impact of associated increases in customer bills and delivering improved day-to-day performance for customers whilst ensuring fair returns for investors. The following four areas of representation are identified in the DD Response as fundamental to the Guarantor’s ability to deliver its PR24 Business Plan for customers:

- (i) **ODIs and balance of risk and return** – in the Guarantor’s view, the return on regulated equity (“RoRE”) ranges outlined in the draft determination could result in negative equity and a possible downside risk of 10 per cent. (as opposed to Ofwat’s assessed 4 per cent.). The DD Response therefore proposes that this be rectified through a combination of incentive rate changes (given ODIs are the key driver of the downside risk), with a view to balancing the potential downside outperformance without fundamental change to the outcome regime;*
- (ii) **Totex allowances and Price Control Deliverables (“PCDs”)** – the Guarantor intends to seek the totex allowance initially requested in its PR24 Business Plan without requesting additional allowances. In addition, the Guarantor supports the principle of a PCD framework (though is aiming to strike a balance between scope for deliverability and being held to a delivery schedule, by simplifying the approach outlined in the draft determination);*
- (iii) **Capital charges recognition and RCV run-off** – in the Guarantor’s view, Ofwat’s approach of adjusting RCV run-off rate to reduce customer bills in the short-term would have an unintended consequence of increased long-term costs for customers whilst also deferring revenue. The DD Response therefore outlines the Guarantor’s intention to ground the RCV run-off in the asset lives given the investments made over time have been recognised in the RCV (which the Guarantor believes will result in a fairer outcome for customers); and*
- (iv) **The regional and priority lens** – the DD Response identifies that the draft determination presents a proportionately greater change and cost challenge on enhanced investment. Arguably, some of the Guarantor’s smaller region the need for investment is higher, the Guarantor intends to address in order to return the PR24 Business Plan to balance.*

The DD Response reiterates the Guarantor’s intention to further evolve, with a focus on improving efficiency and delivering services in new ways at lower costs. In total – and despite Ofwat’s challenge to totex in the draft determination - this efficiency is intended to translate to a £200 million saving from base expenditure and a £300 million saving from enhancement expenditure over the AMP8 period, which is equal to 13 per cent. of overall expenditure for AMP7. Ofwat’s final determination is expected to be published on 19 December 2024 (though may potentially be delayed until 31 January 2025).”

4. General

Save as disclosed in this Supplement there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

Copies of this Supplement and all information incorporated by reference in this Supplement and the Base Prospectus can be obtained from the Issuer in the manner described in the Base Prospectus.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in, or incorporated by reference in, the Base Prospectus, the statements in this Supplement will prevail.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the UK Prospectus Regulation except where such information or other documents are specifically incorporated by reference to this Supplement or where this Supplement is specifically defined as including such information. Any information contained in a document incorporated by reference in this Supplement which is not incorporated in, and does not form part of, this Supplement is not relevant for investors or is contained elsewhere in this Supplement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with the Base Prospectus or this Supplement or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither the delivery of the Base Prospectus and/or this Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Copies of the HY24 Update Announcement and HY24 Update Presentation, which are incorporated by reference into, and form part of, this Supplement, are available for viewing at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.