

15 August 2007

PENNON GROUP PLC

INTERIM MANAGEMENT STATEMENT

Pennon Group Plc today reports in respect of the period since 31 March 2007 to date and can confirm that trading is in line with management expectations.

The Group's share buyback programme continues to return value to shareholders with a further £26.0m of shares repurchased since our Preliminary Results were announced on 31 May 2007. To date, the Group has repurchased 5.06m shares at a total cost of £29.5m.

South West Water is now in the third year of the K4 period (2005 – 2010) and remains on target to meet the current regulatory contract. The very wet weather has had a beneficial effect on reservoir levels (which were at 94.5% capacity at 31 July, compared to 69.6% the prior year), but also impacted demand, which was lower than the equivalent period the previous year. The South West has not, however, suffered the extensive flooding experienced elsewhere in the country as a result of the extreme weather conditions.

As outlined at our Preliminary Results in May, Viridor is confident of delivering continued full year growth in operating profit before intangibles. Financial performance to date has been consistent with that statement. With regard to the Greater Manchester PFI contract, final negotiations are underway and the contract is due to commence in the current financial year.

Pennon intends to announce its Half Year Results on Thursday, 29 November 2007.

For further information, please contact:

Pennon

David Dupont - Group Director of Finance	01392 443998
Jo Finely – Investor Relations Manager	01392 443401

Finsbury

Mark Harris	0207 251 3801
Sally Hogan	

www.pennon-group.co.uk

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