



Middle East & Australia Roadshow

January & February 2024

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Susan Davy

Group Chief Executive Officer



Jennifer Cooke

Group Head of Investor Relations

About us...

Our values



Water business

At Pennon Group, we provide clean and wastewater services through our businesses across the South West of England. Our team of c.3,500 talented colleagues work around the clock to deliver services to a population of over 4 million.

As one of only three listed water companies in the UK, strong governance is at the heart of our decision making as we focus on doing the right things, in the right way, every day.

We are investing more than ever before to deliver environmental benefits, and to support the achievement of our stretching commitments for customers and communities.

Since privatisation in 1989, we've invested around £13 billion in our infrastructure across the region and we are well underway in delivering more.

Non-regulated business



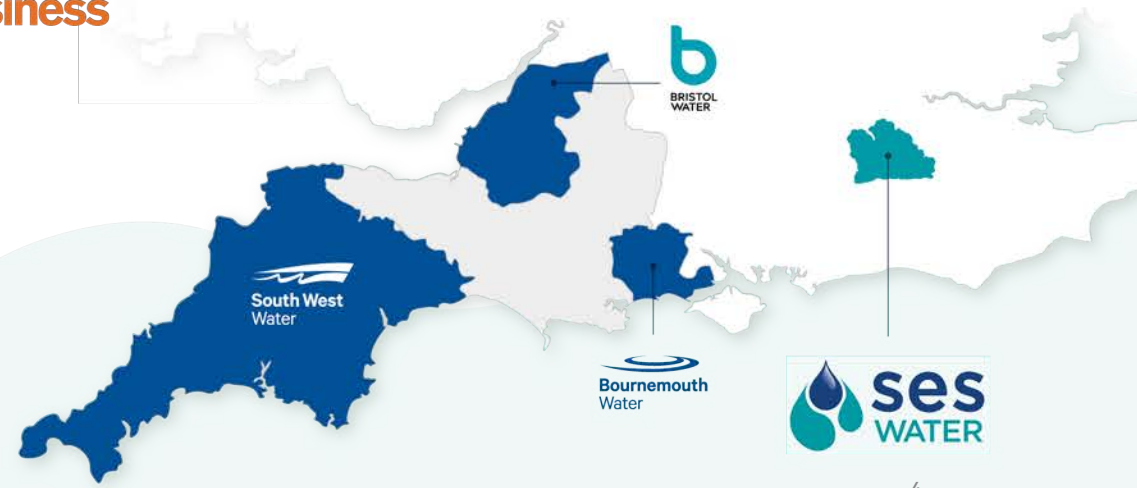
Pennon Power

Our investment in renewable energy generation supports our long-term sustainable growth strategy, alongside accelerating our 2030 net zero commitment, whilst reducing the Group's exposure to future volatility in wholesale power markets and providing attractive commercial returns.



Non-household retail¹

Profitable businesses providing water retail services to business across England and Scotland with a combined market share of c.12%.



About us...

Our businesses and brands

Regulated




 water services  wastewater services

Supplying Cornwall, the Isles of Scilly, Devon and small areas of Dorset and Somerset

 **c. 1.8 million**
population served

 **450 million litres**
of drinking water per day




 water services

Supplying parts of Dorset, Hampshire and Wiltshire, from our base in Bournemouth

 **c. 500,000**
population served

 **140 million litres**
of drinking water per day




 water services

Supplying the city of Bristol, and surroundings from our base in Bristol

 **c. 1.2 million**
population served

 **280 million litres**
of drinking water per day



 water services

Supplying parts of Surrey, Kent and South London

 **c. 750,000**
population served

 **160 million litres**
of drinking water per day

Non-regulated



Ofwat and sector regulation

Water only and water and wastewater companies in England & Wales



Source: Ofwat: <https://www.ofwat.gov.uk/households/your-water-company/contact-companies/>



Drinking Water Inspectorate

The Drinking Water Inspectorate (DWI) was formed in 1990 to provide independent reassurance that public water supplies in England and Wales are safe and drinking water quality is acceptable to consumers.

Source: DWI



Environment Agency

The Environment Agency (EA) were established in 1996 to protect and improve the environment.

Within England they are responsible for:

- Regulating major industry and waste
- Treatment of contaminated land
- Water quality and resources
- Fisheries
- Inland river, estuary and harbour navigations
- Conservation and ecology

We are also responsible for managing the risk of flooding from main rivers, reservoirs, estuaries and the sea.

Lead local flood authorities (LLFAs) are responsible for managing the risk of flooding from surface water, groundwater and ordinary watercourses and lead on community recovery.

Source: Environment Agency



Department
for Environment
Food & Rural Affairs

Department for Environment , Food & Rural Affairs

Defra is a Government Body. Their mandate is to set the overall water and sewerage policy framework in England, including:

- Standard setting
- Drafting of legislation
- Creating special permits (e.g. drought orders)

The Welsh Government sets the framework in Wales.

Source: Defra



Ofwat

Ofwat is the economic regulator of the water and sewerage sectors. Their mandate is to:

- Protect the interests of consumers, wherever appropriate by promoting competition
- Make sure that the water companies properly carry out their functions
- Ensure that the water companies can finance their functions

Ofwat also (among other things) is responsible for:

- Promoting economy and efficiency
- Contributing to the achievement of sustainable development.

Source: Ofwat



Making progress, growing sustainably

Step up in investment across the Group

- Capital investment across the Group up 87% v H1 2022/23
- Acquisition of Sutton and East Surrey Water on 10 January 2024, increases Group RCV by further 7%, delivering on sustainable Bristol acquisition benefits
- Delivering on our organic and acquisitive growth strategy – on track for >70% RCV growth to 2025 and >100% to 2030

Making progress on what matters most across our regions

- 100% bathing water quality for third consecutive year for South West Water
- Breaking the drought cycle for Devon and Cornwall – reservoir levels more than doubled compared to 2022
- Upper quartile performance for South West Water on industry comparative performance metrics – one of only two companies to improve performance in Ofwat rankings
- Targeted for 2023 to retain EPA performance gains delivered in 2022 (EPA 2☆) – remain focused on achieving 4☆ status for 2024

Adopting a Green First approach

- Sector-leading catchment management ahead of target – supporting improvements to water quality with 6% RNAGs improved to date in K7
- Renewable energy investment through Pennon Power – current investment on track to generate 40% of Group energy requirements by 2025, and contribute to EBITDA growth

Underpinned by robust fundamentals

- Stable gearing – 61%, sector-leading efficient financing
- Robust regulated water returns – doubling base returns for K7 to date – 7.9% RORE
- Profitable B2B retailers – one third increase in EBITDA v H1 2022/23
- Dividend in line with policy of CPIH +2% – 14.04 pence per share

**Ambitious K8 plan –
transition underway,
mobilised supply chain**

Acquisition of Sutton and East Surrey Water

– transaction overview

Proposed transaction	<ul style="list-style-type: none"> • Pennon is acquiring 100% of the issued capital of Sumisho Osaka Gas Water UK Limited (SOGWUK), the holding company of Sutton and East Surrey Water plc and certain other ancillary businesses for £89m, with a total enterprise value of £380m, with an RCV of £351m⁽¹⁾ • Enterprise value equates to a premium to SES Water 2023 RCV of c.6%⁽²⁾ • Acquisition expected to increase the Group's RCV by c.7% on acquisition, resulting in a total expected Group RCV of c.£5.8bn by 2025 • A placing to raise up to £180m of equity will be launched in connection with the acquisition. This will be conducted by way of an accelerated bookbuild on a non-pre-emptive basis
Use of proceeds	<ul style="list-style-type: none"> • Proceeds from the equity capital raise will be used in connection with the acquisition to ensure that the enlarged Pennon Group remains within our well-established gearing range of 55-65%⁽³⁾ following completion
Strategic rationale	<ul style="list-style-type: none"> • Consistent with Pennon's successful track record of value creation through the realisation of synergies, a run rate of £11m⁽⁴⁾ p.a. is anticipated, enabling enhanced shareholder returns, driven by operational efficiency initiatives, lower financing costs and economies of scale • Builds on Pennon's existing water operations with another high-quality, water-only business, along with access to an experienced and talented management team, and follows the successful acquisition of two water-only companies
Completion and integration	<ul style="list-style-type: none"> • Completion of the acquisition, which is not subject to any conditions, has already occurred • The acquisition will now be subject to review by the CMA, with input from Ofwat • There is not expected to be any funding impact on South West Water's plans to otherwise deliver a compelling AMP8 investment plan; nor will it impact SES Water's ability to deliver the same

Note: All £m numbers shown to 0 decimal places. Potential differences due to rounding

1 Based on management forecast of RCV as at 31 March 2024

2 Premium stated before £14 million of vendor equity contributions since 31 March 2023 and reflects adjustments including pensions and Pennon's view on the value of unregulated assets

3 Gearing at the regulated water business level, defined as net debt / RCV

4 Anticipated run rate of targeted efficiency savings (on a net basis)



Acquisition of Sutton and East Surrey Water – key investment highlights



Acquisition of SES Water and other ancillary businesses, equating to an enterprise value £380m, adding a high-quality business with over 750k customers and a RCV of £351m⁽¹⁾

Enterprise value equates to a premium to 2023 RCV of c.6%⁽²⁾ and is expected to increase the Group's RCV by c.7% on acquisition

SES Water's 2025-2030 regulatory period (K8) RCV is forecast to grow at an attractive average annual rate of c.5%⁽³⁾

Builds on Pennon's existing water operations by acquiring another high-quality, water-only business, along with access to an experienced and talented management team, and follows the successful acquisition of two water-only companies

Acquisition will benefit SES Water's customers and other stakeholders – SES Water's customers will be offered the opportunity to participate in Pennon's unique WaterShare+ customer shareholding scheme

Expected to be earnings accretive from the first year of full ownership (2024/25), and to generate attractive returns whilst supporting further RCV growth in the 2020-2025 regulatory period (K7), bringing total expected increase over K7 for Pennon to 71%

Consistent with Pennon's successful track record of value creation through the realisation of synergies, a run rate of £11m⁽⁴⁾ p.a. is anticipated, enabling enhanced shareholder returns, driven by operational efficiency initiatives, lower financing costs and economies of scale

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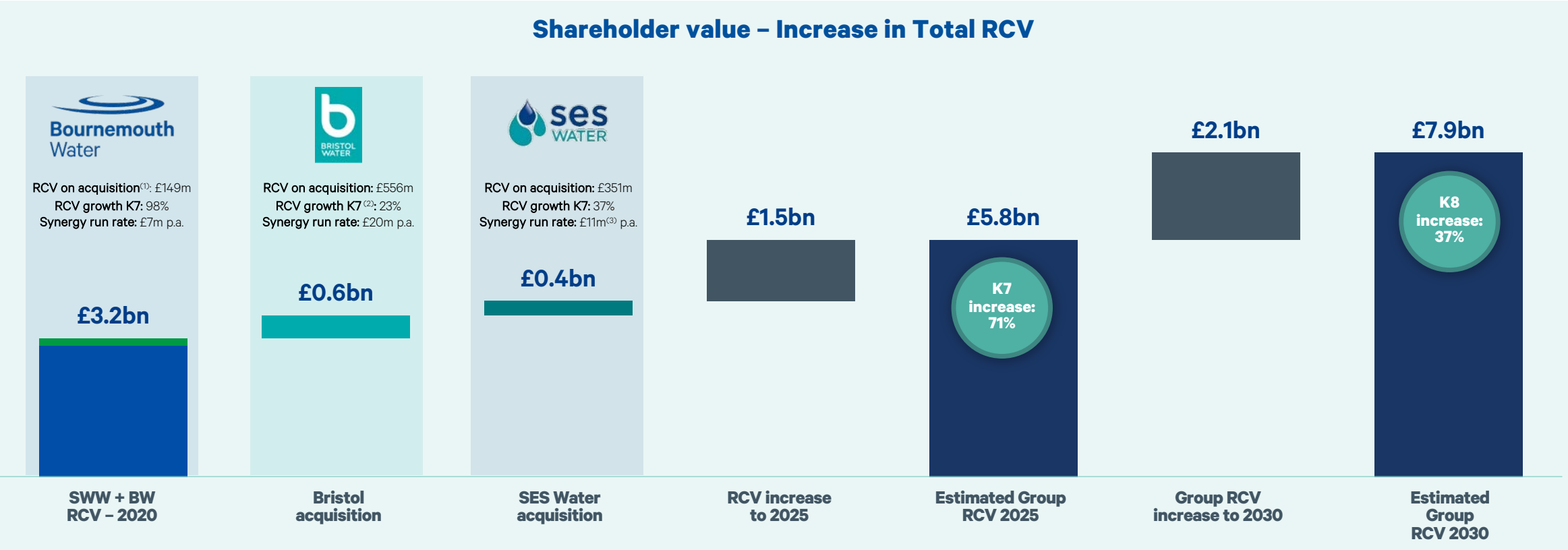
3 K8 total nominal growth rate of 25%, based on SES Draft Business Plan for AMP8

4 Anticipated run rate of targeted efficiency savings (on a net basis)



Proven track-record of acquisitive growth and value creation

Demonstrated ability to integrate acquired businesses, realise synergies and drive shareholder value



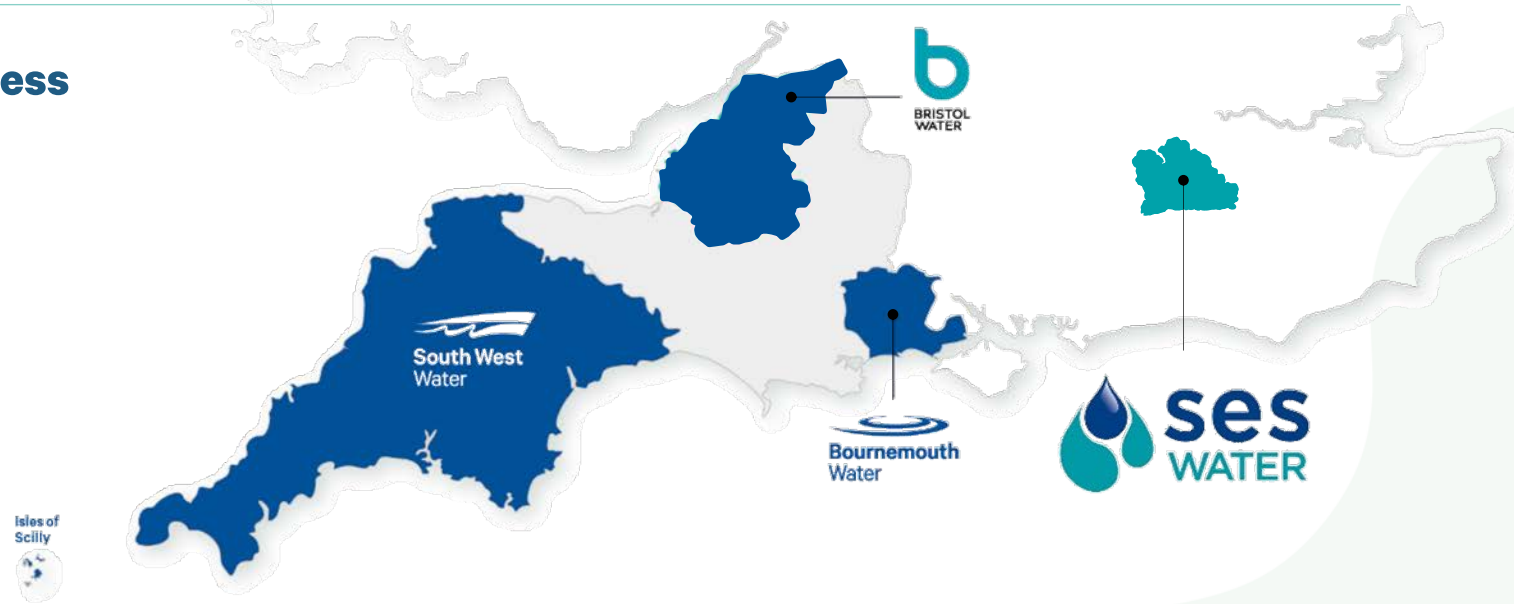
Building a high-quality UK water company focused on growing the water-only proportion of the Group and generating attractive shareholder returns

Note: All £m numbers shown to 0 decimal places. Potential differences due to rounding. Shadow RCV figures shown on nominal basis.
1 Group RCV increase on acquisition % terms as follows: Bournemouth Water: c.5%; Bristol Water: c.16%; SES Water: c.7%
2 RCV growth for K7 represents the period from 2020 – 2025
3 Anticipated run rate of targeted efficiency savings (on a net basis)

Deploying our proven integration blueprint

24-month programme to integrate the business

- Acquisition completes immediately without conditions, but requires CMA review
- Bristol Water acquisition indicates potential framework for potential undertakings
- Licence change and statutory transfer anticipated in 2025
- Anticipated synergies expected to reach £11m⁽¹⁾ p.a.



Integration blueprint

Phase 1

- Corporate and Shared services
- Licence changes

Phase 2

- Operations

Phase 3

- Customer service

Deploying our proven integration blueprint

Creating common systems and processes

Unlocking economies of scale

Driving supply chain efficiencies

Delivering even better customer service



Financial & Operational Performance – HY24

Resilient financial performance

Underlying EBITDA

£168.5 million

H1 2022/23
£174.6 million

Effective interest rate

5.8%¹

Driven by our strategically
positioned portfolio

Return on regulated equity

7.9%

Cumulative Group RORE –
doubling base returns

Capital investment

£266 million

65% increase on H1 2022/23²,
driven by additional and
accelerated initiatives

Stable gearing

61.0%

Broadly in line with Ofwat's
notional company assumptions

Dividend per share

14.04p

In line with policy –
growth of CPIH+2% per year



Summarised income statement

Results in line with management expectations

- As flagged, elevated inflation impacting near term earnings
- Benefit of decreasing inflation on net finance costs offset by higher rates
- Dividend in line with policy – underpinned by strong RORE

Underlying¹ (£m unless stated)

	H1 2023/24	H1 2022/23
Revenue	448.6	425.5
Power	(55.2)	(48.7)
Other operating costs	(224.9)	(202.2)
EBITDA	168.5	174.6
Operating profit	85.9	97.2
Net finance costs	(77.3)	(74.7)
Profit before tax – underlying	9.1	22.5
Non-underlying items before tax ²	(5.9)	(1.6)
Profit before tax	3.2	20.9
Underlying tax	(2.8)	(2.7)
Non-underlying tax	1.4	0.3
Profit after tax	1.8	18.5
Statutory earnings per share (p)	0.5	7.0
Adjusted earnings per share (p)³	3.6	7.9
Interim dividend per share (p) ⁴	14.04	12.96

¹ Measures are presented before non-underlying items ² Non-underlying items are adjusted for by virtue of their size, nature or incidence to enable a full understanding of financial performance

³ Adjusted EPS: before deferred tax and non-underlying items ⁴ The CPIH rate used is 6.3% as of 30 September 2023



Profit before tax

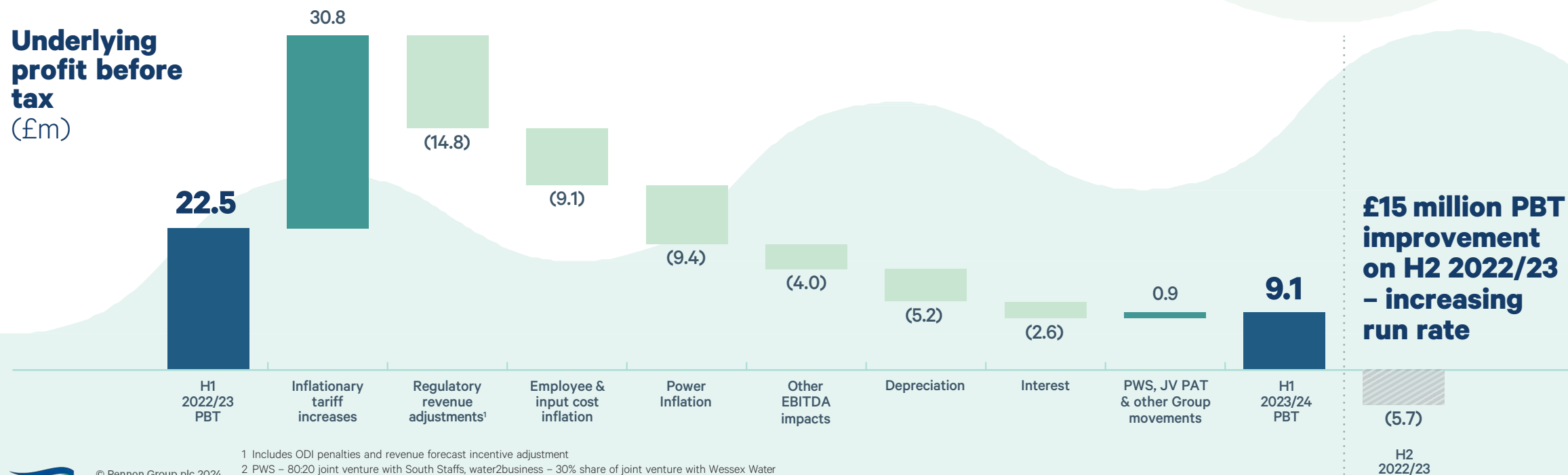
Net benefit of inflation through increased revenues

Regulatory revenue adjustments reflect 2021/22 ODI outcomes and RFI true-up

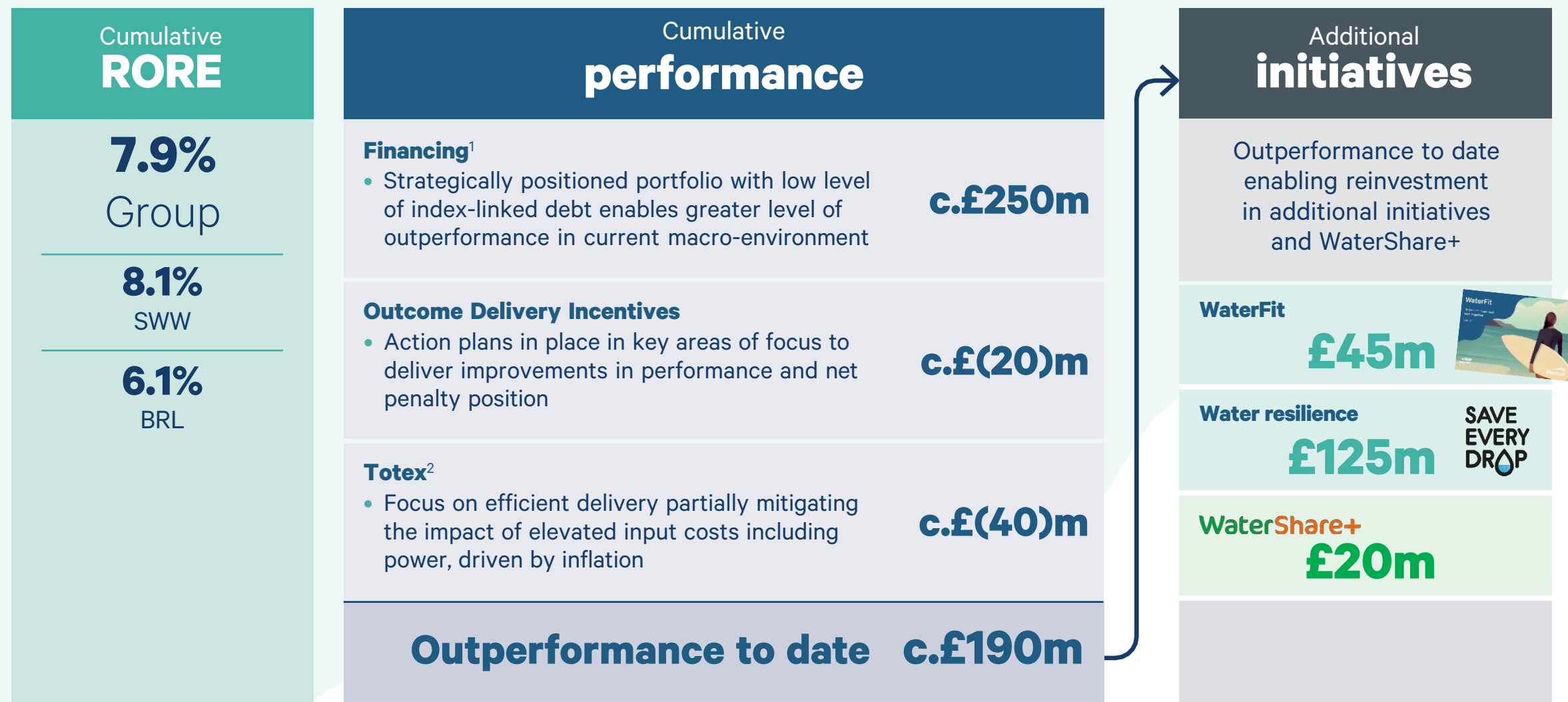
Increased depreciation driven by accelerated capital investment programme

Inflationary impact on finance costs stabilised

Continued growth in Non-Household profits – Pennon Water Services and water2business²



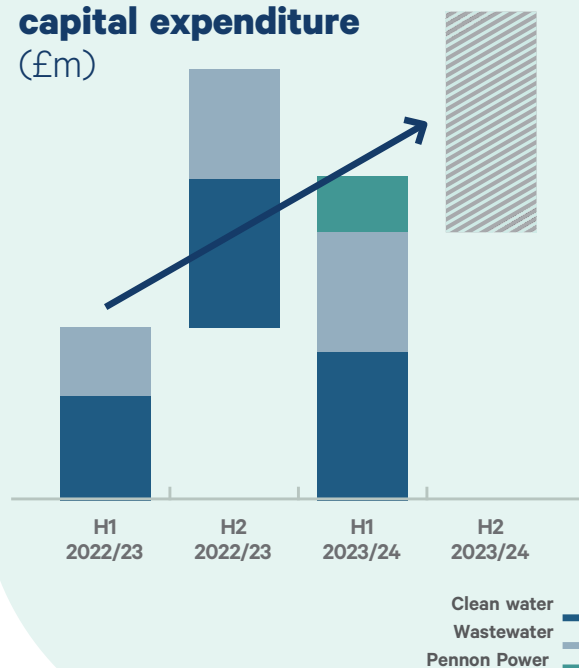
Continued doubling of base returns enabling reinvestment



Step up in capital investment

65% increase in capital investment vs H1 2022/23¹

Water business capital expenditure (£m)

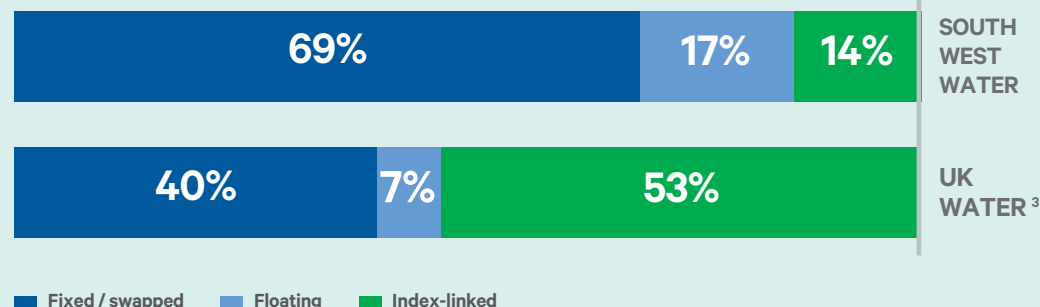


H1 2023/24	TOTAL
£150.2 million	£266.1 million²
Water	<ul style="list-style-type: none"> Water resources – investment to boost and protect supplies, including establishing new abstraction points, providing new strategic links between key supply sources, and construction of Cornwall’s first desalination plant Water quality investment including granular activated carbon (GAC) schemes to provide further resilience Continued investment at Alderney water treatment works in Bournemouth
£84.2 million	Wastewater <ul style="list-style-type: none"> Deployment of sewer level monitoring technology across our network to support proactive identification of issues to enable intervention to prevent pollution incidents Targeted environmental improvements in line with our WINEP profile, including phosphorus reduction schemes to further improve river water quality Increased capital maintenance expenditure to optimise wastewater treatment works at key strategic works serving the region’s major cities, Plymouth and Exeter
£31.7 million	Pennon Power <ul style="list-style-type: none"> Commencing the development of renewable energy generation sites acquired to date, including associated electrical engineering work

Financing portfolio strategically positioned

Lower proportion of index-linked debt compared to industry average

UK Water gross debt mix



Effective interest rate¹

5.8%

Average maturity of debt

14 years

Funding secured since March 2023

£710m

Targeting strong investment grade credit rating

- Progressing work to obtain two strong investment grade credit ratings for South West Water ahead of 1 April 2025

Responsible and sustainable gearing – regulated water business

Net debt (SWW)²

£3.1bn

RCV (shadow)⁴

£5.1bn

Gearing⁵
(Net debt / RCV)

61.0% | March 2023
60.8%

¹ Based on South West Water Limited's group of companies, including Bristol Water plc

⁴ Forecast shadow RCV at 31 March 2024

² Combined South West Water Group as at 30 September 2023

⁵ Based on South West Water² net debt and shadow RCV

³ UK Water position as at 31 March 2023 weighted average

Guidance update

H2 (vs H1) 2023/24 guidance

2023/24 underlying results – H2 weighted

Revenue



- Seasonally lower demand in H2
- Continued focus on water efficiency

Opex



- Power reducing through pricing and usage¹
- Drought actions more H1 focused
- Focus on efficiency – realisation of full year effect of efficiencies

Financing



- High inflationary environment evenly profiled over financing costs through the year

Guidance to 1 April 2025

Capex

- £850 million anticipated over 2023/24 - 2024/25 – c.£100 million increase on £750 million guidance as at FY 2022/23

RCV

- c. £200 million increase in shadow RCV forecast at 1 April 2025 to c. £5.4 billion, as detailed in PR24 Spotlight²

¹ Based on current market pricing and current hedged position of c.95% for 2023/24, c.45% hedged for 2024/25.

² [PR24 Spotlight presentation](#)

Note: All guidance on an underlying basis

Tackling the biggest challenges across our regions



Building water resources, improving water quality



Alleviating storm overflows and eliminating pollutions



Driving environmental gains



Supporting affordability, delivering for customers

Largest environmental investment programme in K7 creating robust foundation for K8

2020-2025

£1.6 billion

2025-2030

£2.8 billion

Further step up in investment in K8, focused on tackling the biggest challenges

Building water resources, diversifying our portfolio through innovation



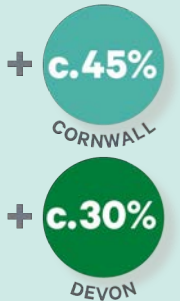
Breaking the drought cycle

for Devon and Cornwall –
on track for 90% strategic
reservoir levels by March 2024



On track

to augment supplies by 45%
in Cornwall and 30% in Devon
by 2025



Supply-side

Reservoir levels – doubled compared to 2022¹, one third improvement through investment and intervention

- Additional repurposed quarry Blackpool Pit – 55% complete, bringing our portfolio to 4
- Winter pump storage at Gatherley – 20% complete
- De-salination on track to be fully operational in 2024

Demand-side

Demand reductions of 2% for Summer 2023

- 65% increase in free leak repairs
- Almost 250,000 water efficiency devices issued to date
- Smart metering roll out in place across one third of North Devon

Quality First approach

Consolidating top quartile water quality position for Devon, Cornwall and Bournemouth regions

- Zero failures to date in 2023 at water treatment works
- Step change in Isles of Scilly performance
- Robust action plans in place to improve Bristol's legacy water quality performance



Improving the environment – spotlight on bathing water

Alleviating storm overflows and eliminating pollutions

100% bathing water quality

– third consecutive year¹

90% of K7 interventions delivered

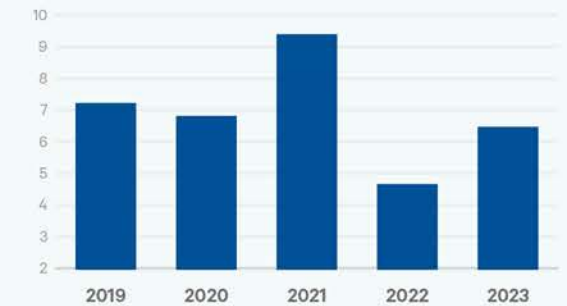
for bathing and shellfish waters

Bathing water quality

- 100% monitoring across storm overflows with 98% operability
- Modest increase in bathing water average spills for 2023, despite 45% increase in rainfall
- WaterFit storm overflow improvements – 70 interventions underway to improve 49 of 151 beaches to 2025
- Piloting catchment sampling and monitoring regime
- WaterFit Live – real time bathing water information, further empowering customers



Bathing water/ Bathing season spills (SOs – average)



River water quality

River bathing water quality pilots well advanced

- Water quality monitors in place for the last 18 months
- Supported applications on Rivers Dart and Tavy for bathing water status
- Storm overflow improvements underway
- RNAGs improved from 19% to 12.4%



Improving the environment – tackling pollutions

**Alleviating
storm overflows
and eliminating
pollutions**

Sector-leading

internal sewer flooding performance

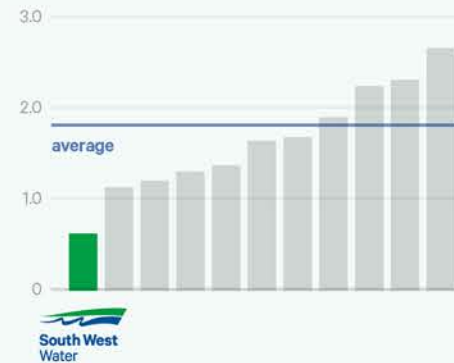
Improved serious pollution performance

– one event to date in 2023

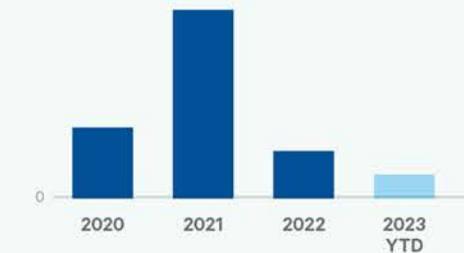
Continued focus on reducing pollution incidents

- Lowest number of internal sewer flooding incidents
- 18% reduction in external sewer flooding incidents year on year
- Total pollutions in 2023 year to date slightly elevated on 2022 performance
 - 355 hotspot interventions delivered
 - 60% of rising main replacement programme completed to date
 - 75% of sewer depth monitor installation programme complete
 - Sewer collapses and blockages performance ahead of our performance commitments
 - 2023 targeted to retain EPA performance gains delivered in 2022 (2☆ EPA) – remain focused on achieving 4☆ EPA status for 2024

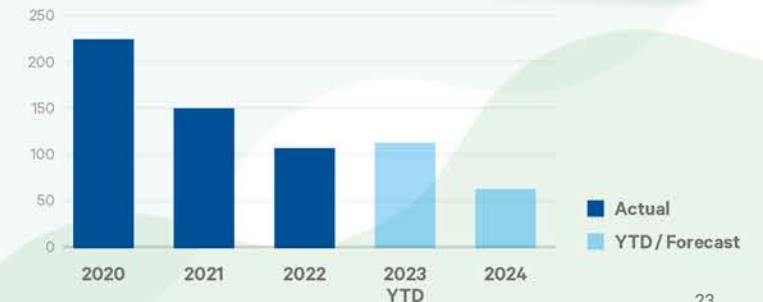
Internal sewer floodings
(per 10,000 sewer connections)



Pollution Cat 1-2 incidents
(number)



Pollution Cat 1-3 incidents (number)



Driving environmental gains



50% reduction
in carbon footprint
anticipated in K7

£145m investment
in renewable energy
providing 40% of Group
energy requirements



Spotlight on catchment innovation – secured c. £20m K7 ODI benefit

Targeting:

- Nature first approach to investment

Delivered through:

- Partnership working, community focused
- Science based approach, partnering with University of Exeter CREWW – beacon of innovation

Centre for Resilience in Environment, Water and Waste



University of Exeter



Delivered

- Improved management of 115,000 ha for water quality and wildlife, including 1,100 ha of peatland
- Planted over 220,000 trees
- Delivering alongside 20 businesses, charities and local authorities on over 2,000 farms to date

Science

- 30% reduction in discolouration from peatland
- Increased the water table by over 100 Olympic sized swimming pools
- Reduced phosphates in Drift reservoir by 40% over two years

Innovation

- Using pioneering satellite data to understand habitat condition across the region
- Using local sheep wool to create bunds for peatland restoration
- Trialling new planting to improve soil health and water quality: under sowing maize
- Investigating sources of microplastics in the water cycle

Supporting affordability



Below inflation bill increases

for 2023/24 and 2024/25

Over £90 million

customer support provided in K7 to date

Addressing customer affordability

- 35% increase in customers benefiting from our social tariffs¹
- Over 120,000 customers now benefiting from one or more of our support tariffs
- Focused on eliminating water poverty – 100% of customers in Bristol find their bills affordable, 97% for South West Water

Tariff innovation

- Piloting schemes across our region to understand what works best to more fairly distribute charges across those who benefit from our services, whilst also encouraging water efficiency
- Pilot schemes include seasonal tariffs, rising block tariffs, peak charging and partial occupancy

Playing our part in the community

- Community funds supporting neighbourhood initiatives and water efficiency projects across our region
- WaterShare+ offering customer a greater stake and a say



WaterShare+

Organisational partnerships established

170

273
community projects funded to date



Delivering improved outcomes for customers



c.75%
ODIs on track
or ahead of target
c.70%



Areas of excellence



- Bathing water quality
- Biodiversity enhancement
- Internal sewer flooding
- Customer satisfaction (C-Mex)
- Properties at risk of low pressure

Areas of focus

Improvement plans in place to target areas of focus, ensuring we're on track to achieve our 2025 targets



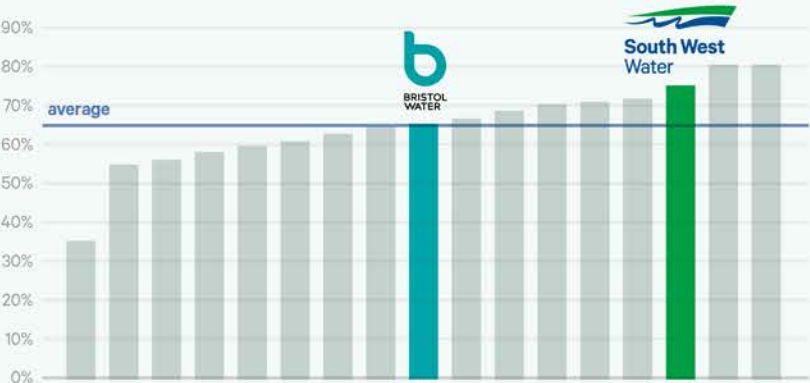
- Wastewater pollutions and EPA
- Water quality
- Meter penetration



ODI performance

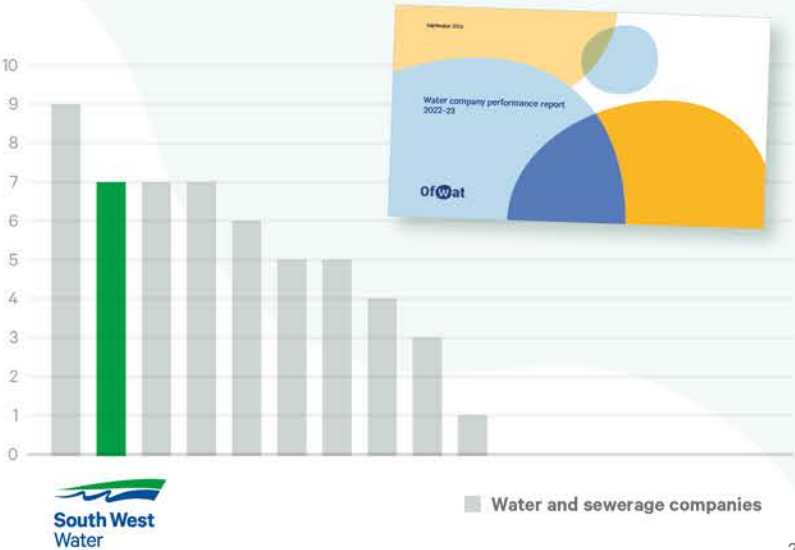
- Industry upper quartile performance to date

K7 Cumulative average Outcome Delivery Incentives



Ofwat Water Company Performance Report¹

- Improved year on year performance for South West Water



Investing in our communities' future

Largest private employer in the South West

Created additional 500 jobs in the community for K7 – with 2,000 anticipated for K8

Over 12,000 pupils engaged in water conservation and environmental protection through our schools education programme

Only water company to be recognised with Gold membership in the 5% Club – two years running



Promoting an earn and learn culture

Graduates and diversity

- Launched our Graduate Programme in 2021 and committed to support 200 graduates by 2030
- Proven programme success – 17 times oversubscribed
- 66% of this years graduates are female and 40% ethnically diverse
- Retained 1st place in FTSE 250 Women Leaders Survey for Utilities

Apprenticeships

- Only water company to be included as top 100 employer for apprenticeships
- Over 300 apprenticeships to date in K7 – on track for 500 by 2025



Work experience

- Commitment to support 5,000 work placements for young people in our region
- Tier 1 funders of the Social Mobility Business Partnership providing work experience programmes for 150 students from low income backgrounds across the South West

Training excellence

- In-house, state of the art network training facility
- Continued investment in HomeSafe with over 23,000 person training hours to date in 2023



Investing in our people

Strong PR24 platform for delivery

Creating a strong foundation for K8

Bills at their lowest
point for 10 years



Top quartile
common ODI
performance to date



**Track record of
RORE outperformance**
– doubling base returns



**Robust supply chain
in place** – six Tier 1
contractors in place



**Established
'earn and learn' culture**
– gold member of the
5% club



**Unique
ownership model**
– WaterShare+



Strong balance sheet
– responsible, sustainable
gearing



Our values

Be
**ROCK
SOLID**

Be
YOU

Be the
FUTURE

Financial resilience – well positioned for PR24

Step change in investment

- £2.8 billion capex programme over K8 – over 50% increase on K7
- c.100% RCV growth forecast 2020-2030¹

Funding requirements

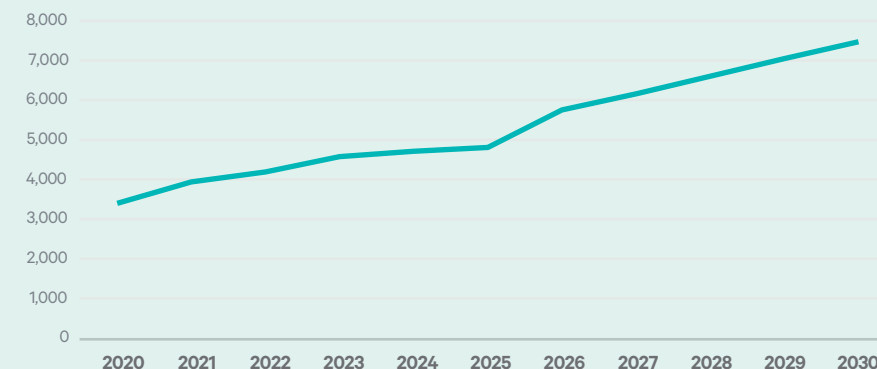
- £2.5 billion of new funding requirements for K8, of which required refinancing – £0.7 billion
- Utilising our Sustainable Financing Framework to issue new debt, including further private placements and public bond issuances
- Strong ESG credentials supporting our focus on green finance

Stable, responsible gearing

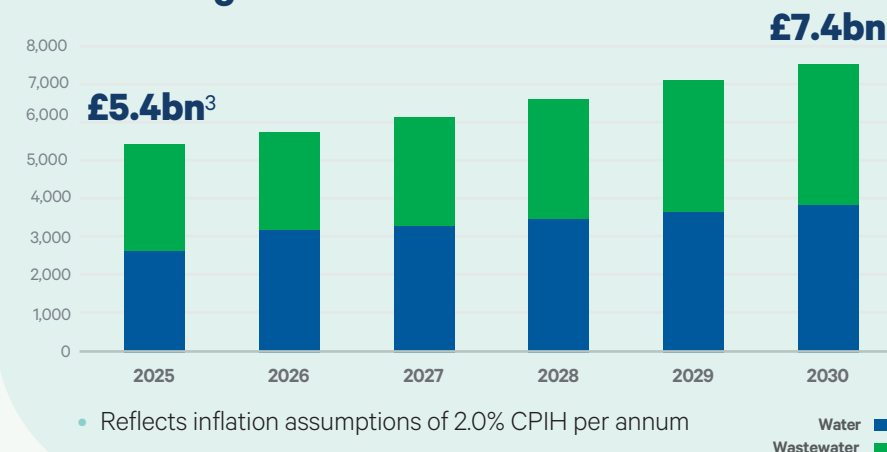
- Underpinned by maintaining stable gearing within our established range – K8 average 63.3%
- Strategically low level of index-linked debt



Shareholder value – RCV growth



Total RCV growth to 2030²



¹ RCV growth over K7 forecast to be c.60%, and RCV growth over K8 to be c.40%

² RCV allocation to water includes: SWB water resources, SWB water network plus, BRL water resources, BRL water network plus. RCV allocation to wastewater includes: wastewater network plus and bioresources. The residential retail price control has no RCV allocation.

³ Post midnight adjustments for K8

Ambitious plan for PR24 – the right plan for our regions

Investing
efficiently

£4.5bn

Totex, assuming
12% efficiency

Keeping bills
as low as possible

3-4%

average increase
per annum

Strong support
from customers

74%

Customer
acceptability

Growth for
investors

38%

Nominal RCV
growth¹

Incentivising
performance

Up to 8.6%

Return on
regulated equity

Underpinned by
responsible financing

63.3%

Average
gearing²

2023
29 November



Half year
results
2023/24

2024
21 May



Full year
results
2023/24

May/June



Ofwat
publish Draft
Determinations

27 November



Half year
results
2024/25

December



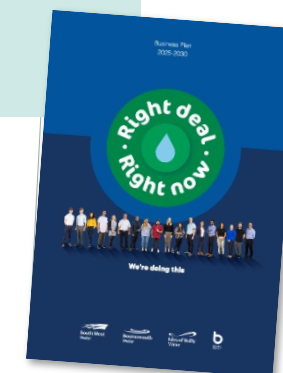
Ofwat
publish Final
Determinations

2025
May



Full year results 2024/25
Announcement of Pennon Group plc
2025-2030 dividend policy

Business Plan
2025-2030



Making progress, growing sustainably

Step up in investment across the Group

Making progress on what matters most across our regions

Adopting a Green First approach

Underpinned by robust fundamentals



Ambitious K8 plan – transition underway, mobilised supply chain



Appendix



Pennon Technical guidance full year 2023/24

Pennon Group		FY 2022/23	Change
Revenue*	<ul style="list-style-type: none"> Inflation reflected in 2023/24 tariffs in South West Water partially offset by in-year impact of regulatory adjustments and ODI penalties Ongoing growth in our retail businesses, including growth external to our wholesale region 	£825.0m	↑
Net debt	<ul style="list-style-type: none"> Continued delivery of accelerated environmental capital investment across the Group Accretion on index-linked debt 	£2,965.4m	↑
Current tax	<ul style="list-style-type: none"> 2022/23 effective credit rate reflects prior year credit as a result of additional super-deductions and lower non-deductible expenditure following the submission of the 2022 corporate tax computations Higher capital allowances from the Group's continued capital investment programme together with full expensing means that the Group anticipates generating tax losses in the remaining years of K7 resulting in effective tax rate around 0% 	16.1% (credit rate)	↑
Operating costs*	<ul style="list-style-type: none"> Growth in retail businesses leading to higher wholesale supply charges external to our regions, increasing total Group operating costs Ongoing inflationary increases on input costs Power costs expected to be flat year on year¹. We anticipate consumption to remain elevated while we recover from the drought conditions Pay increases agreed across the Group between c.5-7% for 2023/24 Continued delivery of efficiencies 	£517.2m	↑
Depreciation*	<ul style="list-style-type: none"> Expanded capital programme driving increases in depreciation 	£154.7m	↑
Net interest*	<ul style="list-style-type: none"> RPI swaps over K7 to smooth the impact of inflation Increased variable rates on floating rate debt – c.65% of debt fixed Increased levels of debt to support capital investment profile 	£136.6m	↑
Capex	<ul style="list-style-type: none"> Capital expenditure reflects K7 existing profile of investment along with additional and accelerated environmental investment 	£358.3m	↑
RORE (Group) (Underlying Ofwat measure)	<ul style="list-style-type: none"> Expected year on year reduction in line with lower inflation expectations – continued expectation of a doubling of cumulative base returns for the Group 	10.5%	↓
RCV	<ul style="list-style-type: none"> Increase in line with K7 business plan levels of investment in addition to additional and accelerated investment, regulatory true-ups and inflationary impact – shadow RCV for March 2024 forecast £5.1bn 	£4.7bn	↑

* All measures on an underlying basis

¹ Based on current market pricing and current hedged position of c.95% for 2023/24



Pennon Revenue growth

South West Water

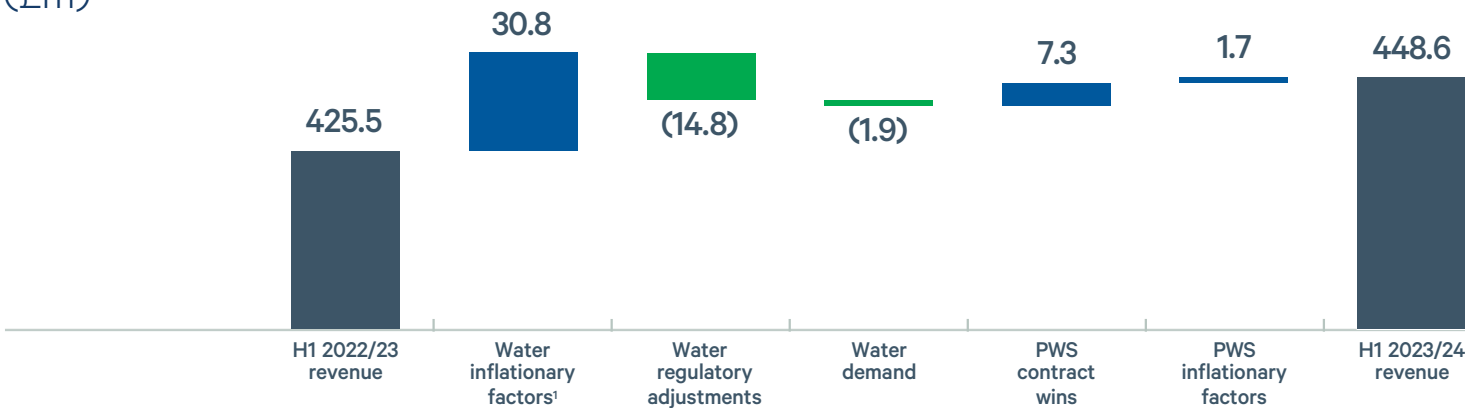
- Overall positive impact of inflation starting to feed through – inflationary factors reflect a 9.4% increase relating to CPIH
- Regulatory adjustments reducing impact of inflation on tariffs
- Overall demand reduction driven by non-household and developer income, with household consumption increased on last year

Pennon Group

- PWS growth continues from new contract wins
- Overall Group revenue growth of 5% H1 2023/24 v H1 2022/23

Revenue

(£m)



Pennon Responsible approach to tax

Current tax position – effective credit rate of (6.6)%

- Current tax credit arises as a result of prior year adjustments
- Tax losses generated as enhanced capital allowances exceed depreciation. These tax losses are carried forward through deferred tax for relief against future profits.

Deferred tax charge

- Deferred tax charge in the period generated by enhanced capital allowances
- Offset by tax losses carried forward to be utilised in future periods

Non-underlying items

- £1.4 million deferred tax credit arising from tax losses carried forward

Corporation tax (£m)

**H1
2023/24**

**H1
2022/23**

Current tax	0.6	(1.5)
Deferred tax	(3.4)	(1.2)
Underlying tax	(2.8)	(2.7)
Non-underlying items ¹	1.4	0.3
Total tax charge	(1.4)	(2.4)



Pennon Income statement – EPS reconciliation

Adjusted EPS

(£m unless stated)

	H1 2023/24	H1 2022/23
Profit before tax	3.2	20.9
<i>Adjusted for:</i>		
Non-underlying items (pre-tax)	5.9	1.6
Current tax	0.6	(1.5)
Minority interest ¹	(0.4)	(0.2)
Profit for adjusted EPS	9.3	20.8
Basic weighted average number of shares (millions)	261.2	262.6
Basic adjusted earnings per share before non-underlying items and deferred tax (pence)	3.6	7.9

Statutory EPS

(£m unless stated)

	H1 2023/24	H1 2022/23
Profit attributable to ordinary shareholders	1.4	18.3
Basic weighted average number of shares (millions)	261.2	262.6
Total Group statutory earnings per share (pence)	0.5	7.0

Pennon Balance sheet – Group capital expenditure

Group capital investment (£m)

	H1 2023/24	H1 2022/23
South West Water	234.4	142.5
Clean water	150.2	80.0
Wastewater	84.2	62.5
Pennon Power	31.7	-
Other Group	0.2	0.1
Capital additions	266.3	142.6

Group capital payments (£m)

	H1 2023/24	H1 2022/23
Group capital additions	266.3	142.6
Capital creditor (decrease)/increase (including non-cash items)	4.2	12.8
Proceeds from sale of PPE	(0.2)	-
Group capital payments	270.3	155.4

Penon Balance sheet – Pensions

Pensions

(£m)

	30 September 2023	31 March 2023
Pension schemes' assets	672	749
Pension schemes' liabilities	(672)	(720)
Net pension schemes' assets	-	29
Deferred tax	-	(3)
Net of tax pension schemes' assets	-	26

**Rising corporate
bond yields – reducing
scheme liabilities**

**March 2022 triennial
valuation agreed –
no deficit recovery
contributions
required**

**Bristol Water scheme
fully insured –
buy-out progressing
as planned**

Pennon Balance sheet – Sustainable, diversified funding sources

Balance as at 30 September 2023

(£m)

	Pennon Group	South West Water
Leasing	1,092	1,090
Bank bilaterals	744	706
Index-linked debt (RPI)	757	661
Fixed rate bonds	210	193
Private placements	605	486
Preference shares	13	13
Total borrowings	3,421	3,149
Less: cash/liquid investments	(94)	(58)
Net borrowings	3,327¹	3,091

Pennon Balance sheet – Fair value of debt

Balance as at 30 September 2023
(£m)

	Pennon Group		
	Book value	Fair value	Variance
Bank bilaterals	744	725	19
Index-linked debt (RPI)	757	551	206
Fixed rate bonds	210	197	13
Private placements ¹	605	597	8
Preference shares	13	19	(6)
Total borrowings (excluding leases)	2,329	2,089	240
Leases ²	1,092	942	150
Total borrowings	3,421	3,031	390

**Overall net
benefit on fair
value of debt**

Pennon Sustainable net debt

Pennon Group – summarised net debt flow

(£m)

Net debt excluding fair value uplifts 1 April

Opening balance 1 April

Cash flows from operating activities

Corporation tax paid

Net interest paid

Rolled up interest on lease repayment included in net interest paid

Capital investment

Repurchase of own shares

Ordinary dividends paid

Non-cash index-linked accretion

Other movements¹

Closing balance 30 September

Net debt excluding fair value uplifts 30 September

H1 2023/24 flows

H1 2022/23 flows

(2,841.4)

(2,514.3)

(2,965.4)

(2,682.9)

88.8

160.2

-

(3.1)

(45.5)

(93.3)

-

51.5

(270.3)

(155.4)

-

(40.0)

(111.7)

(101.5)

(14.4)

(18.5)

(8.3)

5.2

(3,326.8)

(2,877.8)

(3,208.7)²

(2,715.4)

¹ Including fair value unwinds and net VAT payable from lease repayments

² Carrying value of fair value acquisition adjustments to debt as at 30 September 2023 – £34.6m Bournemouth Water, £83.5m Bristol Water

Water business income statement

→ **Inflationary increase in revenue more than offsetting inflationary cost increases**

→ **Regulatory revenue adjustments reducing impact of inflation on tariffs**

→ **Increased depreciation from accelerated capital investment**

Underlying¹ (£m)

	H1 2023/24	H1 2022/23
Revenue ²	377.8	363.8
Operating costs	(210.7)	(191.2)
EBITDA	167.1	172.6
Depreciation and amortisation	(79.6)	(74.8)
Operating profit	87.5	97.8
Net interest	(80.9)	(78.6)
Profit before tax	6.6	19.2
Non-underlying items	(5.4)	-
Profit before tax	1.2	19.2
Capital expenditure	234.4	142.5

Note: Financial performance includes the performance of Bristol Water in both this financial year and the comparative year

Net interest analysis

(£m unless stated)

Underlying net interest charge

Less: pensions net interest

Add: capitalised interest

Net interest for average rate calculation

Split between:

Interest payable

Capitalised interest payable

Other finance income

Net interest payable

Effective interest rate

H1 2023/24 South West Water ¹	H1 2022/23 South West Water ¹
(80.9)	(78.6)
(0.7)	(1.0)
(4.1)	(1.6)
(85.7)	(81.2)
(84.0)	(80.4)
(4.1)	(1.5)
2.4	0.7
(85.7)	(81.2)
5.8%	5.8%

Strong market performance

- **Overall 9% growth in revenues v H1 2022/23**
- **Business wins continue to drive growth**
- **55% growth in PBT**

Underlying² (£m)

	H1 2023/24	H1 2022/23
Revenue	117.6	108.2
<i>Water segment wholesale elimination</i>	(46.7)	(46.7)
<i>Revenue excluding elimination</i>	70.9	61.5
Operating costs	(114.5)	(105.9)
<i>Water segment wholesale elimination</i>	46.7	46.7
<i>Operating costs excluding elimination</i>	(67.8)	(59.2)
EBITDA	3.1	2.3
Depreciation and amortisation	(0.3)	(0.4)
Operating profit	2.8	1.9
Net interest	(1.1)	(0.8)
Profit before tax	1.7	1.1
Capital expenditure	0.1	0.1

RORE outperformance

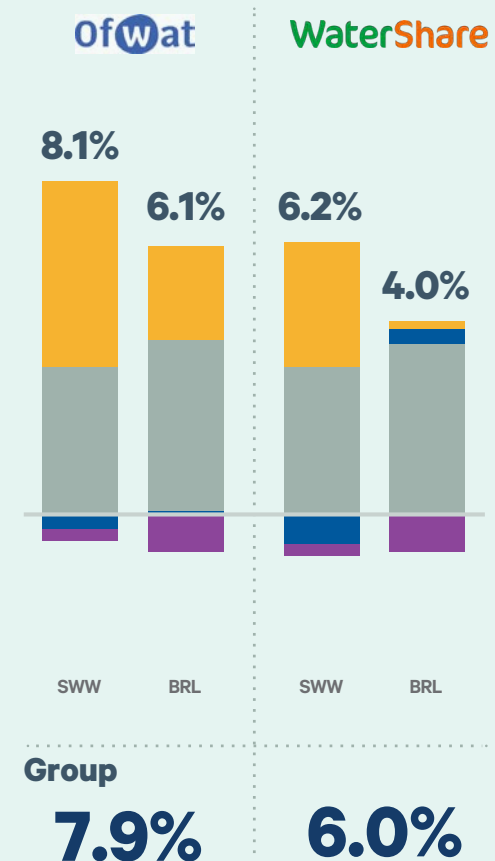
Cumulative RORE performance

£m	2020/ 21	2021/ 22	2022/ 23	H1 2023/24	Cumulative total
Financials					
Totex¹	60	33	-80	-96	-83
Financing	14	53	133	66	266
ODIs	-12	1 ²	-10	-3	-24
Ofwat	62	87	43	-33	159
WaterShare	96	94	8	-108	90
Outcome Delivery Incentives					
End of period	5	6	2	3	16
During period	-17	-5	-12	-6	-40
Net ODI reward / (penalty)	-12	1	-10	-3	-24

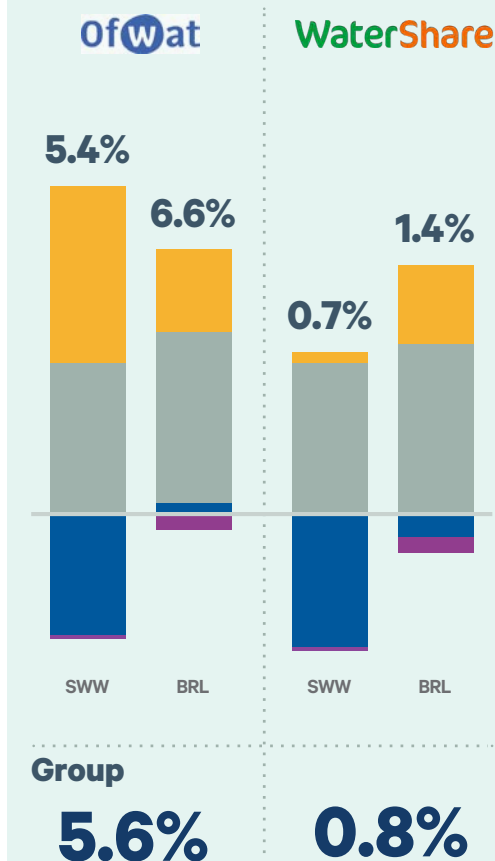
¹ Including tax impacts

² Excludes the ODI impact of the third-party Carland Cross event in 2021, which we are seeking to recover from the third-party

Cumulative RORE



H1 2023/24 RORE



Base Totex Financing ODI

Financial Outcome Delivery Incentives – 2023/24 – c.75% on track or ahead of target

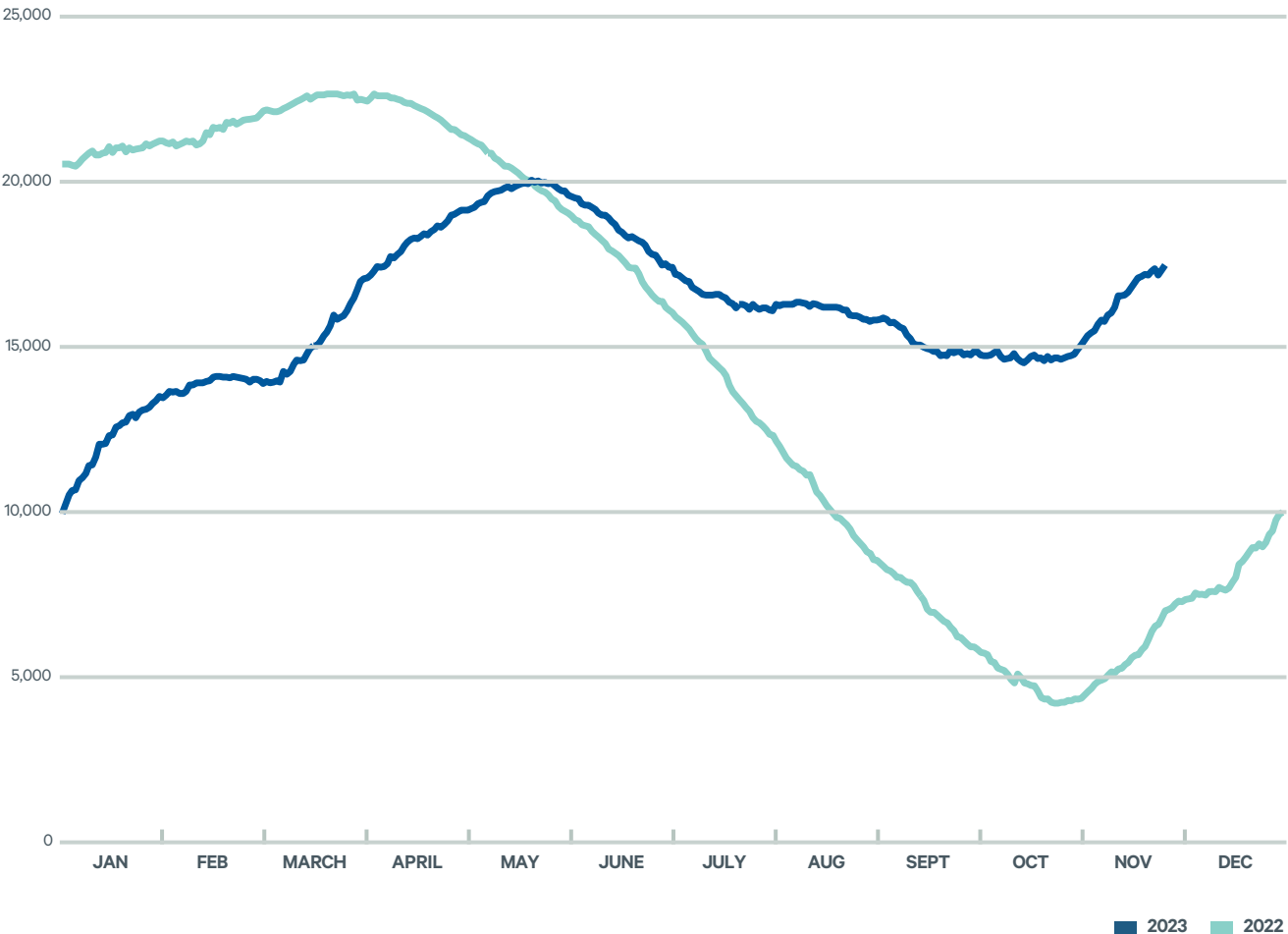
	Area of excellence 9	Outperformance 3	On track 19	Marginal 10	Area of focus 3
Bespoke ODIs	<ul style="list-style-type: none"> Customer on one of our support tariffs Bathing water quality Biodiversity enhancement Wastewater resilience 	<ul style="list-style-type: none"> Biodiversity - prevent deterioration Water resilience Sewer blockages 	<ul style="list-style-type: none"> Customers who find their bill affordable Voids Satisfaction with PSR Scheme delivery (3 ODIs) Customer value for money Risk of severe drought Biodiversity - compliance Abstraction incentive mechanism Operational contacts - water Operational contacts - WW Odour contacts Descriptive compliance Installation of AMR Meters BSI accreditation 	<ul style="list-style-type: none"> Water pollution incidents Sludge compliance Water restrictions Taste smell and colour contacts External sewer flooding incidents Total works compliance 	<ul style="list-style-type: none"> EPA score
Common ODIs	<ul style="list-style-type: none"> Risk of sewer flooding Sewer collapses Unplanned outages PSR 		<ul style="list-style-type: none"> D-MeX Mains repairs Leakage 	<ul style="list-style-type: none"> C-MeX Per capita consumption Water quality (CRI) 	<ul style="list-style-type: none"> Treatment works compliance
Comparative ODIs	<ul style="list-style-type: none"> Internal sewer flooding 			<ul style="list-style-type: none"> Supply interruptions 	<ul style="list-style-type: none"> Wastewater pollutions

Financial Outcome Delivery Incentives – 2023/24 – c.70% on track or ahead of target

	Area of excellence 3	Outperformance 7	On track 11	Marginal 4	Area of focus 4
Bespoke ODIs	<ul style="list-style-type: none"> • Properties – risk of low pressure • Biodiversity index 	<ul style="list-style-type: none"> • Community satisfaction • Unplanned maintenance • Raw water quality of sources • Total complaints • Water quality - taste & smell 	<ul style="list-style-type: none"> • Void properties • WINEP compliance • WINEP delivery • Satisfied vulnerable customers • Water poverty • Value for money • Waste disposal • Glastonbury street network resilience • Abstraction Incentive Mechanism • Turbidity performance at treatment works 	<ul style="list-style-type: none"> • Water quality – appearance 	<ul style="list-style-type: none"> • Meter penetration
Common ODIs	<ul style="list-style-type: none"> • Priority services 	<ul style="list-style-type: none"> • C-MeX • D-MeX 	<ul style="list-style-type: none"> • Mains repairs 	<ul style="list-style-type: none"> • Risk of severe drought • Per Capita Consumption 	<ul style="list-style-type: none"> • Unplanned outages • Water quality (CRI) • Leakage
Comparative ODIs				<ul style="list-style-type: none"> • Supply interruptions 	

Water resources

Colliford net storage – 2022 vs. 2023



2022/23 supply and demand side interventions positively impacting total reservoir storage

Colliford reservoir (Cornwall)

61%

(2022: 25%)

Roadford reservoir (Devon)

67%

(2022: 45%)

Total reservoir storage

77%

(2022: 49%)

Case study – Bristol Water

Key highlights

Merger completion – February 2023



Acquisition increasing RCV growth to 2025 by c. 20%



WaterShare+ extended to Bristol Water customers



On track to deliver run rate of c.£20 million synergies across the Group ahead of K8



Increased size of Group to serve a population of 3.5 million

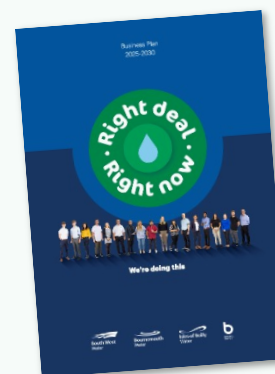


Bringing together the best of the best – expanded talent pool, sharing best practice, complementary aspects



PR24 investment plan

- 100% increase in capital spend to over £400 million in K8
- Increased enhancement expenditure unlocked, and lower cost of debt supported by financial resilience of the Group
- Keeping bills as low as possible – 3% per annum increase



Key investments

- Upgrading two major treatment works
- Replacing 34km of cast iron mains
- Cheddar 2 – new strategic reservoir
- Further reducing leakage by 14%



Delivering on our proven acquisition and integration blueprint



Investing in renewable energy generation

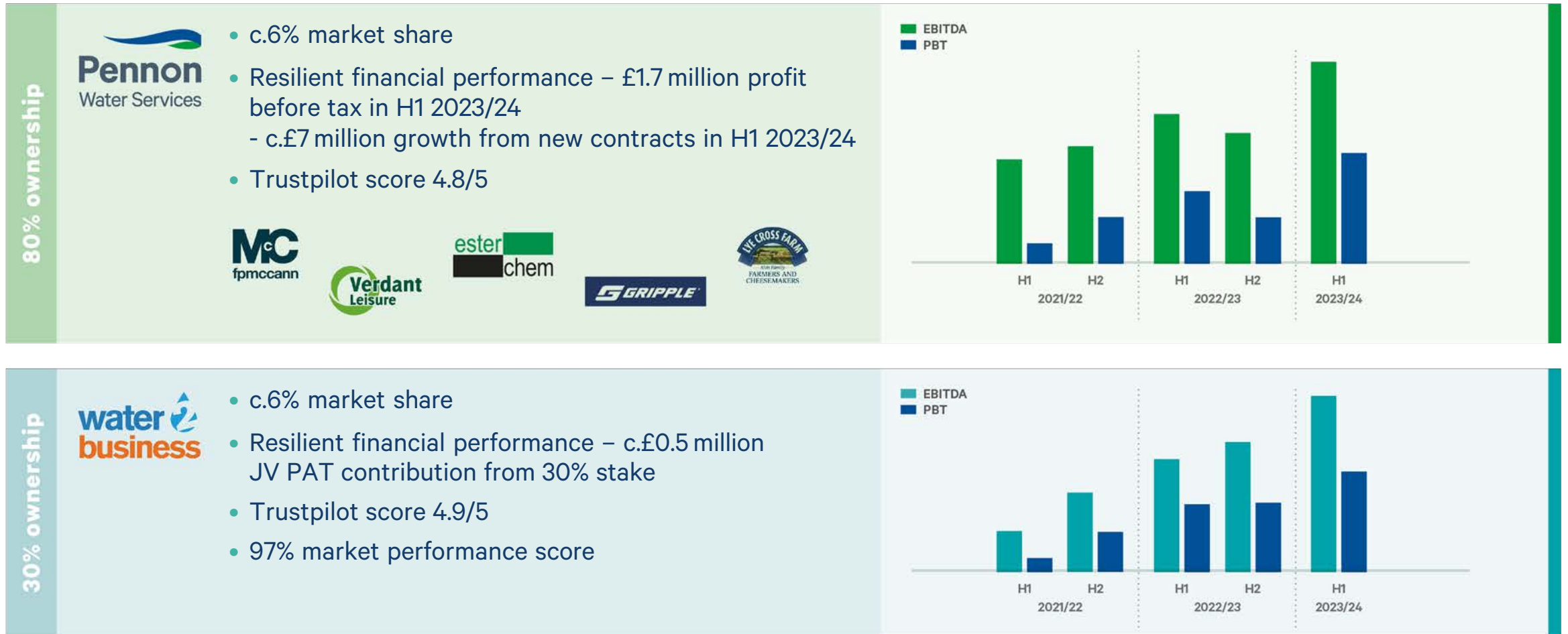


Complementary investment in environmental infrastructure

- £145m investment in renewable energy generation announced to date supports our long-term sustainable growth strategy, alongside accelerating our net zero target 2030 commitment
- Provides attractive commercial returns, ahead of those earned in regulated water
- Provides a natural hedge, reducing the Group's exposure to future volatility in wholesale power markets

		Annual generation	BESS	Status	Construction commencement	Grid connection
		39 GWh	60 MWh (2 hrs)	Detailed contract	2024	2024
Aberdeenshire	£12m	13.5 GWh		Currently	2024	2025
Cumbria	£27m	30.5 GWh		Currently	2024	2025
Buckinghamshire	£44m	52 GWh		Currently	2024	2025
Total	£145m	135 GWh	60 MWh			

Growing a profitable, sustainable national platform for business retail








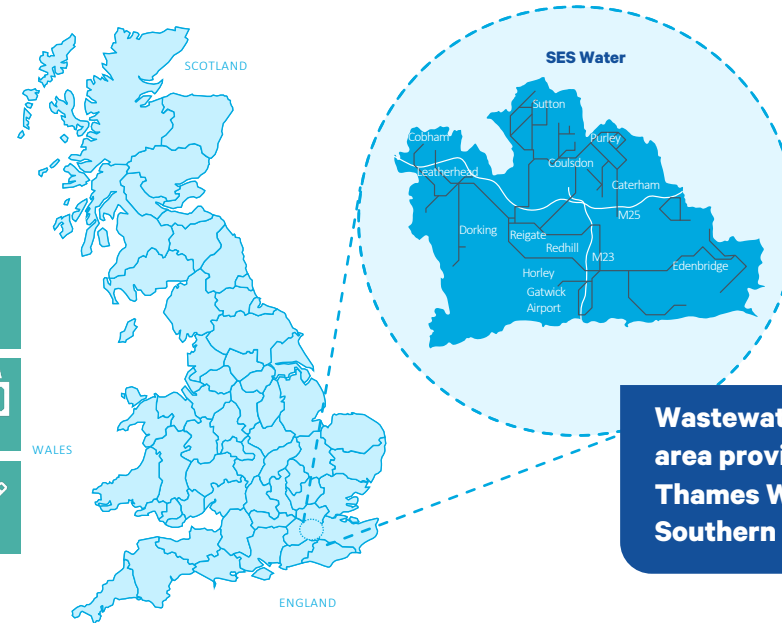
Acquisition of SES Water **January 2024**

Supplementary information

SES Water overview

A high-quality, water-only asset to further expand Pennon's reach in southern England

£125m Revenue – Mar-23	
£13m EBITDA – Mar-23	£
£351m⁽²⁾ RCV – Mar-24	
£292m⁽³⁾ Adjusted net Debt – Mar-23	
87% Net Debt/RCV – Mar-23	
£215m⁽⁴⁾ EBITDA – Mar-23	



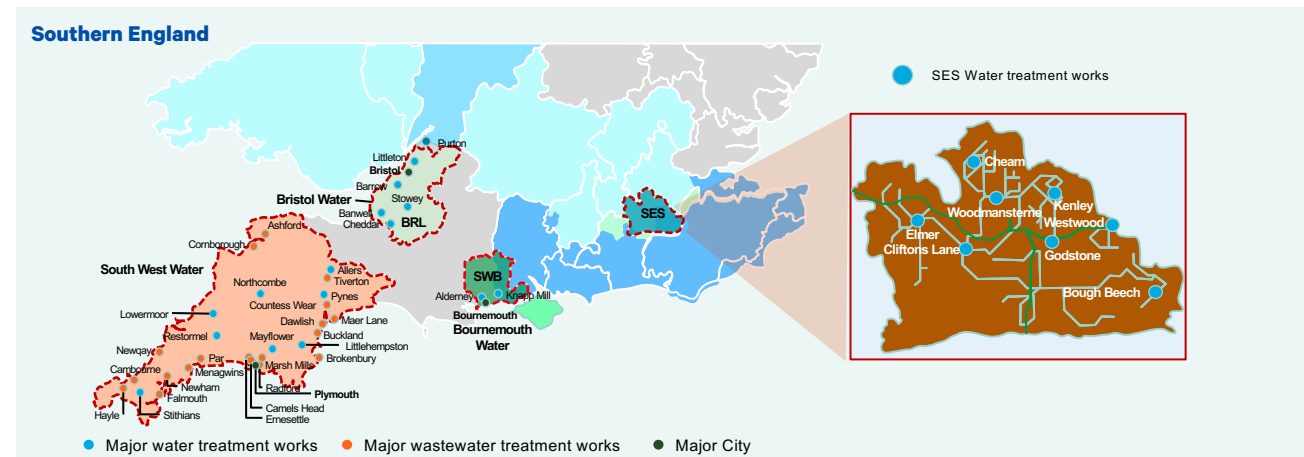
Wastewater in the area provided by Thames Water or Southern Water

SES Water highlights

- Water supplier serving >750,000 customers in the South East of England
- Over 150 years of operating history
- Key population demographics are forecast to grow by c.3% over the next 10 years⁽¹⁾
- Purpose-led, using water and the environment to enhance nature and lives
- Industry leader in smart networks

Non-regulated businesses

- SOGWUK is the holding company for SES Water and certain other ancillary businesses including SES Home Services, SES Business Water, Allmat Limited, Advanced Minerals Limited and Surrey Downs Property Investments Limited, however these are very small in size in the context of SES Water



Source: Ofwat reports, Company reports
 1 2020 Office of National Statistics model
 2 Shadow RCV as of 31 March 2024
 3 Reported net debt adjusted to include unamortised issuance costs and short term debt, before fair value uplift
 4 SES website: "Our charges explained"

SES Water is a high-quality, water-only business

"Top performer" in 2022-2023 for minimising interruptions to customers' supply⁽¹⁾

One of only three companies in the industry to achieve Leakage, Supply Interruptions, Water Quality and Unplanned Outage targets for its customers.

Company	Customer Satisfaction	Priority Services	Leakage	Per Capita Consumption	Supply Interruption	Drinking Water Quality	Mains Repairs	Unplanned Outage
Leading								
Average								
Hafren Dyfrdwy								
Northumbrian Water								
Seven Trent Water								
South West Water								
United Utilities								
Wessex Water								
Affinity Water								
Portsmouth Water								
South Staffs Water								
SES Water								
Lagging Behind								
Anglian Water								
Dwr Cymru								
Southern Water								
Thames Water								
Yorkshire Water								
Bristol Water								
South East Water								

Categorisation of Performance

	Top performer
	At or better than performance commitment level
	Poor than performance commitment level
	N/A for water only companies

Sustained strong performance throughout AMP7⁽²⁾

SES Water has outperformed the industry average on 100% of common quality, resilience and environment outcomes over AMP7, currently holding upper quartile performance in these, and is driving an upward trajectory in the customer service and consumption metrics.

Performance against PR24 Common PCs & EPA metrics (based on 2022/2023 published performance)

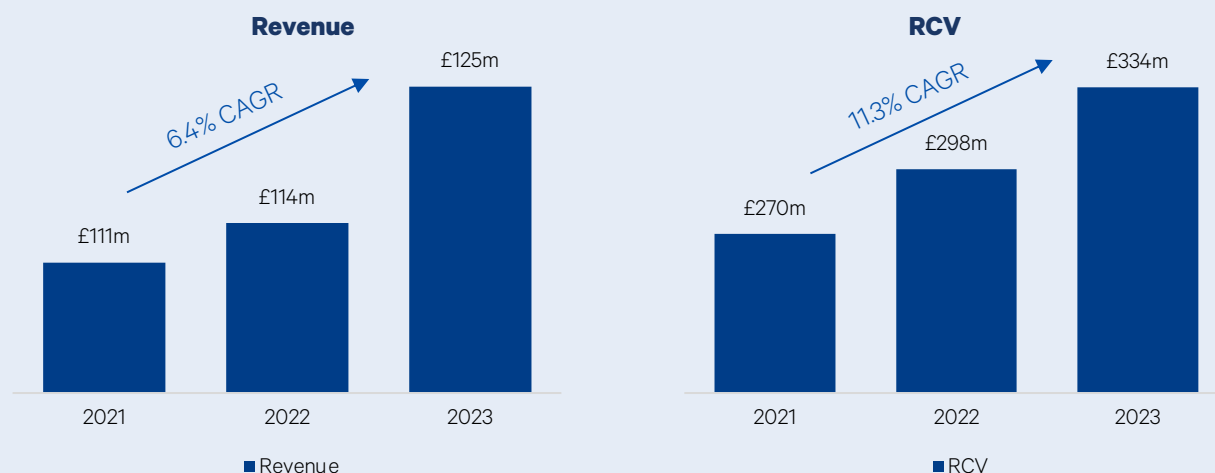


Acquisition offers scale benefits and returns opportunities

Transaction highlights

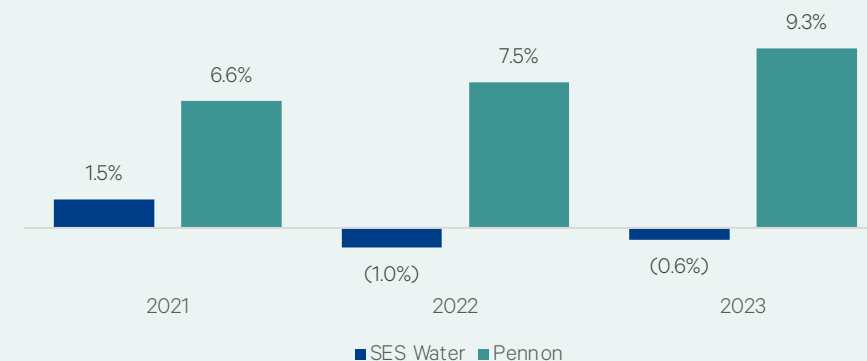
- Synergies expected to reach £11m⁽¹⁾ p.a., resulting in value creation
- No material impact on gearing (post equity placing) is expected, with water business gearing expected to be maintained within targeted range of 55-65%⁽²⁾
- No change in commitment to current dividend policy – Pennon policy for 2025-30 to be announced post-final determinations, in line with previous announcements

Standalone SES Water financials



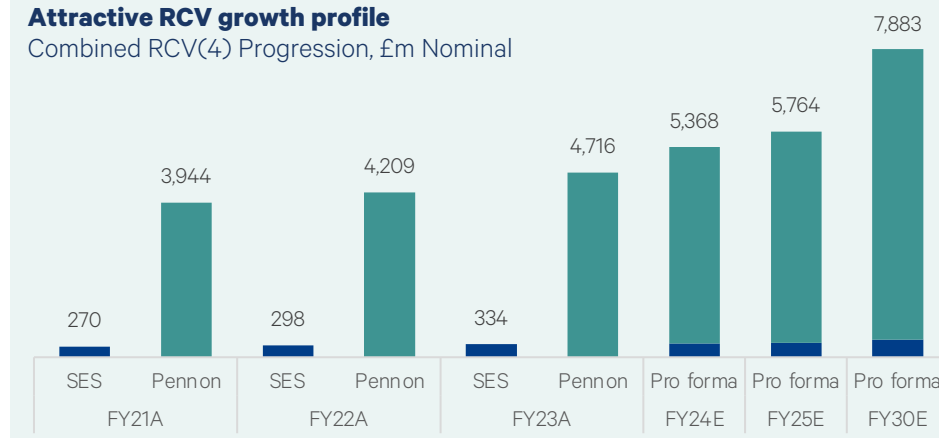
Upside potential from improving SES Water returns

Historic AMP7 Average Rolling RoRE Comparison between PNN(3) & SESW



Attractive RCV growth profile

Combined RCV(4) Progression, €m Nominal



Source / notes: All €m numbers shown to 0 decimal places. Potential differences due to rounding

1 Anticipated run rate of targeted efficiency savings (on a net basis)

2 Gearing at the regulated water business level, defined as net debt / RCV

3 Sww RoRE used for Pennon given Bristol Water closed in February 2023, calculated on an Ofwat basis

4 RCV progression applies PR19 growth rate to FY23A values



Equity placing and pro forma gearing

£m, March 2023	Net Debt	RCV	PF Net Debt / RCV
Pennon Group standalone pre transaction	2,965	4,716	62.9%
Adjustments			
SES Water (SOGWUK)	291 ⁽¹⁾	334	87.3%
Equity consideration	89	-	-
Net placing proceeds to reduce debt	(176)	-	-
Pro Forma Combined Pennon Group⁽²⁾	3,170	5,050	62.8%

**Equity placing ensures
gearing remains within
target gearing range**

Note: All £m numbers shown to 0 decimal places. Potential differences due to rounding

1 Reported net debt adjusted to include unamortised issuance costs and short-term debt, before fair value uplift, rounded down from actual figure of £291.52m

2 2023 pro forma balance sheet, before fair value adjustments, transaction costs and other effects



Summary

Attractive opportunity to acquire a high-quality, water-only UK asset

- Complements Pennon's existing portfolio across southern England
- Fits our execution and asset integration experience – proven acquisition and integration blueprint

Will deliver an estimated c.7% increase in RCV on acquisition, bringing total expected RCV growth for Pennon to 71% over K7

Increases water-only proportion of the Group

- Prior to inclusion of SES Water's RCV – water c.54%, wastewater c.46%¹
- Post inclusion of SES Water's RCV – water c.57%, wastewater c.43%¹

Benefiting from an engaged and experienced high-calibre management team

Synergies expected to reach £11m² p.a., resulting in value creation

No material impact to Group gearing (post-equity placing)

Pennon's current sector-leading dividend policy will remain unchanged



Source / notes: All £m numbers shown to 0 decimal places. Potential differences due to rounding

¹ Based on 2023 Ofwat numbers

² Anticipated run rate of targeted efficiency savings (on a net basis)