

Viridor

Transforming waste™

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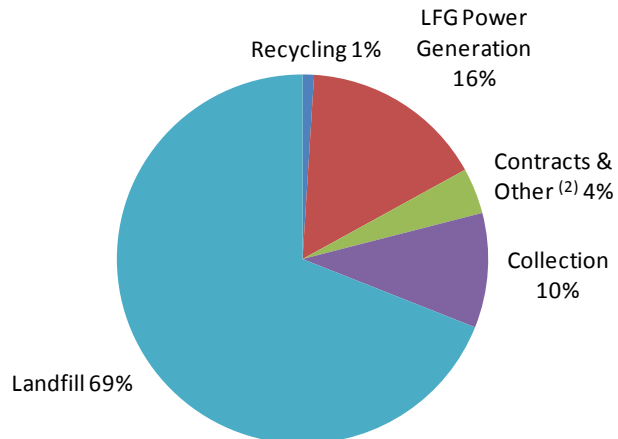
12 October 2012

The Pennon Group

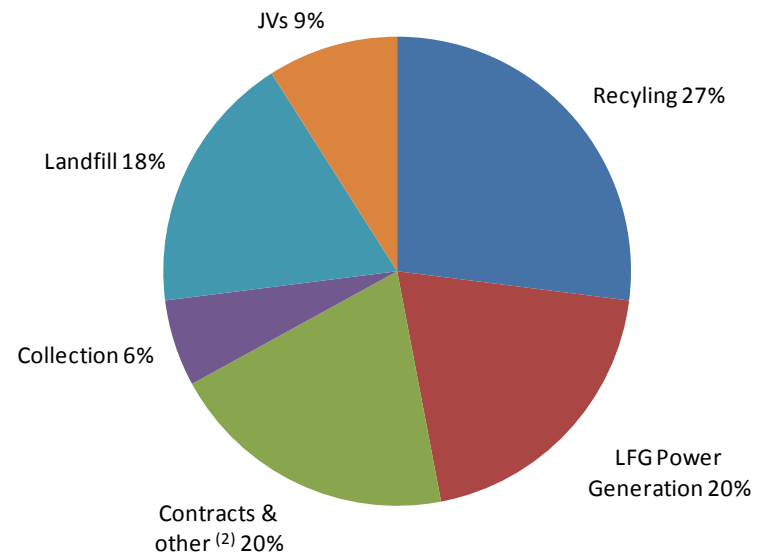
- Pennon Group Plc is a FTSE 100 company which operates and invests in utility infrastructure businesses
- We have around £4.3 billion assets and employ over 4,500 people
- The Group has two principal subsidiaries:
 - **South West Water** provides water and sewerage services in Devon, Cornwall and parts of Dorset and Somerset
 - **Viridor** is one of the UK's leading recycling, renewable energy and waste management businesses

Business transformation of Viridor

Year ended 31 March 2001



Year ended 31 March 2012



- In 2011 c. 50% of profits from recovering value in waste⁽³⁾ compared to 17% in 2001

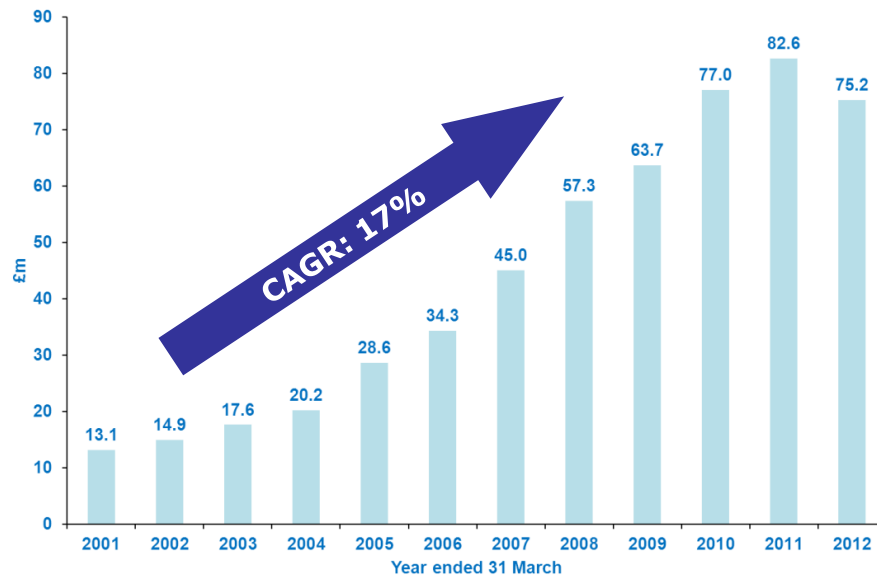
⁽¹⁾ Contribution plus joint ventures (share of PAT and Interest) before intangibles and overheads (including pensions)

⁽²⁾ "Contracts" includes Lakeside and Greater Manchester sub-contracts, West Sussex PFI, other municipal contracts and sludge contracts and 'Other' includes asset disposals

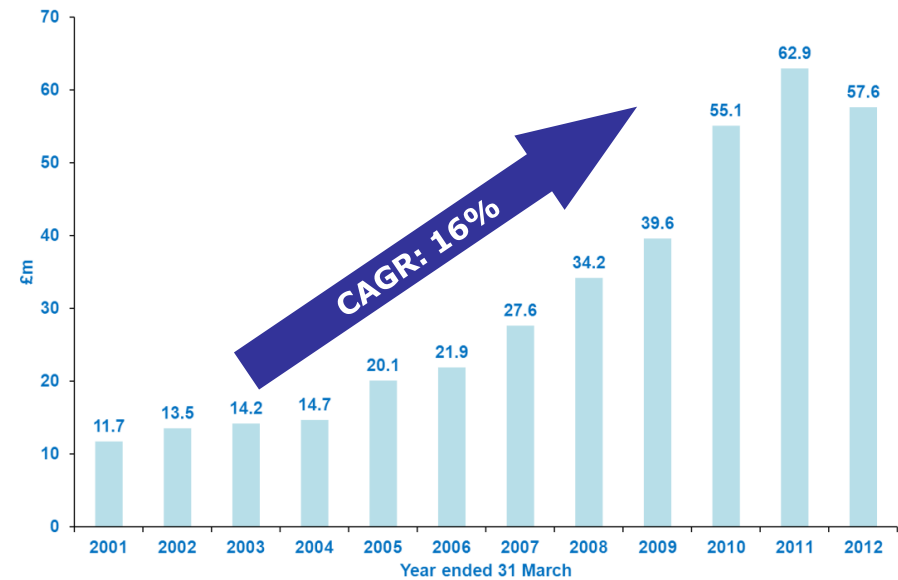
⁽³⁾ Including more than 2% energy generation/recycling in JVs and Contracts & Other

Reflected in significant profit growth

PBIT + JVs⁽²⁾



PBT



(1) Figures from 2009 on an IFRIC 12 basis

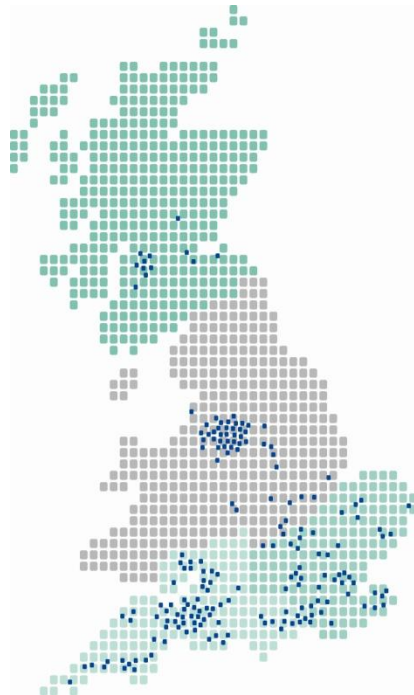
(2) JVs contributed from 2008

Viridor strategy

- Viridor strategy is to add value by
 - growing in recycling
 - growing in PPPs/Energy from Waste
 - capitalising in the long-term on strong position in landfill market
- Roll-out of Viridor's PPP/EfW pipeline (operations commencing 2013/14 onwards) could more than double Viridor EBITDA within five years
 - substantial further progress during 2011/12

Viridor today

Viridor has a fast-growing network of recycling, renewable energy and waste management operations across the UK. The company sells its high-quality recyclate internationally, with established relationships across Europe and in emerging markets including China and India



Key business statistics

- 327 operating units as at 31 March 2012, including:
 - 25 Materials Recycling Facilities
 - 79 Household Waste Recycling Centres
 - 15 Composting/organics sites
 - 3 Energy from Waste plants
 - 34 Landfill gas power plants
- More than 90 local authority waste contracts
- c. 3,200 employees

Renewable energy developments

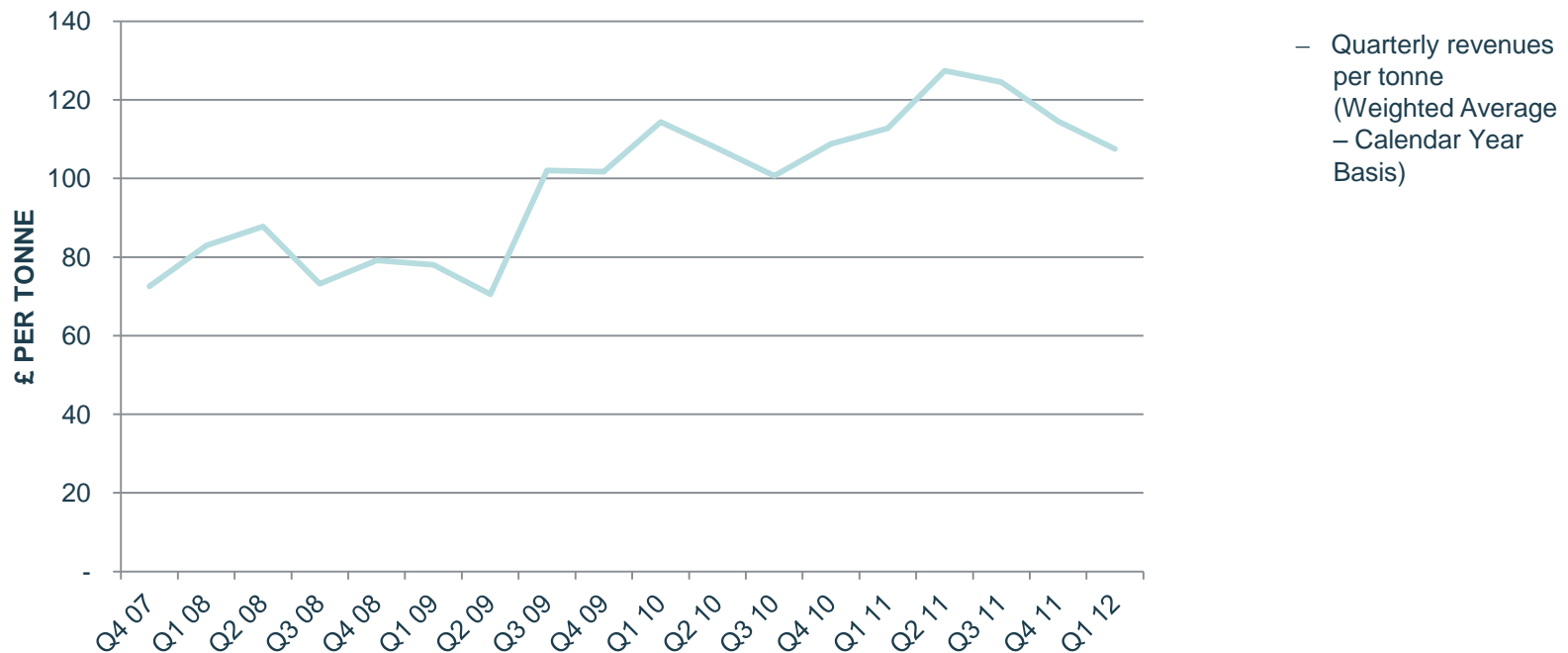
- Current renewable energy capacity of 136MW – 107MW landfill gas and 29MW EfW/AD
- Target of over 300MW energy capacity within four years
 - Runcorn EfW/CHP phase I on track for commencement of commissioning at end of 2012/13 with phase II to follow during 2014/15
 - Exeter EfW contract signed and construction commenced
 - Ardley EfW legal challenge successfully resolved and construction commenced
 - Cardiff EfW construction contract signed and construction commenced in H1 2012/13
 - AD plant at Walpole, Somerset under construction

PPP Pipeline

- 5 existing PPPs including Greater Manchester and Oxfordshire
- DBFO contract for Glasgow recycling and residual waste signed July 2012
- Preferred bidder for South London Waste Partnership residual waste
- Preferred bidder for Peterborough recycling and residual waste
- One of last two for
 - Central Bedfordshire residual waste
 - South East Wales (Prosiect Gwyrdd) residual waste
 - West Lothian residual waste
 - Edinburgh and Midlothian food waste
- Increasing landfill tax is the fundamental driver for the above projects

Not immune from economic headwinds

Recyclate revenues per tonne



- Viridor strategy is to maximise recyclate quality and hence revenue and margin per tonne
 - but not immune from world market conditions
- Key sensitivity: £5 per tonne change in revenue per tonne on c. 2m tonnes pa implies c. £10m change in revenue pa

Summary

- Successfully transformed the business to a recycling and renewable energy company
- Being green is good for business and profits
- Expanding list of prospects both renewable energy/combined heat and power and PPP including recycling opportunities
 - capital expenditure programme of over £1bn
 - target of over 300MW energy generation capacity within four years
- Not immune from world economic conditions – recycle prices remain under pressure
 - cost base adjusted accordingly: more than 50% of impact recovered via terms of customer supply contracts and by cost reductions
- Roll-out of Viridor's PPP/EfW pipeline (operations commencing 2013/14 onwards) could more than double Viridor EBITDA within five years