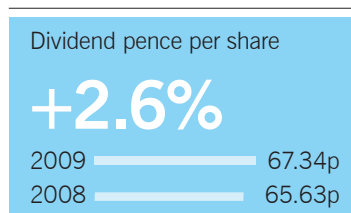
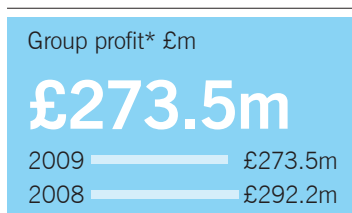
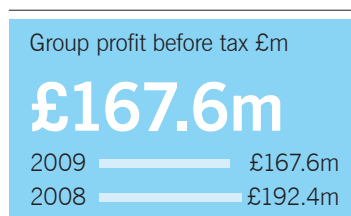
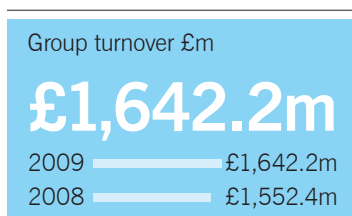


Severn Trent Water is delivering performance in key areas:

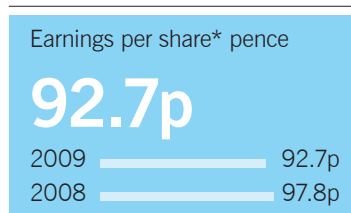
- > reducing customer complaints
- > outperforming our leakage target
- > reducing sewer flooding
- > reducing supply interruptions
- > improving health and safety
- > operating and capital cost efficiency
- > strong liquidity position – funded for up to the next two years

Severn Trent Services is delivering performance in key areas:

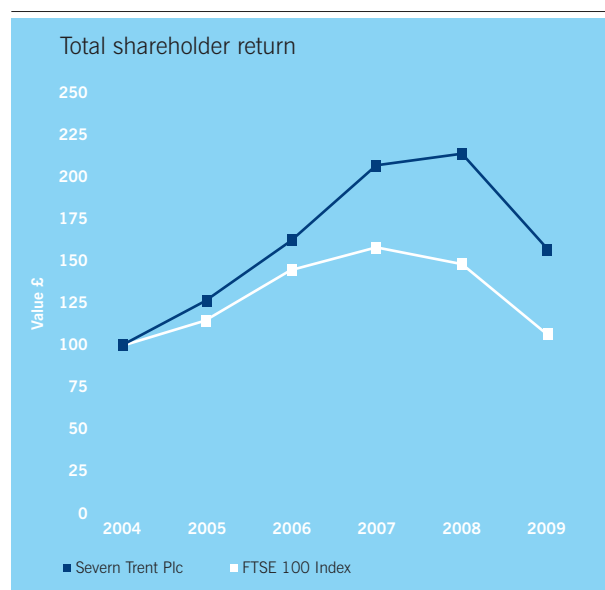
- > continued geographic expansion
- > US Operating Services outperforms market growth
- > significant growth in disinfection products
- > improving health and safety
- > developing new technologies and solutions for future market needs



* before tax, losses/gains on financial instruments and exceptional items.



* from continuing operations before exceptional items, gains/losses on financial instruments and deferred tax.



* this graph illustrates the value at 31 March 2009, of £100 invested in Severn Trent on 31 March 2004 compared with the value of £100 invested in the FTSE 100 index. The intermediate points show the value at intervening financial year end. Source: Datastream

Our business at a glance

At Severn Trent, we are focused on water. We are a FTSE 100 company, with two complementary businesses: Severn Trent Water and Severn Trent Services.

Severn Trent Water

Severn Trent Water provides high quality water and sewerage services to over 3.7 million households and businesses across the Midlands and mid Wales.

Key strengths:

- > we have among the lowest bills for customers in the UK industry
- > we provide drinking water and waste water quality above UK industry average
- > streamlined business delivering against 20 Key Performance Indicators
- > commitment to long term responsible stewardship of the business, to the environment, customers and the communities in which we live and work

Our industry

The water industry in England and Wales invests more than £3 billion a year and employs over 27,000 people. There are 10 water and sewerage companies in England and Wales.

Our prices

Every five years, Ofwat, our economic regulator, sets annual price limits for each water company. Our current price limits were set in 2004 for the period 2005-10 (the AMP4 period). Our new price limits for the period 2010-15 (the AMP5 period) will be set in late 2009 (see our final business plan on page 6).

Our performance

Each water company submits an annual return (the June return) to Ofwat covering its activities. This is the primary source of regulatory information and enables Ofwat to monitor and compare the performance of the companies.

Water quality in England and Wales is regulated by the Drinking Water Inspectorate. Water abstraction, river pollution and flooding are regulated by the Environment Agency.

Our vision for the future

In 2007, each water company produced a 25 year Strategic Direction Statement for the years 2010-35. This forms the key foundation for the long term direction and development of the companies. The full report can be found on our website www.stwater.co.uk/sds

Competition

Competition currently only exists for business customers who use 50 megalitres or more of water, per annum. Ways to increase competition in the water industry are being discussed. To see how we're involved, please turn to page 14 of this report.

Severn Trent Services

Severn Trent Services is one of the world's leading suppliers of water and waste water treatment solutions to an increasing number of utilities, municipalities and commercial customers.

Key strengths:

- > focused growth strategy
- > recognised around the world for quality, reliability and stability
- > a leader in high growth, high margin markets such as disinfection, filtration, arsenic removal and marine/offshore waste water treatment

- > continually innovating to develop advanced technologies
- > a track record of growth and cost control

Severn Trent Services has three principal business groups: Water Purification, Operating Services and Analytical Services. Water Purification is a leader in developing advanced technologies and products focused on disinfection, filtration and adsorption. Operating Services is a leader in managing and maintaining water and waste water treatment plants and networks around the world. Analytical Services is a leader in UK environmental water testing services.

Its growth strategy is focused on four key strategic initiatives: continue the geographic expansion of products and services, expand the scope of operating services around the world, enhance products and operations to improve effectiveness and efficiency and continue to develop new technologies that are at the forefront of water and waste water solutions.

For a review of Severn Trent Services, go to page 17. You can also find out more at www.severntrentservices.com

Turnover

£1,324.9m*

* before elimination of intra group sales

% of group turnover

80%

Employees

5,624



For a review of Severn Trent Water, go to page 7.

You can also find out more at www.stwater.co.uk



Severn Trent Water's region stretches from mid Wales to Rutland and from the Bristol Channel to the Humber. We deliver nearly 2 billion litres of water a day to homes and businesses through 46,000 km of pipes. A further 54,000 km of sewers take waste water away to over 1,000 sewage works.

Turnover

£339.3m*

* before elimination of intra group sales

% of group turnover

20%

Employees

3,120



Headquartered in the US, Severn Trent Services has a growing presence in the Americas, Europe, Middle East and Asia Pacific.