

press release

25 November 2011

Economic downturn takes its toll on utility Severn Trent

- Severn Trent announces adjusted pretax profit for the period of £155m
 - Interim dividend increased by 7.7%
- The Share Centre continues to recommend investors 'hold' Severn Trent

As Severn Trent reports interim results at the lower end of market expectations Graham Spooner, investment research analyst at The Share Centre, explains what these mean for investors.

“Severn Trent has reported a 2.1% increase in group turnover for the six months to 30 September and adjusted pretax profit of £155m, which is at the bottom end of the expected £155m-£170m range. However, income seekers will be reassured by the promised inflation beating dividend increase of 7.7%.

“The defensive qualities of the sector have attracted investors in these recent volatile market conditions; however the results announced this morning show that even utilities are not immune to the downturn.

“The sector has had a good run this year and Severn Trent’s share price has been relatively strong, rising significantly since September. However, due to the recent weakness in the market and the reaction to the update this morning the share price has fallen and we now believe it is at a much fairer rating. The increase in dividend may tempt income seekers, however we recommend investors to ‘hold’ for now.”

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For further information please contact:

The Share Centre

Rebecca Kempzell

PR Executive

01296 439 426

Rebecca.kempzell@share.co.uk

Stephanie Reynolds

PR Manager

01296 439 256

Stephanie.reynolds@share.co.uk

Lansons Communications

Chantal Heckford / Lisa Grando / Sarah Waterson

0207 294 3630 / 0207 294 3669 / 0207 294 3649

Chantalh@lansons.com / Lisag@lansons.com / SarahW@lansons.com

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The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

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