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FOR IMMEDIATE RELEASE

21 DECEMBER 2016

RECOMMENDED ACQUISITION

of

DEE VALLEY GROUP PLC

by

SEVERN TRENT WATER LIMITED

Background

On 23 November 2016, the board of directors of Severn Trent Water Limited ("**Severn Trent Water**") announced a revised offer to acquire all of the voting ordinary shares of 5p each in the capital of Dee Valley Group plc ("**Dee Valley**") (the "**Voting Ordinary Shares**") for 1,825 pence per share (pursuant to a scheme of arrangement of Dee Valley under Part 26 of the Companies Act 2006 (the "**Scheme**")) and the non-voting ordinary shares of 5p each in the capital of Dee Valley ("**Non-Voting Ordinary Shares**") (pursuant to a contractual offer in accordance with Rule 14 of the Takeover Code (the "**Contractual Offer**")) for 1,713 pence per share (the "**Revised Severn Trent Acquisition**").

On 24 November 2016, the Dee Valley Board announced that it was recommending the Revised Severn Trent Acquisition. The Dee Valley Board recommends that all Dee Valley Voting Ordinary Shareholders vote in favour of Severn Trent's Scheme at the shareholder and court meetings to be held on 12 January 2017 and all Dee Valley Non-Voting Ordinary Shareholders accept the Severn Trent Contractual Offer.

In order to benefit from Severn Trent's significantly higher offer of 1,825 pence, Dee Valley Voting Ordinary Shareholders should continue to take no action in respect of the Ancala Revised Proposal and should not sell their shares to Ancala.

Severn Trent Water access to Dee Valley employees

Further to Severn Trent's announcement of 9 December 2016 in part in response to the summary opinion of Dee Valley employee representatives on the recommended acquisition, the Boards of Dee Valley and Severn Trent are pleased to clarify that initial meetings between Severn Trent representatives and Dee Valley Water employees took place on 21 November 2016. Further meetings between Severn Trent and Dee Valley Water employee representatives have taken place on 13 December 2016 and this week.

Unless otherwise defined, capitalised terms used in this announcement have the same meaning as in the announcement by Dee Valley of the posting of the Severn Trent Acquisition Document on 2 December 2016.

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Important notice relating to financial advisers

Investec, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as exclusive financial adviser to Dee Valley and no one else in connection with the Revised Severn Trent Acquisition. In connection with such matters, Investec, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Revised Severn Trent Acquisition, the contents of this Announcement or any other matter referred to herein.

N. M. Rothschild & Sons Limited, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Severn Trent and no one else in connection with the Revised Severn Trent Acquisition and will not be responsible to anyone other than Severn Trent for providing the protections afforded to its clients or for providing advice in relation to the Revised Severn Trent Acquisition or any other matters referred to in this announcement.

Barclays Bank PLC, acting through its Investment Bank, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation Authority, is acting exclusively for Severn Trent and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Severn Trent for providing the protections afforded to clients of Barclays nor for providing advice in relation to the matters referred to in this announcement.

Morgan Stanley & Co. International plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Severn Trent and no-one else in connection with the Revised Severn Trent Acquisition. In connection with such matters, Morgan Stanley & Co. International plc, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Revised Severn Trent Acquisition, the contents of this announcement or any other matter referred to herein.

Further information

*This Announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Revised Severn Trent Acquisition or otherwise. The Revised Severn Trent Acquisition has been made solely by means of the Severn Trent Acquisition Document, which also contains the full terms and conditions of the Contractual Offer, including details of how the Contractual Offer may be accepted. Any response to the proposed Revised Severn Trent Acquisition should be made only on the basis of information contained in the Severn Trent Acquisition Document. Holders of Voting Ordinary Shares and Non-Voting Ordinary Shares in Dee Valley ("**Dee Valley Shareholders**") are advised to read the formal documentation in relation to the Revised Severn Trent Acquisition carefully.*

This Announcement has been prepared for the purposes of complying with English law, the rules of the London Stock Exchange and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside the United Kingdom.

Overseas jurisdictions

The distribution of this Announcement in jurisdictions other than the United Kingdom and the ability of the Ordinary Shareholders who are not resident in the United Kingdom to participate in the Revised Severn Trent Acquisition may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom or Ordinary Shareholders who are not resident in the United Kingdom will need to inform themselves about, and observe, any applicable legal or regulatory requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Further details in relation to Overseas Shareholders will be contained in the Severn Trent Acquisition Document.

The offers by Severn Trent Water for the Ordinary Shares are not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or any facility of a national state or other securities exchange of, any Restricted Jurisdiction.

Accordingly, copies of this Announcement and all documents relating to the Revised Severn Trent Acquisition are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this Announcement (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this Announcement and/or the Severn Trent Acquisition Document and/or any other related document to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication on website

A copy of this Announcement will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Dee Valley Water's website at www.deevalleywater.co.uk by no later than 12 noon (London time) on the Business Day following the date of this Announcement. For the avoidance of doubt the content of that website is not incorporated into, and does not form part of, this Announcement.

Dee Valley Shareholders may request a hard copy of this Announcement by contacting Tracy Bragg, Head of Legal and Regulation, during business hours on +44 (0)1978 833213 or by submitting a request in writing to Tracy Bragg, Head of Legal and Regulation at Dee Valley, Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH. Dee Valley Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Revised Severn Trent Acquisition should be in hard copy form.