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FOR IMMEDIATE RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

2 DECEMBER 2016

RECOMMENDED ACQUISITION

of

DEE VALLEY GROUP PLC

by

SEVERN TRENT WATER LIMITED

Background

On 21 October 2016, it was announced that the board (the "**Dee Valley Board**") of Dee Valley Group plc ("**Dee Valley**") and the board of Ancala Fornia Limited ("**Ancala**") had reached agreement on the recommended acquisition by Ancala of the voting ordinary shares of 5p each in the capital of Dee Valley ("**Voting Ordinary Shares**") for 1,550 pence per share and the non-voting ordinary shares of 5p each in the capital of Dee Valley ("**Non-Voting Ordinary Shares**") for 1,455 pence per share (the "**Ancala Proposal**").

On 16 November 2016, it was announced that the Dee Valley Board and the board of Severn Trent Water Limited ("**Severn Trent Water**"), a wholly owned subsidiary of Severn Trent Plc ("**Severn Trent**"), had reached agreement on a recommended acquisition whereby Severn Trent Water would acquire the Voting Ordinary Shares at a price of 1,705 pence in cash per share (by way of a scheme of arrangement) and acquire the Non-Voting Ordinary Shares at a price of 1,601 pence in cash per share (by way of a contractual offer) (the "**Severn Trent Proposal**").

On 22 November 2016, it was announced that the Dee Valley Board and the board of Ancala had reached agreement on a revised recommended acquisition by Ancala of the Voting Ordinary Shares for 1,706 pence per share and the Non-Voting Ordinary Shares for 1,602 pence per share (the "**Revised Ancala Proposal**").

On 23 November 2016, the board of directors of Severn Trent Water announced a revision to the Severn Trent Proposal (the "**Revised Severn Trent Acquisition**") pursuant to which Severn Trent would acquire the Voting Ordinary Shares at a price of 1,825 pence in cash per share (pursuant to a scheme of arrangement of Dee Valley under Part 26 of the Companies Act 2006 (the "**Scheme**")) and a contractual offer to acquire the Non-Voting Ordinary Shares priced at 1,713 pence per share, in accordance with Rule 14 of the Takeover Code (the "**Contractual Offer**").

On 24 November 2016, the Dee Valley Board announced that it had withdrawn its recommendation of the Revised Ancala Proposal and that it was recommending the Revised Severn Trent Acquisition.

On 25 November 2016, the board of Severn Trent announced that the Revised Severn Trent Acquisition was revised to include a loan note alternative to the cash consideration available.

Publication and posting of Severn Trent Acquisition Document

Dee Valley announces that it has today published a document containing, amongst other things, the full terms and conditions of the Scheme, the full terms and conditions of the Contractual Offer, an explanatory statement and the recommended actions to be taken by Voting Ordinary Shareholders and Non-Voting Ordinary Shareholders in relation to the Revised Severn Trent Acquisition (the "**Severn Trent Acquisition Document**"). The Severn Trent Acquisition Document shall be posted tomorrow to the holders of Voting Ordinary Shares and Non-Voting Ordinary Shares.

The Severn Trent Acquisition Document also contains the Dee Valley Board's opinion on the Revised Ancala Proposal as set out in the document posted by Ancala on 24 November 2016.

The Severn Trent Acquisition Document is also available on the Dee Valley website at <https://www.deevalleywater.co.uk/dee-valley-group/>

Notices convening the Court Meeting and the General Meeting in relation to the Scheme for 9.30 a.m. and 9.45 a.m. (or as soon thereafter as the Court Meeting is concluded or adjourned) respectively on 12 January 2017 are contained in the Severn Trent Acquisition Document. The meetings will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH.

The expected timetable of principal events is attached as an appendix to this announcement. If any of the key dates set out in the expected timetable change, an announcement will be made via a Regulatory Information Service.

Subject to the approval of Scheme Shareholders at the Court Meeting and General Meeting, the sanction of the Court and the satisfaction or waiver of the other Scheme Conditions, it is expected that the Scheme will become effective on 25 January 2017. The first closing date of the Contractual Offer is 1:00 p.m. on 18 January 2017.

Holders of Voting Ordinary Shares and Non-Voting Ordinary Shares in Dee Valley should carefully read the Severn Trent Acquisition Document in its entirety before making a decision with respect to the Scheme or the Contractual Offer.

As noted above, the Revised Severn Trent Acquisition includes a comparable cash offer by Severn Trent Water for the issued Non-Voting Ordinary Shares priced in accordance with the guidance contained in Rule 14 of the Takeover Code. The Contractual Offer is conditional on the Scheme becoming Effective, however, Dee Valley notes that pursuant to UK Listing Rule 5.2.8, the notice period for cancellation of admission of its Non-Voting Ordinary Shares to the standard segment of the UK Listing Authority's Official List and of trading in its shares on the London Stock Exchange's main market for listed securities has now commenced and cancellation is expected to take effect on 8:00 am (GMT) on 25 January 2017.

Capitalised terms in this announcement (unless otherwise defined) have the same meanings as set out in the Severn Trent Acquisition Document.

Enquiries:

Dee Valley

Ian Plenderleith, Chief Executive

+44(0)1978 846946

Investec (Financial Adviser to Dee Valley)

Jeremy Ellis/George Price/Jonathan Wynn

+44(0)20 7597 4000

APPENDIX

Expected timetable of principal events

All times are London times unless otherwise stated.

Event	Time and/or date
Latest time for Scheme Shareholders to lodge blue Forms of Proxy for the Court Meeting in relation to the Scheme	9:30 am on 10 January 2017 ¹
Latest time for Voting Ordinary Shareholders to lodge pink Forms of Proxy for the General Meeting in relation to the Scheme	9:45 am on 10 January 2017 ²
Scheme Voting Record Time	6:00 pm on 10 January 2017 ³
Court Meeting in relation to the Scheme	9:30 am on 12 January 2017
General Meeting in relation to the Scheme	9:45 am on 12 January 2017 ⁴
Latest time for lodging of green Loan Note Forms of Election and TTE Instructions in respect of the Loan Note Alternative	11.00 am on 17 January 2017 ⁵
Scheme Hearing Date to sanction the Scheme	18 January 2017 ¹
First closing date of the Contractual Offer	1:00 pm on 18 January 2017
Last day of dealings in, and for registration of transfers of, Ordinary Shares	5:00 pm on 19 January 2017 ⁵
Scheme Record Time	6:00 pm on 19 January 2017 ⁵
Effective Date of the Scheme	25 January 2017 ⁵
Cancellation of listings of Ordinary Shares	8:00 am on 25 January 2017 ⁵
Latest date for despatch of cheques or settlement through CREST (as appropriate)	8 February 2017 ⁵

- 1 The blue Form of Proxy for the Court Meeting, if not lodged by this deadline, may be handed to the Registrars on behalf of the Chairman at the Court Meeting at any time before the taking of the poll.
- 2 The pink Form of Proxy for the General Meeting must be lodged by 9:45 am on 10 January 2017 in order to be valid or, if the General Meeting is adjourned, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any day that is not a Business Day).
- 3 If either the Court Meeting or the General Meeting is adjourned, the Scheme Voting Record Time of the adjourned meeting(s) will be 6:00 pm on the second day before the day fixed for the adjourned meeting (excluding any day that is not a Business Day).
- 4 The General Meeting will commence at 9:45 am on 12 January 2017 or as soon thereafter as the Court Meeting has been concluded or adjourned.
- 5 These dates are indicative only and will depend, inter alia, on the date upon which the Scheme Conditions are either satisfied or (if capable of waiver) waived and the dates upon which the Court sanctions the Scheme and the Scheme Court Order sanctioning the Scheme is delivered to the Registrar of Companies.

The Court Meeting and the General Meeting will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017.

The dates given are based on Dee Valley's and Severn Trent Water's current expectations and may be subject to change. If the expected date of the Scheme Court Hearing changes, Dee Valley will give adequate notice of the change by issuing an announcement through a Regulatory Information Service and by posting these dates on its website (www.deevalleywater.co.uk). All Voting Ordinary Shareholders have the right to attend the Scheme Court Hearing, the Court Meeting and the General Meeting. Non-Voting Ordinary Shareholders do not, in their capacity as such, have a right to attend the Scheme Court Hearing, the Court Meeting or the General Meeting.

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.

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 will be made solely by means of the Severn Trent Acquisition Document, which will also contain 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 once it has been despatched.*

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.

A hard copy of this Announcement will be sent to Dee Valley Shareholders (other than Dee Valley Shareholders who have elected to receive electronic communications) in the near future. 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.
