

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT CONTAINS PROPOSALS WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING OF DEE VALLEY SHARES ON THE OFFICIAL LIST AND OF TRADING OF DEE VALLEY SHARES ON THE LONDON STOCK EXCHANGE.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser in a territory outside the United Kingdom.

If you have sold or otherwise transferred all your Dee Valley Shares, please forward this document (but not the accompanying documents) at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, this document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred only part of your holding of Dee Valley Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Investec Bank plc (“**Investec**”), which is authorised by the Prudential Regulation Authority and which is regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Dee Valley and no-one else in connection with the Acquisition and will not be responsible to anyone other than Dee Valley for providing the protections afforded to its clients nor for providing advice in relation to the Proposals or any acquisition or arrangement referred to, or information contained in, this document.

N. M. Rothschild & Sons Limited (“**Rothschild**”), 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 Acquisition and will not be responsible to anyone other than Severn Trent for providing the protections afforded to its clients nor for providing advice in relation to the Proposals or any acquisition or arrangement referred to, or information contained in, this document.

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 document 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 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 Acquisition, the contents of this announcement or any other matter referred to herein.

This document should be read in conjunction with the accompanying Forms of Proxy, Form of Acceptance and Loan Note Form of Election (as applicable).

RECOMMENDED ACQUISITION

of

DEE VALLEY GROUP PLC

by

SEVERN TRENT WATER LIMITED

Your attention is drawn to the letter from the Chairman of Dee Valley on behalf of the Directors in Part 1 of this document, which contains the unanimous recommendation of the Directors that Voting Ordinary Shareholders vote in favour of the Scheme at the Court Meeting and in favour of the Resolution to be proposed at the General Meeting, and that Non-Voting Ordinary Shareholders accept the Contractual Offer (the “**Chairman’s Letter**”). A letter from Investec explaining the Scheme Proposals appears in Part 3 of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act. Your attention is also drawn to the letter from the Severn Trent Directors explaining the Contractual Offer in Part 2 of this document.

Eligibility to participate in the Proposals

The Proposals in respect of the Voting Ordinary Shares are being effected by the Scheme and the Proposals in respect of the Non-Voting Ordinary Shares are being effected by the Contractual Offer. Non-Voting Ordinary Shareholders are not entitled, in respect of any Non-Voting Ordinary Shares, to participate in or vote at the Court Meeting or the General Meeting, which are being convened solely in relation to the Scheme and related matters. Voting Ordinary Shareholders are not entitled, in respect of any Voting Ordinary Shares, to participate in or accept the Contractual Offer. Forms of Proxy returned in respect of Non-Voting Ordinary Shares and Forms of Acceptance returned in respect of Voting Ordinary Shares will be ineffective.

Information relevant to the Scheme in respect of the Voting Ordinary Shares

Notices convening the Court Meeting and the General Meeting, both of which will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017, are set out at the end of this document. The Court Meeting will start at 9:30 am and the General Meeting will start at 9:45 am (or as soon thereafter as the Court Meeting has been concluded or adjourned).

The action to be taken by Voting Ordinary Shareholders in respect of the Meetings is set out on pages 39 and 40. You will find enclosed with this document a blue Form of Proxy for use in relation to the Court Meeting and a pink Form of Proxy for use in relation to the General Meeting and, unless you are a Restricted Shareholder, a green Loan Note Form of Election relating to the Loan Note Alternative.

Whether or not you plan to attend both or either of the Meetings, please complete and sign the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours, by hand, to the Registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 9:30 am on 10 January 2017 in the case of the Court Meeting and by 9:45 am on 10 January 2017 in the case of the General Meeting (or in the case of any adjournment, 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)). If the blue Form of Proxy for use at the Court Meeting is not lodged by 9:30 am on 10 January 2017, it may be handed to the Registrars on behalf of the Chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 9:45 am on 10 January 2017, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at either of the Meetings, or any adjournment thereof, should you wish to do so.

If you hold your Voting Ordinary Shares in uncertificated form, you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant ID RA10) must be received by the Registrars not later than 9:30 am on 10 January 2017 in the case of the Court Meeting and by not later than 9:45 am on 10 January 2017 in the case of the General Meeting (or in the case of any adjournment, 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)).

Voting Ordinary Shareholders who hold their Voting Ordinary Shares in certificated form and who wish to make an election under the Loan Note Alternative should also complete, sign and return the green Loan Note Form of Election in accordance with the instructions contained in Part 8 of this document. If you hold your shares in uncertificated form and wish to make an election for the Loan Note Alternative, you must do so electronically via the procedure set out in Part 8 of this document.

Information relevant to the Contractual Offer in respect of the Non-Voting Ordinary Shares

The procedure for acceptance of the Contractual Offer is set out in Part 2 of this document and (in the case of certificated Non-Voting Ordinary Shares) in the accompanying white Form of Acceptance, which should be read in conjunction with this document.

To accept the Contractual Offer, if you hold your Non-Voting Ordinary Shares in certificated form (that is, not in CREST), the accompanying white Form of Acceptance should be completed and returned (together with your valid share certificate) as soon as possible and in any event so as to be received by post or (during normal business hours only) by hand to the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 1:00 pm on 18 January 2017. A reply-paid envelope for use in the UK is enclosed for your convenience. If you hold your Non-Voting Ordinary Shares in uncertificated form (that is, in CREST), you should read paragraph 14.6 of the letter from Severn Trent in Part 2 of this document and follow the procedure for electronic acceptance through CREST so that the TTE Instruction settles no later than 1:00 pm on 18 January 2017. If you are a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE Instruction to Euroclear.

Helpline

If you have any questions relating to this document, the action required to elect for the Loan Note Alternative or the completion and return of your Forms of Proxy or the Form of Acceptance, please call the Registrars, Capita Asset Services, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:30 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Certain words and expressions used in this document are defined in Part 13 of this document. All times referred to are London times unless otherwise stated.

IMPORTANT NOTICES

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document and the accompanying documents have been prepared in connection with an acquisition being made by a scheme of arrangement and a contractual offer pursuant to and for the purpose of complying with English law, the Takeover Code and the Listing Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this document or the accompanying documents should be relied on for any other purpose.

The distribution of this document in jurisdictions outside the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. All Shareholders or other persons (including nominees, trustees and custodians) who would otherwise intend to, or may have a contractual or legal obligation to, forward this document and the accompanying Forms of Proxy, Form of Acceptance or Loan Note Form of Election to a jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

No person has been authorised to make any representations on behalf of any member of the Severn Trent Group or any member of the Dee Valley Group concerning the Acquisition which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

The summary of the principal provisions of the Scheme contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part 4 of this document. Each Scheme Shareholder is advised to read and consider carefully the text of the Scheme itself. This is because this document, and in particular, the Chairman's Letter (Part 1) and Explanatory Statement (Part 3) have been prepared to assist Voting Ordinary Shareholders in respect of voting on the Scheme.

Shareholders should not construe the contents of this document as legal, taxation or financial advice, and should consult with their own advisers as to the matters described in this document.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Severn Trent or the Dee Valley Group or the enlarged Severn Trent Group except where otherwise stated.

Overseas jurisdictions

Ordinary Shareholders who are not resident in and/or citizens of the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. The attention of Overseas Shareholders is drawn to paragraphs 10 and 11 of Part 2 of this document, paragraphs 13 and 14 of Part 3 of this document and paragraph 6 of Section B of Part 6 of this document.

The availability of the Loan Notes and the distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes who are not resident in the United Kingdom should inform themselves about, and observe, any applicable restrictions. Ordinary Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

The Contractual Offer is not being made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or any other Restricted Jurisdictions, and the Contractual Offer should not be accepted by any such use, means, instrumentality or facility or from such jurisdictions. Copies of this document, the Form of Acceptance, the Loan Note Form of Election and any related offering documents are not being, and may not be, mailed or otherwise distributed in, into or from, whether by use of the mails, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange of, the United States or any other Restricted Jurisdictions. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them into or from such jurisdictions or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with this Contractual Offer and doing so will render invalid any relevant purported acceptance of the Contractual Offer. Accordingly, persons who are unable to give the warranties set out in paragraph 1.3 of Section C of Part 6 of this document and/or paragraph 1.2 of Section D of Part 6 of this document may be deemed not to have validly accepted the Contractual Offer.

This document has been prepared for the purposes of complying with English law, the Takeover Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Restricted Shareholders, including any US holders of Dee Valley Ordinary Shares will, under the Acquisition, only be entitled to receive cash consideration for the Dee Valley Ordinary Shares they hold and they will not have the option of taking Loan Notes under the Loan Note Alternative. Any purported election for the Loan Note Alternative by such Restricted Shareholders will be treated as invalid by Severn Trent.

The Loan Notes to be issued pursuant to the Acquisition have not been and will not be registered under the US Securities Act of 1933, as amended, or under the relevant securities laws of any state or territory or other jurisdiction of the United States or the relevant securities laws of Japan and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada. No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission. Accordingly, the Loan Notes are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly in or into the United States, Canada, Australia or Japan or any other jurisdiction if to do so would constitute a violation of relevant laws of, or require registration thereof in, such jurisdiction (except pursuant to an exemption, if available, from any applicable registration requirements or otherwise in compliance with all applicable laws).

Additional information for Ordinary Shareholders in the United States

This document does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States.

Dee Valley and Severn Trent are each organised under the laws of England. All of the officers and directors of Dee Valley and Severn Trent are residents of countries other than the United States. It may not be possible to sue Dee Valley, Severn Trent or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel Dee Valley, Severn Trent and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

The Scheme

US holders of Voting Ordinary Shares should note that the Acquisition relates to the shares of an English company and, in respect of the Voting Ordinary Shares, is proposed to be made by means of a scheme of arrangement provided for under, and governed by, English law. Neither the proxy solicitation nor the tender offer rules under the US Securities Exchange Act of 1934, as amended, will apply to the Scheme. Moreover the Scheme will be subject to the disclosure requirements, rules and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. The financial information included in this document has been or will be prepared in accordance with, where relevant, International Financial Reporting Standards as adopted by the European Union and/or accounting standards applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Contractual Offer

The Contractual Offer in respect of Non-Voting Ordinary Shares relates to the shares of an English company and will be governed by English law on the implementation of such an offer. The Contractual Offer is not intended to be made pursuant to the provisions of any other legal system. Shareholders should note that the Contractual Offer is subject to English disclosure rules, which are different from those in the United States. The Contractual Offer will not be made to any Ordinary Shareholders in Restricted Jurisdictions, including, without limitation, the United States.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Dee Valley Group and the Severn Trent Group and certain plans and objectives of the boards of Dee Valley and Severn Trent with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could”, or other words of similar meaning. These statements are based on assumptions and assessments made by the boards of Dee Valley and Severn Trent in light of their experience and their perception of historical trends, current conditions, expected future developments, financial performance and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct and we therefore caution you not to place undue reliance on these forward-looking statements which speak only as at the date of this document. No member of the Dee Valley Group or the Severn Trent Group assumes any obligation to update or correct the information contained in this document.

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.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

ELECTRONIC COMMUNICATIONS

Please be aware that addresses, electronic addresses and certain information provided by Voting Ordinary Shareholders and Non-Voting Ordinary Shareholders, persons with information rights and other relevant persons for the receipt of communications from Dee Valley may be provided to Severn Trent during the Offer Period as requested under Section 4 of Appendix 4 of the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

PUBLICATION ON WEBSITE

A copy of this document (together with any document incorporated by reference) is and will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Dee Valley's website at <https://www.deevalleywater.co.uk/> during the course of the Offer Period. The contents of Dee Valley's website are not incorporated into, and do not form part of, this document.

CREDIT RATINGS AND OUTLOOKS

Dee Valley is assigned a long-term rating of BBB with a "stable" outlook by Standard & Poor's and is assigned a corporate family rating (CFR) of Baa1 with a "Stable" outlook by Moody's. The above ratings have not changed since the commencement of the Offer Period.

Severn Trent is assigned an Issuer Credit Rating (LT) of BBB+ with a "Stable" outlook by Standard & Poor's and is assigned a LT Issuer Rating of A3 and a ST Issuer Rating of P-2 with a "Stable" outlook by Moody's from 4 November 2016. Severn Trent had a "Negative watch" from Moody's from the start of the Offer Period to 4 November 2016. The above ratings have not otherwise changed since the commencement of the Offer Period.

RIGHT TO RECEIVE COPIES IN HARD COPY FORM

Any person entitled to receive a copy of documents, announcements and information relating to the Acquisition is entitled to receive such documents (including information incorporated by reference into such documents by reference to another source) in hard copy form. Such person may request that all

future documents, announcements and information in relation to the Acquisition are sent to them in hard copy form.

A hard copy form will not be sent to any person unless requested from Capita Asset Services by way of either written request to Capita Asset Services, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or request by telephone on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:30am and 5:30pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

DATE OF PUBLICATION

The date of publication of this document is 2 December 2016.

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Expected timetable of principal events

All times shown in this document are London times unless otherwise stated.

| <u>Event</u> | <u>Time and/or date</u> |
|---|--|
| 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⁾ |
| Election Record Time | 11:00 am on 11 January 2017 |
| 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 ⁽⁵⁾ |
| 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 listing 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'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.

Action to be taken by Scheme Shareholders in relation to the Scheme

The Court Meeting and the General Meeting will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH, on 12 January 2017 at 9:30 am and 9:45 am, respectively (or, in the case of the General Meeting, as soon thereafter as the Court Meeting has been concluded or adjourned). The Scheme requires approval at both of these meetings.

1. Documents

Please check you have received the following with this document:

- a blue Form of Proxy for use in respect of the Court Meeting;
- a pink Form of Proxy for use in respect of the General Meeting;
- a green Loan Note Form of Election for use in respect of the Loan Note Alternative; and
- a prepaid envelope for use in the United Kingdom.

If you have not received all of these documents, please contact Capita Asset Services on the telephone number set out in the paragraph under the section heading "Helpline" below.

2. To vote on the Scheme Proposals

Whether or not you plan to attend the Meetings, PLEASE COMPLETE AND SIGN both the enclosed blue and pink Forms of Proxy and return them in accordance with the instructions provided thereon, as soon as possible, but in any event so as to be received by no later than 9:30 am on 10 January 2017 in the case of the blue form in respect of the Court Meeting and by no later than 9:45 am on 10 January 2017 in the case of the pink form in respect of the General Meeting. This will enable your votes to be counted at the Meetings in the event of your absence. If the blue Form of Proxy for use at the Court Meeting is not lodged by 9:30 am on 10 January 2017, it may be handed to the Registrars, Capita Asset Services, on behalf of the chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 9:45 am on 10 January 2017 (or, in the case of adjournment, 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)), it will be invalid. Both Forms of Proxy should be returned in the prepaid envelope provided for use in the United Kingdom for your convenience in returning them.

The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

Voting Ordinary Shares in uncertificated form

If you hold your Voting Ordinary Shares in CREST you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notices of the Meetings and the accompanying notes to the notice of the General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant RA10) must be received by the Registrars, Capita Asset Services, not later than 9:30 am on 10 January 2017 in the case of the Court Meeting and by 9:45 am on 10 January 2017 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting (excluding any day that is not a Business Day)).

The submission of a proxy via CREST will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT A CREST PROXY AS SOON AS POSSIBLE AND IN ANY EVENT SO THAT THEY ARE RECEIVED BY NO LATER THAN 9.30 AM ON 10 JANUARY 2017 IN THE CASE OF THE COURT MEETING (BLUE FORM) AND BY NO LATER THAN 9.45 AM ON 10 JANUARY 2017 IN THE CASE OF THE GENERAL MEETING (PINK FORM).

Important Note

Non-Voting Ordinary Shareholders are not entitled, in respect of any Non-Voting Ordinary Shares, to participate in or vote at the Court Meeting or the General Meeting, which are being convened solely in relation to the Scheme (which relates only to the Voting Ordinary Shares). Forms of Proxy returned by or on behalf of Non-Voting Ordinary Shareholders in respect of Non-Voting Ordinary Shares will be ineffective.

Helpline

If you have any questions relating to this document, the action required to elect for the Loan Note Alternative or the completion and return of the Forms of Proxy, or if you are uncertain whether you hold Voting Ordinary Shares or Non-Voting Ordinary Shares, please call the Registrars, Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

This section should be read in conjunction with the rest of this document.

Action to be taken by Non-Voting Ordinary Shareholders to accept the Contractual Offer

If you hold your Non-Voting Ordinary Shares in certificated form (i.e. not in CREST), to accept the Contractual Offer you must complete the enclosed white Form of Acceptance in accordance with the instructions printed on it. Return the completed white Form of Acceptance (along with your share certificate(s) and/or other documents of title) by post or by hand (during normal business hours only) to Capita Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, **so as to be received by no later than 1:00 pm on 18 January 2017**. If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

If you hold your Non-Voting Ordinary Shares in uncertificated form (that is, in CREST), to accept the Contractual Offer you must follow the procedure set out in paragraph 14.6 of Part 2 of this document **so that the TTE Instruction settles no later than 1:00 pm on 18 January 2017**. If you hold your Non-Voting Ordinary Shares as a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary instruction to Euroclear.

Important Note

Voting Ordinary Shareholders are not entitled, in respect of any Voting Ordinary Shares, to participate in or accept the Contractual Offer, which is being made in respect of the Non-Voting Ordinary Shares only. Forms of Acceptance returned in respect of Voting Ordinary Shares will be ineffective.

Helpline

If you require assistance in completing your white Form of Acceptance (or wish to obtain an additional Form of Acceptance), have questions in relation to making an electronic acceptance, or if you are uncertain whether you hold Voting Ordinary Shares or Non-Voting Ordinary Shares, please call the Receiving Agent, Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

This section should be read in conjunction with the rest of this document.

THE FIRST CLOSING DATE OF THE CONTRACTUAL OFFER IS 1:00 PM ON 18 JANUARY 2017

Part 1
Letter From The Chairman of Dee Valley

Registered Office:

Packsaddle
Wrexham Road
Rhostyllen
Wrexham
Clwyd
LL14 4EH

Directors:

Jon Schofield (Independent Non-Executive Chairman)
Ian John Alexander Plenderleith (Chief Executive Officer)
Kevin Starling (Non-Executive Director)
Philip Holder (Non-Executive Director)

2 December 2016

To: Shareholders and, for information only, persons with information rights

Dear Sir or Madam

Recommended proposals for the Acquisition of Dee Valley by Severn Trent

1. INTRODUCTION

On 21 October 2016, it was announced that the Dee Valley Board and the board of Ancala had reached agreement on the recommended acquisition by Ancala of the Voting Ordinary Shares for 1,550 pence per share and the Non-Voting Ordinary Shares for 1,455 pence per share. On 16 November 2016 Severn Trent, having been in discussions with Dee Valley about the possibility of making an offer since the summer, announced that it had reached agreement with the Dee Valley Board on the recommended acquisition of the Voting Ordinary Shares for 1,705 pence per share and the Non-Voting Ordinary Shares for 1,601 pence per share. On 22 November, Ancala then announced a revised offer for the Voting Ordinary Shares of 1,706 pence per share and the Non-Voting Ordinary Shares of 1,602 pence per share. Following this, on 23 November 2016, Severn Trent announced a revised offer for the Voting Ordinary Shares of 1,825 pence per share and the Non-Voting Ordinary Shares of 1,713 pence per share, which values Dee Valley at a higher price than under the Ancala Revised Proposal.

This letter sets out the background to the Acquisition and the reason why the Board considers the Acquisition to be fair and reasonable, and why it is unanimously recommending that:

- (a) Voting Ordinary Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting; and
- (b) Non-Voting Ordinary Shareholders accept the Contractual Offer in respect of their Non-Voting Ordinary Shares.

This document also contains notices of the Meetings at which the Scheme Proposals will be put to Voting Ordinary Shareholders.

2. THE ACQUISITION

The Acquisition, which is subject to the conditions and certain further terms referred to in Part 5 of this document (in respect of the Scheme) and Part 6 of this document (in respect of the Contractual Offer), will be made, other than to any Overseas Shareholders in Restricted Jurisdictions, on the following basis:

| | |
|---|----------------------------|
| For each Voting Ordinary Share | 1,825 pence in cash |
| For each Non-Voting Ordinary Share | 1,713 pence in cash |

Severn Trent's offer values the existing issued ordinary share capital of Dee Valley at approximately £84.0 million.

The Acquisition provides an attractive opportunity for all Ordinary Shareholders to realise their shareholdings at a premium in cash.

Severn Trent's offer for the Voting Ordinary Shares is being effected by a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act and represents a premium of:

- 33.2 per cent. over the Closing Price of 1,370 pence per Voting Ordinary Share on 20 October 2016, being the Business Day immediately prior to the date the Offer Period commenced;
- 32.9 per cent. over the volume weighted average price of a Voting Ordinary Share over the three months to 20 October 2016;
- 39.8 per cent. over the volume weighted average price of a Voting Ordinary Share over the six months to 20 October 2016;
- 7.0 per cent. to the offer price of 1,705 pence per Voting Ordinary Share announced by Severn Trent on 16 November 2016; and
- 7.0 per cent. to the offer price of 1,706 pence per Voting Ordinary Share announced by Ancala on 22 November 2016.

The Acquisition includes a comparable cash offer by Severn Trent for the issued Non-Voting Ordinary Shares priced in accordance with the guidance contained in Rule 14 of the Takeover Code. On the basis of the ratio of the closing prices of the Voting Ordinary Shares and the Non-Voting Ordinary Shares over the six month period ended 20 October 2016, the Contractual Offer is at a price of 1,713 pence per Non-Voting Ordinary Share. The Contractual Offer Price represents a premium of approximately:

- 34.9 per cent. over the Closing Price of 1,270 pence per Non-Voting Ordinary Share on 20 October 2016, being the last Business Day before the Offer Period commenced;
- 38.0 per cent. over the volume weighted average price of a Non-Voting Ordinary Share over the three months to 20 October 2016;
- 43.1 per cent. over the volume weighted average price of a Non-Voting Ordinary Share over the six months to 20 October 2016;
- 7.0 per cent. to the offer price of 1,601 pence per Non-Voting Ordinary Share announced by Severn Trent on 16 November 2016; and
- 6.9 per cent. to the offer price of 1,602 pence per Non-Voting Ordinary Share announced by Ancala on 22 November 2016.

The Contractual Offer is conditional on the Scheme becoming Effective. However, the Scheme is not conditional on the Contractual Offer becoming or being declared unconditional in all respects.

The Acquisition does not include an offer to acquire the B Shares or the deferred share issued by Dee Valley.

3. LOAN NOTE ALTERNATIVE

As an alternative to receiving some or all of the cash consideration in respect of the Acquisition, holders of Voting Ordinary Shares and Non-Voting Ordinary Shares (other than certain overseas shareholders) will, subject to certain terms and conditions, be able to elect to receive Loan Notes to be issued by Severn Trent on the basis of 10 pence nominal of Loan Notes for each 10 pence of cash consideration to which they would be entitled to pursuant to the Acquisition.

The Loan Notes will be issued, credited as fully paid, in amounts and integral multiples of 10 pence nominal value. Any fractional entitlements will be disregarded.

The Loan Notes will bear interest (from the date of issue to the relevant holder of Loan Notes) payable six months in arrears at the rate of 0.85 per cent. Interest will be payable (less any tax required by law to be deducted) in arrears on 1 January and 1 July in each year. The first payment will be made on 1 July 2017 in respect of the period from and including the date of issue of the Loan Notes.

Holders of the Loan Notes will have the right (subject to certain restrictions) to redeem them for cash at par on 1 January 2018 or on any subsequent interest payment dates. The Loan Notes may be redeemed by Severn Trent on or after 1 January 2018, if more than 50 per cent. of the nominal amount of the Loan Notes outstanding has been redeemed. Unless previously redeemed or repurchased, the Loan Notes

will be repaid at par on 1 July 2022. The Loan Notes will be non-transferable. No application is intended to be made for the Loan Notes to be issued or dealt in on any stock exchange.

The Loan Note Alternative is conditional upon the Scheme becoming effective in accordance with its terms.

4. RECOMMENDATION OF THE ACQUISITION

Severn Trent Proposal

The Board believes that the Acquisition presents an opportunity for all Ordinary Shareholders to realise their holdings of Voting Ordinary Shares and/or Non-Voting Ordinary Shares at a premium in cash.

Given the relative lack of liquidity in both the Voting Ordinary Shares and Non-Voting Ordinary Shares, the Board believes that the Acquisition presents an opportunity for both Voting Ordinary Shareholders and Non-Voting Ordinary Shareholders to crystallise value for their shareholdings which may not be achieved in the short term if Dee Valley were to remain independent and quoted on the Official List.

The Acquisition price of 1,825 pence per Voting Ordinary Share represents a 7 per cent. premium to the Ancala Revised Proposal in respect of the Voting Ordinary Shares and the Acquisition price of 1,713 pence per Non-Voting Ordinary Share represents a 6.9 per cent. premium to the Ancala Revised Proposal in respect of the Non-Voting Ordinary Shares. Accordingly, the Board considers that the Acquisition represents a superior offer in terms of financial value for Dee Valley Ordinary Shareholders as compared with the Ancala Revised Proposal and believes that Dee Valley Ordinary Shareholders should have the opportunity to consider the Acquisition.

The Dee Valley Board recommends unanimously that:

- all Voting Ordinary Shareholders vote in favour of the Scheme in respect of their Voting Ordinary Shares; and
- all Non-Voting Ordinary Shareholders accept the Contractual Offer in respect of their Non-Voting Ordinary Shares.

The Dee Valley Board, which has been so advised by Investec as to the financial terms of the Acquisition, considers the terms of the Acquisition to be fair and reasonable. In providing its advice, Investec has taken into account the commercial assessments of the Board.

Jon Schofield will not vote in respect of the Acquisition as the terms of an earlier irrevocable undertaking dated 20 October 2016 requires him to accept the Ancala Revised Proposal and not to vote in favour of any scheme or offer in respect of his beneficial holding other than Ancala's scheme or offer. Further details of Mr Schofield's irrevocable undertaking are set out at paragraph 4 of Part 11 of this document.

Ancala Revised Proposal

The Dee Valley Board noted and welcomed the commitments contained within the Revised Ancala Proposal with respect to the future operations of Dee Valley, in particular the intention to safeguard the existing employment rights of Dee Valley Group employees and management and to maintain the current bases of operations in Wrexham and Chester.

However, the Dee Valley Board withdrew its recommendation of the Ancala Revised Proposal on 24 November 2016 on the basis of the financial superiority of the terms of the Acquisition, having been so advised by Investec as to the financial terms of the Ancala Revised Proposal and the Acquisition.

5. FUTURE PLANS FOR DEE VALLEY

Your attention is drawn to the statement of Severn Trent's plans for Dee Valley if the Scheme becomes Effective as set out in paragraph 4 of Part 2 of this document.

The Dee Valley Board notes Severn Trent's plans for Dee Valley and welcomes in particular its intention to maintain the Welsh identity, heritage and local focus of Dee Valley and to continue to support investment in infrastructure in the Dee Valley region.

6. BOARD, MANAGEMENT, EMPLOYEES AND LOCATIONS

The Dee Valley Board understands that:

- Severn Trent attaches great importance to the skills, operational experience and technical expertise of the employees of Dee Valley;
- following implementation of the Acquisition, the existing contractual and statutory employment rights, including in relation to pensions, of all Dee Valley Group employees will be honoured. This includes honouring the commitments under the 2016/17 Dee Valley Water staff bonus scheme; Severn Trent pays the Living Wage to all employees who are not at the training grade and will honour Dee Valley's Living Wage policy;
- Severn Trent intends to retain all Dee Valley employees engaged in front line field force operations and will continue to operate these out of Dee Valley's current locations in Wrexham and Chester. Employees engaged in front line field force operations comprise a majority of Dee Valley's employees and include those front line activities within operations, operational control, maintenance and construction of the network and treatment works;
- Severn Trent intends to integrate Dee Valley employees with engineering, asset management and programme management roles into Severn Trent's wider teams. Severn Trent will discuss with local employees how best to do this so that they can operate across the whole Severn Trent Group, which could involve some changes in location;
- Severn Trent will work with the Dee Valley customer contact centre operations teams to ensure that the local customer focus, skills and expertise of Dee Valley staff are preserved where possible, while taking advantage of the capabilities of the Severn Trent Group;
- Severn Trent will perform a review of how best to integrate the managerial, administrative and support services of Dee Valley into the Severn Trent Group in order to achieve the expected benefits of the Acquisition. Severn Trent believes that there will be some element of duplication of some managerial, administrative and support services which will involve headcount reductions and/or changes in location in Dee Valley's operations going forward. Severn Trent will also give Dee Valley employees the option of applying for any vacant roles or career opportunities across the wider Severn Trent Group, including at its nearby Shrewsbury office, where several vacancies currently exist;
- Severn Trent also plans to invest in skills and will extend its leading skills programmes across the Dee Valley Group which include its recognised graduate programme and award winning apprentice schemes. Severn Trent will roll out its industry leading Health, Safety and Wellbeing approach to the Dee Valley business. Severn Trent would also look to invest in new technology and digital capabilities to help improve the customer and employee experience;
- with regard to future employer contributions to the Defined Benefit Scheme, the Dee Valley Group has agreed a schedule of contributions with the trustee of the scheme which will subsist until January 2022 and Severn Trent will honour these commitments;
- upon the Scheme becoming effective it is proposed that the Dee Valley Directors will resign from the Board and will be replaced by directors appointed by Severn Trent. Severn Trent does not propose to enter into any incentivisation arrangements with any members of Dee Valley management; and
- Severn Trent is committed to engaging with all Dee Valley employees and stakeholders through the process and will work constructively with the union representatives in line with Severn Trent's past track record.

The Dee Valley Board welcomes the statement made by Severn Trent regarding the great importance it attaches to the skills and operational experience and technical expertise of the employees of Dee Valley and that the existing contractual and statutory employment rights of all Dee Valley Group employees will be honoured.

The Dee Valley Board also welcomes the commitment to retain all Dee Valley employees engaged in front line field force operations out of Dee Valley's current locations in Wrexham and Chester. It notes that Severn Trent intends to integrate engineering, asset management and programme management roles into its wider teams and hopes this integration can be achieved with minimum disruption to such Dee Valley employees and as soon as reasonably practicable. The Dee Valley Board also notes that Severn

Trent currently believes there may be some duplication of managerial, administrative and support services which could involve headcount reductions and/or changes in location in Dee Valley's operations going forward. The Dee Valley Board notes the experience and expertise of such Dee Valley employees and therefore hopes that such headcount reductions and/or changes in location will be kept to a minimum or that affected employees will be offered attractive roles across the wider Severn Trent Group. Finally, the Dee Valley Board notes that Severn Trent will work with the Dee Valley customer contact centre operations teams to ensure that the local customer focus, skills and expertise of Dee Valley staff are preserved where possible, and the Dee Valley Board hopes that such attributes are preserved.

7. DELISTING OF THE ORDINARY SHARES AND RE-REGISTRATION OF DEE VALLEY

The attention of Shareholders is drawn to Part 2, paragraph 9 and Part 3, paragraph 12 of this document in relation to the intentions of Severn Trent with regard to the cancellation of the listing of Dee Valley Shares on the Official List and of trading of Dee Valley Shares on the London Stock Exchange, and the re-registration of Dee Valley as a private company.

8. UNITED KINGDOM TAXATION

A summary of relevant UK taxation, which is intended as a general guide only, is set out in Part 12 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in any jurisdiction other than the UK, you are strongly advised to consult an appropriate independent professional adviser.

9. ACTION TO BE TAKEN

Your attention is drawn to Part 2, paragraphs 13 and 14 and Part 3, paragraph 18 of this document, which explains the action to be taken in relation to the Proposals.

Overseas Shareholders holding Non-Voting Ordinary Shares should refer to paragraphs 10 and 11 of Part 2, paragraph 6 of Section B of Part 6 and paragraph 1.3 of Section C of Part 6 of this document. Details relating to settlement are included in Part 2, paragraph 15 of this document.

Overseas Shareholders holding Voting Ordinary Shares should refer to Part 3, paragraphs 13 and 14 of this document. Details relating to settlement are included in Part 3, paragraph 16 of this document.

Instructions for Ordinary Shareholders wishing to complete a Loan Note Form of Election in order to elect for the Loan Note Alternative are set out in Part 8 of this document.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT A CREST PROXY AS SOON AS POSSIBLE.

If you have any questions relating to this document or the completion and return of the Forms of Proxy in relation to the Scheme or the white Form of Acceptance in relation to the Contractual Offer, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

10. FURTHER INFORMATION

Please note that the information contained in this letter is not a substitute for reading the remainder of this document.

The attention of Voting Ordinary Shareholders is drawn to the letter from Investec set out in Part 3 of this document (being the Explanatory Statement pursuant to section 897 of the Companies Act). The terms of the Scheme are set out in full in Part 4 of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the Scheme Conditions in Part 5, the financial and other information on the Dee Valley Group in Part 9, the further information on the Severn Trent Group in Part 10, the additional information in Part 11 and the information on UK taxation in Part 12 of this document.

The attention of Non-Voting Ordinary Shareholders is drawn to Part 2 and Part 6 of this document in which the terms of the Contractual Offer are set out in full. Your attention is also drawn to the further information contained in this document and, in particular, to the financial and other information on the Dee Valley Group in Part 9, the further information on the Severn Trent Group in Part 10, the additional information in Part 11 and the information on UK taxation in Part 12 of this document.

11. **RECOMMENDATION**

The Dee Valley Directors, who have been so advised by Investec as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable and unanimously recommend that:

- all Voting Ordinary Shareholders vote in favour of the Scheme at the Court Meeting and the Resolution to be proposed at the General Meeting; and
- all Non-Voting Ordinary Shareholders accept the Contractual Offer.

Further, the Dee Valley Directors, who have been so advised by Investec, unanimously recommend that Shareholders do not accept the Ancala Revised Proposal, and take no further action in relation to the Ancala Revised Proposal.

In providing advice to the Dee Valley Directors, Investec has taken into account the Dee Valley Directors' commercial assessment.

Yours faithfully

Jon Schofield
Chairman

Part 2
Letter from the Severn Trent Directors

(Incorporated and registered in England with registered number 02366686)

Registered Office:

Severn Trent Centre
2 St. John's Street
Coventry
CV1 2LZ

Directors:

Andrew Duff
Olivia Garfield
James Bowling
Emma Fitzgerald
Kevin Beeston
John Coghlan
Dominique Reiniche
Philip Remnant
Angela Strank

2 December 2016

To: Non-Voting Ordinary Shareholders and, for information only, persons with information rights in respect of Non-Voting Ordinary Shares

Dear Sir or Madam

Recommended proposals for the acquisition of the Non-Voting Ordinary Shares of Dee Valley by Severn Trent

1. INTRODUCTION

On 16 November 2016, the boards of Dee Valley and Severn Trent Plc announced that they had reached agreement on the terms of a recommended cash bid, to be made by Severn Trent, to acquire all of the issued Voting Ordinary Shares and all of the issued Non-Voting Ordinary Shares. Severn Trent then made a revised offer on 23 November 2016, which the board of Dee Valley has recommended. Severn Trent further revised its offer on 25 November 2016 to introduce a loan note alternative.

This letter relates to the Non-Voting Ordinary Share proposals only. Further information in relation to the Scheme, which gives effect to the Voting Ordinary Share proposals, is set out in Part 3 of this document.

2. THE ACQUISITION

The Acquisition, which is subject to the conditions and certain further terms referred to in Parts 5 and 6 of this document, will be made, other than to any Overseas Shareholders in Restricted Jurisdictions, on the following basis:

For each Voting Ordinary Share 1,825 pence in cash

For each Non-Voting Ordinary Share 1,713 pence in cash

Severn Trent's offer values the existing issued ordinary share capital of Dee Valley at approximately £84.0 million, being an aggregate of the value of the existing issued Voting Ordinary Shares of approximately £75.5 million and the existing issued Non-Voting Ordinary Shares of approximately £8.4 million.

The Acquisition provides an attractive opportunity for all Ordinary Shareholders to realise their shareholdings at a premium in cash.

Severn Trent's offer for the Voting Ordinary Shares is being effected by a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act and represents a premium of:

- 33.2 per cent. over the Closing Price of 1,370 pence per Voting Ordinary Share on 20 October 2016, being the Business Day immediately prior to the date the Offer Period commenced;

- 32.9 per cent. over the volume weighted average price of a Voting Ordinary Share over the three months to 20 October 2016;
- 39.8 per cent. over the volume weighted average price of a Voting Ordinary Share over the six months to 20 October 2016;
- 7.0 per cent. to the offer price of 1,705 pence per Voting Ordinary Share announced by Severn Trent on 16 November 2016; and
- 7.0 per cent. to the offer price of 1,706 pence per Voting Ordinary Share announced by Ancala on 22 November 2016.

The Acquisition includes a comparable cash offer by Severn Trent for the issued Non-Voting Ordinary Shares priced in accordance with the guidance contained in Rule 14 of the Takeover Code as set out below.

Severn Trent hereby offers to acquire, on the terms and subject to the condition set out in this document and in the accompanying Form of Acceptance, all of the Non-Voting Ordinary Shares at a price of 1,713 pence in cash per Non-Voting Ordinary Share.

The Contractual Offer Price represents a premium of approximately:

- 34.9 per cent. over the Closing Price of 1,270 pence per Non-Voting Ordinary Share on 20 October 2016, being the last Business Day before the Offer Period commenced;
- 38.0 per cent. over the volume weighted average price of a Non-Voting Ordinary Share over the three months to 20 October 2016;
- 43.1 per cent. over the volume weighted average price of a Non-Voting Ordinary Share over the six months to 20 October 2016;
- 7.0 per cent. to the offer price of 1,601 pence per Non-Voting Ordinary Share announced by Severn Trent on 16 November 2016; and
- 6.9 per cent. to the offer price of 1,602 pence per Non-Voting Ordinary Share announced by Ancala on 22 November 2016.

The Contractual Offer is conditional on the Scheme becoming Effective. However, the Scheme is not conditional on the Contractual Offer becoming or being declared unconditional in all respects.

Severn Trent is confident that the evidence it has submitted to the CMA should not result in a Phase 2 CMA Reference and accordingly removed that condition from the Scheme on 23 November 2016.

The Acquisition does not include an offer to acquire the B Shares or the deferred share issued by Dee Valley.

3. LOAN NOTE ALTERNATIVE

As an alternative to receiving some or all of the cash consideration in respect of the Acquisition, holders of Voting Ordinary Shares and Ordinary Non-Voting Shares (other than certain overseas shareholders) will, subject to certain terms and conditions, be able to elect to receive Loan Notes to be issued by Severn Trent on the basis of 10 pence nominal of Loan Notes for each 10 pence of cash consideration to which they would be entitled to pursuant to the Acquisition.

The Loan Notes will be issued, credited as fully paid, in amounts and integral multiples of 10 pence nominal value. Any fractional entitlements will be disregarded.

The Loan Notes will bear interest (from the date of issue to the relevant holder of Loan Notes) payable six months in arrears at the rate of 0.85 per cent. Interest will be payable (less any tax required by law to be deducted) in arrears on 1 January and 1 July in each year. The first payment will be made on 1 July 2017 in respect of the period from and including the date of issue of the Loan Notes.

Holders of the Loan Notes will have the right (subject to certain restrictions) to redeem them for cash at par on 1 January 2018 or on any subsequent interest payment dates. The Loan Notes may be redeemed by Severn Trent on or after 1 January 2018, if more than 50 per cent. of the nominal amount of the Loan Notes outstanding has been redeemed. Unless previously redeemed or repurchased, the Loan Notes will be repaid at par on 1 July 2022. The Loan Notes will be non-transferable. No application is intended to be made for the Loan Notes to be issued or dealt in on any stock exchange.

The Loan Note Alternative is conditional upon the Scheme becoming Effective.

Further details on the terms of the Loan Notes are set out in Part 7 of this document and details on how to make an election under the Loan Note Alternative are set out in Part 8 of this document.

Rothschild has advised that, in its opinion, based on market conditions on 1 December 2016 (the latest practicable date prior to the publication of this document), the value of the Loan Notes (had they been issued that day) would have been no less than 9.9 pence per 10 pence in nominal value of the Loan Notes.

Further details of the tax treatment that may apply to Ordinary Shareholders are referred to in Part 12 of this document, which includes certain statements about the UK tax consequences for certain UK resident Ordinary Shareholders if electing to receive Loan Notes.

4. BACKGROUND TO AND REASONS FOR THE ACQUISITION

Since the start of AMP6, Severn Trent's management has demonstrated its ability to drive performance by placing customers at the heart of Severn Trent's decision making process, applying an innovative approach to totex, leveraging its procurement expertise and maintaining an intense focus on all areas which impact customers. Severn Trent is delivering benefits for customers by delivering significant cost savings, which will be reflected in lower bills in AMP7, and improvements to service outcomes that matter for customers, despite the challenging targets set by Ofwat.

Dee Valley is a water only company, encompassing wholesale and retail operations, which operates in neighbouring areas of Cheshire, England and North Wales to Severn Trent. Dee Valley's PR14 Final Determination provides for Dee Valley to deliver RCV growth of 32 per cent. (in real terms) over AMP6, the highest growth of all water only and water and sewerage companies.

Severn Trent is undertaking a circa £3 billion investment programme in AMP6. Severn Trent intends to fully support continued investment in infrastructure in the Dee Valley region and will provide financial support to this investment through its broader access to and lower cost of funding sources, supported by its stronger credit rating.

Severn Trent intends to deliver Dee Valley's strategy of providing the highest level of customer service and value for money by applying where appropriate its industry leading operating procedures, environmental policies and strong customer service skills to the operations of Dee Valley for the benefit of Dee Valley's customers.

Severn Trent will also extend its existing community programme to the Dee Valley Water area. That programme focuses on working with schools and communities to increase awareness of the importance of protecting water as an essential resource. Severn Trent is already working with Natural Resources Wales on its sustainability strategy for Wales. Severn Trent will seek the advice of Natural Resources Wales and local communities in order to ensure that Severn Trent invests quickly in a programme tailored to local needs and Severn Trent will invest £50,000 over the remaining years of AMP6 in the community programme for the Dee Valley area.

Severn Trent continues to believe that an acquisition of Dee Valley by Severn Trent would provide a very successful outcome for the customers of Dee Valley and plans to build on Dee Valley's great customer service by applying an improved proposition for Dee Valley's customers:

- Severn Trent intends to enhance the current customer service offering including by extending support for vulnerable customers where Severn Trent provides discounts and support for local people who most need it—potentially up to 90 per cent. off water bills in some cases;
- Severn Trent intends, in due course, to launch 24/7 customer support—extending customer service hours so it is available for customers any time of the night or day, through a range of channels including web chat, social media, calls and email;
- Dee Valley's customers will have their local tariffs protected in line with the price control set by Ofwat and furthermore will share in half of any wholesale cost efficiencies achieved, which will be reflected in future bills;
- Severn Trent has committed to Ofwat that it will not seek the small company WACC premium for Dee Valley at any future price review, and that it will be accepting updated financial ring fencing licence conditions that will provide greater customer protection;

- Severn Trent will apply its digital philosophy by equipping and training frontline teams so that they can use new technology with the aim of improving operational response times for customers;
- in the first year of Ofwat's customer Outcome Delivery Incentives programme, Severn Trent has achieved significant rewards for delivering improved services to customers. Severn Trent believes this was achieved through creating a winning culture that included allowing employees to share in the success of Severn Trent through a new employee bonus scheme;
- both companies have a strong track record of maintaining low bills for customers. Dee Valley currently has low water only bills, and Severn Trent has the lowest average combined water and waste bills in the whole of Britain; and
- following completion of the Acquisition, Severn Trent intends to maintain the Welsh identity, heritage and local focus of Dee Valley and, subject to regulatory approvals intends to maintain a separate Welsh licence for Dee Valley. Severn Trent intends that the whole of its business in Wales will be regulated under Welsh Government Policy. This will allow water services in all areas of Wales to be subject to Welsh Government Policy and assists in delivering the 2014 recommendations of the Commission on Devolution in Wales (the Silk Commission).

Severn Trent will target outperformance in Dee Valley during AMP6 and beyond and believes that the enlarged group will benefit from:

- the application of Severn Trent's innovative totex approach, economies of scale and procurement expertise to Dee Valley's business to deliver its significant investment programme efficiently for customers. In particular, Severn Trent will look for efficiencies in delivering Dee Valley's significant investment plans over AMP6;
- the potential for additional operational synergies from: shared overheads; savings from the delisting of Dee Valley; and a focus on further improving bad debt performance; and
- the provision of significant financial support to deliver Dee Valley's capital programme efficiently, given Severn Trent's better credit rating, lower cost of debt and access to a broader range of funding sources.

Severn Trent believes the acquisition of Dee Valley represents an opportunity for Severn Trent to deliver attractive returns to shareholders through applying its successful operating model across an enlarged asset base, in a contiguous geographic area. The Acquisition is expected to be earnings accretive from completion.

5. INFORMATION ON SEVERN TRENT GROUP

Severn Trent Plc is a FTSE 100 company. Severn Trent provides clean water and waste water services in the UK and internationally through its regulated and non-regulated businesses—Severn Trent Water and Severn Trent Services.

Severn Trent is one of the largest of the ten regulated water and sewerage companies in England and Wales. Severn Trent provides high quality services to more than 4.3 million households and businesses in the Midlands and mid-Wales.

For the year ended 31 March 2016, Severn Trent Group turnover was £1,787 million with reported profit before interest and taxation of £524 million. Severn Trent Group's interim results for the six months ended 30 September 2016 reported turnover of £906.8 million with reported profit before interest and taxation of £299.4 million.

6. BOARD, MANAGEMENT, EMPLOYEES AND LOCATIONS

Severn Trent attaches great importance to the skills, operational experience and technical expertise of the employees of Dee Valley.

Following implementation of the Acquisition, the existing contractual and statutory employment rights, including in relation to pensions, of all Dee Valley Group employees will be honoured. This includes honouring the commitments under the 2016/17 Dee Valley Water staff bonus scheme. Severn Trent pays the Living Wage to all employees who are not at the training grade and will of course honour Dee Valley's Living Wage policy. Severn Trent very much believes in creating a winning culture that incentivises employees to deliver the best outcome for customers.

Severn Trent intends to retain all Dee Valley employees engaged in front line field force operations and will continue to operate these out of Dee Valley's current locations in Wrexham and Chester. Employees engaged in front line field force operations comprise a majority of Dee Valley's employees and include those front line activities within operations, operational control, maintenance and construction of the network and treatment works.

Severn Trent intends to integrate Dee Valley employees with engineering, asset management and programme management roles into Severn Trent's wider teams. Severn Trent will discuss with local employees how best to do this so that they can operate across the Severn Trent Group, which could involve some changes in location.

Severn Trent is committed to keeping customers at the heart of our business and we will work with the Dee Valley customer contact centre operations teams to ensure that the local customer focus, skills and expertise of Dee Valley staff are preserved where possible, while taking advantage of the capabilities of the combined group.

Severn Trent will perform a review of how best to integrate the managerial, administrative and support services of Dee Valley into the Severn Trent Group in order to achieve the expected benefits of the Acquisition. Severn Trent believes that there will be some element of duplication of some managerial, administrative and support services which will involve headcount reductions and/or changes in location in Dee Valley's operations going forward. Severn Trent will also give Dee Valley employees the option of applying for any vacant roles or career opportunities across the wider Severn Trent Group, including at its nearby Shrewsbury office, where several vacancies currently exist.

Severn Trent also plans to invest in skills and will extend its leading skills programmes across the Dee Valley Group which include its recognised graduate programme and award winning apprentice schemes. Severn Trent will roll out its industry leading Health, Safety and Wellbeing approach to the Dee Valley business. Severn Trent would also look to invest in new technology and digital capabilities to help improve the customer and employee experience.

In accordance with the terms of its WaterPlus Joint Venture with United Utilities Plc, Severn Trent intends to transfer the non-household retail business of Dee Valley to WaterPlus or another third party.

With regard to future employer contributions to the Defined Benefit Scheme, the Dee Valley Group has agreed a schedule of contributions with the trustee of the scheme which will subsist until January 2022 and Severn Trent will honour these commitments.

Upon the Scheme becoming effective it is proposed that the Dee Valley Directors will resign from the Board and will be replaced by directors appointed by Severn Trent. Severn Trent does not propose to enter into any incentivisation arrangements with any members of Dee Valley management.

Severn Trent is committed to engaging with all Dee Valley employees and stakeholders through the process and will work constructively with union representatives in line with Severn Trent's past track record.

The Acquisition will have no impact on Severn Trent Group's employees.

7. FINANCING OF THE ACQUISITION

Severn Trent will finance the consideration pursuant to the Acquisition from its existing cash resources.

Rothschild, financial adviser to Severn Trent, is satisfied that Severn Trent has the necessary financial resources available to satisfy in full the cash consideration payable under the Acquisition.

8. CONFIDENTIALITY AGREEMENT

Severn Trent Plc and Dee Valley entered into a confidentiality agreement on 5 July 2016, pursuant to which Severn Trent Plc and Dee Valley have mutually undertaken to keep confidential information relating to the other party and not to disclose it to third parties (other than permitted recipients) save to the extent required by applicable law or regulation (the "**Confidentiality Agreement**"). The confidentiality obligation will remain in force until 5 years from the date of the Confidentiality Agreement.

9. DELISTING, COMPULSORY ACQUISITION OF THE NON-VOTING ORDINARY SHARES AND RE-REGISTRATION OF DEE VALLEY

Severn Trent intends to procure that Dee Valley applies to the UK Listing Authority for the listing of the Voting Ordinary Shares and the Non-Voting Ordinary Shares on the Official List to be cancelled and to the London Stock Exchange for the admission to trading of the Voting Ordinary Shares and the Non-Voting Ordinary Shares to be cancelled, in each case with effect on the Effective Date of the Scheme.

Assuming there are no Court adjournments and assuming the Scheme becomes Effective, the last day of dealings in, and for registration of transfers of, Non-Voting Ordinary Shares will be 19 January 2017, following which the Non-Voting Ordinary Shares will be suspended from trading on London Stock Exchange. No transfers of Ordinary Shares will be registered after this date.

Non-Voting Ordinary Shareholders should be aware that the listing of the Non-Voting Ordinary Shares on the standard segment of the Official List will be cancelled if the Scheme becomes Effective, irrespective of the level of acceptances of the Contractual Offer and without any further consent or approval being required to be obtained from holders of Non-Voting Ordinary Shares. Delisting would significantly reduce the liquidity and marketability of any Non-Voting Ordinary Shares in respect of which acceptances of the Contractual Offer are not submitted.

If sufficient acceptances are received in respect of the Contractual Offer, Severn Trent intends to apply the provisions of section 979 of the Companies Act to acquire compulsorily any outstanding Non-Voting Ordinary Shares to which the Contractual Offer relates.

It is also proposed that Dee Valley will be re-registered as a private company following the Scheme becoming Effective.

10. OVERSEAS SHAREHOLDERS

The availability of the Contractual Offer to Non-Voting Ordinary Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

The attention of Non-Voting Ordinary Shareholders who are Overseas Shareholders and any person (including, without limitation, any agent, nominee, custodian or trustee) who may have an obligation to forward any document in connection with the Contractual Offer outside the United Kingdom is drawn to paragraph 6 of Section B of Part 6 of this document, paragraph 1.3 of Section C of Part 6 of this document and/or paragraph 1.2 of Section D of Part 6 to this document and, if the Non-Voting Ordinary Shares are held in certificated form, to the relevant provisions of the white Form of Acceptance, which they should read before taking any action.

The Contractual Offer is not being made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or any other Restricted Jurisdictions, and the Contractual Offer should not be accepted by any such use, means, instrumentality or facility or from such jurisdictions. Copies of this document, the Form of Acceptance, the Loan Note Form of Election and any related offering documents are not being, and may not be, mailed or otherwise distributed in, into or from, whether by use of the mails, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facility of a national securities exchange of, the United States or any other Restricted Jurisdictions. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them into or from such jurisdictions or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with this Contractual Offer and doing so will render invalid any relevant purported acceptance of the Contractual Offer.

Accordingly, persons who are unable to give the warranties set out in paragraph 1.3 of Section C of Part 6 of this document and/or paragraph 1.2 of Section D of Part 6 of this document may be deemed not to have validly accepted the Contractual Offer.

Notwithstanding the foregoing, Severn Trent will retain the right to permit the Contractual Offer to be accepted and any sale of securities pursuant to the Contractual Offer to be completed if, in its sole discretion, it is satisfied that the transaction in question can be undertaken in compliance with applicable law and regulation.

11. ADDITIONAL INFORMATION FOR ORDINARY SHAREHOLDERS IN THE UNITED STATES

This document does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States.

Dee Valley and Severn Trent are each organised under the laws of England. All of the officers and directors of Dee Valley and Severn Trent are residents of countries other than the United States. It may not be possible to sue Dee Valley, Severn Trent or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel Dee Valley, Severn Trent and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

The Contractual Offer in respect of Non-Voting Ordinary Shares relates to the shares of an English company and will be governed by English law on the implementation of such an offer. The Contractual Offer is not intended to be made pursuant to the provisions of any other legal system. Shareholders should note that the Contractual Offer is subject to English disclosure rules, which are different from those in the United States. The Contractual Offer will not be made to any Ordinary Shareholders in Restricted Jurisdictions, including, without limitation, the United States.

Restricted Shareholders, including any US holders of Dee Valley Ordinary Shares will, under the Acquisition, only be entitled to receive cash consideration for the Dee Valley Ordinary Shares they hold and they will not have the option of taking Loan Notes under the Loan Note Alternative. Any purported election for the Loan Note Alternative by such Restricted Shareholders will be treated as invalid by Severn Trent.

12. UNITED KINGDOM TAXATION

A summary of relevant UK taxation, which is intended as a general guide only, is set out in Part 12 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in a jurisdiction other than the United Kingdom, you are strongly advised to consult an appropriate independent professional adviser.

13. ACTION TO BE TAKEN

The procedure for Voting Ordinary Shareholders to vote in favour of the Scheme is set out in Part 3 of this document.

The procedure for acceptance of the Contractual Offer is set out below and, if you hold your shares in certificated form, in the white Form of Acceptance.

Instructions for Ordinary Shareholders wishing to complete a Loan Note Form of Election in order to elect for the Loan Note Alternative are set out in Part 8 of this document.

14. PROCEDURE FOR ACCEPTANCE OF THE CONTRACTUAL OFFER

Non-Voting Ordinary Shareholders who hold their shares in certificated form (that is, not in CREST) should read this section in conjunction with the white Form of Acceptance and Sections B and C of Part 6 of this document. The instructions on the Form of Acceptance are deemed to form part of the terms of the Contractual Offer. Non-Voting Ordinary Shareholders who hold their shares in uncertificated form (that is, in CREST) should read this section in conjunction with Sections B and D of Part 6 of this document.

Non-Voting Ordinary Shares held in certificated form (that is, not in CREST)

14.1 Completion of white Form of Acceptance

To accept the Contractual Offer in respect of Non-Voting Ordinary Shares held in certificated form (that is, not in CREST), you must complete the white Form of Acceptance in accordance with the instructions set out below and on the white Form of Acceptance. You should complete separate white Forms of Acceptance for Non-Voting Ordinary Shares held in certificated form but under different designations. If

you have any queries as to how to complete the white Form of Acceptance, or if you are uncertain whether you hold Voting Ordinary Shares or Non-Voting Ordinary Shares, please call the Receiving Agent, Capita Asset Services, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The instructions printed on the white Form of Acceptance shall be deemed to form part of the terms of the Contractual Offer.

14.2 Return of white Form of Acceptance

To accept the Contractual Offer in respect of Non-Voting Ordinary Shares held in certificated form, the completed, signed and (where applicable) witnessed white Form of Acceptance should be returned by post or by hand (during normal business hours) to Capita Asset Services, together (subject to paragraph 14.3 below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received **not later than 1:00 pm on 18 January 2017**. A reply paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any white Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction, or otherwise appearing to Severn Trent or its agents to have been sent from any of these jurisdictions, may be rejected as an invalid acceptance of the Contractual Offer. For further information for Overseas Shareholders, see paragraphs 10 and 11 of this Part 2.

To accept the Contractual Offer in respect of Non-Voting Ordinary Shares in certificated form, you must complete and return the white Form of Acceptance, irrespective of whether you wish to elect for Loan Notes. The actions to be taken to elect for Loan Note are set out in Part 8.

14.3 Share certificates not readily available or lost

If your Non-Voting Ordinary Shares are in certificated form, a completed, signed and (where applicable) witnessed white Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and return the white Form of Acceptance by post, using the enclosed reply paid envelope, or by hand (during normal business hours) to Capita Asset Services as soon as possible and, in any event, so as to be received **not later than 1:00 pm on 18 January 2017**. You should send with the white Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title you should write as soon as possible to the Registrars, Capita Asset Services, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given above.

14.4 Validity of acceptances

Without prejudice to Sections C and D of Part 6 of this document, subject to the provisions of the Takeover Code, Severn Trent reserves the right to treat as valid, in whole or in part, any acceptance of the Contractual Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Contractual Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Severn Trent have been received.

14.5 Overseas Shareholders

The attention of Non-Voting Ordinary Shareholders holding shares in certificated form and who are Overseas Shareholders is drawn to paragraphs 10 and 11 of this Part 2 and paragraph 6 of Section B of Part 6 of this document and paragraph 1.3 of Section C of Part 6 of this document.

Non-Voting Ordinary Shares held in uncertificated form (that is, in CREST)

14.6 General

If your Non-Voting Ordinary Shares are in uncertificated form, to accept the Contractual Offer you should take (or procure the taking of) the action set out below to transfer the Non-Voting Ordinary Shares in respect of which you wish to accept the Contractual Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, as soon as possible **and in any event so that the TTE Instruction settles not later than 1:00 pm on 18 January 2017. Note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational), you should therefore ensure you time the input of any TTE Instructions accordingly.**

The input and settlement of a TTE Instruction in accordance with this paragraph will (subject to satisfying the requirements set out in Sections B and D of Part 6 of this document) constitute an acceptance of the Contractual Offer in respect of the number of Non-Voting Ordinary Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE Instruction(s) to Euroclear in relation to your Non-Voting Ordinary Shares.

After settlement of a TTE Instruction, you will not be able to access the Non-Voting Ordinary Shares concerned in CREST for any transaction or charging purposes. If the Contractual Offer becomes or is declared unconditional in all respects, the Escrow Agent will withdraw the Non-Voting Ordinary Shares which will be transferred to Severn Trent in accordance with Section D of Part 6 of this document.

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedure outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Non-Voting Ordinary Shares to settle prior to 1:00 pm on 18 January 2017. In this connection, you are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

14.7 To accept the Contractual Offer

To accept the Contractual Offer in respect of your Non-Voting Ordinary Shares in uncertificated form, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such Non-Voting Ordinary Shares. A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number for the Non-Voting Ordinary Shares. This is GB0031801367;
- the number of Non-Voting Ordinary Shares in respect of which you wish to accept the Contractual Offer (i.e. the number of Non-Voting Ordinary Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent for the Contractual Offer. This is 29013DVG;
- the intended settlement date. This should be as soon as possible and, in any event, **not later than 1:00 pm on 18 January 2017;**
- the corporate action number of the Contractual Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction priority of 80; and
- a contact name and telephone number in the shared note field.

If you hold Non-Voting Ordinary Shares in uncertificated form through one or more intermediaries, such as a stockbroker, custodian bank or clearing system, you should confirm the instruction deadline which such intermediaries have established to accept the Contractual Offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from you in order to permit the custodian bank or stockbroker to communicate acceptances to the Receiving Agent in a timely manner.

To accept the Contractual Offer in respect of Non-Voting Ordinary Shares in uncertificated form, you must send a TTE Instruction to Euroclear in accordance with the above, irrespective of whether you wish to elect for Loan Notes. The actions to be taken to elect for Loan Notes are set out in Part 8.

14.8 Validity of Acceptances

Holders of Non-Voting Ordinary Shares in uncertificated form who wish to accept the Contractual Offer should note that a TTE Instruction will only be a valid acceptance of that Contractual Offer as at the relevant closing date if it has settled on or before 1:00 pm on that date. A Form of Acceptance which is received in respect of Non-Voting Ordinary Shares held in uncertificated form may be treated as an invalid acceptance and may be disregarded.

Severn Trent will make an appropriate announcement if any of the details contained in this paragraph change for any reason.

14.9 Overseas Shareholders

The attention of Non-Voting Ordinary Shareholders holding Non-Voting Ordinary Shares in uncertificated form and who are Overseas Shareholders is drawn to paragraphs 10 and 11 of this Part 2, paragraph 6 of Section B of Part 6 of this document and paragraph 1.2 of Section D of Part 6 of this document.

14.10 Further information

Normal CREST procedures (including timings) apply in relation to any Non-Voting Ordinary Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form, during the course of the Contractual Offer (whether any such conversion arises as a result of a transfer of Non-Voting Ordinary Shares or otherwise). Holders of Non-Voting Ordinary Shares who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Contractual Offer (in particular, as regards delivery of a Form of Acceptance or transfers to an escrow balance as described above) before 1:00 pm on 18 January 2017.

If you have any questions relating to acceptance of the Contractual Offer, or if you are uncertain whether hold Voting Ordinary Shares or Non-Voting Ordinary Shares, please call the Receiving Agent, Capita Asset Services, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

15. SETTLEMENT

Subject to the Contractual Offer becoming or being declared unconditional in all respects (and except as provided in paragraph 6 of Section B of Part 6 of this document in the case of certain Overseas Shareholders), settlement of the consideration to which any Non-Voting Ordinary Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Contractual Offer will be effected: (i) in the case of acceptances received, complete in all respects, by the date on which the Contractual Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; and (ii) in the case of acceptances received, complete in all respects, after such date but while the Contractual Offer remains open for acceptance, within 14 calendar days of such receipt, in the manner set out below.

15.1 Non-Voting Ordinary Shares in certificated form (that is, not in CREST)

Where an acceptance relates to Non-Voting Ordinary Shares in certificated form, settlement of any cash due will be despatched by first class post (or such other method as may be approved by the Panel) to

accepting Non-Voting Ordinary Shareholders at the addresses appearing in the register of members of Dee Valley or, in the case of joint holders, to the holder whose name appears first in such register in respect of the joint holding concerned or in accordance with any special instructions regarding communications. All such cash payments will be made in pounds Sterling by cheque drawn on a branch of the United Kingdom clearing bank.

15.2 Non-Voting Ordinary Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to Non-Voting Ordinary Shares in uncertificated form, the cash consideration which the accepting Non-Voting Ordinary Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting Non-Voting Ordinary Shareholder's payment bank, in accordance with CREST payment arrangements. Severn Trent reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any accepting Non-Voting Ordinary Shareholder(s), in the manner referred to in paragraph 15.1 above, if, for any reason, it wishes to do so, except in circumstances where the accepting Non-Voting Ordinary Shareholder has informed the Receiving Agent in writing prior to the Contractual Offer becoming or being declared unconditional in all respects that it is unwilling to accept settlement of the consideration by cheque.

15.3 Lapsing or withdrawal of the Contractual Offer

If the Contractual Offer does not become or is not declared unconditional in all respects:

- (i) in the case of Non-Voting Ordinary Shares held in certificated form, the relevant Form of Acceptance and relevant share certificates and/or documents of title will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Contractual Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction); and
- (ii) in the case of Non-Voting Ordinary Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Contractual Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days after the lapsing of the Contractual Offer), give TFE instructions to Euroclear to transfer all Non-Voting Ordinary Shares which are held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Contractual Offer to the original available balances of the Non-Voting Ordinary Shareholders concerned.

15.4 General

All remittances, communications, notices, certificates and documents of title sent by, to or from Non-Voting Ordinary Shareholders or their appointed agents will be sent at their own risk.

16. FURTHER INFORMATION

The terms and condition of the Contractual Offer are set out in full in Part 6 of this document. Your attention is also drawn to the further information relevant to the Contractual Offer being the financial information on the Dee Valley Group in Part 9, the further information on the Severn Trent Group in Part 10, the additional information in Part 11 and the information on UK taxation in Part 12 of this document.

If you have any questions relating to acceptance of the Contractual Offer, or if you are uncertain whether you hold Voting Ordinary Shares or Non-Voting Ordinary Shares, please call the Receiving Agent, Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Yours sincerely



Liv Garfield
For and on behalf of Severn Trent

Part 3
Explanatory Statement

(in compliance with section 897 of the Companies Act)

Investec

Specialist Bank

London

Investec Bank plc

2 Gresham Street London EC2V 7QP

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2 December 2016

To: Voting Ordinary Shareholders and, for information only, persons with information rights in respect of Voting Ordinary Shares

Dear Sir or Madam

Recommended Proposals for the Acquisition of the Voting Ordinary Shares of Dee Valley by Severn Trent

1. INTRODUCTION

On 16 November 2016, the boards of Dee Valley and Severn Trent Plc announced that they had reached agreement for the acquisition by Severn Trent of the entire issued and to be issued voting share capital of Dee Valley for 1,705 pence in cash per Voting Ordinary Share by means of a scheme of arrangement under Part 26 of the Companies Act. On 23 November 2016 Severn Trent then announced a revised offer of 1,825 pence in cash per Voting Ordinary Share. On 25 November 2016, Severn Trent introduced a Loan Note Alternative. The Proposals, if implemented, will result in Severn Trent acquiring control of all of the voting share capital of Dee Valley.

The Scheme Proposals are to be effected by means of a Court sanctioned scheme of arrangement under section 899 of the Companies Act, which requires the approval of the Scheme Shareholders and the sanction of the Court.

This letter relates to the Scheme Proposals only. Further information in relation to the Contractual Offer is set out in Part 2 of this document.

Your attention is drawn to the Chairman's Letter set out in Part 1 of this document which forms part of this Explanatory Statement. That letter contains, amongst other things, the background to and reasons for the recommendation of the Dee Valley Directors and states that the Dee Valley Directors, who have been so advised by Investec, consider the terms of the Scheme Proposals to be fair and reasonable. In giving advice to the Dee Valley Directors, Investec has taken into account the commercial assessment of the Dee Valley Directors. The Dee Valley Directors recommend that all Voting Ordinary Shareholders vote in favour of the resolution to approve and implement the Scheme to be proposed at the Court Meeting and in favour of the Resolution to be proposed at the General Meeting.

The Dee Valley Directors have been advised by Investec in connection with the Scheme Proposals. Investec has been authorised by the Dee Valley Directors to write to you to set out the terms of the Scheme Proposals and the Scheme and to provide you with other relevant information. Statements made in this letter which refer to the background to the recommendation of the Dee Valley Directors, and to information concerning the business of Dee Valley, reflect the views of the Dee Valley Directors. Statements made in this letter which refer to the future plans for Dee Valley reflect the views of the Severn Trent Directors.

2. SUMMARY OF THE SCHEME PROPOSALS

The Scheme Proposals are being effected by means of a Court sanctioned scheme of arrangement between the Company and the Scheme Shareholders under section 899 of the Companies Act. The Scheme is subject to the Scheme Conditions and further terms set out in Part 5 of this document.

If the Scheme becomes Effective, the Scheme Shares will be transferred to Severn Trent and Scheme Shareholders on the register of members of the Company at the Scheme Record Time will receive:

for each Scheme Share

1,825 pence in cash

The Scheme Price represents a premium of:

- 33.2 per cent. over the Closing Price of 1,370 pence per Voting Ordinary Share on 20 October 2016, being the Business Day immediately prior to the date an Offer Period commenced;
- 32.9 per cent. over the volume weighted average price of a Voting Ordinary Share over the three months to 20 October 2016;
- 39.8 per cent. over the volume weighted average price of a Voting Ordinary Share over the six months to 20 October 2016;
- 7.0 per cent. to the offer price of 1,705 pence per Voting Ordinary Share announced by Severn Trent on 16 November 2016; and
- 7.0 per cent. to the offer price of 1,706 pence per Voting Ordinary Share announced by Ancala on 22 November 2016.

The Proposals value the Company's entire issued and to be issued ordinary share capital at approximately £84.0 million and the Scheme Proposals value the issued Voting Ordinary Shares at approximately £75.5 million in aggregate.

The Scheme Shares will be acquired under the Scheme Proposals fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests and together with all rights attaching thereto including without limitation, the right to receive and retain in full any dividend and other distribution, announced, declared, made or payable on or after 16 November 2016.

It is also proposed that, prior to the Scheme becoming Effective, application will be made to the London Stock Exchange for the cancellation of the listing of the Voting Ordinary Shares on the Official List and of trading of the Voting Ordinary Shares on the London Stock Exchange. It is also proposed that Dee Valley will be re-registered as a private company following the Scheme becoming Effective.

3. LOAN NOTE ALTERNATIVE

As an alternative to receiving some or all of the cash consideration in respect of the Acquisition, holders of Voting Ordinary Shares and Ordinary Non-Voting Shares (other than certain overseas shareholders) will, subject to certain terms and conditions, be able to elect to receive Loan Notes to be issued by Severn Trent on the basis of 10 pence nominal of Loan Notes for each 10 pence of cash consideration to which they would be entitled to pursuant to the Acquisition.

The Loan Notes will be issued, credited as fully paid, in amounts and integral multiples of 10 pence nominal value. Any fractional entitlements will be disregarded.

The Loan Notes will bear interest (from the date of issue to the relevant holder of Loan Notes) payable six months in arrears at the rate of 0.85 per cent. Interest will be payable (less any tax required by law to be deducted) in arrears on 1 January and 1 July in each year. The first payment will be made on 1 July 2017 in respect of the period from and including the date of issue of the Loan Notes.

Holders of the Loan Notes will have the right (subject to certain restrictions) to redeem them for cash at par on 1 January 2018 or on any subsequent interest payment dates. The Loan Notes may be redeemed by Severn Trent on or after 1 January 2018, if more than 50 per cent. of the nominal amount of the Loan Notes outstanding has been redeemed. Unless previously redeemed or repurchased, the Loan Notes will be repaid at par on 1 July 2022. The Loan Notes will be non-transferable. No application is intended to be made for the Loan Notes to be issued or dealt in on any stock exchange.

The Loan Note Alternative is conditional upon the Scheme becoming effective in accordance with its terms.

4. STRUCTURE OF THE SCHEME PROPOSALS

The Scheme is an arrangement made between Dee Valley and the Scheme Shareholders under section 899 of the Companies Act subject to the approval of the Court, which involves an application by Dee Valley to the Court to sanction the Scheme. The purpose of the Scheme is to provide for Severn

Trent to become the owner of all of the issued and to be issued Voting Ordinary Shares of Dee Valley. This is to be achieved by the transfer of the Scheme Shares to Severn Trent in consideration for which the Scheme Shareholders will receive cash on the basis set out in paragraph 2 above.

The Scheme is subject to the Scheme Conditions and to certain further terms referred to in Part 5 of this document. In particular, it requires the approval of Scheme Shareholders by the passing of a resolution at the Court Meeting, expected to be held at 9:30 am on 12 January 2017. The resolution must be approved by a majority in number of Scheme Shareholders present and voting, either in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares held by such holders.

Implementation of the Scheme will also require the passing at the General Meeting (which will be held immediately after the Court Meeting) of the Resolution. In respect of the Resolution, each Voting Ordinary Shareholder will be entitled to cast one vote for each Voting Ordinary Share held.

Following the Meetings, the Scheme must be sanctioned by the Court and will only become Effective upon delivery to the Registrar of Companies of the Scheme Court Order. Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted, or whether they voted in favour or against the Scheme or the resolution at the Court Meeting or whether they voted in favour or against the Resolution at the General Meeting.

Dee Valley will not issue or register the transfer of any shares after the Hearing Record Time until the Scheme has become Effective.

5. BACKGROUND TO, AND REASONS FOR, THE SCHEME PROPOSALS

On 21 October 2016, it was announced that the Dee Valley Board and the board of Ancala had reached agreement on the recommended acquisition by Ancala of the Voting Ordinary Shares for 1,550 pence per share and the Non-Voting Ordinary Shares for 1,455 pence per share. On 16 November 2016 Severn Trent, having been in discussions with Dee Valley about the possibility of making an offer since the summer, announced that it had reached agreement with the Dee Valley Board on the recommended acquisition of the Voting Ordinary Shares for 1,705 pence per share and the Non-Voting Ordinary Shares for 1,601 pence per share. On 22 November, Ancala then announced a revised offer for the Voting Ordinary Shares of 1,706 pence per share and the Non-Voting Ordinary Shares of 1,602 pence per share. Following this, on 23 November 2016 Severn Trent announced a revised offer for the Voting Ordinary Shares of 1,825 pence per share and the Non-Voting Ordinary Shares of 1,713 pence per share, which values Dee Valley at a higher price than under the Ancala Revised Proposal. On 25 November 2016, Severn Trent announced the introduction of the Loan Note Alternative.

The Acquisition price of 1,825 pence per Voting Ordinary Share represents a 7.0 per cent. premium to the revised proposal from Ancala in respect of the Voting Ordinary Shares and the Acquisition price of 1,713 pence per Non-Voting Ordinary Share represents a 6.9 per cent. premium to the proposal from Ancala in respect of the Non-Voting Ordinary Shares. The Acquisition is, in all material respects, on the same terms and conditions as the revised proposal from Ancala.

The Board considers that the Acquisition represents a superior offer in terms of financial value for holders of Ordinary Shareholders as compared with the Ancala Revised Proposal and believes that Ordinary Shareholders should have an opportunity to consider the Acquisition.

The Dee Valley Board has withdrawn its recommendation of the proposals from Ancala.

Jon Schofield, being the sole Dee Valley Director who owns or controls Ordinary Shares will not vote in favour of the Acquisition as he is prevented from doing so by the terms of an earlier irrevocable undertaking dated 20 October 2016 in which he irrevocably committed in respect of his own beneficial holding of 1,000 Voting Ordinary Shares, representing, in aggregate, approximately 0.02 per cent. of the Voting Ordinary Shares in issue on 1 December 2016 (being the latest practicable date prior to the date of this document) not to vote in favour of any scheme or offer other than Ancala's scheme or offer. Mr Schofield does not intend to vote in respect of the Acquisition at the relevant meetings. Further details of Mr Schofield's irrevocable undertaking are set out at paragraph 4 of Part 11 of this document.

6. INFORMATION RELATING TO THE DEE VALLEY GROUP

Dee Valley is the holding company for the Dee Valley Group. Dee Valley, through its trading subsidiary Dee Valley Water, which is the licensed water undertaker for Wrexham, Chester and the surrounding areas, has been supplying water to its community for more than 150 years. Dee Valley Water supplies

drinking water to approximately 125,000 domestic and business customers in northeast Wales and in northwest Cheshire.

For the year ended 31 March 2016, the Dee Valley Group's revenue was £23.1 million and its profit from operations was £6.6 million.

7. INFORMATION ON THE SEVERN TRENT GROUP

Severn Trent Plc is a FTSE 100 company. Severn Trent provides clean water and waste water services in the UK and internationally through its regulated and non-regulated businesses—Severn Trent Water and Severn Trent Services.

Severn Trent is one of the largest of the 10 regulated water and sewerage companies in England and Wales. Severn Trent provides high quality services to more than 4.3 million households and businesses in the Midlands and mid-Wales.

For the year ended 31 March 2016, Severn Trent Group turnover was £1,787 million with reported profit before interest and taxation of £524 million. Severn Trent Group's interim results for the six months ended 30 September 2016 reported turnover of £906.8 million with reported profit before interest and taxation of £299.4 million.

8. FUTURE PLANS FOR DEE VALLEY

Since the start of AMP6, Severn Trent's management has demonstrated its ability to drive performance by placing customers at the heart of Severn Trent's decision making process, applying an innovative approach to totex, leveraging its procurement expertise and maintaining an intense focus on all areas which impact customers. Severn Trent is delivering benefits for customers by delivering significant cost savings, which will be reflected in lower bills in AMP7, and improvements to service outcomes that matter for customers, despite the challenging targets set by Ofwat.

Dee Valley is a water only company, encompassing wholesale and retail operations, which operates in neighbouring areas of Cheshire, England and North Wales to Severn Trent. Dee Valley's PR14 Final Determination provides for Dee Valley to deliver RCV growth of 32 per cent. (in real terms) over AMP6, the highest growth of all water only and water and sewerage companies.

The Dee Valley Board understands that Severn Trent is undertaking a circa £3 billion investment programme in AMP6. Severn Trent intends to fully support continued investment in infrastructure in the Dee Valley region and will provide financial support to this investment through its broader access to and lower cost of funding sources, supported by its stronger credit rating.

The Dee Valley Board understands that Severn Trent intends to deliver Dee Valley's strategy of providing the highest level of customer service and value for money by applying where appropriate its industry leading operating procedures, environmental policies and strong customer service skills to the operations of Dee Valley for the benefit of Dee Valley's customers.

The Dee Valley Board understands that Severn Trent will also extend its existing community programme to the Dee Valley Water area. That programme focuses on working with schools and communities to increase awareness of the importance of protecting water as an essential resource. Severn Trent is already working with Natural Resources Wales on its sustainability strategy for Wales. Severn Trent will seek the advice of Natural Resources Wales and local communities in order to ensure that Severn Trent invests quickly in a programme tailored to local needs and Severn Trent will invest £50,000 over the remaining years of AMP6 in the community programme for the Dee Valley area.

The Dee Valley Board understands that Severn Trent continues to believe that an acquisition of Dee Valley by Severn Trent would provide a very successful outcome for the customers of Dee Valley and plans to build on Dee Valley's great customer service by applying an improved proposition for Dee Valley's customers:

- Severn Trent intends to enhance the current customer service offering including by extending support for vulnerable customers where Severn Trent provides discounts and support for local people who most need it—potentially up to 90 per cent. off water bills in some cases;
- Severn Trent intends, in due course, to launch 24/7 customer support—extending customer service hours so it is available for customers any time of the night or day, through a range of channels including web chat, social media, calls and email;

- Dee Valley's customers will have their local tariffs protected in line with the price control set by Ofwat and furthermore will share in half of any wholesale cost efficiencies achieved, which will be reflected in future bills;
- Severn Trent has committed to Ofwat that it will not seek the small company WACC premium for Dee Valley at any future price review, and that it will be accepting updated financial ring fencing licence conditions that will provide greater customer protection;
- Severn Trent will apply its digital philosophy by equipping and training frontline teams so that they can use new technology with the aim of improving operational response times for customers;
- in the first year of Ofwat's customer Outcome Delivery Incentives programme, Severn Trent has achieved significant rewards for delivering improved services to customers. Severn Trent believes this was achieved through creating a winning culture that included allowing employees to share in the success of Severn Trent through a new employee bonus scheme;
- both companies have a strong track record of maintaining low bills for customers. Dee Valley currently has low water only bills, and Severn Trent has the lowest average combined water and waste bills in the whole of Britain; and
- following completion of the Acquisition, Severn Trent intends to maintain the Welsh identity, heritage and local focus of Dee Valley and subject to regulatory approvals, intends to maintain a separate Welsh licence for Dee Valley. Severn Trent intends that the whole of its business in Wales will be regulated under Welsh Government Policy. This will allow water services in all areas of Wales to be subject to Welsh Government Policy and assists in delivering the 2014 recommendations of the Commission on Devolution in Wales (the Silk Commission).

The Dee Valley Board understands that Severn Trent will target outperformance in Dee Valley during AMP6 and beyond and believes that the enlarged group will benefit from:

- the application of Severn Trent's innovative totex approach, economies of scale and procurement expertise to Dee Valley's business to deliver its significant investment programme efficiently for customers. In particular, Severn Trent will look for efficiencies in delivering Dee Valley's significant investment plans over AMP6;
- the potential for additional operational synergies from: shared overheads; savings from the delisting of Dee Valley; and a focus on further improving bad debt performance; and
- the provision of significant financial support to deliver Dee Valley's capital programme efficiently, given Severn Trent's better credit rating, lower cost of debt and access to a broader range of funding sources.

The Dee Valley Board understands that Severn Trent believes the acquisition of Dee Valley represents an opportunity for Severn Trent to deliver attractive returns to shareholders through applying its successful operating model across an enlarged asset base, in a contiguous geographic area and that the Acquisition is expected to be earnings accretive from completion.

9. BOARD, MANAGEMENT, EMPLOYEES AND LOCATIONS

Severn Trent attaches great importance to the skills, operational experience and technical expertise of the employees of Dee Valley.

Following implementation of the Acquisition, the existing contractual and statutory employment rights, including in relation to pensions, of all Dee Valley Group employees will be honoured. This includes honouring the commitments under the 2016/17 Dee Valley Water staff bonus scheme. Severn Trent pays the Living Wage to all employees who are not at the training grade and will of course honour Dee Valley's Living Wage policy. Severn Trent very much believes in creating a winning culture that incentivises employees to deliver the best outcome for customers.

Severn Trent intends to retain all Dee Valley employees engaged in front line field force operations and will continue to operate these out of Dee Valley's current locations in Wrexham and Chester. Employees engaged in front line field force operations comprise a majority of Dee Valley's employees and include those front line activities within operations, operational control, maintenance and construction of the network and treatment works.

Severn Trent intends to integrate Dee Valley employees with engineering, asset management and programme management roles into Severn Trent's wider teams. Severn Trent will discuss with local employees how best to do this so that they can operate across the Severn Trent group, which could involve some changes in location.

Severn Trent is committed to keeping customers at the heart of our business and we will work with the Dee Valley customer contact centre operations team to ensure that the local customer focus, skills and expertise of Dee Valley staff are preserved where possible, while taking advantage of the capabilities of the combined group.

Severn Trent will perform a review of how best to integrate the managerial, administrative and support services of Dee Valley into the Severn Trent Group in order to achieve the expected benefits of the Acquisition. Severn Trent believes that there will be some element of duplication of some managerial, administrative and support services which will involve headcount reductions and/or changes in location in Dee Valley's operations going forward. Severn Trent will also give Dee Valley employees the option of applying for any vacant roles or career opportunities across the wider Severn Trent group, including at its nearby Shrewsbury office, where several vacancies currently exist.

Severn Trent also plans to invest in skills and will extend its leading skills programmes across the Dee Valley Group which include its recognised graduate programme and award winning apprentice schemes. Severn Trent will roll out its industry leading Health, Safety and Wellbeing approach to the Dee Valley business. Severn Trent would also look to invest in new technology and digital capabilities to help improve the customer and employee experience.

In accordance with the terms of its Water Plus Joint Venture with United Utilities Plc, Severn Trent intends to transfer the non-household retail business of Dee Valley to Water Plus or another third party.

With regard to future employer contributions to the Defined Benefit Scheme, the Dee Valley Group has agreed a schedule of contributions with the trustee of the scheme which will subsist until January 2022 and Severn Trent will honour these commitments.

Upon the Scheme becoming effective it is proposed that the Dee Valley Directors will resign from the Board and will be replaced by directors appointed by Severn Trent. Severn Trent does not propose to enter into any incentivisation arrangements with any members of Dee Valley's management.

Severn Trent is committed to engaging with all Dee Valley employees and stakeholders through the process and will work constructively with union representatives in line with our past track record.

The Acquisition will have no impact on Severn Trent Group's employees.

10. THE DIRECTORS AND THE EFFECT OF THE SCHEME ON THEIR INTERESTS

The names of the Directors and the details of their interests (for the purposes of sections 820 to 825 of the Companies Act) in Dee Valley Shares are set out in Part 11, paragraphs 2 and 4 of this document. Save as disclosed in this document, the effect of the Scheme on such interests of the Directors does not differ from its effect on the like interests of any other holder of Scheme Shares.

11. INFORMATION ON FINANCING THE ACQUISITION

Severn Trent will finance the consideration pursuant to the Acquisition from its existing cash resources.

Rothschild, financial adviser to Severn Trent, is satisfied that Severn Trent has the necessary financial resources available to satisfy in full the cash consideration payable under the Acquisition.

12. DELISTING OF THE VOTING ORDINARY SHARES AND RE-REGISTRATION OF DEE VALLEY

Assuming there are no Court adjournments and assuming the Scheme becomes Effective, the last day of dealings in, and for registration of transfers of, Voting Ordinary Shares will be 19 January 2017, following which the Voting Ordinary Shares will be suspended from trading on London Stock Exchange. No transfers of Ordinary Shares will be registered after this date.

Prior to the Scheme becoming Effective, application will be made to the London Stock Exchange for the cancellation of the listing of the Voting Ordinary Shares on the Official List and of trading of the Voting Ordinary Shares on the London Stock Exchange. Accordingly, if the Court confirms the Scheme on

18 January 2017, the cessation of trading in the Voting Ordinary Shares on the London Stock Exchange is expected to become effective at 8:00 am on 25 January 2017.

On the Effective Date, share certificates in respect of Voting Ordinary Shares will cease to be valid and should, if so requested by Dee Valley, be sent to Dee Valley for cancellation. In addition, entitlements to Voting Ordinary Shares held within the CREST system will be cancelled on the Effective Date.

It is also proposed that Dee Valley will be re-registered as a private company following the Scheme becoming Effective.

13. OVERSEAS SHAREHOLDERS

The implications of the Scheme Proposals for Overseas Shareholders may be affected by the laws of their relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme Proposals, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for shares in any jurisdiction in which such offer or solicitation is unlawful.

This document has been prepared for the purposes of complying with English law, the Takeover Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.

14. ADDITIONAL INFORMATION FOR ORDINARY SHAREHOLDERS IN THE UNITED STATES

This document does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States.

Dee Valley and Severn Trent are each organised under the laws of England. All of the officers and directors of Dee Valley and Severn Trent are residents of countries other than the United States. It may not be possible to sue Dee Valley, Severn Trent or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel Dee Valley, Severn Trent and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

Ordinary Shareholders in the United States should note that the Scheme relates to the shares of an English company and is provided for under, and governed by, English law. Neither the proxy solicitation nor the tender offer rules under the US Securities Exchange Act of 1934, as amended, will apply to the Scheme. Moreover the Scheme will be subject to the disclosure requirements, rules and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. The financial information included in this document has been or will be prepared in accordance with, where relevant, International Financial Reporting Standards as adopted by the European Union and/or accounting standards applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Restricted Shareholders, including any US holders of Dee Valley Ordinary Shares will, under the Acquisition, only be entitled to receive cash consideration for the Dee Valley Ordinary Shares they hold and they will not have the option of taking Loan Notes under the Loan Note Alternative. Any purported election for the Loan Note Alternative by such Restricted Shareholders will be treated as invalid by Severn Trent.

15. UNITED KINGDOM TAXATION

A summary of relevant UK taxation, which is intended as a general guide only, is set out in Part 12 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in a jurisdiction other than the United Kingdom, you are strongly advised to consult an appropriate independent professional adviser.

16. SETTLEMENT

Subject to the Scheme becoming Effective, settlement of the cash consideration to which any Voting Ordinary Shareholder is entitled under the Scheme Proposals will be effected in the manner set out below.

Except with the consent of the Panel, settlement of cash consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous rights to which Severn Trent may otherwise be, or claim to be, entitled against such Scheme Shareholder.

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto.

16.1 *Scheme Shares held in certificated form*

On the Effective Date, share certificates in respect of Scheme Shares will be cancelled and share certificates for such Scheme Shares will cease to be valid and should be destroyed.

Where Scheme Shareholders hold Scheme Shares in certificated form, cheques for cash entitlements due under the Scheme Proposals will be despatched no later than 14 days after the applicable date, by first-class post (or by such other method as may be approved by the Panel) to such Scheme Shareholders at the addresses appearing in the register of members of Dee Valley as at the Scheme Record Time or, in the case of joint holders, to the holder whose name appears first in such register in respect of the joint holding concerned or in accordance with any special instructions regarding communications. All such payments will be made in pounds Sterling by cheque drawn on a branch of a UK clearing bank.

16.2 *Scheme Shares held in uncertificated form through CREST*

As soon as possible after the Effective Date, and in any event no later than 14 days thereafter, entitlements to Scheme Shares held within CREST will be cancelled and Scheme Shareholders who hold their Scheme Shares in CREST will have their cash entitlements paid via CREST by Severn Trent procuring the creation of a CREST payment obligation in favour of the Scheme Shareholder's payment bank in respect of the amount due, in accordance with CREST payment arrangements.

As from the Effective Date, each holding of Scheme Shares credited to any stock account in CREST will be disabled and all Scheme Shares will be removed from CREST in due course thereafter.

Severn Trent reserves the right to settle any consideration due to any Scheme Shareholders holding Voting Ordinary Shares in CREST in the manner referred to in the above paragraph "Scheme Shares held in certificated form" if, for any reason, it wishes to do so.

17. SHAREHOLDER MEETINGS AND THE SCHEME COURT HEARING

Before the Court's approval of the Scheme can be sought, the Scheme will require approval by the Scheme Shareholders at the Court Meeting and the passing of the Resolution by Voting Ordinary Shareholders to implement the Scheme at the General Meeting. Notices of the Meetings are set out at the end of this document. Voting Ordinary Shareholders' entitlement to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to the register of members of Dee Valley at the Scheme Voting Record Time or, if such Meetings are adjourned, on the register of members at 6:00 pm on the day that is two Business Days before the relevant adjourned Meeting. If the Scheme becomes Effective, it will be binding on all Scheme Shareholders including those who did not vote or who voted against it.

17.1 *The Court Meeting*

You will find set out on pages 98 and 99 of this document the notice of the Court Meeting of the Scheme Shareholders which has been convened at the direction of the Court for the purpose of the Scheme Shareholders considering and, if thought fit, approving the Scheme.

The Court Meeting has been convened for 9:30 am on 12 January 2017 at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH. At the Court Meeting, voting will be by way of poll and not a show of hands and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders present and voting, whether in person or by proxy, at the Court Meeting representing not less than 75 per cent. of the Scheme Shares held by such Scheme Shareholders.

Scheme Shareholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT A CREST PROXY AS SOON AS POSSIBLE, AND, IN ANY EVENT SO AS TO BE RECEIVED BY 9:30 AM ON 10 JANUARY 2017 FOR THE COURT MEETING. A FORM OF PROXY FOR THE COURT MEETING NOT LODGED AT THE RELEVANT TIME MAY BE HANDED IN TO THE CHAIRMAN OF THE COURT MEETING BEFORE THE TAKING OF THE POLL.

17.2 *The General Meeting*

In addition to the Court Meeting, the General Meeting has been convened for the same date as the Court Meeting at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH at 9:45 am (or as soon thereafter as the Court Meeting is concluded or adjourned) to consider and, if thought fit, pass the Resolution (which requires a vote in favour of not less than 75 per cent. of the votes cast in person, or in the event of a poll, by proxy at the General Meeting) to approve:

- (i) the Scheme and authorise the Dee Valley Directors to take all actions as they may consider necessary or appropriate to give effect to the Scheme;
- (ii) certain amendments to the Articles in accordance with the Scheme as described below; and
- (iii) the re-registration of Dee Valley as a private company.

Voting on the Resolution will be on a show of hands unless a poll is demanded. The chairman of the meeting reserves his right to demand that the vote of Voting Ordinary Shareholders be held by way of a poll and, in such event, each Voting Ordinary Shareholder present in person or by proxy will be entitled to one vote for every Voting Ordinary Share held.

You will find the notice of the General Meeting set out on pages 100 and 102 of this document. The quorum for the General Meeting will be two or more Voting Ordinary Shareholders present in person or by proxy.

17.3 *The Scheme Court Hearing*

Under the Companies Act, the Scheme also requires the sanction of the Court. The Scheme Court Hearing to sanction the Scheme is expected to be held on 18 January 2017.

All Scheme Shareholders are entitled to attend the Scheme Court Hearing in person or to be represented by counsel to support or oppose the sanctioning of the Scheme.

Severn Trent has confirmed that it will be represented by counsel at the Scheme Court Hearing so as to consent to the Scheme and to undertake to the Court to be bound by the Scheme.

The Scheme will become Effective in accordance with its terms on delivery of the Scheme Court Order to the Registrar of Companies.

17.4 *Modifications to the Scheme*

The Scheme contains a provision for Dee Valley and Severn Trent to consent on behalf of all persons affected to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which might be material to the interests of the Scheme

Shareholders unless Scheme Shareholders were informed of any modification, addition or condition.

It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which in the opinion of the Directors is of such a nature or importance that it requires the consent of Scheme Shareholders to a further meeting, the Directors will not take the necessary steps to enable the Scheme to become Effective unless and until such consent is obtained.

17.5 *Alternative means of implementing the Acquisition*

Severn Trent has reserved the right to implement the acquisition of the Voting Ordinary Shares by way of a Takeover Offer, in which case additional documents will be despatched to Voting Ordinary Shareholders. In such event, such a Takeover Offer will (unless otherwise agreed) be implemented on the same terms (subject to appropriate amendments, including the inclusion of an acceptance condition set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as Severn Trent may decide) of the Voting Ordinary Shares to which such offer relates), so far as applicable as those which would apply to the Scheme.

17.6 *Conditions of the Scheme*

The implementation of the Scheme in full is conditional upon satisfaction or waiver of the Scheme Conditions, which are set out in full in Part 5 of this document. These include, amongst others:

- (i) approval of the Scheme by a majority in number of the Scheme Shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent 75 per cent. or more of the Scheme Shares voted by those Scheme Shareholders who are on the register of members as holders of Scheme Shares at the Scheme Voting Record Time;
- (ii) the Court meeting being held on or before the 22nd day after 12 January 2017 (being the expected date of the Court Meeting) (or such later date as may be agreed by Severn Trent and Dee Valley and the Court may allow);
- (iii) the resolutions required to approve and implement the Scheme being duly passed by Voting Ordinary Shareholders who are present and vote, whether in person or by proxy, representing 75 per cent. or more of the votes cast at the General Meeting who are on the register of members as Voting Ordinary Shareholders of Dee Valley at the Scheme Voting Record Time;
- (iv) the General Meeting being held on or before the 22nd day after 12 January 2017 (being the expected date of the General Meeting) (or such later date as may be agreed by Severn Trent and Dee Valley);
- (v) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Severn Trent and Dee Valley) and the delivery of a copy of the Scheme Court Order to the Registrar of Companies;
- (vi) the Scheme Court Hearing being held on or before the later of (i) the 22nd day after 18 January 2017 (being the expected date of the Court sanction hearing as set out in this document); and (ii) 7 days after all the Scheme Conditions other than this paragraph vi and paragraphs v and vii are satisfied or waived, (or such later date as may be agreed by Severn Trent and Dee Valley and the Court may allow); and
- (vii) the Scheme becoming Effective on or before the Long Stop Date.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Resolutions at the General Meeting. If the Scheme does not become Effective by 31 May 2017 (or such later date (if any) as Dee Valley and Severn Trent may agree and the Court may allow), the Scheme will lapse and will not proceed.

18. ACTION TO BE TAKEN

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF THE SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT A CREST PROXY AS SOON AS POSSIBLE.

18.1 *Sending forms of Proxy by post or by hand.*

You will find enclosed with this document:

- (a) a blue Form of Proxy for use in respect of the Court Meeting;
- (b) a pink Form of Proxy for use in respect of the General Meeting; and
- (c) a prepaid envelope for use in the United Kingdom.

Whether or not you plan to attend both or either of the Meetings, please complete the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, as soon as possible, but in any event, so as to be received by post or by hand (during normal business hours) to the Registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 9:30 am on 10 January 2017 in the case of the Court Meeting and by 9:45 am on 10 January 2017 in the case of the General Meeting (or, in the case of adjournment, 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)). If the blue Form of Proxy for use at the Court Meeting is not lodged by 9:30 am on 10 January 2017, it may be handed to the Registrars on behalf of the Chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 9:45 am on 10 January 2017, it will be invalid. A Voting Ordinary Shareholder may appoint more than one proxy in respect of the General Meeting and/or the Court Meeting provided that in respect of each Meeting each proxy is appointed to exercise the rights attached to different shares held by that Shareholder. Voting Ordinary Shareholders' attention is drawn to the fact that where they return Forms of Proxy without denoting their voting preference, the proxy will vote or abstain from voting in his or her discretion. The completion and return of a Form of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

18.2 *Electronic appointment of proxies through CREST*

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meetings and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by not later than 48 hours before the time fixed for the holding of the meeting or the adjourned meeting (excluding any day that is not a Business Day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CREST does not make available special procedures in CREST for any particular

messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

18.3 *Shareholder Helpline*

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

19. **FURTHER INFORMATION**

The terms of the Scheme are set out in full in Part 4 of this document. The conditions to the Scheme Proposals are set out in Part 5 of this document. Financial information regarding the Dee Valley Group is set out in Part 9 of this document and further information regarding the Severn Trent Group is set out in Part 10 of this document. Information on UK taxation is set out in Part 12 of this document. Your attention is also drawn to the further information contained in Part 11 and the other parts of this document.

Yours faithfully

Jeremy Ellis
for and on behalf of
Investec Bank plc

Part 4
Scheme of Arrangement

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

CR-2016-007570

IN THE MATTER OF DEE VALLEY GROUP PLC
AND
IN THE MATTER OF THE COMPANIES ACT 2006
SCHEME OF ARRANGEMENT
(UNDER SECTION 899 OF THE COMPANIES ACT 2006)
BETWEEN
DEE VALLEY GROUP PLC
AND
THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)

Preliminary

- (A) In this Scheme the following expressions have the meanings stated, unless they are inconsistent with the subject or context:

“Business Day” means any day (other than a Saturday, Sunday or public holiday) on which clearing banks in the City of London are generally open for the transaction of normal Sterling banking business.

“Cash Consideration” means the cash consideration payable by Severn Trent for the Scheme Shares under Clause 2.1 (Consideration for the Transfer of Scheme Shares) of this Scheme.

“Companies Act” means the Companies Act 2006, as amended.

“Company” means Dee Valley Group Plc, a public company incorporated in England and Wales with registered number 4316684 and whose registered office is at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH.

“Court” means the High Court of Justice in England and Wales.

“Court Meeting” means the meeting of the Scheme Shareholders or any class or classes thereof convened pursuant to an order of the Court under the Companies Act, to be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017 at 9:30 am, for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) of which notice is set out on pages 98 and 99 of this document, including any adjournment thereof.

“CREST” means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Regulations.

“Effective Date” means the date on which this Scheme becomes effective in accordance with its terms.

“Election Return Time” 11.00 am on the Business Day prior to the Scheme Court Hearing (or such later time (if any) to which the right to make an election may be extended by the Company or Severn Trent).

“Euroclear” means Euroclear UK & Ireland Limited.

“Excluded Shares” means any Voting Ordinary Shares which are registered in the name of or are beneficially owned by Severn Trent, Severn Trent Plc or any member of the Severn Trent Group.

“Hearing Record Time” means 6:00 pm on the Business Day immediately preceding the date of the Scheme Court Hearing.

“Holder(s)” means (a) registered holder(s), including any person(s) entitled by transmission.

“Loan Note Alternative” means the alternative whereby Scheme Shareholders (other than Restricted Scheme Shareholders) may elect, subject to certain limitations and conditions, to receive Loan Notes in lieu of all or part of the Cash Consideration to which they would otherwise be entitled under the Acquisition.

“Loan Note Elected Shares” means Scheme Shares in respect of which the holder has validly elected to participate in the Loan Note Alternative.

“Loan Note Election” means an election under the Loan Note Alternative.

“Loan Note” means the 0.85 per cent. unsecured loan notes 1 July 2022 of Severn Trent to be issued pursuant to the Loan Note Alternative.

“Long Stop Date” means 31 May 2017, or such other later date as may be agreed by Severn Trent and the Company (with the Panel’s consent).

“Panel” means the Panel on Takeovers and Mergers.

“Registrar of Companies” means the Registrar of Companies of England and Wales.

“Regulations” means the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended).

“Restricted Scheme Shareholders” means a Scheme Shareholder whose Loan Note Election shall be of no effect, as determined by the Company or Severn Trent in accordance with this Scheme and including any Scheme Shareholder who is a citizen, resident or national of the United States, Japan, South Africa or Australia;

“Scheme” means this scheme of arrangement under Part 26 of the Companies Act between the Company and the Scheme Shareholders, with or subject to any revision, variation, addition or condition approved or imposed by the Court and agreed to in writing by the Company and Severn Trent.

“Scheme Circular” means the circular to the Voting Ordinary Shareholders published by the Company in connection with the Scheme.

“Scheme Court Hearing” means the hearing by the Court of the application to sanction the Scheme.

“Scheme Court Order” means the order of the Court sanctioning the Scheme under section 899 of the Companies Act.

“Scheme Record Time” means 6:00 pm on the Business Day immediately preceding the Effective Date.

“Scheme Shareholders” means the Holders of Scheme Shares and a **“Scheme Shareholder”** shall mean any one of those scheme shareholders.

“Scheme Shares” means the Voting Ordinary Shares:

- (i) in issue at the date of the Scheme Circular and which remain in issue at the Scheme Record Time;
- (ii) (if any) issued after the date of the Scheme Circular but before the Scheme Voting Record Time and which remain in issue at the Scheme Record Time; and
- (iii) (if any) issued at or after the Scheme Voting Record Time but at or before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time,

excluding any Excluded Shares.

“Scheme Voting Record Time” means 6:00 pm (London time) on the day that is two Business Days prior to the date of the Court Meeting or any adjournment thereof (as the case may be).

“Severn Trent” means Severn Trent Water Limited, a private limited company incorporated in England and Wales with registered number 02366686 and whose registered office is at Severn Trent Centre, 2 St John’s Street, Coventry, CV1 2LZ.

“Severn Trent Group” means Severn Trent Plc and its subsidiary undertakings.

“Severn Trent Plc” means Severn Trent Plc, a public limited company incorporated in England and Wales with registered number 02366619 and whose registered office is at Severn Trent Centre, 2 St John’s Street, Coventry, CV1 2LZ.

“uncertificated” or **“in uncertificated form”** means in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST.

“Voting Ordinary Shares” means the existing unconditionally allotted or issued and fully paid voting ordinary shares of 5 pence each in the capital of the Company.

“Voting Ordinary Shareholders” means holders of Voting Ordinary Shares.

- (B) The issued share capital of the Company at the date of this Scheme is £1,479,042.10 divided into 4,138,902 voting ordinary shares of 5 pence each, 493,268 non-voting ordinary shares of 5 pence each, 542,362 B Shares of 230 pence each and 1 deferred share of 100 pence all of which, at the close of business on 1 December 2016 (the last practicable date prior to the date of this document), are credited as fully paid. Such deferred share does not entitle the holder thereof to receive notice of or attend or vote at any general meeting of the Company.
- (C) Severn Trent was incorporated on 1 April 1989. The issued share capital of Severn Trent is £100,000,000 divided into 1,000,000,000 ordinary shares of 10 pence each, all of which are credited as fully paid.
- (D) As at the date of this Scheme, none of Severn Trent or any member of the Severn Trent Group is the Holder of or beneficially owns any Voting Ordinary Shares.
- (E) Severn Trent has agreed to appear by Counsel at the Scheme Court Hearing and to consent thereto and to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

1. TRANSFER OF SCHEME SHARES

- 1.1 On the Effective Date, Severn Trent shall acquire all of the Scheme Shares, fully paid-up with full title guarantee, and free from all liens, equities, charges, options, encumbrances, rights of pre-emption and other interests.
- 1.2 For the purposes of such acquisition, the Scheme Shares shall be transferred to Severn Trent and, to give effect to such transfers, any person may be appointed by Severn Trent as attorney and/or agent and/or otherwise, and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the relevant Holder of Scheme Shares to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST, of such Scheme Shares and every form, instrument or instruction of transfer so executed shall be as effective as if it had been executed by the Holder or Holders of the Scheme Shares thereby transferred.
- 1.3 With effect from the Effective Date and pending the registration of Severn Trent as the Holder of the Scheme Shares pursuant to Clauses 1.1 and 1.2 of this Scheme, each Scheme Shareholder irrevocably:
 - (a) appoints Severn Trent (or its nominee(s)) as its attorney to exercise any voting rights attached to the Scheme Shares and any or all rights and privileges attaching to the Scheme Shares;
 - (b) appoints Severn Trent (or its nominee(s)) as its attorney to sign any consent to short notice of any general meeting of the Company or any separate class meeting of Voting Ordinary Shareholders and on their behalf to execute a form of proxy in respect of such Scheme Shares appointing any person nominated by Severn Trent to attend general meetings of the Company and any separate class meetings of Voting Ordinary Shareholders; and

- (c) authorises the Company to send to Severn Trent any notice, circular, warrant or other document or communication which the Company sends to its Voting Ordinary Shareholders.
- 1.4 The Scheme Shares will be transferred to Severn Trent fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after 16 November 2016.

2. CONSIDERATION FOR THE TRANSFER OF SCHEME SHARES

Cash

- 2.1 In consideration for the transfer of the Scheme Shares to Severn Trent as provided in Clause 1 (*Transfer of Scheme Shares*) of this Scheme, Severn Trent shall (subject to the remaining provisions of this Scheme) pay or procure that there shall be paid to or for the account of each Scheme Shareholder on the register of members of the Company at the Scheme Record Time the sum of 1,825 pence in respect of each Scheme Share then held by such person in each case free from all encumbrances and credited as fully paid.

Loan Note Alternative

- 2.2 Conditional on and subject to the remainder of this clause 2, to the extent that any Scheme Shareholder (other than a Restricted Scheme Shareholder) validly elects for the Loan Note Alternative in respect of all or some of his Scheme Shares, Severn Trent shall, in consideration for the transfer of his Scheme Shares, and subject as herein provided, allot and issue Loan Notes to such Scheme Shareholder (as appearing in the register of members of the Company the Scheme Record Time) on the following basis:

for every 10 pence of Cash Consideration to which the Scheme Shareholder would otherwise have been entitled to under clause 2.1 and has made a valid Loan Note Election, 10 pence in nominal value of Loan Notes.

- 2.3 Where a holder is allotted and issued Loan Notes in consideration for his Loan Note Elected Shares, such holder will not be entitled to any Cash Consideration in respect of such Loan Note Elected Shares.
- 2.4 If a Scheme Shareholder elects to receive the Loan Note Alternative, any fractional entitlements will be disregarded.
- 2.5 Elections made by Scheme Shareholders under the Loan Note Alternative will not affect the entitlements of Scheme Shareholders who do not make any such election.
- 2.6 If:
- (a) a Scheme Shareholder makes a valid Loan Note Election to receive an amount of Loan Notes in respect of a greater number of Scheme Shares than he holds at the Scheme Record Time, such Scheme Shareholder will be deemed to have made a valid Loan Note Election to receive Loan Notes in respect of all such Scheme Shares held at the Scheme Record Time; or
 - (b) a Scheme Shareholder makes a valid Loan Note Election to receive an amount of Loan Notes in lieu of Cash Consideration which is less than the amount of Cash Consideration to which the Scheme Shareholder would otherwise be entitled in respect of his Scheme Shares, the amount of the Cash Consideration payable by Severn Trent to such Scheme Shareholder in accordance with clause 2.1 for the Scheme Shares held by such Scheme Shareholder shall be reduced by the nominal value of the Loan Notes issued by Severn Trent to such Scheme Shareholder in accordance with this clause 2.
- 2.7 Subject to clause 2.6 above, Loan Notes issued to Scheme Shareholders who have made a valid Loan Note Election will be issued in amounts and integral multiples of 10 pence in nominal amount for every 10 pence of Cash Consideration (rounded down to the nearest 10 pence) to which such Scheme Shareholder would otherwise be entitled. Accordingly, where a Scheme Shareholder makes a valid Loan Note Election to receive all Loan Notes, or is deemed under clause 2.6(a) above to have made a valid Loan Note Election to receive all Loan Notes, the aggregate Cash

Consideration to which he would otherwise have been entitled will be disregarded and will not be paid to such Scheme Shareholder.

- 2.8 In the case of Scheme Shareholders who hold Scheme Shares in certificated form, a Loan Note Election shall be made by completion of a Loan Note Form of Election which shall be signed by the Scheme Shareholder or his duly authorised attorney, and in the case of joint holders by or on behalf of all such holders. To be effective, the Loan Note Form of Election must be completed and returned, in accordance with the instructions printed thereon so as to arrive by no later than the Election Return Time at Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of Scheme Shareholders who hold Scheme Shares in uncertificated form, a Loan Note Election shall be made by delivery of a TTE Instruction validly electing for the Loan Note Alternative by the Election Return Time.
- 2.9 If a Loan Note Form of Election or TTE Instruction is received after the Election Return Time or is received before such time but is not, or is deemed not to be, valid or complete in all respects at such time, then such election shall be void unless Severn Trent, in its absolute discretion, elect to treat as valid in whole or in part any such election.
- 2.10 The Loan Notes have been constituted by the Loan Note Instrument.
- 2.11 If a Holder of Scheme Shares has elected for the Loan Note Alternative in lieu of all of the Cash Consideration to which the Scheme Shareholder would otherwise be entitled in respect of his Scheme Shares, then:
- (a) the validity of the election shall not be affected by any alteration in the number of Scheme Shares held by such holder at any time prior to the Scheme Record Time; and
 - (b) accordingly, the election shall apply in respect of all of the Cash Consideration to which the Scheme Shareholder would otherwise be entitled in respect of the Scheme Shares held by such Holder at the Scheme Record Time.
- 2.12 Restricted Scheme Shareholders will only be eligible to receive Cash Consideration and may not participate in the Loan Note Alternative. If any Restricted Scheme Shareholder purports to make an election, in full or in part, pursuant to the Loan Note Alternative, then the Restricted Scheme Shareholder will be deemed to have elected to receive, and will be entitled to receive, only Cash Consideration in accordance with clause 2.1 of the Scheme.
- 2.13 The provisions of this clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if in the case of any Scheme Shareholder having a registered address outside the United Kingdom or who is a citizen, resident or national of a jurisdiction outside the United Kingdom, Severn Trent is advised that the issue of Loan Notes pursuant to this clause 2 would or may infringe the law of any such country or jurisdiction or would or may require compliance by the Company or Severn Trent (as the case may be) with any governmental or other consent or any registration, filing or other formality with which the Company or Severn Trent (as the case may be) in its absolute discretion regards as unduly onerous, then the Loan Note Election made by such Scheme Shareholder shall not be of any effect and the omission to send a Loan Note Form of Election to such Scheme Shareholder shall not constitute a breach by the Company or Severn Trent (as the case may be) of any of their respective obligations under this Scheme.

3. PAYMENTS

- 3.1 Within 14 days after the Effective Date, Severn Trent shall deliver or procure:
- (a) in the case of Cash Consideration payable by Severn Trent for Scheme Shares which at the Scheme Record Time are in certificated form, Severn Trent shall deliver or procure delivery to each of the relevant Holders cheques for the sums payable to them in accordance with Clause 2 (*Consideration for the Transfer of Scheme Shares*); or
 - (b) in the case of Cash Consideration payable by Severn Trent for Scheme Shares which at the Scheme Record Time are in uncertificated form, Severn Trent shall procure the creation of a CREST assured payment obligation in accordance with the CREST payment arrangements in respect of the cash consideration due to the relevant Holder, provided that Severn Trent may

(if, for any reason, it wishes to do so) make payment of the said sums by cheque in accordance with Clause 3.1(a) above; and

- (c) in the case of Loan Notes to be issued by Severn Trent (or such of its nominee(s) as are agreed between Severn Trent and the Company) in respect of Scheme Shares, on any day falling within the period starting on the Effective Date and ending 14 calendar days thereafter, issue the Loan Notes which it is required to issue pursuant to clause 2 and despatch, or procure the despatch of, the Loan Note certificates to the relevant Scheme Shareholders so entitled in accordance with clause 3.2.

- 3.2 All cheques or certificates required to be delivered under this Scheme shall be payable to Scheme Shareholders or, in the case of joint Holders of Scheme Shares, to the joint Holder whose name stands first in the register of members of the Company at the Scheme Record Time. All such cash payments shall be made in pounds sterling by cheque drawn on a branch of a clearing bank in the United Kingdom. Encashment of any such cheques or the creation of any such assured payment obligation as is referred to in clause 3.1(b) shall be a complete discharge to Severn Trent for the money represented thereby.
- 3.3 All cheques or certificates required to be despatched by this Scheme shall be despatched by first-class post by Severn Trent in prepaid envelopes addressed to the relevant Holders entitled thereto at their respective addresses as appearing in the register of members of the Company at the Scheme Record Time (or such other address as may be notified by the relevant Scheme Shareholders to the Company before such time), or, in the case of joint Holders, at the registered address of the joint Holder whose name stands first in such register (except, in their case, as otherwise directed in writing).
- 3.4 Neither Severn Trent, the Company nor their nominees shall be responsible for any loss or delay in the transmission of cheques or certificates sent in accordance with this Scheme which shall be sent at the risk of the addressee, provided always that if within six months of the despatch any cheque or certificate has been lost or destroyed, Severn Trent will issue or procure the issue of a replacement cheque or otherwise tender payment or certificate (as the case may be).
- 3.5 The provisions of this Clause 3 (*Payments*) shall take effect subject to any prohibition or condition imposed by law.

4. CERTIFICATES AND CANCELLATION

- 4.1 With effect from and including the Effective Date:
 - (a) all certificates representing Scheme Shares shall cease to have effect as documents of title to the shares represented thereby and each Scheme Shareholder shall be bound at the request of the Company to deliver up the same to the Company or to any person nominated by the Company for cancellation, or as it may direct, to destroy the same;
 - (b) in respect of Scheme Shareholders holding their shares in uncertificated form, Euroclear shall be instructed to cancel such Holders' entitlements to such Scheme Shares; and
 - (c) following the cancellation of the entitlements to Scheme Shares of Scheme Shareholders in uncertificated form, the Registrars shall be authorised to rematerialise entitlements to such Scheme Shares.
- 4.2 On or as soon as reasonably practicable after the Effective Date and subject to the completion of such transfers, forms, instruments or instructions as may be required in accordance with Clause 4.1 and the payment of any stamp duty thereon appropriate entries will be made in the register of members of the Company to reflect the transfer of the Scheme Shares to Severn Trent.

5. OPERATION OF THIS SCHEME

- 5.1 This Scheme shall become effective as soon as the Scheme Court Order has been delivered by or on behalf of the Company to the Registrar of Companies for registration.
- 5.2 Unless this Scheme shall become effective on or before the Long Stop Date or such later date, if any, as Severn Trent and the Company may agree and the Court may allow, this Scheme shall never become effective.

6. MODIFICATION

Severn Trent and the Company may jointly consent on behalf of all persons affected to any modification of, or addition to, this Scheme or to any condition approved or imposed by the Court. Any such modification or addition may require the consent of the Panel.

7. GOVERNING LAW

The Scheme is governed by English law and is subject to the exclusive jurisdiction of the English courts. The rules of the Takeover Code apply to the Scheme.

Dated: 2 December 2016

Part 5

Conditions to the Scheme Proposals and the implementation of the Scheme

1. CONDITIONS OF THE SCHEME

1.1 The Scheme will be conditional upon:

- (a) the Court Meeting and General Meeting being held on or before the 22nd day after 12 January 2017 (being the expected date of the Meetings) or such later date (if any) as Severn Trent and Dee Valley may agree;
- (b) the Scheme Court Hearing being held on or before the later of (i) the 22nd day after 18 January 2017 (being the expected date of the hearing date); and (ii) 7 days after all the Conditions other than this Condition 1.1(b), Conditions 1.2(c) and 1.2(d) are satisfied, or such later date (if any) as Severn Trent and Dee Valley may agree; and
- (c) the Scheme becoming unconditional and becoming Effective by no later than 31 May 2017 or such later date (if any) as Severn Trent and Dee Valley may agree and (if required) the Court may allow.

1.2 The Scheme will also be conditional on:

- (a) its approval by a majority in number of Scheme Shareholders present, entitled to vote and voting at the Court Meeting, or at any adjournment thereof, either in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares voted by them;
- (b) all resolutions required to approve and implement the Scheme (including, without limitation, to amend Dee Valley's articles of association) being duly passed by the requisite majority or majorities of the Voting Ordinary Shareholders at the General Meeting, or at any adjournment thereof;
- (c) the sanction of the Scheme by the Court (with or without modifications, on terms reasonably acceptable to Dee Valley and Severn Trent); and
- (d) an office copy of the Court Order being delivered for registration to the Registrar of Companies.

2. ADDITIONAL SCHEME CONDITIONS

2.1 The Scheme is also conditional on the following conditions having been satisfied or, where applicable, waived and accordingly the necessary actions to make the Scheme Effective will not be taken unless such conditions have been so satisfied or waived:

- (a) no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body, authority, court, trade agency, association, institution, environmental body, Merger Control Authority or any other person or body in any jurisdiction (each a "**Relevant Authority**") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation, enquiry or reference, or made, proposed or enacted any statute, regulation, order or decision or taken any other steps and there not continuing to be outstanding any statute, regulation, order or decision, which would or would reasonably be expected to:
 - (i) make the Acquisition or the acquisition of any Ordinary Shares, or control of Dee Valley by Severn Trent void, illegal or unenforceable or otherwise materially restrict, restrain, prohibit, delay or interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto, or require material amendment thereof or otherwise challenge or interfere therewith;
 - (ii) require or prevent the divestiture by any member of the Dee Valley Group or any company of which 20 per cent. or more of the voting capital is held by any member of the Dee Valley Group or any partnership, joint venture, firm or company in which any member of the Dee Valley Group may be interested (the "**wider Dee Valley Group**") or by any member of the Severn Trent Group or any associated undertaking or any company of which 20 per cent. or more of the voting capital is held by the Severn Trent Group or any partnership, joint venture, firm or company in which any member of the Severn Trent Group may be interested (the "**wider Severn Trent Group**") of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to

conduct their respective businesses or own any of their assets or property to an extent which is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;

- (iii) impose any limitation on or result in a delay in the ability of any member of the wider Dee Valley Group or the wider Severn Trent Group to acquire or to hold or to exercise effectively any rights of ownership of shares or loans or securities convertible into shares in any member of the wider Dee Valley Group or of the wider Severn Trent Group held or owned by it or to exercise management control over any member of the wider Dee Valley Group or of the wider Severn Trent Group to an extent which is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;
- (iv) require any member of the wider Severn Trent Group or the wider Dee Valley Group to acquire or offer to acquire any shares or other securities in any member of the wider Dee Valley Group where such acquisition or offer is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition; or
- (v) otherwise materially and adversely affect the assets, business, profits or prospects of any member of the wider Severn Trent Group or of any member of the wider Dee Valley Group;

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;

- (b) all necessary notifications and filings having been made, all applicable waiting periods (including any extensions thereof) under any applicable legislation or regulations of any jurisdiction having expired, lapsed or been terminated, in each case in respect of the Acquisition and the acquisition of any Ordinary Shares, or of control of Dee Valley, by Severn Trent, and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals (“**Authorisations**”) necessary or appropriate in any jurisdiction for, or in respect of, the Acquisition and the proposed acquisition of any Ordinary Shares, or of control of Dee Valley, by Severn Trent and to carry on the business of any member of the wider Severn Trent Group or of the wider Dee Valley Group having been obtained, in terms and in a form satisfactory to Severn Trent, from all appropriate Relevant Authorities and from any persons or bodies with whom any member of the wider Severn Trent Group or the wider Dee Valley Group has entered into contractual arrangements and all such Authorisations remaining in full force and effect at the time at which the Acquisition become Effective and Severn Trent having no knowledge of an intention or proposal to revoke, suspend or modify or not to renew any of the same and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (c) except as Fairly Disclosed, there being no provision of any arrangement, agreement, licence, permit or other instrument to which any member of the wider Dee Valley Group is a party or by or to which any such member or any of their assets is or may be bound, entitled or subject to and which, in consequence of the Acquisition or the acquisition or proposed acquisition of any Ordinary Shares, or control of Dee Valley, by Severn Trent or otherwise, would or would reasonably be expected to, result in:
 - (i) any monies borrowed by, or other indebtedness actual or contingent of, any such member of the wider Dee Valley Group being or becoming repayable or being capable of being declared repayable immediately or prior to its or their stated maturity or the ability of any such member to borrow monies or incur any indebtedness being inhibited or becoming capable of being withdrawn;
 - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such security (whenever arising or having arisen) being enforced or becoming enforceable;
 - (iii) any such arrangement, agreement, licence or instrument being terminated or adversely modified or any action being taken of an adverse nature or any obligation or liability arising thereunder;

- (iv) any assets of any such member being disposed of or charged, or right arising under which any such asset could be required to be disposed of or charged, other than in the ordinary course of business;
- (v) the interest or business of any such member of the wider Dee Valley Group in or with any firm or body or person, or any agreements or arrangements relating to such interest or business, being terminated or adversely modified or affected;
- (vi) any such member ceasing to be able to carry on business under any name under which it presently does so;
- (vii) the creation of liabilities (actual or contingent) by any such member; or
- (viii) the financial or trading position of any such member being prejudiced or adversely affected,

which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition, and no event having occurred which, under any provision of any arrangement, agreement, licence or other instrument to which any member of the wider Dee Valley Group is a party, or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or circumstances as are referred to in paragraphs (i) to (viii) of this condition (c);

- (d) except as Fairly Disclosed, no member of the wider Dee Valley Group having, since 31 March 2016:
 - (i) issued, agreed to issue or proposed the issue of additional shares or securities of any class, or securities convertible into, or exchangeable for or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities (save as between Dee Valley and wholly-owned subsidiaries of Dee Valley), or redeemed, purchased or reduced any part of its share capital;
 - (ii) sold or transferred or agreed to sell or transfer any Treasury Shares;
 - (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution other than to Dee Valley or a wholly-owned subsidiary of Dee Valley;
 - (iv) agreed, authorised, proposed or announced its intention to propose any merger or demerger or acquisition or disposal of assets or shares which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition or to any material change in its share or loan capital;
 - (v) issued, authorised or proposed the issue of any debentures or incurred any indebtedness or contingent liability which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;
 - (vi) acquired or disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset in a manner which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;
 - (vii) entered into or varied or announced its intention to enter into or vary any contract, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term or unusual nature or involves or could involve an obligation of a nature or magnitude which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;
 - (viii) entered into or proposed or announced its intention to enter into any reconstruction, amalgamation, transaction or arrangement which in each case is material in the context of the Dee Valley Group taken as a whole or material in the context of the Acquisition;
 - (ix) taken any action nor having had any steps taken or legal proceedings started or threatened against it for its winding-up or dissolution or for it to enter into any arrangement or composition for the benefit of its creditors, or for the appointment of a receiver, administrator, trustee or similar officer if it or any of its assets (or any analogous

- proceedings or appointment in any overseas jurisdiction) (save in respect of a member of the wider Dee Valley Group which is dormant and was solvent at the relevant time);
- (x) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
 - (xi) entered into or varied or made any offer to enter into or vary the terms of any service agreement or arrangement with any of the directors of Dee Valley other than (i) in accordance with ordinary course annual reviews in line with past practice in the two years prior to the date hereof and consistent with Dee Valley 's approved and published remuneration policy or (ii) as otherwise agreed with Severn Trent;
 - (xii) waived, compromised or settled any claim which is material in the context of the wider Dee Valley Group; or
 - (xiii) entered into or made an offer (which remains open for acceptance) to enter into any agreement, arrangement or commitment or passed any resolution with respect to any of the transactions or events referred to in this condition (d);
- (e) since 31 March 2016, save as Fairly Disclosed or as disclosed in this document:
- (i) there having been no adverse change in the business, assets, financial or trading position or profits or prospects of any member of the wider Dee Valley Group;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the wider Dee Valley Group and no enquiry or investigation by or complaint or reference to any Relevant Authority against or in respect of any member of the wider Dee Valley Group having been threatened, announced or instituted or remaining outstanding; and
 - (iii) no contingent or other liability having arisen or been incurred which might reasonably be expected to adversely affect any member of the Dee Valley Group;
- (f) Severn Trent not having discovered that, save as Fairly Disclosed:
- (i) the financial, business or other information concerning the wider Dee Valley Group which has been disclosed at any time by or on behalf of any member of the wider Dee Valley Group whether publicly (by the delivery of an announcement to a Regulatory Information Service) or to Severn Trent or its professional advisers, either contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not materially misleading;
 - (ii) any member of the wider Dee Valley Group is subject to any liability, contingent or otherwise, which is not disclosed in the annual report and accounts of Dee Valley for the financial year ended 31 March 2016;
 - (iii) any past or present member of the wider Dee Valley Group has not complied with all applicable legislation or regulations of any jurisdiction or any notice or requirement of any Relevant Authority with regard to the storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health which non-compliance would be likely to give rise to any liability (whether actual or contingent) on the part of any member of the wider Dee Valley Group;
 - (iv) there has been a disposal, spillage, emission, discharge or leak of waste or hazardous substance or any substance likely to impair the environment or harm human health on, or from, any land or other asset now or previously owned, occupied or made use of by any past or present member of the wider Dee Valley Group, or in which any such member may now or previously have had an interest, which would be likely to give rise to any liability (whether actual or contingent) on the part of any member of the wider Dee Valley Group;
 - (v) there is or is reasonably likely to be any obligation or liability (whether actual or contingent) to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the wider Dee Valley Group or

in which any such member may now or previously have had an interest under any environmental legislation or regulation or notice, circular or order of any Relevant Authority in any jurisdiction; or

- (vi) circumstances exist whereby a person or class of persons would be reasonably likely to have any claim or claims in respect of any product or process of manufacture, or materials used therein, now or previously manufactured, sold or carried out by any past or present member of the wider Dee Valley Group which claim or claims would be reasonably likely to affect adversely any member of the wider Dee Valley Group.

Conditions (a) to (f) inclusive must be fulfilled, be determined by Severn Trent to be or remain satisfied or (if capable of waiver) be waived by Severn Trent by 11.59 p.m. on the date immediately preceding the Scheme Court Hearing (or such later date as agreed between Dee Valley and Severn Trent and with the approval of the Panel (if required)), failing which the Scheme shall lapse.

- 2.2 To the extent permitted by law and subject to the requirements of the Panel, Severn Trent reserves the right to waive all or any of Conditions 1.1, 2.1(a) to (f) inclusive, in whole or in part. Severn Trent shall be under no obligation to waive or treat as fulfilled any of Conditions 2.1(a) to (f) inclusive by a date earlier than the date specified above in Condition 1.1 for the fulfilment thereof notwithstanding that the other Conditions of the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

3. CERTAIN FURTHER TERMS OF THE SCHEME

- 3.1 Severn Trent reserves the right, subject to the prior consent of the Panel, to elect to implement the Acquisition of the Voting Ordinary Shares by way of takeover offer (as defined in section 974 of the Companies Act). In such event, such offer will (unless otherwise determined by Severn Trent and subject to the consent of the Panel) be implemented on the same terms and conditions subject to appropriate amendments to reflect the change in method of effecting the Acquisition, which may include changing the consideration structure under the terms of the Acquisition and (without limitation and subject to the consent of the Panel) acceptance conditions set at: (i) 90 per cent. (or such lesser percentage, being more than 50 per cent., as Severn Trent may decide) of the voting rights then exercisable at a general meeting of the holders of the Voting Ordinary Shares, including, for this purpose, any such voting rights attaching to Voting Ordinary Shares that are unconditionally allotted or issued, and to any Treasury Shares which are unconditionally transferred or sold by Dee Valley, before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, and (ii) 90 per cent. (or such lesser percentage, being more than 50 per cent., as Severn Trent may decide) of the Voting Ordinary Shares in issue before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.
- 3.2 If Severn Trent is required by the Panel to make an offer for Voting Ordinary Shares under the provisions of Rule 9 of the Code, Severn Trent may make such alterations to any of the above conditions as are necessary to comply with the provisions of that Rule.
- 3.3 The Scheme and any dispute or claim arising out of, or in connection with, them (whether contractual or non-contractual in nature) will be governed by English law and will be subject to the jurisdiction of the Courts of England.
- 3.4 The Voting Ordinary Shares will be acquired under the Scheme fully paid and free from all liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions and returns of value declared, paid or made after the Effective Date. If any dividend or other distribution or return of value is proposed, declared, made, paid or becomes payable by Dee Valley in respect of a Voting Ordinary Share on or after 16 November 2016 and prior to end of the Offer Period, Severn Trent will have the right to reduce the value of the consideration payable for each Voting Ordinary Share by up to the amount per Voting Ordinary Share of such dividend, distribution or return of value except where the Voting Ordinary Share is or will be acquired pursuant to the Scheme on a basis which entitles Severn Trent to receive the dividend, distribution or return of value and to retain it. If Severn

Trent exercises such right to reduce the value of the consideration payable for each Voting Ordinary Share by the amount per Scheme Share of any dividend that has not been paid, the Voting Ordinary Shareholders shall be entitled to receive and retain such dividend when paid. If any such dividend or distribution or return of value is paid or made after 16 November 2016 and Severn Trent exercises its rights described above, any reference in this document to the consideration payable under the Scheme shall be deemed to be a reference to the consideration as so reduced. Any exercise by Severn Trent of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Scheme.

- 3.5 Under Rule 13.5 of the Code, Severn Trent may not invoke a condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to Severn Trent in the context of the Acquisition. The conditions contained in paragraphs 1.1 and 1.2 of this Part 5 are not subject to this provision of the Code.
- 3.6 The Scheme will not proceed if the CMA makes a Phase 2 CMA Reference in respect of the Acquisition before the date of the Court Meeting. In such event neither Dee Valley, Severn Trent nor any Ordinary Shareholder will be bound by any term of the Scheme.

Part 6
Condition and Further Terms of the Contractual Offer

Section A
Condition to the Contractual Offer

1. CONDITION TO THE CONTRACTUAL OFFER

The Contractual Offer is subject to the single condition that the Scheme has become Effective.

No minimum acceptance condition applies to the Contractual Offer.

Section B
Further terms of the Contractual Offer

1. FURTHER TERMS OF THE CONTRACTUAL OFFER

Except where the context requires otherwise, any reference in Sections B, C and D of this Part 6 and in the Form of Acceptance:

- 1.1 to the **Contractual Offer** will include any revision, variation or extension of the Contractual Offer;
- 1.2 to the **Contractual Offer becoming unconditional** will include the Offer becoming or being declared unconditional;
- 1.3 to **acceptances of the Contractual Offer** includes deemed acceptances of the Contractual Offer;
- 1.4 to an **extension of the Contractual Offer** includes a reference to an extension of the date by which the Contractual Offer Condition has to be fulfilled; and
- 1.5 to the **Scheme Document** will mean this document and any other document containing the Contractual Offer. In Sections B, C and D of this Part 6 and in the Form of Acceptance:
 - (a) **First Closing Date** means 18 January 2017;
 - (b) **Day 39** means 10 January 2017 or such later date as the Panel may agree;
 - (c) **Day 46** means 17 January 2017 or such later date as the Panel may agree; and
 - (d) **Day 60** means 31 January 2017 or such later date as may be determined by Severn Trent with the agreement of the Panel to be the last date for fulfilment of the Contractual Offer Condition in accordance with the Takeover Code.
- 1.6 The following further terms apply, unless the context requires otherwise, to the Contractual Offer.

2. ACCEPTANCE PERIOD

- 2.1 The Contractual Offer is initially open for acceptance until 1:00 pm on the First Closing Date.
- 2.2 Although no revision is envisaged, if the Contractual Offer is revised it will remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) following the date written notice of the revision is sent to Non-Voting Ordinary Shareholders. Except with the consent of the Panel, no revision of the Contractual Offer may be made after Day 46 or, if later, the date 14 calendar days before the last date on which the Contractual Offer can become unconditional.
- 2.3 The Contractual Offer, whether revised or not, will not (except with the consent of the Panel) be capable of becoming unconditional after midnight (London time) on Day 60 (or any other time and/or date beyond which Severn Trent has stated that the Contractual Offer will not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptances after that time and/or date unless the Contractual Offer has previously become unconditional, provided that Severn Trent reserves the right, with the permission of the Panel, to extend the Contractual Offer to later time(s) and/or date(s).
- 2.4 If the Contractual Offer becomes unconditional, it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Contractual Offer has become unconditional and it is stated that the Contractual Offer will remain open until further notice, then not less than 14 calendar days' notice in writing will be given before the closing of the

Contractual Offer by or on behalf of Severn Trent to those Non-Voting Ordinary Shareholders who have not accepted the Contractual Offer before closing the Contractual Offer.

2.5 If a competitive situation arises (as determined by the Panel) and is continuing on Day 60, Severn Trent will enable holders of Non-Voting Ordinary Shares held in uncertificated form who have not already validly accepted the Contractual Offer but who have previously accepted the competing offer to accept the Contractual Offer by special form of acceptance to take effect on the day that: (i) it is received by the Receiving Agent on or before Day 60; (ii) the relevant Non-Voting Ordinary Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Non-Voting Ordinary Shares held in uncertificated form to which such withdrawal relates shall not have been released from escrow before Day 60 by the Escrow Agent to the competing offer; and (iii) the Non-Voting Ordinary Shares held in uncertificated form to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from Severn Trent in Part 2 of this document on or before Day 60, but an undertaking is given that they will be so transferred as soon as possible thereafter. Non-Voting Ordinary Shareholders wishing to use such forms of acceptance should apply to Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Notwithstanding the right to use such special form of acceptance, holders of Non-Voting Ordinary Shares held in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Contractual Offer in respect of such shares.

2.6 If a competitive situation arises (as determined by the Panel) after Severn Trent has made a “**no increase**” statement and/or a “**no extension**” statement (as referred to in the Takeover Code) in connection with the Contractual Offer, Severn Trent may, if it specifically reserves the right to do so at the time such statement is made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and be free to revise and/or extend the Contractual Offer provided it complies with the requirements of the Takeover Code and in particular that:

- (a) it announces the withdrawal as soon as possible and in any event within four Business Days of the firm announcement of the competing offer or other competitive situation;
- (b) it notifies Non-Voting Ordinary Shareholders (and persons with information rights) to that effect in writing at the earliest opportunity or, in the case of Non-Voting Ordinary Shareholders with registered addresses outside the United Kingdom or whom Severn Trent knows to be agents, nominees, custodians or trustees holding Non-Voting Ordinary Shares for such persons, by announcement in the United Kingdom at the earliest opportunity;
- (c) any Non-Voting Ordinary Shareholders who accepted the Contractual Offer after the date of the “no increase” or “no extension” statement is given a right of withdrawal in accordance with paragraph 4.4 of this Section B of this Part 6.

Severn Trent may choose not to be bound by a “no increase” or “no extension” statement if, having reserved the right to do so, it publishes an increased or improved offer (either as to the value or form of the consideration or otherwise) which is recommended for acceptance by the Dee Valley Directors, or in other circumstances permitted by the Panel.

- (d) Severn Trent may, if it has reserved the right to do so if Dee Valley makes an announcement of the kind referred to in Rule 31.9 of the Takeover Code after Day 39, choose not to be bound by a “no increase” and/or “no extension” statement and revise and/or extend the Contractual Offer with the consent of the Panel, provided Severn Trent complies with the requirements of the Takeover Code and in particular, that notice to this effect is published as soon as possible and in any event within four Business Days after the date of the Dee Valley announcement and Non-Voting Ordinary Shareholders are notified in writing (or in the case of Non-Voting Ordinary Shareholders with registered addresses outside the United Kingdom or who Severn Trent knows to be agents, nominees, custodians or trustees holding Non-Voting Ordinary Shares for such persons, by announcement in the United Kingdom) at the earliest opportunity.

3. ANNOUNCEMENTS

3.1 Without prejudice to paragraph 4.1 of this Section B of this Part 6, by 8:00 am (London time) on the Business Day (the “**relevant day**”) following the day on which the Contractual Offer is due to expire or becomes unconditional or is revised or is extended, as the case may be (or such later time or date as the Panel may agree), Severn Trent will make an appropriate announcement and simultaneously send the announcement to a Regulatory Information Service. In the announcement, Severn Trent shall state (unless otherwise permitted by the Panel):

- (a) the total number of Non-Voting Ordinary Shares for which acceptances of the Contractual Offer have been received, specifying the extent to which acceptances have been received from persons acting or deemed to be acting in concert with Severn Trent for the purposes of the Contractual Offer or in respect of Non-Voting Ordinary Shares which were subject to an irrevocable commitment or a letter of intent procured by Severn Trent or any persons acting in concert with it;
- (b) details of any relevant securities of Dee Valley in which Severn Trent or any person acting in concert with Severn Trent has:
 - (A) an interest or in respect of which it has a right to subscribe in each case specifying the nature of the interests or rights concerned; and
 - (B) any short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (c) details of any relevant securities of Dee Valley in respect of which Severn Trent or any person acting in concert with Severn Trent has an outstanding irrevocable commitment or letter of intent; and
- (d) details of any relevant securities of Dee Valley which Severn Trent or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold,

and will, in each case, specify the percentages of each class of relevant securities of Dee Valley represented by each of these figures.

Any decision to extend the time and/or date by which the Contractual Offer Condition has to be satisfied may be made at any time up to, and will be announced no later than 8:00 am (London time) on the relevant day (or such later time and/or date as the Panel may agree). The announcement will also state the next expiry date unless the Contractual Offer is unconditional, in which case it may instead state that the Contractual Offer will remain open until further notice, and will state the information specified in paragraphs 3.1(a) to (d) inclusive of paragraph 3.1 of this Section B of this Part 6.

3.2 In calculating the number of Non-Voting Ordinary Shares represented by acceptances and purchases, Severn Trent may only include acceptances and purchases if they could count towards fulfilling an acceptance condition under Notes 4, 5 and 6 on Rule 10 of the Takeover Code, unless the Panel agrees otherwise. Subject to this, Severn Trent may include or exclude for announcement purposes acceptances and/or purchases which are not complete in all respects or which are subject to verification.

3.3 In this Part 6, references to the making of an announcement or the giving of notice by Severn Trent include the release of an announcement to the press and the delivery by hand or telephone or facsimile transmission or other electronic transmission of an announcement to a Regulatory Information Service in each case by or on behalf of Severn Trent. An announcement made otherwise than to a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service (unless the Panel otherwise agrees).

3.4 A copy of any announcement made by Severn Trent in accordance with this paragraph 3 will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Dee Valley’s website at <https://www.deevalleywater.co.uk/> as soon as possible and in any event by no later than 12 noon on the Business Day following the announcement.

3.5 Without limiting the manner in which Severn Trent may choose to make any public statement and subject to Severn Trent's obligations under applicable law and rules and paragraph 3.4 above, Severn Trent will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

4. RIGHTS OF WITHDRAWAL

- 4.1 If Severn Trent, having announced the Contractual Offer to be unconditional, fails by 3:00 pm (London time) on the relevant day (or such later time and/or date as the Panel may agree) to comply with any of the other relevant requirements specified in paragraph 3.1 of this Section B of this Part 6, an accepting Non-Voting Ordinary Shareholder may (unless the Panel otherwise agrees) immediately after that time withdraw his acceptance of the Contractual Offer by written notice signed by the accepting Non-Voting Ordinary Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to Severn Trent, is produced with the notice) given by post or by hand (during normal business hours) to the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Alternatively, in the case of Non-Voting Ordinary Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 4.7 of this Section B of this Part 6. Subject to paragraph 2.3 of this Section B of this Part 6, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Severn Trent confirming, if that be the case, that the Contractual Offer is still unconditional and complying with the other relevant requirements specified in paragraph 3.1 of this Section B of this Part 6. If any such confirmation is given, the first period of 14 calendar days referred to in paragraph 2.4 of this Section B of this Part 6 will run from the date of that confirmation and compliance.
- 4.2 If by 3:00 pm on 13 January 2017 (or such later time and/or date as the Panel may agree) the Contractual Offer has not become unconditional, an accepting Non-Voting Ordinary Shareholder may withdraw his acceptance at any time thereafter in the manner referred to in paragraph 4.1 of this Section B of this Part 6 (or, in the case of Non-Voting Ordinary Shares held in uncertificated form, in the manner set out in paragraph 4.7 of this Section B of this Part 6), before the earlier of:
- (a) the time that the Contractual Offer becomes unconditional; and
 - (b) the final time for lodgement of acceptances which can be taken into account in accordance with paragraph 2.3 of this Section B of this Part 6.
- 4.3 If an accepting Non-Voting Ordinary Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 days) and the Receiving Agent will immediately give instructions for the release of securities held in escrow.
- 4.4 If a "no extension" and/or "no increase" statement is withdrawn in accordance with paragraph 2.6 of this Section B of this Part 6 any acceptance made by a Non-Voting Ordinary Shareholder after the date of that statement may be withdrawn thereafter in the manner referred to in paragraph 4.1 of this Section B of this Part 6 (or, in the case of Non-Voting Ordinary Shares held in uncertificated form, in the manner set out in paragraph 4.7 of this Section B of this Part 6) for a period of eight calendar days following the date on which the notice of the withdrawal of such statement is published.
- 4.5 Except as provided by this paragraph 4, acceptances of, and elections under, the Contractual Offer will be irrevocable.
- 4.6 In this paragraph 4, **written notice** (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Non-Voting Ordinary Shareholder or his/their agent(s) duly appointed in writing (evidence of whose appointment satisfactory to Severn Trent is produced with the notice) given by post or by hand (during normal working hours) to the Receiving Agent, Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. E-mail, facsimile or other electronic transmissions or copies will not be sufficient. No notice which is post-marked in, or otherwise appears to Severn Trent or its agents to have been sent from, any Restricted Jurisdiction will be treated as valid. The notice must include all relevant information to enable the Receiving Agent to identify the Non-Voting Ordinary Shares to be withdrawn and a contact telephone number for the Non-Voting Ordinary Shareholder.

4.7 In the case of Non-Voting Ordinary Shares held in uncertificated form (i.e. CREST), if withdrawals are permitted pursuant to paragraph 4.1, 4.2 or 4.4 of this Section B of this Part 6, an accepting Non-Voting Ordinary Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA Instruction must, in order for it to be valid and settle, include the following details:

- the number of Non-Voting Ordinary Shares to be withdrawn, together with their ISIN number which is GB0031801367;
- the member account ID of the accepting shareholder, together with his participant ID;
- the member account ID of the Escrow Agent (this is 29013DVG) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is RA10);
- the transaction reference number of the Electronic Acceptance to be inserted in the shared notefield;
- the intended settlement date for the withdrawal;
- the corporate action number for the Contractual Offer; and
- input with standard delivery instruction of priority 80.

Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent will on behalf of Severn Trent reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

4.8 Any question as to the validity (including time receipt) of any notice of withdrawal will be determined by Severn Trent, whose determination, except as otherwise may be determined by the Panel, will be final and binding. Neither Severn Trent, Dee Valley nor the Receiving Agent nor any other person, will be under any duty to give notification of any defect in any notice of withdrawal or will incur any liability for failure to do so.

5. REVISED OFFER

5.1 Although no such revision is envisaged, if the Contractual Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or form of the consideration offered or otherwise), and any such revised Contractual Offer represents, on the date on which the revision is announced (on such basis as Severn Trent's then financial adviser, acting reasonably and solely in its capacity as such, may consider appropriate), an improvement (or no diminution) in the value of the consideration of the Contractual Offer as so revised compared with the value of the consideration or terms previously offered, or in the overall value received by a Non-Voting Ordinary Shareholder (under or in consequence of the Contractual Offer or otherwise), the benefit of the revised Contractual Offer will, subject to paragraphs 5.6, 5.7 and 6 of this Section B of this Part 6 be made available to any Non-Voting Ordinary Shareholder who has validly accepted the Contractual Offer in its original or any previously revised form(s) and who has not validly withdrawn such acceptance (a **Previous Acceptor**). The acceptance by or on behalf of a Previous Acceptor of the Contractual Offer in its original or any previously revised form(s) shall, subject to paragraphs 5.6, 5.7 and 6 of this Section B of this Part 6, be deemed to be an acceptance of the Contractual Offer as so revised and will also constitute an authority to Severn Trent or any of its directors, authorised representatives and agents as his attorney and/or agent (**attorney**):

- (a) to accept any such revised Contractual Offer on behalf of such Previous Acceptor;
- (b) if such revised Contractual Offer includes alternative forms of consideration, to make on his behalf elections for and/or accept such alternative forms of consideration on his behalf in such proportions as such attorney in his absolute discretion thinks fit; and
- (c) to execute on behalf of and in the name of such Previous Acceptor all such further documents and take such further actions (if any) as may be required to give effect to such acceptances and/or elections.

In making any such acceptance or making any such election, the attorney will take into account the nature of any previous acceptances and/or elections made by the Previous Acceptor and such

other facts or matters as he may reasonably consider relevant. The attorney shall not be liable to any Non-Voting Ordinary Shareholder or any other person in making such acceptance or in making any determination in respect of it.

- 5.2 The powers of attorney and authorities conferred by this paragraph 5, and any acceptance of a revised Contractual Offer, shall be irrevocable unless and until the Previous Acceptor withdraws his acceptance having become entitled to do so under paragraph 4 of this Section B of this Part 6.
- 5.3 Severn Trent, the Receiving Agent and the Escrow Agent reserve the right (subject to paragraph 5.1 of this Section B of this Part 6) to treat an executed Form of Acceptance or TTE Instruction relating to the Contractual Offer in its original or any previously revised form(s) which is received (or dated) on or after the announcement or issue of the Contractual Offer in any revised form as a valid acceptance of the revised Contractual Offer (and, where applicable, a valid election for the alternative form(s) of consideration). Such acceptance will constitute an authority in the terms of paragraph 5.1 of this Section B of this Part 6, mutatis mutandis, on behalf of the relevant Non-Voting Ordinary Shareholder.
- 5.4 Although no revision is contemplated, if the Contractual Offer is revised, a revised offer document will be published. On the day of publication, Severn Trent will publish the document on its website or on Dee Valley's website and will announce that the document has been so published. Where necessary, a circular containing the opinion of the Dee Valley Directors on the revised Contractual Offer will be published. On the day of publication, Dee Valley will publish the document on its website and will announce that it has been so published.
- 5.5 Although no revision is contemplated, if a revised Contractual Offer document is published, both Severn Trent and Dee Valley will make the revised Contractual Offer document readily and promptly available to the representatives of the employees of Severn Trent (if any) and Dee Valley respectively or, where there are no such representatives, to the employees themselves. Dee Valley will make any circular published by the Dee Valley Directors readily and promptly available to its employee representatives or, where there are no such representatives, to the employees themselves.
- 5.6 The deemed acceptances referred to in this paragraph 5 shall not apply and the authorities conferred by this paragraph 5 shall not be exercised by Severn Trent or any of their respective directors, authorised representatives and agents if, as a result thereof, the Previous Acceptor would (on such basis as Severn Trent's then financial adviser, acting reasonably and solely in its capacity as such may consider appropriate) thereby receive under or in consequence of the Contractual Offer and/or any alternative pursuant thereto as revised or otherwise less in aggregate consideration under the revised Contractual Offer than he would have received in aggregate consideration as a result of acceptance of the Contractual Offer in the form in which it was originally accepted by him or on his behalf, having regard to any previous acceptance or election originally made by him, unless the Previous Acceptor has previously otherwise agreed in writing.
- 5.7 The deemed acceptances referred to in this paragraph 5 will not apply, and the authorities conferred by this paragraph will be ineffective, to the extent that a Previous Acceptor:
- (a) in respect of Non-Voting Ordinary Shares in certificated form, lodged with the Receiving Agent in the manner specified in paragraph 4.1 of this Section B of this Part 6, within 14 calendar days of the publication of the document pursuant to which the revision of the Contractual Offer is made available to Non-Voting Ordinary Shareholders, a Form of Acceptance or some other form issued by or on behalf of Severn Trent in which the Non-Voting Ordinary Shareholder validly elects to receive the consideration receivable by him under such revised Contractual Offer in some other manner than that set out in his original acceptance; or
 - (b) in respect of Non-Voting Ordinary Shares held in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA Instruction must, in order for it to be valid and settle, include the following details:
 - the number of Non-Voting Ordinary Shares in respect of which the changed election is made, together with their ISIN number which is GB0031801367;
 - the member account ID of the Previous Acceptor, together with his participant ID;

- the member account ID of the Escrow Agent (this is 29013DVG) included in the relevant Electronic Acceptance, together with the Escrow Agent's participant ID (this is RA10);
- the transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
- the intended settlement date for the changed election;
- the corporate action number for the Contractual Offer,
- and, in order that the desired change of election can be effected, must include:
- the member account ID of the Escrow Agent relevant to the new election; and
- input with standard delivery instruction of priority 80.

Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent will on behalf of Severn Trent reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

6. OVERSEAS SHAREHOLDERS

- 6.1 The making of the Contractual Offer in jurisdictions outside the United Kingdom or to overseas shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Such shareholders should inform themselves about, and observe, any applicable legal requirements. No person receiving a copy of this document and/or a Form of Acceptance in any jurisdiction outside the United Kingdom may treat it as constituting an invitation or offer to him or her, nor should he or she in any event use such Form of Acceptance, if, in the relevant jurisdiction, such invitation or offer cannot lawfully be made to him or her or such Form of Acceptance cannot lawfully be used without contravention of any relevant or other legal requirements. In such circumstances, this document and/or such Form of Acceptance are deemed to be sent for information purposes only. It is the responsibility of any Overseas Shareholder wishing to accept the Contractual Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Contractual Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such Overseas Shareholder will be responsible for the payment of any issue, transfer or other taxes due in that jurisdiction of whomsoever payable and Severn Trent, (and any person acting on its behalf) shall be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. If you are an Overseas Shareholder and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.
- 6.2 In particular, the Contractual Offer is not being made, directly or indirectly, in or into or by use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange, the United States or any other Restricted Jurisdiction and the Contractual Offer cannot be accepted by any such use, means or instrumentality or otherwise from the United States or any other Restricted Jurisdiction. Such means or instrumentalities include, but are not limited to, facsimile transmission, telex, telephone and internet.
- 6.3 Accordingly, copies of this document, the Form of Acceptance and any related offer document(s) are not, and must not be, mailed or otherwise distributed or sent in or into the United States or any other Restricted Jurisdiction including to Non-Voting Ordinary Shareholders or persons with information rights or to persons whom Severn Trent knows to be agents, nominees, custodians or trustees holding Non-Voting Ordinary Shares for such persons. Persons receiving such documents (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail them in, into or from the United States or any other Restricted Jurisdiction or use any such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, in connection with the Contractual Offer, and doing so may render invalid any related purported acceptance of the Contractual Offer. Persons wishing to accept the Contractual Offer must not use the mails of the United States or any other Restricted Jurisdiction or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the

Contractual Offer. All Non-Voting Ordinary Shareholders (including nominees, trustees and custodians) who have a contractual or legal obligation, or may otherwise intend, to forward this document, the Form of Acceptance or any related document, should read further the details in this regard which are contained in this paragraph 6 of this Section B and in Section C and Section D of this Part 6 before taking any action. Envelopes containing the Form of Acceptance or other documents relating to the Contractual Offer must not be postmarked in or otherwise despatched from the United States or any other Restricted Jurisdiction and all acceptors must provide addresses outside the United States or any other Restricted Jurisdiction for the receipt of the consideration to which they are entitled under the Contractual Offer and which is despatched by post or for the return of the Form of Acceptance and (in relation to Non-Voting Ordinary Shares in certificated form) any Dee Valley share certificate(s) and/or other document(s) of title.

- 6.4 Subject as provided below, a Non-Voting Ordinary Shareholder will be deemed not to have accepted the Contractual Offer if:
- (a) he puts "NO" in Box 5 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph 1.3 of Section C of this Part 6;
 - (b) he completes Box 6 of the Form of Acceptance with an address in any Restricted Jurisdiction or has a registered address in any Restricted Jurisdiction and in either case he does not insert in Box 6 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Contractual Offer be sent, subject to the provisions of this paragraph and applicable laws;
 - (c) he inserts in Box 2 of the Form of Acceptance a telephone number in a Restricted Jurisdiction for use in the event of queries;
 - (d) a Form of Acceptance received from him is received in an envelope postmarked in, or otherwise appears to Severn Trent or its agents to have been sent from, any Restricted Jurisdiction; or
 - (e) he makes a Restricted Escrow Transfer pursuant to paragraph 6.8 of this Section B of this Part 6 unless he also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

Severn Trent reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph 1.3 of Section C of this Part 6 (or, as the case may be, paragraph 1.2 of Section D of this Part 6) could have been truthfully given by the relevant Non-Voting Ordinary Shareholder and, if such investigation is made and as a result Severn Trent determines that such representations and warranties could not have been so given, such acceptance may be rejected as invalid.

- 6.5 If, notwithstanding the restrictions described above, any person (including, without limitation, agents, nominees, custodians and trustees) whether pursuant to a contractual or legal obligation or otherwise forwards this document, the Form of Acceptance or any related offer document in, into or from the United States or any other Restricted Jurisdiction or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or any other Restricted Jurisdiction in connection with such forwarding, such person should:
- (a) inform the recipient of such fact;
 - (b) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - (c) draw the attention of the recipient to this paragraph 6.
- 6.6 Notwithstanding anything to the contrary contained in this document or the Form of Acceptance, Severn Trent may in its sole and absolute discretion make the Contractual Offer (with or without giving effect to the foregoing paragraphs of this paragraph 6) in any Restricted Jurisdiction pursuant to an exemption under applicable law in a Restricted Jurisdiction or if Severn Trent is satisfied in that particular case that to do so would not constitute a breach of any securities or other relevant legislation of any Restricted Jurisdiction, and in this connection the provisions of

paragraph 1.3 of Section C of this Part 6 and paragraph 1.2 of Section D of this Part 6 will be varied accordingly.

- 6.7 The provisions of this paragraph 6 supersede any terms of the Contractual Offer inconsistent with them. The provisions of this paragraph 6 and/or any other terms of the Contractual Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Non-Voting Ordinary Shareholder(s) or on a general basis by Severn Trent in its absolute discretion.
- 6.8 If a holder of Non-Voting Ordinary Shares held in uncertificated form is unable to give the warranty set out in paragraph 1.2 of Section D of this Part 6, but nevertheless can provide evidence satisfactory to Severn Trent that he is able to accept the Contractual Offer in compliance with all relevant legal and regulatory requirements, he may only purport to accept the Contractual Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both: (i) a TTE Instruction to a designated escrow balance detailed below (a “**Restricted Escrow Transfer**”); and (ii) one or more valid ESA Instructions (a “**Restricted ESA Instruction**”) which specify the form of consideration which he wishes to receive (consistent with the alternatives offered under the Contractual Offer). Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and Severn Trent decides, in its absolute discretion, to exercise its right described in paragraph 6.7 of this Section B of this Part 6 to waive, vary or modify the terms of the Contractual Offer relating to Overseas Shareholders, to the extent required to permit such acceptance to be made, in each case during the acceptance period set out in paragraph 2 of this Section B of this Part 6. If Severn Trent accordingly decides to permit such acceptance to be made, the Receiving Agent will on behalf of Severn Trent accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, the Receiving Agent will on behalf of Severn Trent reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message.

Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the ISIN number for the Non-Voting Ordinary Shares (this is GB0031801367);
- the number of Non-Voting Ordinary Shares in respect of which the Contractual Offer is to be accepted;
- the member account ID and participant ID of the Non-Voting Ordinary Shareholder;
- the participant ID of the Escrow Agent (this is RA10) and its member account ID specific to a Restricted Escrow Transfer (this is RESTRICT);
- the intended settlement date;
- the corporate action reference number for the Contractual Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input standard delivery instruction of priority 80; and
- contact name and telephone number to be inserted in the shared note field.

Each Restricted ESA Instruction must, in order for it to be valid and settle, include the following details:

- the ISIN number for the Non-Voting Ordinary Shares (this is GB0031801367);
- the number of Non-Voting Ordinary Shares relevant to that Restricted ESA Instruction;
- the member account ID and participant ID of the accepting Non-Voting Ordinary Shareholder;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer;
- the participant ID and the member account ID of the Escrow Agent relevant to the form of consideration required (details of which are set out in the letter from Severn Trent contained in this document);

- the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
- the intended settlement date;
- the corporate action number for the Contractual Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- input standard delivery instruction priority of 80.

7. GENERAL

- 7.1 Severn Trent reserves the right (subject to the requirements of the Takeover Code and the Panel) to waive the Contractual Offer Condition in paragraph 1 of Section A of this Part 6, at its absolute discretion.
- 7.2 Severn Trent shall be under no obligation to waive or treat as fulfilled the Contractual Offer Condition in paragraph 1 of Section A of this Part 6 by a date earlier than the latest date specified below for the fulfilment of the Contractual Offer Condition.
- 7.3 The Contractual Offer will lapse unless the Contractual Offer Condition has been fulfilled or waived, or, where appropriate, determined by Severn Trent to have been or continue to be satisfied by midnight (London time) on the date which is 21 days after the First Closing Date (or such later date (if any) as Severn Trent and Dee Valley may, with the consent of the Panel, agree).
- 7.4 The Non-Voting Ordinary Shares will be acquired under the Contractual Offer free from all liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third-party rights or interests of any nature whatsoever and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions and returns of value declared, paid or made after the Effective Date. If any dividend or other distribution or return of value is proposed, declared, made, paid or becomes payable by Dee Valley in respect of a Non-Voting Ordinary Share on or after 16 November 2016 and prior to end of the Offer Period, Severn Trent will have the right to reduce the value of the consideration payable for each Non-Voting Ordinary Share by up to the amount per Non-Voting Ordinary Share of such dividend, distribution or return of value except where the Non-Voting Ordinary Share is or will be acquired pursuant to the Contractual Offer on a basis which entitles Severn Trent to receive the dividend, distribution or return of value and to retain it. If Severn Trent exercises such right to reduce the value of the consideration payable for each Non-Voting Ordinary Share by the amount per Non-Voting Ordinary Share of any dividend that has not been paid, the Non-Voting Ordinary Shareholders shall be entitled to receive and retain such dividend when paid. If any such dividend or distribution or return of value is paid or made after 16 November 2016 and Severn Trent exercises its rights described above, any reference in this document to the consideration payable under the Contractual Offer shall be deemed to be a reference to the consideration as so reduced. Any exercise by Severn Trent of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Contractual Offer.
- 7.5 Severn Trent reserves the right, subject to the consent of the Panel, to effect the proposed acquisition of Non-Voting Ordinary Shares by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. In such event, the scheme of arrangement in relation to the Non-Voting Ordinary Shares will be implemented on substantially the same terms as those which would apply to the Contractual Offer (subject to appropriate amendments).
- 7.6 Under Rule 13.5 of the Takeover Code, bidders may not invoke a condition to an offer so as to cause the offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to the bidder in the context of the offer. The determination of whether or not such a condition can be invoked would be determined by the Panel. The Contractual Offer Condition is not subject to this provision of the Takeover Code.
- 7.7 If the Contractual Offer lapses, it will cease to be capable of further acceptance and accepting Non-Voting Ordinary Shareholders and Severn Trent will cease to be bound by: (i) in the case of Non-Voting Ordinary Shares held in certificated form, Forms of Acceptance; and (ii) in the case of holders of Non-Voting Ordinary Shares held in uncertificated form, Electronic Acceptances inputted and settled, in each case submitted before the time the Contractual Offer lapses.

- 7.8 If the Contractual Offer Condition is satisfied, fulfilled or, to the extent permitted, waived and sufficient acceptances are received and/or sufficient Non-Voting Ordinary Shares are otherwise acquired, Severn Trent intends to exercise its rights to acquire compulsorily any outstanding Non-Voting Ordinary Shares. Severn Trent intends to procure the making of an application by Dee Valley to the appropriate authorities for the cancellation of the listing and the admission to trading of the Non-Voting Ordinary Shares with effect on the Effective Date of the Scheme.
- 7.9 Except with the consent of the Panel, settlement of the consideration to which any Non-Voting Ordinary Shareholder is entitled under the Contractual Offer will be implemented in full in accordance with the terms of the Contractual Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Severn Trent may otherwise be, or claim to be, entitled as against such Non-Voting Ordinary Shareholder and will be effected:
- (a) in the case of acceptances of the Contractual Offer received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s) and/or other documents of title or indemnities satisfactory to Severn Trent) by the date on which the Contractual Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; or
 - (b) in the case of acceptances of the Contractual Offer received, complete in all respects, after the date on which the Contractual Offer becomes or is declared unconditional in all respects, but while it remains open for acceptance, within 14 calendar days of such receipt.
- 7.10 All cash payments (other than payments made by means of CREST) will be made by cheque drawn on a branch of a United Kingdom clearing bank. No consideration will be sent to an address in a Restricted Jurisdiction.
- 7.11 Notwithstanding the right reserved by Severn Trent to treat an acceptance of the Contractual Offer as valid (even though, in the case of Non-Voting Ordinary Shares held in certificated form, the relevant Form of Acceptance is not entirely in order or not accompanied by the relevant share certificate(s) and/or other documents of title), except as otherwise agreed with the Panel:
- (a) an acceptance of the Contractual Offer will only be counted in any announcement of acceptances of the Contractual Offer if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Takeover Code as satisfied in respect of it;
 - (b) a purchase of Non-Voting Ordinary Shares by Severn Trent or its nominee (or, if relevant, any person acting in concert with Severn Trent, or its nominee) will only be counted in any announcement of acceptances of the Contractual Offer if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Takeover Code are satisfied in respect of it; and
 - (c) Severn Trent will procure that the Receiving Agent issues a certificate to Severn Trent or its agents stating the number of Non-Voting Ordinary Shares in respect of which acceptances have been received which comply with subparagraph (a) above and the number of Non-Voting Ordinary Shares otherwise acquired, whether before or during the Contractual Offer Period, which comply with subparagraph (b) above. Severn Trent will procure that a copy of such certificate is sent to the Panel and to Dee Valley's financial advisers as soon as possible after it is issued. The expression Contractual Offer Period when used in this paragraph 7.11 means, in relation to the Contractual Offer, the period commencing on (and including) 21 October 2016 until whichever of the following dates will be the latest:
 - (A) 1:00 pm (London time) on the First Closing Date;
 - (B) the date on which the Contractual Offer lapses; and
 - (C) the date on which the Contractual Offer becomes unconditional.
- 7.12 The terms, provisions, instructions and authorities contained or deemed to be incorporated in the Form of Acceptance, and such further terms as may be required to comply with the applicable rules and regulations of the London Stock Exchange and the Takeover Code, constitute part of the terms of the Contractual Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Section B shall be deemed to be incorporated into and form part of the Form of Acceptance.

- 7.13 All references in this document and in the Form of Acceptance to the First Closing Date will (except in paragraphs 2.1 and 7.7 of this Section B of this Part 6 and where the context otherwise requires) be deemed, if the expiry date of the Contractual Offer is extended, to refer to the expiry date of the Contractual Offer as so extended.
- 7.14 References in paragraph 6 of this Section B and in Section C and Section D of this Part 6 to a Non-Voting Ordinary Shareholder will include references to the person or persons executing a Form of Acceptance or Electronic Acceptance and in the event of more than one person executing a Form of Acceptance or Electronic Acceptance, such paragraphs will apply to them jointly and severally.
- 7.15 The Contractual Offer is made in respect of all Non-Voting Ordinary Shares issued and unconditionally allotted or issued before (or such earlier date as Severn Trent, subject to the rules of the Takeover Code or with the consent of the Panel, may determine). Any omission to despatch this document, the Form of Acceptance or any notice required to be despatched under the terms of the Contractual Offer to, or any failure to receive the same by, any person to whom the Contractual Offer is made, or should be made, will not invalidate the Contractual Offer in any way or create any implication that the Contractual Offer has not been made to any such person. Subject to the provisions of paragraph 6 of this Section B of this Part 6, the Contractual Offer is made to any Non-Voting Ordinary Shareholder to whom this document and the Form of Acceptance or any related document may not be sent or by whom such documents may not be received, and these persons may collect these documents from the Receiving Agent at the address set out in paragraph 4.6 of this Section B of this Part 6. The Contractual Offer is not being made, and will not be made, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or by any facility of a national, state or other securities exchange of the United States or any other Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within the United States or any other Restricted Jurisdiction.
- 7.16 Subject to the Takeover Code, and notwithstanding any other provision of this Section B, Severn Trent reserves the right to treat as valid in whole or in part any acceptance of the Contractual Offer received by the Receiving Agent or otherwise on behalf of Severn Trent which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant document(s) or the relevant TTE Instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or Severn Trent otherwise than as set out in this document or in the Form of Acceptance. In that event, no payment of cash under the Contractual Offer will be made until after the acceptance is entirely in order and (as applicable) the relevant transfer to escrow has settled or the relevant document(s) of title or satisfactory indemnities have been received by the Receiving Agent.
- 7.17 No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title will be given by, or on behalf of, Severn Trent. All communications, notices, certificates, documents of title and remittances to be delivered by, or sent to or from, Non-Voting Ordinary Shareholders (or their designated agent(s)) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- 7.18 The Contractual Offer extends to persons to whom the Contractual Offer is made or should be made to whom this document, the Form of Acceptance or any related documents may not be despatched and such persons may collect copies of these documents from the Receiving Agent at the address set out in paragraph 4.6 of this Section B of this Part 6.
- 7.19 The Contractual Offer is made at 1:00 pm on 2 December 2016 and is capable of acceptance from and after that date.
- 7.20 If the Contractual Offer does not become unconditional in all respects:
- (a) in respect of Non-Voting Ordinary Shares held in certificated form, the Form of Acceptance, share certificates and/or other documents of title will be returned by post (or such other method as may be approved by the Panel) within 14 calendar days of the Contractual Offer lapsing to the person or agent whose name and address outside a Restricted Jurisdiction is set out in the relevant box in the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside a Restricted Jurisdiction (no such documents will be sent to an address in a Restricted Jurisdiction); and

- (b) in respect of Non-Voting Ordinary Shares held in uncertificated form, the Receiving Agent will, immediately after the lapsing of the Contractual Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Contractual Offer), give TFE instructions to Euroclear to transfer all Non-Voting Ordinary Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Contractual Offer to the original available balances of the Non-Voting Ordinary Shareholders concerned.
- 7.21 All powers of attorney, appointments of agents and authorities conferred by this Part 6 or in the Form of Acceptance are given by way of security for the performance of the obligations of the Non-Voting Ordinary Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971 except in the circumstances where the donor of such power of attorney or authority or appointor is entitled to withdraw his acceptance in accordance with paragraph 4 of this Section B of this Part 6 and duly does so.
- 7.22 In relation to any acceptance of the Contractual Offer in respect of a holding of Non-Voting Ordinary Shares held in uncertificated form, Severn Trent reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Contractual Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided any such alterations, additions or modifications are consistent with the requirements of the Takeover Code or are otherwise made with the consent of the Panel.
- 7.23 For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.
- 7.24 Neither Severn Trent nor any subsidiary of Severn Trent nor any person acting on behalf of any of them, shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Contractual Offer or otherwise in connection therewith.
- 7.25 The Contractual Offer will be governed by the laws of England and Wales and be subject to the jurisdiction of the courts of England and Wales and to the conditions and further terms set out in this Part 6. The Acquisition will be subject to the applicable requirements of Listing Rules, FSMA, the London Stock Exchange and the Takeover Code.
- 7.26 Where the Contractual Offer is validly accepted in respect of Non-Voting Ordinary Shares held in uncertificated form in accordance with Section D of Part 6, unless the relevant Non-Voting Ordinary Shareholder has become the registered shareholder of the related Non-Voting Ordinary Shares, no separate acceptance of the Contractual Offer may be made by the relevant holder of the Non-Voting Ordinary Shares, the custodian in respect of the Non-Voting Ordinary Shares and no person other than Severn Trent shall have any rights whatsoever under the Contractual Offer in respect of the Non-Voting Ordinary Shares (save for the rights of such Non-Voting Ordinary Shareholder under paragraph 4 of this Part 6).

Section C

Form of Acceptance of Contractual Offer

1. FORM OF ACCEPTANCE

Each Non-Voting Ordinary Shareholder by whom, or on whose behalf, any Form of Acceptance is executed irrevocably undertakes, represents and warrants to and agrees with Severn Trent and the Receiving Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

- 1.1 that the execution of the Form of Acceptance shall constitute:
- (a) an acceptance of the Contractual Offer in respect of the number of Non-Voting Ordinary Shares in certificated form inserted or deemed to be inserted in Box 3 of the Form of Acceptance; and
 - (b) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,

in each case on and subject to the terms and conditions set out in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 4 of Section B of this Part 6, each such acceptance, election and undertaking shall be irrevocable.

If Box 3 is left blank or a number greater than such Non-Voting Ordinary Shareholder's registered holding of Non-Voting Ordinary Shares appears in Box 3, but the Form of Acceptance is signed, it will be deemed to be an acceptance by such Non-Voting Ordinary Shareholder of the terms of the Contractual Offer in respect of the total number of Non-Voting Ordinary Shares in certificated form registered in his name.

If the Form of Acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance by the relevant Non-Voting Ordinary Shareholder of the terms of the Contractual Offer in respect of the number of Non-Voting Ordinary Shares inserted or deemed to be inserted in Box 3 of the Form of Acceptance;

- 1.2 that he is irrevocably and unconditionally entitled to transfer the Non-Voting Ordinary Shares in respect of which the Form of Acceptance is completed and that the Non-Voting Ordinary Shares in certificated form in respect of which the Contractual Offer is accepted, or is deemed to be accepted, are sold fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at the Effective Date or subsequently attaching to them, including, without limitation, voting rights and the right to receive in full and retain all dividends and other distributions (if any) declared, made or paid by the Company on or after 16 November 2016;
- 1.3 that unless "NO" is inserted or deemed to be inserted in Box 5 of the Form of Acceptance, such Non-Voting Ordinary Shareholder:
 - (a) has not received or sent copies of this document, the Form of Acceptance or any related offer documents in, into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
 - (b) has not otherwise utilised in connection with the Contractual Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex and telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of the United States or any other Restricted Jurisdiction;
 - (c) is accepting the Contractual Offer from outside the United States or any other Restricted Jurisdiction and was outside all Restricted Jurisdictions when the Form of Acceptance was delivered and at the time of accepting the Contractual Offer, and in respect of the Non-Voting Ordinary Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Contractual Offer from within the United States or any other Restricted Jurisdiction;
 - (d) warrants that the Form of Acceptance and any related offer documents have not been mailed or otherwise sent in, into or from the United States or any other Restricted Jurisdiction; and
 - (e) if such Non-Voting Ordinary Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Contractual Offer, obtained all governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Severn Trent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Contractual Offer or his acceptance of the Contractual Offer;
- 1.4 that, in relation to Non-Voting Ordinary Shares in certificated form, the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Contractual Offer becoming unconditional in all respects in accordance with its terms and to the accepting Non-Voting Ordinary Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of each of Severn Trent and/or its agents as such Non-Voting Ordinary Shareholder's attorney and/or agent (attorney), with an irrevocable instruction to the attorney to:
 - (a) complete and execute all or any form(s) of transfer and/or renunciation and/or other document(s) in the attorney's discretion in relation to the Non-Voting Ordinary Shares referred to in paragraph 1.1(a) of this Section C of this Part 6 in favour of Severn Trent or as Severn Trent or its agents may direct;

- (b) deliver such form(s) of transfer and/or renunciation and/or other document(s) at the attorney's discretion together with any certificate(s) and/or other document(s) of title relating to such Non-Voting Ordinary Shares for registration within six months of the Contractual Offer becoming unconditional in all respects; and
 - (c) do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance or deemed acceptance of the Contractual Offer pursuant to the Form of Acceptance and to vest in Severn Trent or its nominee the Non-Voting Ordinary Shares as aforesaid;
- 1.5 that, in relation to Non-Voting Ordinary Shares in certificated form, the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Contractual Offer becoming unconditional in all respects in accordance with its terms and to the accepting Non-Voting Ordinary Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request:
 - (a) to Dee Valley or its agents to procure the registration of the transfer of those Non-Voting Ordinary Shares pursuant to the Contractual Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Severn Trent or as it may direct; and
 - (b) to Severn Trent or its agents to procure the despatch by post (or such other method as may be approved by the Panel) of a cheque drawn on a branch of a United Kingdom clearing bank in respect of any cash consideration to which he is entitled under the Contractual Offer, at the risk of such Non-Voting Ordinary Shareholder, to the person or agent whose name and address (outside any Restricted Jurisdiction) is set out in Box 1 (or in the event that Box 6 has been completed, Box 6) or if no person or agent and/or address is set out in either Box 1 or Box 6, to the first named holder at his registered address (outside any Restricted Jurisdiction);
- 1.6 that the execution of the Form of Acceptance and its delivery constitutes a separate authority to each of Severn Trent and/or its agents within the terms of Section B and Section C of this Part 6;
- 1.7 subject to the Contractual Offer becoming unconditional in all respects or if the Panel otherwise gives its consent, and pending registration, that:
 - (a) Severn Trent or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of Dee Valley or of any class of its shareholders) attaching to any Non-Voting Ordinary Shares in certificated form in respect of which the Contractual Offer has been accepted, or is deemed to have been accepted, provided that such acceptance is not validly withdrawn;
 - (b) the execution of a Form of Acceptance by a Non-Voting Ordinary Shareholder constitutes, in respect of the Non-Voting Ordinary Shares comprised in such acceptance provided that such acceptance has not been validly withdrawn:
 - (A) an authority to Dee Valley and/or its agents from such Non-Voting Ordinary Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of Dee Valley at its registered office or care of the Receiving Agent;
 - (B) an authority to Severn Trent and/or its agents to sign any consent to short notice on his behalf and/or attend and/or execute a form of proxy in respect of such Non-Voting Ordinary Shares appointing any person nominated by Severn Trent to attend general meetings and separate class meetings of Dee Valley or its members (or any of them) (and any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding Contractual Offer Condition of the Contractual Offer; and
 - (C) the agreement of such Non-Voting Ordinary Shareholder not to exercise any of such rights without the consent of Severn Trent and the irrevocable undertaking of such Non-Voting Ordinary Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- 1.8 that he will deliver (or procure the delivery) to the Receiving Agent at the address referred to in paragraph 4.6 of Section B of this Part 6 his share certificate(s) or other document(s) of title in

respect of all Non-Voting Ordinary Shares held by him in certificated form in respect of which the Contractual Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to Severn Trent in lieu thereof, as soon as possible and in any event within six months of the Contractual Offer becoming unconditional in all respects;

- 1.9 that, if he accepts the Contractual Offer, he will do all such acts and things as shall, in the opinion of Severn Trent or the Receiving Agent, be necessary or expedient to vest in Severn Trent or its nominee(s) or such other person as Severn Trent may decide the number of Non-Voting Ordinary Shares inserted or deemed to be inserted in Box 3 of the Form of Acceptance and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its functions for the purposes of the Contractual Offer;
- 1.10 that the terms and conditions of the Contractual Offer contained in this document will be incorporated and deemed to be incorporated in, and form part of, the Form of Acceptance which will be read and construed accordingly;
- 1.11 that he will ratify each and every act or thing which may be done or effected by Severn Trent, the Receiving Agent or any director of Severn Trent or the Receiving Agent or their respective agents or Dee Valley or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- 1.12 that, if any provision of Section B of this Part 6 or this Section C of this Part 6 will be unenforceable or invalid or will not operate so as to afford Severn Trent, the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Section B of this Part 6 or this Section C of this Part 6;
- 1.13 the ejusdem generis principle of construction shall not apply to the terms and conditions of the Contractual Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words;
- 1.14 that the execution of the Form of Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Contractual Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Contractual Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Severn Trent to bring any action, suit or proceedings arising out of or in connection with the Contractual Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Contractual Offer and/or the Form of Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction; and
- 1.15 the Form of Acceptance will be deemed to be delivered on the date of its execution and will take effect as a deed.

References in this Section C to a Non-Voting Ordinary Shareholder shall include references to the person or persons executing a Form of Acceptance, and in the event of more than one person executing a Form of Acceptance, the provisions of this Section C shall apply to them jointly and to each of them.

Section D Electronic Acceptance

1. ELECTRONIC ACCEPTANCE

For the purposes of this Section D of this Part 6, the phrase “Non-Voting Ordinary Shares in uncertificated form comprised in the acceptance” shall mean the number of Non-Voting Ordinary Shares which are transferred by the relevant Non-Voting Ordinary Shareholder by Electronic Acceptance to an escrow account by means of a TTE Instruction.

Each Non-Voting Ordinary Shareholder by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents and warrants to and agrees with Severn Trent and the Receiving

Agent (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect:

1.1 that the Electronic Acceptance shall constitute:

- (a) an acceptance of the Contractual Offer in respect of the number of Non-Voting Ordinary Shares in uncertificated form to which the TTE Instruction relates; and
- (b) an undertaking to execute any further documents, take any further action and give any further assurances which may be required in connection with the foregoing,

in each case on and subject to the terms and conditions set out or referred to in this document and that, subject to the rights of withdrawal set out in paragraph 4 of Section B of this Part 6, each such acceptance, election and undertaking shall be irrevocable;

1.2 that such Non-Voting Ordinary Shareholder:

- (a) has not received or sent copies of this document, the Form of Acceptance or any related Contractual Offer documents, in, into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
- (b) has not otherwise utilised in connection with the Contractual Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States or any other Restricted Jurisdiction;
- (c) is accepting the Contractual Offer from outside the United States or any other Restricted Jurisdiction and was outside those jurisdictions at the time of the input and settlement of the relevant TTE Instruction(s) and in respect of the Non-Voting Ordinary Shares to which an Electronic Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Contractual Offer from within the United States or any other Restricted Jurisdiction;
- (d) no TTE Instruction has been sent from the United States or any other Restricted Jurisdiction; and
- (e) if such Non-Voting Ordinary Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Contractual Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Severn Trent or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Contractual Offer or his acceptance of the Contractual Offer;

1.3 that the Electronic Acceptance constitutes, subject to the Contractual Offer becoming unconditional in all respects in accordance with its terms and to the accepting Non-Voting Ordinary Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of Severn Trent, or any of the Severn Trent Directors, or any person authorised by Severn Trent, as such Non-Voting Ordinary Shareholder's attorney and/or agent (attorney), with an irrevocable instruction to the attorney to purpose of, or in connection with, the acceptance or deemed acceptance of the Contractual Offer;

1.4 that the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as such Non-Voting Ordinary Shareholder's attorney and/or agent (attorney) and an irrevocable instruction and authority to the attorney:

- (a) subject to the Contractual Offer becoming unconditional in all respects in accordance with its terms and to an accepting Non-Voting Ordinary Shareholder not having validly withdrawn his acceptance, to transfer (if Severn Trent so requests) to Severn Trent (or to such other person or persons as Severn Trent or its agents may direct) by means of CREST all or any of the Non-Voting Ordinary Shares in uncertificated form which are the subject of a TTE Instruction in respect of that Electronic Acceptance; and

- (b) if the Contractual Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Contractual Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days from the lapsing of the Contractual Offer), to transfer all such Non-Voting Ordinary Shares to the original available balance of the accepting Non-Voting Ordinary Shareholder;
- 1.5 that the Electronic Acceptance constitutes, subject to the Contractual Offer becoming unconditional in all respects in accordance with its terms and to an accepting Non-Voting Ordinary Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request to Severn Trent or its agents to procure the making of a CREST payment obligation in favour of the Non-Voting Ordinary Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such shareholder is entitled under the Contractual Offer, provided that: (i) Severn Trent may (if, for any reason, it wishes to do so) determine that all or any part of any such cash consideration shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post; and (ii) if the Non-Voting Ordinary Shareholder concerned is a CREST member whose registered address is in a Restricted Jurisdiction, any cash consideration to which such shareholder is entitled shall be paid by cheque drawn on a branch of a United Kingdom clearing bank despatched by post, at the risk of such shareholder, such cheques shall be despatched to the first-named holder at an address outside a Restricted Jurisdiction stipulated by such holder or as otherwise determined by Severn Trent;
- 1.6 that the Electronic Acceptance constitutes a separate authority to Severn Trent or the Receiving Agent and/or their respective agents within the terms of Sections 2 and 4 of this Part 6;
- 1.7 subject to the Contractual Offer becoming unconditional in all respects or if the Panel otherwise gives its consent, and pending registration, that:
 - (a) Severn Trent or its agents be entitled to direct the exercise of any votes and any other rights and privileges (including the right to requisition the convening of a general meeting of Dee Valley or of any class of its shareholders) attaching to any Non-Voting Ordinary Shares represented by the Non-Voting Ordinary Shares comprised or deemed to be comprised in the Electronic Acceptance, and in respect of which such acceptance has not been validly withdrawn; and
 - (b) an Electronic Acceptance by a Non-Voting Ordinary Shareholder constitutes, in respect of the Non-Voting Ordinary Shares in uncertificated form comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (A) an authority to Dee Valley and/or its agents from such Non-Voting Ordinary Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of Dee Valley (including any share certificate(s) or other document(s) of title issued as a registered office or care of the Receiving Agent;
 - (B) an irrevocable authority to any directors or managers of, or persons authorised by Severn Trent and/or their respective agents to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Non-Voting Ordinary Shares represented by the Non-Voting Ordinary Shares held by him (including, without limitation, signing any consent to short notice on his behalf and/or attending and/or executing a form of proxy in respect of such Non-Voting Ordinary Shares represented by the Non-Voting Ordinary Shares held in uncertificated form appointing any person nominated by Severn Trent to attend general meetings and separate class meetings of Dee Valley or its members (or any of them) (an any adjournments thereof) and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Contractual Offer); and
 - (C) the agreement of such Non-Voting Ordinary Shareholder not to exercise any of such rights without the consent of Severn Trent and the irrevocable undertaking of such Non-Voting Ordinary Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;

- 1.8 that if, for any reason, any Non-Voting Ordinary Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 14 of the letter from Severn Trent contained in Part 2 of this document converted to certificated form, he will (without prejudice to paragraph 1.7(b)(A) of this Section D of this Part 6) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of the Non-Voting Ordinary Shares that are so converted to the Receiving Agent at the address referred to in paragraph 4.6 of Section B of this Part 6 or to Severn Trent at its registered office or as Severn Trent or its agents may direct, and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Section C of this Part 6 in relation to such Non-Voting Ordinary Shares without prejudice to the application of this Section D so far as Severn Trent deems appropriate;
- 1.9 that the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in paragraph 1.5 of this Section D of this Part 6 shall, to the extent of the obligation so created, discharge in full any obligation of Severn Trent to pay to him the cash consideration to which he is entitled pursuant to the Contractual Offer;
- 1.10 he will do all such acts and things as shall, in the reasonable opinion of Severn Trent be necessary or desirable to enable the Receiving Agent to perform its function as Escrow Agent for the purposes of the Contractual Offer or to vest in Severn Trent or its nominee(s), upon the Contractual Offer becoming unconditional in all respects and subject to the Electronic Acceptance not having been validly withdrawn, the Non-Voting Ordinary Shares in uncertificated form comprised or deemed to be comprised in the acceptance;
- 1.11 he will ratify each and every act or thing which may be done or effected by Severn Trent, the Escrow Agent or the Receiving Agent or any of their respective directors or agents or Dee Valley or its agents, as the case may be, in the exercise of any of his or its powers and/or authorities hereunder (and to indemnify each such person against any losses arising therefrom);
- 1.12 that, if any provision of Section B of this Part 6 or this Section D will be unenforceable or invalid or will not operate so as to afford Severn Trent, the Escrow Agent or the Receiving Agent or any director or duly authorised representative of any of them or their respective agents the benefit of the authority expressed to be given therein, he agrees with all practicable speed to do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Section B of this Part 6 or this Section D;
- 1.13 the ejusdem generis principle of construction shall not apply to the terms and conditions of the Contractual Offer and/or the Form of Acceptance. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words; and
- 1.14 the making of an Electronic Acceptance constitutes his submission, in relation to any dispute arising out of or in connection with the Contractual Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including a dispute relating to any non-contractual obligations arising out of or in connection with the Contractual Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof), to the exclusive jurisdiction of the courts of England and that nothing shall limit the right of Severn Trent to bring any action, suit or proceedings arising out of or in connection with the Contractual Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof (including in relation to any non-contractual obligations arising out of or in connection with the Contractual Offer and/or the Electronic Acceptance and all acceptances and elections in respect thereof) in any other court of competent jurisdiction or concurrently in more than one court of competent jurisdiction.

References in this Section D to a Non-Voting Ordinary Shareholder shall include references to the person or persons making an Electronic Acceptance.

Part 7

Summary of the Loan Notes

1. INTRODUCTION

- 1.1 As an alternative to all or part of the Cash Consideration which would otherwise be received pursuant to the Acquisition, Ordinary Shareholders (other than Restricted Shareholders) will, subject to the conditions and further terms set out below and on the green Loan Note Form of Election and the provisions of the Loan Note Instrument, be able to elect to receive Loan Notes to be issued by Severn Trent. Ordinary Shareholders are referred to Part 12 of this document which includes certain statements about the UK tax consequences of certain UK tax resident Ordinary Shareholders.
- 1.2 The Loan Notes will be constituted by the Loan Note Instrument which will contain, inter alia, provisions to the effect set out below and will be created by a board resolution of Severn Trent.
- 1.3 The Loan Notes should not be qualifying corporate bonds for UK capital gains tax purposes.

2. LOAN NOTE INSTRUMENT

The rights and obligations attaching to the Loan Notes are set out in the Loan Note Instrument. The issue of the Loan Notes will be conditional on the Scheme becoming effective. The Loan Note Instrument will contain provisions, among other things, to the effect set out below.

3. FORM AND STATUS

- 3.1 The Loan Notes will be issued by Severn Trent in amounts and integral multiples of 10 pence in nominal amount and will constitute unsecured and unsubordinated obligations of Severn Trent. The Loan Note Instrument does not contain any restrictions on borrowing, disposing or charging of assets by Severn Trent.
- 3.2 Each Loan Note Holder will be entitled without charge to one loan note certificate (the “**Loan Note Certificate(s)**”) for the aggregate amount of Loan Notes registered in his name in the Loan Note Register. Loan Note Certificates will be delivered to Loan Note Holders as evidence of a registration. Title to the Loan Notes passes only on due registration on the Register and any payment of principal due on the Loan Notes will be made only to the duly registered Loan Note Holder. The Loan Note Certificates are further described in clause 2 of the Loan Note Instrument.

4. INTEREST

The Loan Notes will bear interest (from the date of issue to the relevant holder of Loan Notes) payable six months in arrears at the rate of 0.85 per cent. Interest will be payable (less any tax required by law to be deducted) in arrears on 1 January and 1 July in each year. The first payment will be made on 1 July 2017 in respect of the period from and including the date of issue of the Loan Notes.

5. REPAYMENT, PURCHASE AND REDEMPTION

- 5.1 Holders of the Loan Notes will have the right (subject to certain restrictions) to redeem them for cash at par on 1 January 2018 or on any subsequent interest payment dates.
- 5.2 The Loan Notes may be redeemed by Severn Trent on or after 1 January 2018, if more than 50 per cent. of the nominal amount of all of the Loan Notes has been redeemed.
- 5.3 Unless previously redeemed or repurchased, the Loan Notes will be repaid at par on 1 July 2022. The Loan Notes will not be transferable. No application is intended to be made for the Loan Notes to be listed or dealt in on any stock exchange.
- 5.4 Each Loan Note Holder may elect that the principal amount of the Loan Notes shall be redeemed in US dollars rather than in sterling under the procedures set out in the Loan Note Instrument.

6. REGISTRATION AND TRANSFER

- 6.1 The Loan Notes will be registered in amounts or integral multiples of 10 pence, provided that transfers of Loan Notes will not be registered while the Register is closed. Loan Note Certificates in respect of the Loan Notes will be issued to Loan Note Holders.

- 6.2 No application has been made or is intended to be made to any stock exchange for the Loan Notes to be listed or otherwise traded.
- 6.3 The Loan Notes will not be issued to any Restricted Shareholders.
- 6.4 The Loan Notes have not been and will not be registered under the US Securities Act or under any laws of any state, district or other jurisdiction of the United States. Accordingly, Loan Notes may not be offered or sold in the United States.
- 6.5 No steps have been taken, nor will any steps be taken, to enable the Loan Notes to be offered in compliance with the applicable securities laws of any of the Restricted Jurisdictions and no regulatory clearances in respect of the Loan Notes have been, or will be, applied for in any other jurisdiction. Accordingly, unless an exemption under relevant securities law is available, the Loan Notes are not being and may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States, or to, or for the account or benefit of, any Restricted Shareholder or into a jurisdiction in which an offer of Loan Notes would constitute a violation of the relevant laws of, or require registration of the Loan Notes, in that jurisdiction or require the filing, registration or publication of a prospectus pursuant to the applicable securities laws of that jurisdiction.
- 6.6 The Loan Notes are non-transferable.

7. MODIFICATION

- 7.1 Severn Trent may amend the provisions of the Loan Note Instrument without the sanction or consent of the Loan Note Holders if, in the opinion of a financial adviser to Severn Trent, such amendment would not be prejudicial to the interests of the Loan Note Holders or is of a formal, minor or technical nature or corrects a manifest error, unless such amendment would, under the laws in force at the time the amendment was intended to take effect, constitute a disposal (deemed or actual) of the Loan Notes (or any of them) by the Loan Note Holders for the purposes of United Kingdom taxation of chargeable gains.
- 7.2 Any opinion of a financial adviser for these purposes shall be arrived at in its absolute discretion without consulting the Loan Note Holders and no liability shall attach to it in such respect.
- 7.3 A meeting of the Loan Note Holders may by extraordinary resolution sanction any modification, abrogation, compromise or release previously approved in writing by Severn Trent of any provisions of the Loan Note Instrument or the rights of the Loan Note Holders against Severn Trent whether such rights shall arise under the Loan Note Instrument or otherwise and in particular (but without limiting in any way the general power conferred hereby) shall have power to sanction any agreement for postponing or advancing the time for the payment of the principal amount or interest payable in respect of the Loan Notes or for reducing their rate of interest or for the capitalisation thereof or for the exchange of Loan Notes for, or conversion of Loan Notes into, other securities of Severn Trent or any other company.

8. GOVERNING LAW AND JURISDICTION

- 8.1 The Loan Notes and the Loan Note Instrument and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with English law.
- 8.2 The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Loan Note Instrument and the Loan Notes and accordingly any proceedings arising out of or in connection with the Loan Note Instrument and/or the Loan Notes shall be brought in such courts.
- 8.3 The above represents a summary of the terms of the Loan Notes and is subject to the detailed provisions of the Loan Note Instrument which will govern the rights and obligations of Severn Trent and the Loan Note Holders with respect to the Loan Notes.

9. SUBSTITUTION OF THE COMPANY WITH ANOTHER COMPANY

Severn Trent may substitute as the principal debtor or debtors under some or all of the Loan Notes any other member of Severn Trent Group, without the consent of or prior notice to the Loan Note Holders.

10 TAX

Part 12 of this document contains information about the UK tax treatment of the Loan Notes.

Part 8
How to make a Loan Note Election

1. Making an Election

1.1 Shares held in certificated form

You should note that if you hold Ordinary Shares in certificated form and are not a Restricted Shareholder and you wish to make an election under the Loan Note Alternative you must complete and sign the green Loan Note Form of Election in accordance with the instructions printed thereon and return it to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by no later than 11.00 am on the Business Day prior to the date of the Scheme Court Hearing (or such later time (if any) to which the right to make an election may be extended). A reply-paid envelope, for use in the UK only, is enclosed for your convenience. The instructions printed on, or deemed to be incorporated in, the Loan Note Form of Election constitute part of the terms of the Scheme.

If you hold wish to receive cash for all the Ordinary Shares that you hold and do not wish to make an election under the Loan Note Alternative, do not return the Loan Note Form of Election.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.

You should complete a separate Loan Note Form of Election for Ordinary Shares held in certificated form, but under different designations, if you wish to make an election under the Loan Note Alternative in respect of Cash Consideration to which you would otherwise be entitled in respect of some or all your Ordinary Shares.

No election for the Loan Note Alternative in respect of Non-Voting Ordinary Shares held in certificated form will be valid unless both a Form of Acceptance and a Loan Note Form of Election duly completed and accompanied by all relevant documents of title are returned by the requisite dates.

If you need further copies of the Loan Note Form of Election, please call Dee Valley's registrars, Capita Asset Services, between 9:00 am and 5:30 pm on Monday to Friday (except UK public holidays), on 0371 664 0321 from within the UK (calls cost 10p per minute from a BT landline; other providers or other network costs may vary) or on +44(0) 20 8639 3399 if calling from outside the UK (calls from outside the UK will be charged at the applicable rate). Please note that calls may be recorded and monitored for training and security purposes and Capita Asset Services cannot provide legal, tax or financial advice or advice on the merits of the Scheme.

1.2 Shares held in uncertificated form (that is, in CREST)

If your Ordinary Shares are in uncertificated form and you are not a Restricted Shareholder and you wish to elect for the Loan Note Alternative you should NOT complete a green Loan Note Form of Election but instead take (or procure to be taken) the actions set out below to transfer the Ordinary Shares in respect of which you wish to elect for the Loan Note Alternative to the relevant escrow account using a transfer to escrow instruction ("**TTE Instruction**") specifying Capita Asset Services (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent ("**Escrow Agent**"), as soon as possible and in any event so that the TTE Instruction settles no later than 11:00 am on the Business Day prior to the date of the Scheme Court Hearing (or such later time (if any) to which the right to make an election may be extended).

If you are a CREST personal member or other CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participation ID and the member account ID under which your Scheme Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your Scheme Shares. You should send (or, if you are a CREST personal member or other CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specifications and which must

contain, in addition to the other information that is required for a TTE Instruction to settle in CREST, the following details:

- (a) the number of Ordinary Shares to be transferred to escrow (see below);
- (b) your member account ID;
- (c) your participant ID;
- (d) the participant ID of the Escrow Agent. This is RA10;
- (e) the ISIN number of the Ordinary Shares. This is GB0031798449 for the Voting Ordinary Shares and GB0031801367 for the Non-Voting Ordinary Shares;
- (f) the intended settlement date. This should be as soon as possible and in any event by the Election Return Time;
- (g) the corporate action number for the transaction. This is allocated by Euroclear and can be found by viewing the relevant corporate action details on screen in CREST;
- (h) CREST standard delivery instructions priority of 80; and
- (i) a contact name and telephone number (in the shared note file of the TTE Instruction).

To elect for the Loan Note Alternative:

- (a) in the field relating to the number of Ordinary Shares to be transferred to escrow, you should insert the number of Ordinary Shares in respect of which you wish to make an election for the Loan Note Alternative; and
- (b) the member account ID of the Escrow Agent for the Loan Notes, which is 29013DVG.

After settlement of the TTE Instruction, you will not be able to access the Ordinary Shares in CREST for any transaction or for charging purposes. If the Scheme becomes effective, the Escrow Agent will transfer the Scheme Shares to Severn Trent or its nominees and if the Contractual Offer becomes unconditional in all respects the Escrow Agent will transfer the Non-Voting Ordinary Shares to Severn Trent or its nominees. You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedure outlined above.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Ordinary Shares to settle prior to the Election Return Time. In this regard you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Please note that, if (i) you elect for the Loan Note Alternative in respect of Ordinary Shares which are held in CREST and (ii) you fail to give the TTE Instructions to settle prior to the Election Return Time in accordance with the instructions set out above, your election for the Loan Note Alternative will to that extent be invalid and you will receive cash as if you had not elected for the Loan Note Alternative.

2. Other Provisions relating to the Loan Note Alternative

The Loan Note Alternative is made available on the basis of 10 pence nominal value of Loan Notes for every 10 pence in cash to which an Ordinary Shareholder would otherwise be entitled to under the Acquisition. Each Ordinary Shareholder's aggregate entitlement to Loan Notes will be rounded down to the nearest 10 pence and, in the event that the Ordinary Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme or the Contractual Offer) to receive Loan Notes in lieu of all of the Cash Consideration to which the Ordinary Shareholder would otherwise be entitled, the balance of the consideration will be disregarded and not paid to such holder.

The Company and Severn Trent reserve the right at their sole discretion to determine that any Ordinary Shareholder electing for the Loan Note Alternative is a Restricted Shareholder and to refuse to issue Loan Notes to that Ordinary Shareholder. In such event, the relevant Ordinary Shareholder shall only be entitled to receive Cash Consideration as set out in this document.

Neither the Company or Severn Trent will be liable to any Ordinary Shareholder for making any such determination.

A summary of the terms of the Loan Note Alternative is in Part 7 of this document.

3. General

Ordinary Shareholders who have made valid elections under the Loan Note Alternative will not be entitled to transfer their Scheme Shares after the Scheme Record Time.

No election under the Loan Note Alternative will be valid unless, in the case of certificated shares, a green Loan Note Form of Election is completed in all respects and submitted, or in the case of uncertificated shares, an appropriate TTE Instruction is settled, in each case, by 11.00 am on the Business Day prior to the date of the Scheme Court Hearing (or such later time (if any) to which the right to make an election may be extended).

If any Loan Note Form of Election, in the case of certificated shares, or TTE Instruction, in the case of uncertificated shares, to make an election under the Loan Note Alternative is either received after 11.00 am on the Business Day prior to the date of the Scheme Court Hearing (or such later time (if any) to which the right to make an election may be extended) or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes, be void and the holder of Ordinary Shares purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the Loan Note Alternative and the relevant holder of Ordinary Shares will, (i) upon the Scheme becoming effective, only be entitled to receive the Cash Consideration due under the Scheme in respect thereof; or (ii) upon the Contractual Offer becoming unconditional in all respects, receive the Cash Consideration due pursuant to the Contractual Offer.

If, on any closing date for the Contractual Offer on which the Loan Note Alternative remains open, the Contractual Offer is then unconditional, then the Loan Note Alternative will remain open for 14 days thereafter but may be closed without prior notice.

Without prejudice to any other provision of this Part 8 or the Loan Note Form of Election or otherwise, Severn Trent and the Company reserve the right in their absolute discretion to treat as valid in whole or in part any election for the Loan Note Alternative which is not entirely in order.

No acknowledgements of receipt of any Loan Note Form of Election or other documents will be given. All communications, notices, other documents and remittances to be delivered by or to or sent to or from holders of Ordinary Shares (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such holders of Ordinary Shares (or their designated agents(s)) at their risk.

Severn Trent and the Company and/or their respective agents reserve the right to notify any matter to all or any Ordinary Shareholders with (i) registered addresses outside the UK or (ii) whom Severn Trent, the Company and/or their respective agents know to be nominees, trustees or custodians for such Ordinary Shareholders by announcement in the UK or paid advertisement in any daily newspaper published and circulated in the UK or any part thereof, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Ordinary Shareholders to receive or see such notice. All references in this document to notice in writing, or the provision of information in writing, by or on behalf of Severn Trent, the Company and/or their respective agents shall be construed accordingly. No such document shall be sent to an address outside the United Kingdom where it would or might infringe the laws of that jurisdiction or would or might require Severn Trent or the Company to obtain any governmental or other consent or to effect any registration, filing or other formality with which, in the opinion of Severn Trent and the Company, it would be unable to comply or which it regards as unduly onerous.

The Loan Note Form of Election and TTE Instructions and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law.

Signature by or on behalf of a holder of Ordinary Shares of a Loan Note Form of Election or the submission by or on behalf of a holder of Ordinary Shares of a TTE Instruction will constitute his submission, in relation to all matters arising out of or in connection with the Scheme, the Contractual

Offer and the Loan Note Form of Election, or TTE Instruction to the jurisdiction of the courts of England and Wales and his agreement that nothing shall limit the rights of the Company to bring any action, suit or proceeding arising out of or in connection with the Scheme, the Contractual Offer and the Loan Note Form of Election or TTE Instruction in any other manner permitted by law or in any court of competent jurisdiction.

If the Scheme does not become effective in accordance with its terms, any election made shall cease to be valid.

Neither Severn Trent, the Company nor any of their respective advisers or any person acting on behalf of either of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of elections under the Scheme on any of the bases set out in this Part 8 or otherwise in connection therewith.

Part 9
Financial information on the Dee Valley Group

The following sets out financial information in respect of Dee Valley Group as required by Rule 24.3 of the Takeover Code. The documents referred to below (or parts thereof), the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Takeover Code.

| Information incorporated by reference | Hyperlink | Page Numbers |
|--|---|---------------------|
| Audited Consolidated Accounts for Year End 31 March 2016 | https://www.deevalleywater.co.uk/dee-valley-group/governance-and-financial-reporting/ | 70-100 |
| Audited Consolidated Accounts for Year End 31 March 2015 | https://www.deevalleywater.co.uk/dee-valley-group/governance-and-financial-reporting/ | 66-96 |

Part 10
Information relating to the Severn Trent Group

1. GENERAL INFORMATION

- 1.1 Severn Trent was incorporated under the laws of England and Wales on 1 April 1989 under the name Severn Trent Water Limited as a private company limited by shares, with registered number 02366686.
- 1.2 The registered office of Severn Trent is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ.

2. FINANCIAL INFORMATION AND MATERIAL CHANGE

The following sets out financial information in respect of Severn Trent Group as required by Rule 24.3 of the Takeover Code. The documents referred to below (or parts thereof), the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Takeover Code.

| | | |
|---|---|---------|
| Audited Consolidated Accounts for Year End 31 March 2016 | https://www.ar2016.severntrent.com/assets/pdf/Severn-Trent_Annual_Report_2016 | 107-173 |
| Audited Consolidated Accounts for Year End 31 March 2015 | https://www.severntrent.com/investors/reports | 90-153 |
| Interim Results for the Six Months Ended 30 September 2016 | https://otp.tools.investis.com/clients/uk/severn_trent_plc/rns/regulatory-story.aspx?cid=1487&newsid=820093 | |

Save as disclosed in this document, the Severn Trent Directors are not aware of any material change in the financial or trading position of Severn Trent since 31 September 2016.

3. DIRECTORS

The Severn Trent Directors are Andrew Duff, Olivia Garfield, James Bowling, Emma Fitzgerald, Kevin Beeston, John Coghlan, Dominique Reiniche, Philip Remnant and Angela Strank.

4. SHARE CAPITAL

- 4.1 The issued share capital of Severn Trent is £100,000,000 divided into 1,000,000,000 ordinary shares of 10 pence each, all of which are credited as fully paid.
- 4.2 Prior to and following the Scheme becoming effective, Severn Trent Draycote Limited will be the sole shareholder of Severn Trent. Severn Trent's ultimate holding company is Severn Trent Plc.

5. FINANCING OF THE PROPOSALS

Severn Trent will finance the consideration pursuant to the Acquisition from its existing cash resources.

6. EFFECT OF THE ACQUISITION

With effect from the Effective Date, the earnings, assets and liabilities of the Severn Trent Group will comprise the consolidated earnings, assets and liabilities of the Dee Valley Group on the Effective Date together with the consolidated earnings, assets and liabilities of the Severn Trent Group on the Effective Date.

Part 11
Additional Information

1. RESPONSIBILITY

- 1.1 The Severn Trent Directors, whose names are set out in paragraph 2.3 of this Part 11, accept responsibility for all the information contained in this document other than the information for which the Dee Valley Directors take responsibility pursuant to paragraph 1.2 below. To the best of the knowledge and belief of the Severn Trent Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Dee Valley Directors, whose names are set out in paragraph 2.1 of this Part 11, accept responsibility for all the information contained in this document relating to: (i) Dee Valley and the Dee Valley Group, the opinions of Dee Valley and the Dee Valley Group, the Dee Valley Directors and members of their immediate families, related trusts and persons connected with the Dee Valley Group, (ii) the recommendations and opinions of the Dee Valley Directors relating to the Acquisition contained in Part 1 of this document and (iii) the Scheme, except for that information for which the Severn Trent Directors accept responsibility relating to the Severn Trent Group and Severn Trent and the opinions of Severn Trent in accordance with paragraph 1.1 above. To the best of the knowledge and belief of the Dee Valley Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS

- 2.1 The Directors and their respective positions are as follows:

| <u>Name</u> | <u>Position held</u> |
|----------------------------|------------------------------------|
| Jon Schofield | Independent Non-Executive Chairman |
| Ian Plenderleith | Chief Executive Officer |
| Philip Holder | Non-Executive Director |
| Kevin Starling | Non-Executive Director |

- 2.2 The Company's registered office, which is also the business address of each of the Directors, is at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH.

- 2.3 The Severn Trent Directors and their respective positions are as follows:

| <u>Name</u> | <u>Position held</u> |
|------------------------------|---|
| Andrew Duff | Independent Non-Executive Chairman |
| Olivia Garfield | Chief Executive Officer |
| James Bowling | Chief Financial Officer |
| Emma Fitzgerald | Managing Director, Wholesale Operations |
| Kevin Beeston | Non-Executive Director |
| John Coghlan | Non-Executive Director |
| Dominique Reiniche | Non-Executive Director |
| Philip Remnant | Non-Executive Director |
| Angela Strank | Non-Executive Director |

3. PERSONS ACTING IN CONCERT

- 3.1 In addition to the Dee Valley Directors (together with their close relatives and related trusts) and members of the Dee Valley Group (and their related pension schemes), the persons who, for the

purposes of the Takeover Code, are acting in concert with Dee Valley in respect of the Acquisition and who are required to be disclosed are:

| <u>Name</u> | <u>Registered Office</u> | <u>Relationship with Dee Valley</u> |
|--------------------|-------------------------------------|-------------------------------------|
| Investec | 2 Gresham Street London EC2V 7QP | Connected Adviser |

3.2 In addition to the Severn Trent Directors (together with their close relatives and related trusts) and members of the Severn Trent Group, the persons who, for the purposes of the Takeover Code, are acting in concert with Severn Trent in respect of the Acquisition and who are required to be disclosed are:

| <u>Name</u> | <u>Registered Office</u> | <u>Relationship with Severn Trent</u> |
|--|--|---------------------------------------|
| N. M. Rothschild & Sons Ltd | New Court, St Swithin's Lane, London EC4N 8AL | Connected Adviser |
| Morgan Stanley & Co. International Plc | 25 Cabot Square, Canary Wharf, London E14 4QA | Connected Adviser |
| Barclays Bank Plc | 1 Churchill Place, London, E14 5HP | Connected Adviser |

4. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

4.1 At the close of business on the disclosure date, the Dee Valley Directors (together with their Interested Persons) were interested in, or had a right to subscribe for, the following relevant Dee Valley securities:

| <u>Name</u> | <u>Number of Voting Ordinary Shares</u> |
|-------------------------|---|
| Jon Schofield | 1,000 |

Jon Schofield will not vote in favour of the Acquisition as he is prevented from doing so by the terms of an earlier irrevocable undertaking dated 20 October 2016 (“**Jon Schofield’s Irrevocable Undertaking**”) in which he has agreed not to vote in favour of any scheme or offer in respect of his beneficial holding other than Ancala’s scheme or offer. Accordingly, in accordance with the terms of Jon Schofield’s Irrevocable Undertaking, Jon Schofield has irrevocably committed to accept the Ancala Revised Proposal in respect of his beneficial holding of 1,000 Voting Ordinary Shares, representing, in aggregate, approximately 0.02 per cent. of the Voting Ordinary Shares in issue on 1 December 2016 (being the latest practicable date prior to the date of this document). Jon Schofield’s Irrevocable Undertaking will continue to be binding even if (as is currently the case) a higher competing offer is made for Dee Valley. The irrevocable commitment given by Jon Schofield will cease to be binding if:

- the Ancala Revised Proposal is not declared unconditional in all respects on or before 28 February 2017 (or such later date as may be agreed in writing by Dee Valley and Ancala);
- the Ancala Revised Proposal lapses or is withdrawn and no new revised, or replacement offer or scheme has then been announced in its place by Ancala in accordance with Rule 2.7 of the Takeover Code within seven (7) days; or
- Ancala announces that it does not intend to make or proceed with the Ancala Revised Proposal and no new replacement scheme or offer is announced within seven (7) days.

4.2 General

4.2.1 Neither Severn Trent nor any persons acting in concert with Severn Trent, nor any of the close relatives or related trusts or other Interested Persons of the Severn Trent Directors are interested in, or have a right to subscribe for, or holds a short position in relation to, any relevant Dee Valley securities, nor has any such person dealt in any relevant Dee Valley securities during the Disclosure Period.

4.2.2 No person with whom Severn Trent or any person acting in concert with Severn Trent has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature, relating to relevant Dee Valley

securities which may be an inducement to deal or refrain from dealing, is interested in, or has a right to subscribe for, or holds a short position in relation to, any relevant Dee Valley securities, nor has any such person dealt in any relevant Dee Valley securities during the Disclosure Period.

- 4.2.3 Neither Severn Trent nor any person acting in concert with Severn Trent has borrowed or lent any relevant Dee Valley securities (save for any borrowed shares which have been either on-lent or sold).
- 4.2.4 Neither Dee Valley nor the Dee Valley Directors nor their Interested Persons are interested in, or have a right to subscribe for, or holds a short position in relation to, any relevant Ancala securities, nor has any such person dealt in any relevant Ancala securities or any relevant Ancala securities between the start of the Offer Period and the disclosure date.
- 4.2.5 Neither Dee Valley nor the Dee Valley Directors nor their Interested Persons are interested in, or have a right to subscribe for, or holds a short position in relation to, any relevant Severn Trent securities, nor has any such person dealt in any relevant Severn Trent securities or any relevant Severn Trent securities between the start of the Offer Period and the disclosure date.
- 4.2.6 Save as disclosed above, neither the Dee Valley Directors nor their Interested Persons are interested in, or have a right to subscribe for, or holds a short position in relation to, any relevant Dee Valley securities, nor has any such person dealt in any relevant Dee Valley securities between the start of the Offer Period and the disclosure date.
- 4.2.7 No person acting in concert with Dee Valley is interested in, or has a right to subscribe for, or holds a short position in relation to, relevant Dee Valley securities, nor has any such person dealt in any relevant Dee Valley securities between the start of the Offer Period and the disclosure date.
- 4.2.8 No person with whom Dee Valley or any person acting in concert with Dee Valley, has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature, relating to relevant Dee Valley securities which may be an inducement to deal or refrain from dealing, has dealt in any relevant Dee Valley securities between the start of the Offer Period and the disclosure date.
- 4.2.9 Neither Dee Valley nor any person acting in concert with Dee Valley has borrowed or lent any relevant Dee Valley securities (save for any borrowed shares which have either been on-lent or sold).
- 4.2.10 In this paragraph 4 and paragraph 5 of Part 11:

“**acting in concert**” has the meaning given in the Takeover Code;

“**arrangement**” includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant Dee Valley securities or relevant Severn Trent securities which may be an inducement to deal or refrain from dealing;

“**dealing**” has the meaning given in the Takeover Code (and “**dealt**” shall be construed accordingly);

“**derivative**” has the meaning given in the Takeover Code;

“**disclosure date**” means 1 December 2016, being the latest practicable date prior to the publication of this document;

“**Disclosure Period**” means the period commencing on 21 October 2015, being the date twelve months prior to the commencement of the Offer Period and ending on the disclosure date;

“**Immediate Relations**” means, in relation to a director, his spouse or civil partner and any child or step-child of his under the age of 18 years;

“**Interested Persons**” means, in relation to a director, his Immediate Relations and other persons (including, without limit, bodies corporate) whose interests that director is taken or treated as having by virtue of the application of part 22 of the Companies Act;

“**interests in securities**” has the meaning given in the Takeover Code (and reference to a person having an interest in securities shall be construed accordingly);

“**relevant Ancala securities**” means ordinary shares in the capital of Ancala, any other securities in the capital of Ancala which are equity share capital, and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, any of the foregoing;

“**relevant Dee Valley securities**” means Voting Ordinary Shares and Non-Voting Ordinary Shares, any other securities in the capital of Dee Valley which carry voting rights or which are equity share capital, and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, any of the foregoing;

“**relevant Severn Trent securities**” means ordinary shares in the capital of Severn Trent, any other securities in the capital of Severn Trent which are equity share capital, and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, any of the foregoing; and

“**short position**” means a short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery.

5. MARKET QUOTATIONS

Set out below are the Closing Prices for Ordinary Shares on the following dates, unless otherwise indicated:

- (a) the first Business Day of each of the six months immediately prior to the date of this document;
- (b) 20 October 2016 (being the last dealing day before commencement of the Offer Period); and
- (c) the disclosure date:

| <u>Date</u> | <u>Price per Voting Ordinary Share (pence)</u> | <u>Price per Non-Voting Ordinary Share (pence)</u> |
|----------------------------|--|--|
| 1 June 2016 | 1,295.0 | 1,255.0 |
| 1 July 2016 | 1,220.0 | 1,180.0 |
| 1 August 2016 | 1,355.0 | 1,215.0 |
| 1 September 2016 | 1,375.0 | 1,255.0 |
| 3 October 2016 | 1,375.0 | 1,255.0 |
| 20 October 2016 | 1,370.0 | 1,270.0 |
| 1 November 2016 | 1,529.0 | 1,465.0 |
| 1 December 2016 | 1,820.0 | 1,707.5 |

6. SERVICE AGREEMENTS

6.1 The Executive Director, Ian Plenderleith, entered into his service agreement with Dee Valley Water, a wholly-owned subsidiary of Dee Valley, on 26 August 2014. The service agreement is terminable by either the Executive Director or the Company on not less than 12 months’ prior written notice. The service agreement allows for the Executive Director to be placed on garden leave for the duration of the notice period and for payment in lieu of notice (a “**PILON clause**”). Under the PILON clause, the Executive Director is entitled only to his basic salary (as at the date of termination) which the Executive Director would have been entitled to receive (less income tax and National Insurance contributions) during the 12 months which would otherwise have been his notice period. Furthermore, under this PILON clause, the Executive Director is obliged to seek alternative income throughout these 12 months and any income so received will be deducted from the payments made by Dee Valley Water. Other than the PILON clause, there are no specific clauses in his service agreement which provide for compensation on termination.

The Executive Director’s salary is currently £132,613 and this is subject to annual review by the Remuneration Committee. Dee Valley Water may deduct from the salary any money owed to it or any other Dee Valley Group member. In addition to the Executive Director’s salary, Dee Valley Water operates a bonus plan (up to 50 per cent. of basic salary), determined by the Board at its absolute discretion from time to time, whereby the Executive Director may be paid a discretionary bonus.

The Executive Director is entitled to participate in the Dee Valley Water private medical insurance scheme and life assurance scheme and Dee Valley Water is not liable to provide any replacement benefit or compensation in lieu of such benefit where the insurance provider refuses to provide insurance. The service agreement also provides for the provision of a company car allowance of £6,000 per annum. The service agreement also provides for the reimbursement of all reasonable expenses incurred in the course of the Executive Director's appointment. The Executive Director is entitled to 32 days' paid holiday each holiday year together with the usual public holidays. If the Executive Director is unable to perform his duties due to incapacity, he will continue to receive his salary and contractual benefits during any period of absence in accordance with Dee Valley Water's sick pay scheme from time to time.

The service agreement contains obligations of confidentiality. Dee Valley Water contributes an amount equal to 15 per cent. of the Executive Director's salary to the Dee Valley Water nominated pension scheme.

- 6.2 The Executive Director's service contract does not contain provisions which would be operative upon a change of control of the Company.
- 6.3 The terms and conditions of the non-executive Directors' appointment are as follows:
- (a) Philip Holder was appointed as a non-executive Director of Dee Valley for an initial period of 3 years, commencing on 21 January 2014 under a letter of appointment. The appointment may be terminated by either party on 6 months' written notice. Mr Holder is paid £23,000 per annum under his letter of appointment and is entitled to reimbursement of reasonable expenses.
 - (b) Jon Schofield was appointed as a non-executive Director of Dee Valley for an initial period of 3 years, commencing on 19 November 2010 under a letter of appointment. His appointment has subsequently been renewed. The appointment may be terminated by either party on 6 months' written notice. Mr Schofield is paid £37,000 per annum under his letter of appointment and is entitled to reimbursement of reasonable expenses.
 - (c) Kevin Starling was appointed as a non-executive Director of Dee Valley for an initial period of 3 years, commencing on 28 May 2015 under a letter of appointment. The appointment may be terminated by either party on 6 months' written notice. Mr Starling is paid £23,394.44 per annum under his letter of appointment and is entitled to reimbursement of reasonable expenses.
- 6.4 In recognition of the additional commitments imposed upon Ian Plenderleith by the Acquisition, the Remuneration Committee of the Company has approved a discretionary bonus of 25 per cent. of basic salary, to be paid within 5 days of the Scheme becoming Effective. In addition, the Remuneration Committee of the Company has approved payment of a daily rate of £2,000 to each of the Non-executive Directors for work carried out in addition to the anticipated time commitment per month under their respective letters of appointment.
- 6.5 Save as disclosed in this document:
- (a) there are no service agreements in force between any Director or proposed Director and the Company or any of its subsidiaries; and
 - (b) none of the service agreements described above were entered into during the six months preceding the date of this document nor have any amendments been made to any of such service agreements during that period.

7. MATERIAL CONTRACTS

7.1 The Severn Trent Group

The following contracts have been entered into by members of the Severn Trent Group during the period commencing two years prior to the commencement of the Offer Period and ending on 1 December 2016

(being the latest practicable date before the posting of this document) which are outside the ordinary course of business and are or may be considered material:

Confidentiality Agreement

Severn Trent Plc and Dee Valley entered into a confidentiality agreement on 5 July 2016, pursuant to which Severn Trent Plc and Dee Valley have mutually undertaken to keep confidential information relating to the other party and not to disclose it to third parties (other than permitted recipients) save to the extent required by applicable law or regulation (the “**Confidentiality Agreement**”). The confidentiality obligation will remain in force until 5 years from the date of the Confidentiality Agreement.

Co-operation Agreement

Severn Trent and Dee Valley entered into a co-operation agreement on 15 November 2016 (the “**Co-operation Agreement**”) to set out the mutual commitments to regulate how the Acquisition would be implemented: (i) Severn Trent was to be responsible for all correspondence, filings, notifications and submissions in respect of obtaining regulatory clearance for the Acquisition; (ii) Severn Trent and Dee Valley agreed to provide each other with all reasonable information, assistance and access for the purpose of obtaining regulatory clearance for the Acquisition; (iii) Severn Trent agreed to provide Dee Valley with all reasonable co-operation, information and assistance for the purposes of this document, use reasonable endeavours to satisfy the Conditions and keep Dee Valley informed as to progress on satisfaction of the Conditions; (iv) Severn Trent reserved its right to implement the Acquisition of the Voting Ordinary Shares by way of a takeover offer and agreed that the provisions of this Co-operation Agreement would continue to apply in the event of a takeover offer being made or if the Scheme were altered in any way; (v) Severn Trent reserved its right to implement the Acquisition of the Non-Voting Ordinary Shares by way of a scheme of arrangement and agreed that the provisions of the Co-operation Agreement would continue to apply in the event of a scheme of arrangement or if the Contractual Offer were altered in any way; and (vi) prior to the Scheme Court Hearing, Severn Trent agreed to notify Dee Valley either that all the Conditions have been satisfied or waived or that it intends to invoke a Condition.

The Co-operation Agreement was terminated with immediate effect upon the withdrawal by the Dee Valley Directors of their recommendation of the Original Severn Trent Proposal on 22 November 2016.

Assured Guarantee Arrangements

On 14 October 2016, Severn Trent and Assured Guaranty (Europe) Ltd entered into a commitment letter and related fee letter to record their agreement to, conditional upon the Scheme becoming effective:

- (a) enter into or procure the entry into between, *inter alios*, Dee Valley Water, Severn Trent and Artesian Finance Plc (“**AF**”), of an amendment and restatement deed to:
 - (i) amend and restate the existing Artesian loan facility agreement (between, *inter alios*, Dee Valley Water and AF) dated 19 June 2002 (“**Existing Facility Agreement**”) pursuant to which AF has made available to Dee Valley Water an index-linked term loan facility in sterling in an original aggregate amount of £35,000,000 having an accreted value as at 31 March 2016 of £52.2 million (the amended and restated Artesian loan facility agreement being the “**Amended Facility Agreement**”);
 - (ii) assign all the rights and obligations of Dee Valley Water under the Amended Facility Agreement to Severn Trent; and
 - (iii) release Dee Valley Water and Dee Valley Water (Holdings) Limited from all of their obligations under the Amended Facility Agreement;
- (b) enter into or procure the entry into of, an amendment and restatement deed to amend the existing borrower security trust and intercreditor deed to reflect the removal of the intercreditor arrangements, the existence of security and to replace Dee Valley Water with Severn Trent; and
- (c) release all of the existing borrower security originally created under the Existing Facility Agreement.

7.2 The Dee Valley Group

In addition to the Confidentiality Agreement and the Co-operation Agreement described at paragraph 7.1 above, the following contract has been entered into by members of the Dee Valley Group, during the period commencing on 21 October 2014 (being the date two years prior to the commencement of the Offer Period) and ending on the disclosure date which is outside the ordinary course of business and is or may be considered material:

Ancala Confidentiality Agreement

Ancala Partners and Dee Valley entered into a confidentiality agreement on 4 October 2016 (the “**Ancala Confidentiality Agreement**”). Pursuant to the Ancala Confidentiality Agreement, Ancala Partners undertook to keep confidential information relating to Dee Valley and not to disclose it to third parties (other than permitted disclosees) unless required by law or regulation. This confidentiality undertaking will remain in force for three years from the date of the Confidentiality Agreement unless otherwise terminated on completion of the Acquisition.

8. FINANCING ARRANGEMENTS

8.1 Rothschild is satisfied that the financial resources available to Severn Trent are sufficient to satisfy the cash consideration due under the Scheme and the Contractual Offer in full.

9. BASES OF CALCULATIONS AND SOURCES OF INFORMATION

9.1 The value of the entire issued ordinary share capital of Dee Valley is based on 4,138,902 Voting Ordinary Shares and 493,268 Non-Voting Ordinary Shares in issue at the date of this document.

9.2 Unless otherwise stated, all prices quoted for shares are Closing Prices.

9.3 The volume weighted average prices for the Voting Ordinary Shares and the Non-Voting Ordinary Shares are derived from Thomson Reuters Datastream.

9.4 Reference to a percentage of Ordinary Shares are based on a number of Ordinary Shares in issue as set out in paragraph 9.3 above.

10. OTHER INFORMATION

10.1 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Severn Trent or any party acting or presumed to be acting in concert with Severn Trent for the purposes of the Acquisition, and any of the Directors, or recent directors, shareholders or recent shareholders of the Company or any person interested or recently interested in shares of the Company having any connection with, or dependence upon, the outcome of the Acquisition.

10.2 Save as disclosed in this document, there are no arrangements (including any indemnity or option arrangements, and any agreement or understanding formal or informal, of whatever nature) in relation to dealings which exist between Dee Valley or any person acting in concert with Dee Valley and any other person.

10.3 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Scheme Shares or any of the Non-Voting Ordinary Shares acquired by Severn Trent in pursuance of the Acquisition will be transferred to any other person, save that Severn Trent reserves the right to transfer any such Scheme Shares or Non-Voting Ordinary Shares to any member of the Severn Trent Group or any investor in Severn Trent.

10.4 Save as disclosed in paragraph 6.4 of this Part 11 and elsewhere in this document, the total emoluments of the current Severn Trent Directors will not be affected by the Acquisition of the Company or by any other associated transactions.

10.5 Investec has given and has not withdrawn its written consent to the issue of this document with the inclusion of the Explanatory Statement in Part 3 of this document and the references to its name in the form and context in which they appear. Investec is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom.

- 10.6 Rothschild has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears. Rothschild is authorised and regulated by the Financial Conduct Authority in the United Kingdom.
- 10.7 Settlement of the consideration to which each Scheme Shareholder is entitled under the Scheme and to which each Non-Voting Ordinary Shareholder is entitled under the Contractual Offer will be implemented in full in accordance with the terms of the Scheme or the Contractual Offer (as applicable) without any regard to any lien or right of set-off, counter claim or other analogous right of which any member of the Severn Trent Group may otherwise be, or claim to be, entitled against such Shareholder.
- 10.8 Save as disclosed:
- (a) in this document; or
 - (b) publicly announced in accordance with the Listing Rules by the Company,
- there has been no significant change in the financial or trading position of the Company since 31 March 2016, the date to which the latest published audited accounts of the Company were prepared.
- 10.9 Save as disclosed in this document, the Directors are not aware of any material change in relation to any material information previously published by or on behalf of the Company during the Offer Period.
- 10.10 Save as disclosed in this document, the Severn Trent Directors are not aware of any material change in relation to any material information previously published by or on behalf of Severn Trent during the Offer Period.
- 10.11 Save as disclosed in this document, no proposal exists in connection with the Acquisition that any payment or other benefit shall be made or given by Severn Trent to any Directors as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- 10.12 There are no agreements or arrangements to which Severn Trent is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Acquisition.
- 10.13 Save for the irrevocable commitment described in paragraph 4.1 of this Part 11, neither Severn Trent, nor any person acting in concert with Severn Trent; nor Dee Valley, nor any person acting in concert with Dee Valley, has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature relating to relevant Dee Valley securities or relevant Severn Trent securities, which may be an inducement to deal or refrain from dealing, with any other person.

11. FEES AND EXPENSES

- 11.1 The estimated aggregate fees and expenses expected to be incurred by Severn Trent in connection with the Acquisition are estimated to amount to approximately £2,831,000 (exclusive of VAT and expenses). This aggregate amount comprises of the following (in each case excluding VAT and expenses):
- (a) financial and corporate broking advice: approximately £1,000,000;
 - (b) accounting and tax advice: approximately £12,000;
 - (c) legal advice: approximately £1,453,000;
 - (d) other professional services: approximately £272,000; and
 - (e) other costs and expenses: approximately £94,000.
- 11.2 The estimated aggregate fees and expenses expected to be incurred by the Company in connection with the Acquisition, the Original Severn Trent Proposal and the Ancala Proposals are estimated to amount to approximately £1,775,000 (exclusive of VAT and expenses). This aggregate amount comprises of the following (in each case excluding VAT and expenses):
- (a) financial and corporate broking advice: approximately £1,260,000;

- (b) legal advice (including counsel fees): approximately £420,000; and
- (c) other costs and expenses: £95,000.

12. DOCUMENTS AVAILABLE FOR INSPECTION

12.1 Copies of the following documents will be available on Dee Valley's website at <https://www.deevalleywater.co.uk/> during the period up to and including the Effective Date or the date that the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the memorandum and articles of association of Severn Trent;
- (b) the articles of association of the Company;
- (c) the audited consolidated accounts of the Company for the three years ended 31 March 2014, 31 March 2015 and 31 March 2016;
- (d) the material contracts referred to in paragraph 7 above (including details of the financing arrangements for the Acquisition);
- (e) the letters of consent referred to in paragraph 10.5 and paragraph 10.6 above;
- (f) the irrevocable undertaking to vote in favour of Ancala's scheme or offer referred to in paragraph 4.1 of this Part 11;
- (g) this document, the Forms of Proxy, the Form of Acceptance and the Loan Note Form of Election;
- (h) the announcement of the Original Severn Trent Proposal;
- (i) the announcements of the Revised Severn Trent Proposal; and
- (j) the announcement of Dee Valley's recommendation of the Revised Severn Trent Proposal.

12.2 Copies of the following documents will be available on Severn Trents website at <http://www.severntrent.com/> during the period up to and including the Effective Date or the date that the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the articles of association of Severn Trent;
- (b) the articles of association of the Company;
- (c) the audited consolidated accounts of Severn Trent for the two years ended 31 March 2015 and 31 March 2016;
- (d) the audited consolidated accounts for the Severn Trent Group for the two years ended 31 March 2015 and 31 March 2016;
- (e) the interim results of the Severn Trent Group for the six months ended 30 September 2016;
- (f) the material contracts referred to in paragraph 7.1 above (including details of the financing arrangements for the Acquisition);
- (g) the letters of consent referred to in paragraph 10.5 and paragraph 10.6 above;
- (h) this document, the Forms of Proxy, the Form of Acceptance and the Loan Note Form of Election;
- (i) a draft of the Loan Note Instrument;
- (j) the letter of valuation of the Loan Notes dated 1 December 2016 from Rothschild;
- (k) the announcement of the Original Severn Trent Proposal;
- (l) the announcements of the Revised Severn Trent Proposal; and
- (m) the announcement of Dee Valley's recommendation of the Revised Severn Trent Proposal.

2 December 2016

Part 12

United Kingdom Taxation

The following paragraphs, which are intended as a general guide only, are based on current UK tax legislation and HMRC published practice. They summarise certain limited aspects of the UK tax treatment of the Scheme becoming Effective and the Contractual Offer becoming or being declared wholly unconditional, do not constitute tax advice and they relate only to the position of Ordinary Shareholders who are beneficial owners of their Ordinary Shares, who hold their Ordinary Shares as an investment (other than under a personal equity plan or an individual savings account or as “employment related securities” as defined in section 421B(8) of the Income Tax (Earnings and Pensions) Act 2003) and (except insofar as express reference is made to the treatment of non-UK residents) who are resident or, in the case of individuals, ordinarily resident in the United Kingdom for taxation purposes. The tax treatment may be different, and is not considered here, for certain Ordinary Shareholders such as dealers in securities, those exempt from taxation, insurance companies, collective investment vehicles and those who acquired their Ordinary Shares by reason of an office or employment (or are treated as having acquired their Ordinary Shares by reason of an office or employment). If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately.

(a) Tax on chargeable gains as a result of the Acquisition

Cash consideration

Liability to UK tax on chargeable gains will depend on the individual circumstances of each Ordinary Shareholder. The receipt by an Ordinary Shareholder of cash under the Scheme or Contractual Offer will be treated as consideration for a disposal, or part disposal, of their Ordinary Shares which may, depending on the Ordinary Shareholder’s individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to UK tax on chargeable gains.

There are various reliefs which could apply to reduce or eliminate any chargeable gain which arises, including for Ordinary Shareholders within the charge to corporation tax, an indexation allowance which may apply to reduce any chargeable gain (but not increase any allowable loss) arising on the disposal of the Ordinary Shares.

Loan Notes

To the extent that an Ordinary Shareholder receives Loan Notes in exchange for his Ordinary Shares and does not hold (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of Dee Valley, he should not be treated as having made a disposal of his Ordinary Shares. Instead, for individual Ordinary Shareholders, any gain or loss which would otherwise have arisen on a disposal of his Ordinary Shares should be “rolled over” into the Loan Notes and the Loan Notes should (because the Loan Notes should not be qualifying corporate bonds for CGT purposes) be treated as the same asset as those Ordinary Shares acquired at the same time and for the same consideration as those Ordinary Shares. For corporate Ordinary Shareholders, any gain or loss which would otherwise have arisen on a disposal of those Ordinary Shares should be calculated but “held over” and deemed to arise only on a subsequent disposal (including redemption or repayment) of the Loan Notes.

An Ordinary Shareholder who (either alone or together with persons connected with him) holds more than 5 per cent. of, or of any class of, shares in or debentures of Dee Valley, will be eligible for the above treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is the avoidance of a liability to CGT or corporation tax. Severn Trent intends to make an application to HMRC for clearance that the Scheme is effected for bona fide commercial reasons and does not form part of any such scheme or arrangement. Clearance may not be received. The Acquisition will not be conditional on the receipt of such clearance.

If an Ordinary Shareholder receives cash in addition to Loan Notes and the amount of cash received is small in comparison with the value of his Ordinary Shares and less than the amount he paid for the Ordinary Shares, the Ordinary Shareholder will not be treated as having disposed of the Ordinary Shares in respect of which the cash was received. Instead, an amount equal to the amount of such cash will be

deducted from the base cost of his Loan Notes or, in the case of corporate Ordinary Shareholders receiving Loan Notes, any gain or loss on the Ordinary Shares will be dealt with as described below.

Under current HMRC practice, any cash payment of £3,000 or less or (if greater) which is 5 per cent. or less of the market value at the time of disposal of an Ordinary Shareholder's holding of Ordinary Shares will generally be treated as small for these purposes.

In all other cases where an Ordinary Shareholders receives cash in addition to Loan Notes, the Ordinary Shareholder will be treated as having made a part disposal of their Ordinary Shares, with the chargeable gain in respect of that part disposal being computed by reference to the proportion of the Ordinary Shareholder's allowable base cost in his holding of Ordinary Shares that the cash consideration bears to the aggregate of the Ordinary Shareholder's entitlement to both cash consideration and Loan Notes.

General

Subject to available allowances and reliefs, a gain arising on the disposal of Ordinary Shares by an individual Ordinary Shareholder will be taxed at the rate of 10 per cent. except to the extent that the gain, when it is added to the Ordinary Shareholder's other taxable income and gains in excess of the personal allowance in the relevant tax year, exceeds the upper limit of the basic rate income tax band (£32,000 for the tax year ending 5 April 2017), in which case it will be taxed at the rate of 20 per cent.

The capital gains tax annual exemption (£11,100 for the tax year ending 5 April 2017) may be available to an individual Ordinary Shareholder to offset against chargeable gains realised on the disposal of the Ordinary Shareholder's Ordinary Shares.

For an Ordinary Shareholder which is a company, any gain on the disposal of its Ordinary Shares will be subject to corporation tax (at 20 per cent. for the tax year ending 31 March 2017) (subject to any available exemptions and reliefs).

UK Tax treatment of Loan Notes

The Loan Notes are interest bearing. Any interest payments made in respect of the Loan Notes will, in the absence of any available exemptions from the requirement to withhold, be subject to withholding on account of UK income tax at the basic rate (currently 20 per cent.).

Individual Ordinary Shareholders will also be subject to income tax by direct assessment on interest payments at their marginal rate of tax (and credit should generally be available for any tax that has been withheld). For individual Ordinary Shareholders, the Loan Notes should be non-qualifying corporate bonds. Accordingly, a subsequent disposal (including redemption or repayment) of Loan Notes may, depending on individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a liability to CGT. Any chargeable gain or allowable loss on a disposal of the Loan Notes should be computed by reference to the proceeds of that disposal and the allowable base cost in the Ordinary Shareholder's holding of Ordinary Shares that the Loan Notes bear to the aggregate of the Ordinary Shareholder's entitlement to both Cash Consideration and Loan Notes and which was "rolled over" into his Loan Notes.

A Loan Note Holder which is a company will generally be subject to corporation tax in respect of any profits and gains arising from the Loan Notes in each accounting period broadly in accordance with generally accepted accounting practice. Any "held over" chargeable gain or loss (taking account of any small cash payment) which was calculated on exchange of Ordinary Shares for Loan Notes will, as mentioned above, only accrue on the disposal (including redemption or repayment) of the Loan Notes.

(b) Stamp Duty and SDRT

No stamp duty or SDRT will be payable by Ordinary Shareholders as a result of the Scheme becoming Effective or the Contractual Offer becoming or being declared wholly unconditional.

No stamp duty or SDRT will be payable on a transfer or sale of, or on an agreement to transfer, Loan Notes.

Part 13 Definitions

The following definitions apply throughout this document (with the exception of Part 4) unless the context otherwise requires:

“Acquisition” means the proposed acquisition by Severn Trent of the Scheme Shares by means of the Scheme and the proposed acquisition of the Non-Voting Ordinary Shares by means of the Contractual Offer.

“AMP” means Asset Management Plan.

“Ancala” means Ancala Forna Limited, a limited company incorporated in England and Wales with registered number 10421753 and whose registered office is at is 40 Gracechurch Street, London, EC3V 0BT.

“Ancala Original Proposal” means Ancala’s proposed offer announced on 21 October 2016 (to be effected by way of a scheme of arrangement) to acquire the Voting Ordinary Shares at a price of 1,550 pence in cash per share and a contractual offer to acquire the Non-Voting Ordinary Shares at a price of 1,455 pence in cash per share.

“Ancala Partners” means Ancala Partners LLP, a limited liability partnership incorporated under the laws of England and Wales with registered number OC356994, whose registered address is 40 Gracechurch Street, London, EC3V 0BT.

“Ancala Proposals” means the Ancala Original Proposal and the Ancala Revised Proposal.

“Ancala Revised Proposal” means Ancala’s revised proposed offer announced on 22 November 2016 (to be effected by way of a contractual takeover offer) to acquire the Voting Ordinary Shares at a price of 1,706 pence in cash per share and a contractual offer to acquire the Non-Voting Ordinary Shares at a price of 1,602 pence in cash per share.

“Articles” means the articles of association of Dee Valley from time to time.

“Australia” means the Commonwealth of Australia, its states, territories and possessions and all areas subject to its jurisdiction or any sub-division thereof.

“Authorisations” means regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals.

“Authority” means any government or governmental, quasi-governmental, supranational, statutory or regulatory body, court, trade agency, professional association or any other person or body in any jurisdiction.

“B Shares” means the preference B shares issued by Dee Valley, having the rights set out in article 7 of the Articles.

“Board” or **“Dee Valley Board”** means the board of directors of Dee Valley.

“Business Day” means any day (other than a Saturday, Sunday or public holiday) on which clearing banks in the City of London are generally open for the transaction of normal Sterling banking business.

“Canada” means Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof.

“Capita Asset Services” is a trading name of Capita Registrars Limited.

“certificated” or **“in certificated form”** means where a share or other security is not in uncertificated form (that is, not in CREST).

“Closing Price” means the closing middle market price of a Voting Ordinary Share or a Non-Voting Ordinary Share on a particular trading day as derived from the Daily Official List.

“CMA” means the UK Competition and Markets Authority.

“Companies Act” means the Companies Act 2006, as amended.

“Company” or **“Dee Valley”** means Dee Valley Group Plc, a public company incorporated in England and Wales with registered number 4316684 and whose registered office is at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH.

“**connected persons**” has the meaning given to it in section 252 of the Companies Act.

“**Contractual Offer**” means the comparable cash offer made by Severn Trent for the issued Non-Voting Ordinary Shares priced in accordance with the guidance contained in Rule 14 of the Takeover Code, which is being effected by means of a contractual takeover offer as defined in Chapter 3 of Part 28 of the Companies Act (including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer).

“**Contractual Offer Condition**” means the condition to the implementation of the Contractual Offer, as set out in Part 6 of this document.

“**Contractual Offer Price**” means 1,713 pence per Non-Voting Ordinary Share.

“**Court**” means the High Court of Justice in England and Wales.

“**Court Meeting**” means the meeting of the Scheme Shareholders or any class or classes thereof convened pursuant to an order of the Court under the Companies Act, to be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017 at 9:30 am, for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) of which notice is set out on pages 98 and 99 of this document, including any adjournment thereof.

“**CREST**” means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Regulations.

“**CREST Manual**” means the CREST Manual issued by CREST as amended from time to time.

“**CREST member**” means a person who is, in relation to CREST, a system-member (as defined in the Regulations).

“**CREST participant**” means a person who is, in relation to CREST, a system participant (as defined in the Regulations).

“**CREST payment**” has the meaning given in the CREST Manual.

“**CREST personal member**” means a person who is, in relation to CREST, a private individual member.

“**CREST Proxy Voting Service**” has the meaning given in the CREST Manual.

“**CREST sponsor**” means a person who is, in relation to CREST, a sponsoring system-participant (as defined in the Regulations).

“**CREST sponsored member**” means a CREST member admitted to CREST as a sponsored member.

“**Daily Official List**” means the Daily Official List published by the London Stock Exchange.

“**Dealing Disclosure**” has the same meaning as in Rule 8 of the Takeover Code.

“**Dee Valley Group**” means Dee Valley and its subsidiary undertakings.

“**Dee Valley Water**” means Dee Valley Water plc, a wholly owned subsidiary of Dee Valley, with registered number 03527628 and registered office Packsaddle Wrexham Road, Rhostyllen, Wrexham, Clwyd, LL14 4EH.

“**Defined Benefit Scheme**” means the Water Companies Pension Scheme (Dee Valley Water plc Section).

“**Directors**” or “**Dee Valley Directors**” means the directors of Dee Valley at the date of this document and any one of them as the context may require.

“**Disclosure Date**” means the Business Day immediately preceding the date of the announcement of the Acquisition.

“**Effective**” means in the context of the Acquisition of the Voting Ordinary Shares:

- (i) if the Acquisition of the Voting Ordinary Shares is implemented by way of Scheme, means the Scheme having become effective pursuant to its terms; or
- (ii) if the Acquisition of the Voting Ordinary Shares is implemented by way of a takeover offer, such offer having become or been declared unconditional in all respects in accordance with their terms.

“**Effective Date**” means the date on which the Scheme becomes Effective pursuant to its terms.

“Electronic Acceptance” means the inputting and settling of a TTE instruction which constitutes or is deemed to constitute an acceptance of the Contractual Offer on the terms set out in this document.

“ESA Instruction” means an escrow account adjustment input (AESN), transaction type **“ESA”** (as described in the CREST Manual).

“Escrow Agent” means the Receiving Agent in its capacity as escrow agent (as defined in the CREST Manual).

“Euroclear” means Euroclear UK & Ireland Limited.

“Excluded Shares” means any Voting Ordinary Shares which are registered in the name of or are beneficially owned by Severn Trent, Severn Trent Plc or any member of the Severn Trent Group.

“Executive Director” means Ian Plenderleith, the sole executive director of the Company.

“Explanatory Statement” means the explanatory statement relating to the Scheme, as set out in Part 3 of this document, which together with the documents incorporated therein constitute the explanatory statement relating to the Scheme as required by section 897 of the Companies Act.

“Fairly Disclosed” means the information fairly disclosed, by or on behalf of Dee Valley (i) by any Regulatory Information Service after 31 March 2016 but on or before 5:00 pm on the Disclosure Date; (ii) in the electronic data room established by Dee Valley for the Acquisition as at 22 August 2016; (iii) in writing, by any member of the wider Dee Valley Group, to any member of the Severn Trent Group, before 16 November 2016 or (iv) in Dee Valley’s annual report and accounts for the year ended 31 March 2016.

“FCA” means the Financial Conduct Authority.

“Form of Acceptance” means the white form of acceptance in connection with the Contractual Offer.

“Forms of Proxy” means the pink form of proxy in connection with the General Meeting and the blue form of proxy in connection with the Court Meeting, or either of them as the context requires.

“General Meeting” means the general meeting of the Voting Ordinary Shareholders (and any adjournment thereof), convened in connection with the Scheme, notice of which is set out in Part 15 of this document, and any adjournment thereof.

“Hearing Record Time” means 6:00 pm on the Business Day immediately preceding the date of the Scheme Court Hearing.

“HMRC” means HM Revenue & Customs.

“holder(s)” means (a) registered holder(s), including any person(s) entitled by transmission.

“Investec” means Investec Bank plc, Rule 3 Adviser to Dee Valley.

“Japan” means Japan, its cities, prefectures, territories and possessions and all areas subject to its jurisdiction or any sub-division thereof.

“Licence” means the instrument of Appointment of Dee Valley Water as a water undertaker under the Water Industry Act 1991.

“Listing Rules” means the rules and regulations made by the Financial Conduct Authority in its capacity as the UKLA, and contained in the UKLA’s publication of the same name.

“Loan Note Alternative” means the loan note alternative whereby Ordinary Shareholders (other than certain Restricted Shareholders) may elect to receive Loan Notes in lieu of all or part of the cash consideration to which they would otherwise have been entitled under the Acquisition.

“Loan Note Election” means an election under the Loan Note Alternative.

“Loan Note Form of Election” means the green Loan Note Form of Election relating to the Loan Note Alternative which accompanies the Scheme Document.

“Loan Note Holder” means a person for the time being entered on the register of Noteholders of Severn Trent as the holder of a Loan Note.

“Loan Note Instrument” means the instrument constituting the Loan Notes.

“Loan Note Register” means the register of Loan Notes.

“Loan Notes” means the 0.85 per cent. unsecured loan notes 1 July 2022 of 10 pence each in Severn Trent to be issued pursuant to the Loan Note Alternative.

“London Stock Exchange” means London Stock Exchange plc.

“Long Stop Date” means 31 May 2017, or such other later date as may be agreed by Severn Trent and the Company (with the Panel’s consent).

“Meetings” means the Court Meeting and/or the General Meeting as the context requires.

“Merger Control Authority” means any national, supra-national or regional, government or governmental, quasi-governmental, statutory, regulatory or investigative body or court, in any jurisdiction, responsible for the review and/or approval of mergers, acquisitions, concentrations, joint ventures, or any other similar matter.

“Non-Voting Ordinary Shareholders” means holders of Non-Voting Ordinary Shares.

“Non-Voting Ordinary Shares” means the existing unconditionally allotted or issued and fully paid non-voting ordinary shares of 5 pence each in the capital of Dee Valley.

“ODI” means Outcome Delivery Incentive.

“Offer Period” means the period commencing on 21 October 2016 (being the date on which the Ancala Original Proposal was announced) and ending on the Effective Date.

“Official List” means the Official List of the UKLA.

“Ofwat” means the economic regulator for water and sewerage services in England and Wales.

“Opening Position Disclosure” has the same meaning as in Rule 8 of the Takeover Code.

“Ordinary Shareholders” means the Voting Ordinary Shareholders and/or the Non-Voting Ordinary Shareholders (as the context may require).

“Ordinary Shares” or **“Dee Valley Shares”** means the Voting Ordinary Shares and Non-Voting Ordinary Shares.

“Original Severn Trent Proposal” means Severn Trent’s proposed offer announced on 16 November 2016 (to be effected by way of a scheme of arrangement) to acquire the Voting Ordinary Shares at a price of 1,705 pence in cash per share and a contractual offer to acquire the Non-Voting Ordinary Shares at a price of 1,601 pence in cash per share.

“Overseas Shareholders” means Voting Ordinary Shareholders and/or Non-Voting Ordinary Shareholders (or nominees of, or custodians or trustees for Voting Ordinary Shareholders and/or Non-Voting Ordinary Shareholders) who are resident in, or citizens of, jurisdictions outside the United Kingdom.

“Panel” or **“Takeover Panel”** means the Panel on Takeovers and Mergers.

“Phase 2 CMA Reference” means a reference of the Acquisition, or any matters arising therefrom, to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013.

“pounds” or **“Sterling”**, **“£”**, **“pence”** means the lawful currency of the United Kingdom.

“Proposals” means the Scheme Proposals and the Contractual Offer.

“PR14 Final Determination” means the final determination set by Ofwat during its 2014 price review.

“RCV” means Regulatory Capital Value.

“Receiving Agent” or **“Registrars”** means Capita Asset Services, in its capacity as receiving agent for the purposes of the Contractual Offer and/or registrar for the purposes of the Scheme (as appropriate).

“Registrar of Companies” means the Registrar of Companies of England and Wales.

“Regulations” means the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended).

“Regulatory Information Service” means any of the services set out in Appendix I to the Listing Rules.

“Resolution” means the special resolution to be proposed by Dee Valley at the General Meeting in connection with, amongst other things, amendments to be made to the Articles and the approval of the Scheme.

“Restricted Jurisdiction” means United States or any other jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Proposals is sent or made available to Ordinary Shareholders in that jurisdiction.

“Restricted Shareholder” means an Ordinary Shareholder who is a citizen, resident or national of any of the Restricted Jurisdictions.

“Revised Severn Trent Proposal” means Severn Trent’s revised proposed offer announced on 23 November 2016 (to be effected by way of a scheme of arrangement) to acquire the Voting Ordinary Shares at a price of 1,825 pence in cash per share and a contractual offer to acquire the Non-Voting Ordinary Shares at a price of 1,713 pence in cash per share and which was further revised to include the Loan Note Alternative on 25 November 2016.

“Rothschild” means N.M. Rothschild & Sons Limited.

“Rule 3 Advisor” means the advisor appointed in accordance with Rule 3 of the Takeover Code.

“Scheme” or **“Scheme of Arrangement”** means the proposed scheme of arrangement under Part 26 of the Companies Act between the Company and the Scheme Shareholders set out in Part 4 of this document, with or subject to any revision, variation, addition or condition approved or imposed by the Court and agreed to in writing by Dee Valley and Severn Trent.

“Scheme Conditions” means the conditions to the implementation of the Scheme set out in Part 5 to this document and **“Scheme Condition”** means any one of them.

“Scheme Court Hearing” means the hearing by the Court of the application to sanction the Scheme.

“Scheme Court Order” means the order of the Court sanctioning the Scheme under section 899 of the Companies Act.

“Scheme Price” means 1,825 pence per Voting Ordinary Share.

“Scheme Proposals” means the Scheme and the other matters to be considered at the Meetings.

“Scheme Record Time” means 6:00 pm on the Business Day following the date on which the Scheme Court Hearing is held.

“Scheme Shares” means the Voting Ordinary Shares: (i) in issue at the date of this document and which remain in issue at the Scheme Record Time; (ii) (if any) issued after the date of this document but before the Voting Record Time and which remain in issue at the Scheme Record Time; and (iii) (if any) issued at or after the Voting Record Time but at or before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time, excluding any Excluded Shares.

“Scheme Shareholders” means the holders of the Scheme Shares and a **“Scheme Shareholder”** shall mean any one of those scheme shareholders.

“Scheme Voting Record Time” means 6:00 pm (London time) on the day that is two Business Days prior to the date of the Court Meeting or the General Meeting (as applicable) or any adjournment thereof (as the case may be).

“SDRT” means UK stamp duty reserve tax.

“Severn Trent” means Severn Trent Water Limited, a private limited company incorporated in England and Wales with registered number 02366686 and whose registered office is at Severn Trent Centre, 2 St John’s Street, Coventry, CV1 2LZ.

“Severn Trent Directors” means the directors of Severn Trent at the date of this document.

“Severn Trent Group” means Severn Trent Plc and its subsidiary undertakings.

“Severn Trent Plc” means Severn Trent Plc, a public limited company incorporated in England and Wales with registered number 02366619 and whose registered office is at Severn Trent Centre, 2 St John’s Street, Coventry, CV1 2LZ.

“Shareholders” means holders of Voting Ordinary Shares and/or Non-Voting Ordinary Shares.

“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking” have the meanings ascribed to them under the Companies Act.

“Takeover Code” means the Takeover Code on Takeovers and Mergers.

“Takeover Offer” means a takeover offer under section 974 of the Companies Act.

“TTE Instruction” means a Transfer to Escrow instruction (as described in the CREST Manual) in relation to Non-Voting Ordinary Shares held in uncertificated form.

“Third Party” or “Third Parties” means any regulator, government body or equivalent entity, including, for the avoidance of doubt, the Competition and Markets Authority, the Drinking Water Inspectorate, the European Commission, the Environment Agency, Natural Resources Wales, the Welsh Government, the Secretary of State for Environment, Food and Rural Affairs, Ofwat or any comparable body in any jurisdiction.

“Treasury Shares” shares held as treasury shares as defined in section 724(5) of the Companies Act.

“UKLA” means the Financial Conduct Authority in its capacity as the competent authority for listing under the Financial Services and Markets Act 2000.

“UK” or “United Kingdom” means United Kingdom of Great Britain and Northern Ireland.

“uncertificated” or “in uncertificated form” means in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST.

“United States” or “US” means the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all other areas subject to its jurisdiction.

“Voting Ordinary Shareholders” means holders of Voting Ordinary Shares.

“Voting Ordinary Shares” means the existing unconditionally allotted or issued and fully paid voting ordinary shares of 5 pence each in the capital of Dee Valley.

“WaterPlus Joint Venture” means the joint venture between Severn Trent Plc and United Utilities Plc (registered number 02366616) for the provision of water and waste water services to non-household customers.

Unless otherwise stated, all times referred to in this document are references to the time in London.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Part 14
Notice of Court Meeting

CR-2016-007570

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
Mr Registrar Jones

IN THE MATTER OF DEE VALLEY GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that, by an order dated 30 November 2016 made in the above matters, the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 proposed to be made between Dee Valley Group plc (“**Dee Valley**”) and the holders of Scheme Shares (as so defined) and that such Court Meeting will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017 at 9:30 am at which place and time all holders of Scheme Shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this Notice forms part.

Holders of Scheme Shares entitled to attend and vote at the meeting may vote in person at the Court Meeting or they may appoint one or more other persons as their proxies to vote in their stead (provided that each proxy is appointed to exercise the rights attached to different shares). A proxy need not be a member of Dee Valley. A blue form of proxy for voting at the Court Meeting is enclosed with this notice. Completion and return of a form of proxy will not prevent a holder of Scheme Shares from attending and voting at the Court Meeting, or any adjournment thereof, in person if he wishes to do so.

In the case of joint holders of Scheme Shares, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting, but if more than one such joint holder shall tender a vote, the vote of the person named first in the register of members of Dee Valley shall be accepted to the exclusion of the other joint holder(s).

By the said order, the Court has specified that entitlements to attend and vote at the said Court Meeting of the holders of Scheme Shares and the number of votes which may be cast thereat will be determined by reference to the register of members of Dee Valley as at 6:00 pm on 10 January 2017 or, in the event that the said Court Meeting is adjourned, the register of members of Dee Valley at 6:00 pm on the day that is two Business Days prior to the date of any adjourned meeting.

It is requested that forms of proxy be lodged by post or, during normal business hours only, by hand with the Registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 9:30 am on 10 January 2017 (or, in the case of adjournment, 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)), but if forms are not so lodged, they may be handed to the Registrars on behalf of the Chairman at the Court Meeting before the taking of the poll.

Proxies submitted using the CREST proxy voting service must be transmitted so as to be received by the Registrars (under CREST participant ID RA10) not later than 9:30 am on 10 January 2017 or (as the case may be) no later than 48 hours prior to the time and date fixed for any adjourned meeting (excluding any day that is not a Business Day). The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST.

Voting at the Court Meeting will be conducted on a poll and not a show of hands.

By the said order, the Court has appointed Jon Schofield or, failing him, Ian Plenderleith or, failing him, any other director of Dee Valley, to act as Chairman of the Court Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 2 December 2016

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
Solicitors for the Company

Nominated Persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies 2006 Act to enjoy information rights (a “**nominated person**”) does not, in that capacity, have a right to appoint a proxy, such right only being exercisable by Scheme Shareholders. However, nominated persons may, under an agreement between him/her and the Scheme Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Court Meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Scheme Shareholder as to the exercise of voting rights.

Part 15
Notice of General Meeting
Dee Valley Group PLC

(Registered in England with number 4316684)

NOTICE IS HEREBY GIVEN that a General Meeting of Dee Valley Group PLC (“**Dee Valley**”) will be held at the Ramada Wrexham, Ellice Way, Wrexham, LL13 7YH on 12 January 2017 at 9:45 am (or, if later, as soon thereafter as the meeting of the holders of the Scheme Shares convened by the direction of the High Court of Justice in England and Wales (the “**Court**”) for the same date and place shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution:

SPECIAL RESOLUTION

1. THAT:

- (a) for the purpose of giving effect to the scheme of arrangement dated 2 December 2016 (the “**Scheme**”), in its original form or subject to such modification, addition or condition agreed between Dee Valley and Severn Trent Water Limited (“**Severn Trent**”) and approved or imposed by the Court, proposed to be made between Dee Valley and the holders of Scheme Shares (as defined in the Scheme), a print of which has been produced to the General Meeting and (for the purpose of identification only) signed by the Chairman, the Scheme be approved in its original form or subject to such modification, addition or condition agreed between Dee Valley and Severn Trent, and the directors of Dee Valley be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) with effect from the passing of this resolution, the articles of association of Dee Valley be amended by including the following new article as article 44 (and amending the remainder of the articles and any cross-references thereto accordingly):

“Scheme of Arrangement

44

- (A) In this Article, references to the “**Scheme**” are to the scheme of arrangement dated 2 December 2016 under section 899 of the Companies Act 2006, between the Company and the holders of the Scheme Shares (as defined in the Scheme), as it may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this Article.
- (B) Notwithstanding any other provision of these Articles, if the Company issues any voting ordinary shares on or after the adoption of this Article and on or prior to the Hearing Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such shares shall be bound by the Scheme accordingly.
- (C) Notwithstanding any other provision of these Articles, if any voting ordinary shares are issued to any person (other than to Severn Trent or any person identified by written notice to the Company by Severn Trent as its nominee(s)) (a “**New Member**”) after the Hearing Record Time, such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will be obliged to transfer all the voting ordinary shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) (the “**Disposal Shares**”), to Severn Trent (or as Severn Trent may otherwise direct) (the “**Purchaser**”) who shall be obliged to acquire all of the Disposal Shares. The consideration payable by the Purchaser shall be 1,825 pence in cash for each Disposal Share transferred to it (or such greater amount in cash as may be payable under the Scheme if modified in accordance with its terms).
- (D) To give effect to any transfer required by paragraph (C), the Purchaser may appoint any person to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of the Purchaser and the Company may give a good receipt for the purchase price of the Disposal Shares and may register the Purchaser as holder thereof

and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Disposal Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Disposal Shares within seven days of the date on which the Disposal Shares are issued to the New Member.

(E) If the Scheme shall not have become effective by the Long Stop Date of the Scheme, this Article 44 shall be of no effect.”;

(c) with effect from the Scheme becoming Effective, Dee Valley be re-registered as a private limited company and that in consequence the name of Dee Valley be changed to Dee Valley Group Limited.

By order of the Board

Tracy Bragg

Company Secretary

2 December 2016

Registered Office:

Packsaddle

Wrexham Road

Rhostyllen

Wrexham

Clwyd LL14 4EH

Notes

1. Only holders of Voting Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the General Meeting. A member so entitled may appoint one or more proxies, who need not be members of Dee Valley, to attend, speak and vote on his/her behalf. If a member appoints one or more proxies, each proxy must be appointed to exercise the rights attached to different shares held by that member. A pink proxy form is enclosed with this Notice. To be valid a proxy appointment must reach the office of the Registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding any part of a day that is not a Business Day) before the time fixed for the General Meeting or any adjournment thereof.

CREST members can use the CREST electronic proxy appointment service in accordance with the procedures set out below.
2. The right to appoint a proxy does not apply to persons whose Voting Ordinary Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 Companies Act 2006 (“**nominated persons**”). Nominated persons may have a right under an agreement with the registered shareholder who holds Voting Ordinary Shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the Voting Ordinary Shares as to the exercise of voting rights.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders on the register of members of the Company as Voting Ordinary Shareholders as at 6:00 pm on 10 January 2017 (or, if the General Meeting is adjourned, Voting Ordinary Shareholders on the register of members as at 6:00 pm on the second Business Day before the time fixed for the adjourned General Meeting) are entitled to attend and vote at the General Meeting in respect of the Voting Ordinary Shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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