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FOR IMMEDIATE RELEASE

5 DECEMBER 2016

RECOMMENDED ACQUISITION
of
DEE VALLEY GROUP PLC
by
SEVERN TRENT WATER LIMITED

Publication and posting of Acquisition Document

Severn Trent notes the announcement by Dee Valley that it has posted to the Dee Valley Ordinary Shareholders a document containing, amongst other things, the full terms and conditions of the Scheme and the Contractual Offer, an explanatory statement, together with the recommended actions to be taken by Dee Valley Ordinary Shareholders in relation to the Acquisition by Severn Trent (the "**Severn Trent Acquisition Document**"). The Severn Trent Acquisition Document will also available be on the Severn Trent Plc website at <https://www.severntrent.com> shortly.

The Severn Trent Acquisition Document contains a unanimous recommendation from the Dee Valley Board that:

- all Voting Ordinary Shareholders vote in favour of Severn Trent's Scheme; and
- all Non-Voting Ordinary Shareholders accept the Severn Trent Contractual Offer.

If Dee Valley Ordinary Shareholders would like to receive the significantly higher consideration offered by Severn Trent than that offered by Ancala they should continue to take no action in respect of the Ancala Revised Proposal nor should they sell their shares to Ancala.

All Dee Valley Voting Ordinary Shareholders are strongly urged to vote in favour of Severn Trent's Scheme and all Dee Valley Non-Voting Ordinary Shareholders are strongly urged to accept the Severn Trent Contractual Offer for their shares by completing, signing and returning (once received) the Forms of Proxy and Form of Acceptance as applicable as soon as possible.

Background

On 23 November 2016 Severn Trent made a revised proposal to acquire all of the issued Dee Valley Ordinary Shares which the Dee Valley Board has recommended.

Under the terms of the Acquisition, the holders of Dee Valley Voting Ordinary Shares will receive 1,825 pence in cash for each Dee Valley Voting Ordinary Share held and the holders of Dee Valley Non-Voting Ordinary Shares will receive 1,713 pence in cash for each Dee Valley Non-Voting Ordinary Share held.

Severn Trent's offer is significantly higher than Ancala's offer of 1,706 pence for each Dee Valley Voting Ordinary Share and 1,602 pence for each Dee Valley Non-Voting Ordinary Share.

The Severn Trent Acquisition Document also contains details of the Loan Note Alternative available pursuant to the Acquisition. Severn Trent's intention in introducing the Loan Note Alternative is that UK tax resident shareholders who would otherwise trigger for UK tax purposes a capital gain if they accepted cash pursuant to the Acquisition will instead be able to elect to receive Loan Notes in which case a capital gain would not be realised for tax purposes on the disposal of their Ordinary Shares.

The Loan Notes will be unlisted and non-transferable and 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% and unless previously redeemed or repurchased, will be repaid at par on 1 July 2022. Full details of the Loan Note Alternative are contained in the Severn Trent Acquisition Document.

Future Plans for Dee Valley

Severn Trent will be a supportive long term owner of Dee Valley as the local water business for its area and will bring its expertise and considerable financial strength to support the business, its customers, employees and pensioners. Severn Trent's investment grade debt rating will provide a solid foundation for the business.

Severn Trent intends to maintain the Welsh identity, heritage and local focus of Dee Valley. Subject to regulatory approvals, Severn Trent intends to maintain a separate Welsh licence for Dee Valley and that the whole of its business in Wales will be regulated under Welsh Government Policy. Severn Trent will also extend its existing community programme to the Dee Valley water area.

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 significant totex efficiencies and ODI rewards, despite the challenging targets set by Ofwat.

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 believes that the Acquisition would provide a successful outcome for 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. This will include enhancing the customer service offering by extending support and, in due course, service hours, and through the application of Severn Trent's digital philosophy.

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 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.

Unless otherwise stated, capitalised terms used in this announcement have the same meaning as those in the Severn Trent Acquisition Document.

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Further information

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise, nor shall there be any sale, issuance or transfer of securities of Dee Valley in any jurisdiction in contravention of applicable law. This announcement does not constitute a prospectus or a prospectus equivalent document.

Any vote in respect of the Acquisition should only be made on the basis of the information contained in the scheme circular relating to the Scheme, which contains the full terms and conditions of the Acquisition and the Scheme (including details of how to vote) and the Contractual Offer (including how to accept the Contractual Offer). Ordinary Shareholders are advised to read the formal documentation in relation to the Acquisition carefully.

Please be aware that addresses, electronic addresses and certain other information provided by Ordinary Shareholders, persons with information rights and other relevant persons in connection with the receipt of communications from Dee Valley may be provided to Severn Trent during the offer period as required under Section 4 of Appendix 4 of the Code.

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

Barclays Bank PLC, acting through its Investment Bank, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation

Authority, is acting exclusively for Severn Trent and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Severn Trent for providing the protections afforded to clients of Barclays nor for providing advice in relation to the matters referred to in this announcement.

Morgan Stanley & Co. International plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Severn Trent and no-one else in connection with the 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.

Overseas jurisdictions

The release, publication or distribution of this announcement in or into, jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this announcement 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 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.

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

Additional information for US investors in Dee Valley

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). These materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for 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

Ordinary Shareholders in the United States 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. Financial information included in this announcement and the scheme circular 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.

Note regarding Loan Notes

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). US shareholders of Dee Valley will only receive cash consideration in connection with the Acquisition and may not elect to receive any Loan Notes.

Disclosure requirements

Under Rule 8.3(a) of the Code, any person who is interested in 1% 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 Code, any person who is, or becomes, interested in 1% 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.

Forward-looking statements

This announcement contains certain forward-looking statements, including statements regarding Severn Trent's and Dee Valley's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the water and wastewater industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this document.

Publication of this announcement

A copy of this announcement will be available subject to certain restrictions relating to persons resident in Restricted Jurisdictions on www.severntrent.com.

The contents of Severn Trent Plc's website are not incorporated into and do not form part of this announcement.