

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM THE UNITED STATES OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

FOR IMMEDIATE RELEASE

7 DECEMBER 2016

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

Comment on Ancala declaring that its bid will not be increased

Severn Trent notes the announcement today by Ancala that the Ancala Revised Proposal, which is significantly lower than Severn Trent's offer, is final and will not be increased.

Severn Trent's offer of 1,825 pence for each Dee Valley Voting Ordinary Share is 119 pence higher than the Ancala Revised Proposal of 1,706 pence.

Severn Trent's offer of 1,713 pence for each Dee Valley Non-Voting Ordinary Share is 111 pence higher than the Ancala Revised Proposal of 1,602 pence.

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 offer has the unanimous support of the Dee Valley Board which recommends all Dee Valley Voting Ordinary Shareholders vote in favour of Severn Trent's Scheme at the shareholder and court meetings to be held on 12 January 2017 and all Dee Valley Non-Voting Ordinary Shareholders accept the Severn Trent Contractual Offer.

In order to benefit from Severn Trent's significantly higher offer, Ordinary Shareholders should continue to take no action in respect of the Ancala Revised Proposal and should not sell their shares to Ancala. Dee Valley Voting Ordinary Shareholders should vote in favour of Severn Trent's Scheme and Dee Valley Non-Voting Ordinary Shareholders should accept the Severn Trent Contractual Offer, as recommended by the Dee Valley Board.

Acceptances of Ancala's offer

Severn Trent notes that Ancala has received acceptances in respect of shares representing 40.38 per cent. of the issued Dee Valley Voting Ordinary share capital. The vast majority of these acceptances were obtained from shareholders who had signed irrevocable undertakings to accept Ancala's offer on 20 October 2016, prior to the announcement of Severn Trent's offer (the "**Relevant Shareholders**").

Neither the undertakings nor the acceptances prevent Severn Trent's offer from successfully completing for the benefit of all shareholders. The fact the undertakings had been signed by the

Relevant Shareholders, and their acceptances would result, was known to Severn Trent before announcing the Scheme, and likewise was known to the Dee Valley Board before it decided to recommend and support Severn Trent's Scheme.

Severn Trent's Scheme will be approved if 75 per cent. or more (by value of shares held), and a majority in number, of shareholders present and voting at the court meeting vote in favour of the Scheme and if the related special resolution is passed at the general meeting.

Enquiries:

Severn Trent

Ruban Chandran +44 (0)79 5716 6615

Richard Tunnicliffe +44 (0)78 3441 9722

Rothschild – Financial Adviser to Severn Trent

Mark Warham +44 (0)20 7280 5000

Barclays – Corporate broker to Severn Trent

Alisdair Gayne +44 (0)20 7623 2323

Morgan Stanley – Corporate broker to Severn Trent

Paul Baker +44 (0)20 7425 8000

Tulchan Communications – Financial communications adviser to Severn Trent

Andrew Grant +44 (0)20 7353 4200

Jonathan Sibun

Further information

Unless otherwise stated, capitalised terms used in this announcement have the same meaning as those in Severn Trent's announcement on 5 December 2016.

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 Severn Trent Contractual Offer (including how to accept the Severn Trent Contractual Offer). Dee Valley 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 Dee Valley 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. Dee Valley 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 Severn Trent 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 Severn Trent 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 Severn Trent Contractual Offer and doing so will render invalid any relevant purported acceptance of the Severn Trent 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

Dee Valley Ordinary Shareholders in the United States should note that the Acquisition relates to the shares of an English company and, in respect of the Dee Valley 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 Severn Trent Contractual Offer

The Severn Trent Contractual Offer in respect of Dee Valley 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 Severn Trent Contractual Offer is not intended to be made pursuant to the provisions of any other legal system. Shareholders should note that the Severn Trent Contractual Offer is subject to English disclosure rules, which are different from those in the United States. The Severn Trent Contractual Offer will not be made to any Dee Valley 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.