

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

To: The Directors
Dee Valley Group Plc
Packsaddle
Wrexham Road
Rhostyllen
Wrexham
LL14 4EH

Dated: 5 July 2016

Dear Sirs

MUTUAL CONFIDENTIALITY UNDERTAKING

Dee Valley Group Plc a company incorporated in England with registered number 04316684 and having its registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH (the "**Target**") and Severn Trent Plc a company incorporated in England with registered number 02366619 and having its registered office at Severn Trent Centre, 2 St. John's Street, Coventry CV1 2LZ (the "**Bidder**") (each a "**party**" and together the "**parties**") are involved in negotiations regarding a possible offer to be made in accordance with the City Code on Takeovers and Mergers (the "**Code**") by the Bidder to acquire the entire issued ordinary voting and non-voting share capital of the Target (the "**Transaction**").

In connection with the Transaction, each party (in its capacity as the "**Disclosing Party**") may disclose Confidential Information to the other party (in its capacity as the "**Receiving Party**") subject to the terms of this agreement (the "**Agreement**").

1. DEFINITIONS

"**acting in concert**" has the meaning given in and shall be construed in accordance with the Code;

"**Advisers**" means, in relation to each party, that party's current financial, legal and accounting advisers and such other advisers as are agreed between the parties from time to time;

"**Affiliates**" means in relation to any person, any other person who Controls or is Controlled by, or under common Control with, that person;

"**CMA**" means the Competition and Markets Authority;

"**Code**" means the City Code on Takeovers and Mergers;

"**Confidential Information**" means, in relation to the Disclosing Party:

- (a) all information relating to the Disclosing Party or its Affiliates or to the Transaction which is made available for the purposes of the Transaction by the Disclosing Party or its Related Persons to the Receiving Party or its Related Persons;
- (b) analyses, compilations, studies and other material prepared by the Receiving Party or its Related Persons which contain, reflect or are otherwise generated from the information described in (a) above;

- (c) subject to clause 3.14.2, the existence and contents of the discussions between the parties about the Transaction, including the identity of the parties and the existence and contents of this Agreement,

in each case in whatever form or medium (including written, electronic, visual and oral) such information is recorded or kept and whether disclosed or created before or after the date of this Agreement, but, in the case of the information referred to in (a), (b) and (c) above only, excluding information which:

- (a) is or becomes publicly available (other than as a direct or indirect result of any breach of the terms of this Agreement) and could be obtained by any person with no more than reasonable diligence; or
- (b) is known to the Receiving Party or its Related Persons before it is disclosed by the Disclosing Party or its Related Persons or is lawfully obtained by the Receiving Party after such disclosure, other than from a source which is connected with the Disclosing Party and which, in either case, has not been obtained in violation of, and is not otherwise subject to, any obligation of confidentiality to the Disclosing Party or its Affiliates;

"Control" means when a person directly or indirectly holds or controls a majority of the voting rights of, or the right to appoint or remove a majority of the board of directors of, or the right to exercise a dominant influence over or otherwise control (by virtue of an undertaking's constitution or otherwise), another person;

"Permitted Dividend" means the final dividend of 42 pence per share announced by the Target on 10 June 2016;

"Personal Data" means any information relating to an identified or identifiable natural person;

"Related Persons" means, in relation to a party, its Affiliates, directors, employees (including employee representatives) and Advisers at any time when the provisions of this Agreement apply;

"Transaction Personal Data" means Personal Data which the Bidder receives in connection with the Transaction; and

"Welsh Water Authorities" means Natural Resources Wales and The Drinking Water Inspectorate.

2. CONFIDENTIALITY

2.1 Each Receiving Party will:

- 2.1.1 keep the Disclosing Party's Confidential Information secret and confidential;
- 2.1.2 use the Confidential Information only in connection with the Transaction;
- 2.1.3 subject to clause 2.2 and clause 2.3, not disclose the Confidential Information to anyone other than those of the Receiving Party's Related Persons who, in the Receiving Party's reasonable opinion, need to know the Confidential Information for the purposes of the Transaction, in each case in confidence and only to the extent necessary for the Transaction; and
- 2.1.4 ensure that each Related Person to whom the Confidential Information is disclosed (whether by the Receiving Party or by the Disclosing Party or any of their Related Persons) is aware of and observes the Receiving Party's obligations of confidence under this Agreement and will be responsible for any breach of the provisions of this Agreement by its Related Persons.

The obligations set out in this clause 2.1 shall remain in force for a period of 5 years from the date of this Agreement, except for the obligations in respect of information concerning the existence and contents of the discussions between the parties about the Transaction,

which shall remain in force for so long (and even if longer than 5 years) as such information remains confidential in nature.

- 2.2 A Receiving Party may disclose Confidential Information to the extent required:
- 2.2.1 by any order of any court of competent jurisdiction or any competent judicial, governmental, regulatory or supervisory body;
 - 2.2.2 by the rules of any listing authority, stock exchange or any regulatory or supervisory body with which the Receiving Party is bound to comply; or
 - 2.2.3 by applicable laws or regulations,
- provided that before it discloses any Confidential Information the Receiving Party will, to the extent permitted by applicable law and regulation, inform the Disclosing Party of the full circumstances and the information required to be disclosed, consult with the Disclosing Party as to possible steps to avoid or limit disclosure and take such of those steps as the Disclosing Party may reasonably require and, where the disclosure is by way of a public announcement, make reasonable efforts to agree the wording of the announcement with the Disclosing Party in advance.
- 2.3 Where the Receiving Party is the Bidder it may disclose Confidential Information (i) to the CMA for the purposes of the filing it needs to make with the CMA; (ii) to Ofwat; and/or (iii) to the English Government, in each case, in connection with the Transaction. A Receiving Party may without prejudice to clause 3.5 disclose Confidential Information to any relevant department of the Welsh Government or the Welsh Water Authorities, in each case, in connection with the Transaction.
- 2.4 A Receiving Party will immediately inform the Disclosing Party of the full circumstances of any disclosure upon becoming aware that Confidential Information has been disclosed in breach of the terms of this Agreement.
- 2.5 A Receiving Party will, within ten days of receipt of a written demand from the Disclosing Party:
- 2.5.1 destroy, or at the option of the Disclosing Party (other than the information described in clause 2.5.2) return, all original and copy documents and information containing Confidential Information provided to it or its Related Persons pursuant to this Agreement which is in the possession or control of the Receiving Party or its Related Persons;
 - 2.5.2 destroy all original and copy documents and information containing analyses, compilations, studies or other material generated by it from the Confidential Information;
 - 2.5.3 to the extent that any Confidential Information referred to in clause 2.5.1 or 2.5.2 is held on any computer, disk or other device, permanently remove such information, provided that it shall be sufficient to satisfy the Receiving Party's obligations under this clause 2.5 if such information is no longer accessible without the use of computer forensic or data recovery software; and
 - 2.5.4 if requested by the Disclosing Party, provide a certificate signed by a director of the Receiving Party confirming compliance with the obligations contained in this clause 2.5,
- provided that the Receiving Party (and any of its Related Persons and Advisers to whom Confidential Information has been disclosed in accordance with the terms of this Agreement) may retain such Confidential Information as is required to be retained by it under applicable law or regulation, subject to the duties of confidentiality in respect of such Confidential Information contained in this Agreement.

- 2.6 No term of this letter shall restrict the ability of the Target from notifying, or entering into discussions with, any of its shareholders concerning the Transaction provided that it does not disclose the identity of the Bidder.

3. **GENERAL**

- 3.1 **Right to terminate discussions:** Each party reserves the right in its sole and absolute discretion to terminate discussions and negotiations relating to the Transaction at any time, but such termination shall not, save as provided in clause 3.2, affect the terms of this Agreement which shall otherwise remain in full force and effect.

3.2

3.2.1 Standstill: Subject to clause 3.2.2, the Bidder undertakes that for a period of twelve months from the date of this Agreement it will not, without the recommendation of the Target's board of directors, directly or indirectly, acting either alone or jointly with or on behalf of any other person, in any manner:

- a) acquire, announce a firm intention to acquire, offer to acquire, to sell or enter into any agreement, arrangement or undertaking to acquire or to sell, directly or indirectly, alone or "acting in concert" (as defined in the Code) with others, any of the Target's voting ordinary or non-voting ordinary shares (the "**Shares**"), or any direct or indirect interest in those Shares;
- b) put itself in a position where it is obliged to make an offer under Rule 9 of the Code; or
- c) make an approach to or solicit any of the Target's shareholders in connection with or relating to a possible acquisition (direct or indirect) of or offer for any interest in the Target's Shares,

provided that if during such period:

(A)

(i) a third party (which, for the avoidance of doubt, shall not include the Bidder or any person with whom the Bidder may be deemed to be "acting in concert" (as that term is defined in the Code)) publicly announces a firm intention to make (a) an offer to acquire the whole of the voting issued shares in the Target (if applicable less any already owned or agreed to be acquired by such third party (or any person or persons "acting in concert" with such third party (as that term is defined in the Code)) or (b) a partial offer in accordance with Rule 36 of the Code to acquire such number of Shares which could result in such third party (or any person or persons "acting in concert" with such third party (as that term is defined in the Code)) being interested in Shares carrying 30% or more of the Shares ("**Third Party Firm Intention Announcement**"),

(ii) a third party acquires 30% or more of either class of Shares; or

(iii) the Bidder publicly announces a firm intention to make an offer for a class of Shares which offer is to be recommended by the Target,

then the Bidder (notwithstanding the foregoing provisions of this Agreement) shall no longer be restricted by this clause 3.2 and the Bidder shall be entitled to take any of the actions specified in a) to c) inclusive above,

(B)

(i) the Target board resolves, for reasons not related to a third party making an offer or partial offer to acquire shares in the Target, not to recommend the Transaction to shareholders in circumstances where the Bidder has not notified the Target of any intention to withdraw its possible offer or reduce its possible offer below 1,513 pence per share save where the Bidder has reduced its possible offer below 1,513 pence per share by the

amount of any dividend declared or paid by the Target other than the Permitted Dividend;
or

(ii) a third party publicly announces a possible offer to acquire any of the Shares or the Target makes any such announcement in respect of the third party (a "**Third Party Possible Offer Announcement**"),

then the Bidder (notwithstanding the foregoing provisions of this Agreement) shall be entitled to take any of the actions specified in c) above. The Target shall notify the Bidder as soon as reasonably practicable if it resolves, for reasons not related to a third party making an offer or partial offer to acquire shares in the Target, not to recommend the Transaction to shareholders. The Bidder agrees that the Target may declare and pay the Permitted Dividend and the declaration and payment of the Permitted Dividend shall not entitle the Bidder to reduce its offer below 1,513 pence per share.

3.2.2 If the Target enters into a confidentiality agreement with a third party with respect to a possible transaction to acquire any of the Shares and such confidentiality agreement does not (in the reasonable opinion of the Board of Target) contain a provision which is at least as restrictive on such third party as in clause 3.2.1 ("**Less Restrictive NDA**") the parties agree that with effect from the publication of the earlier of: (i) a Third Party Firm Intention Announcement; and(ii) Third Party Possible Offer Announcement ("**Less Restrictive NDA Trigger Date**"), clause 3.2.1 of this Agreement shall be amended without any further action by the parties such that it is no more restrictive on the Bidder than the equivalent standstill provision is on the relevant third party in the Less Restrictive NDA. The Target shall notify the Bidder of the terms of the Less Restrictive NDA on the Less Restrictive NDA Trigger Date.

3.3 **Compliance with law:** Each party acknowledges, and will advise each of its Related Persons, that it must act in relation to the Confidential Information in compliance with:

3.3.1 the prohibition on market abuse contained in the EU Market Abuse Regulation (2014/596/EU);

3.3.2 the Disclosure Guidance (issued by the Financial Conduct Authority);

3.3.3 the criminal offences in relation to inside information contained in Part V of the Criminal Justice Act 1993; and

3.3.4 the requirements of the Data Protection Act 1998 including but not limited to the obligation to process personal data fairly and lawfully.

3.4 **Processing of Transactional Personal Data:** Where the Bidder is given access to any Transaction Personal Data concerning the Disclosing Party and such data is processed in a country within the European Economic Area, the Bidder confirms that it will not transfer any such Transaction Personal Data outside the European Economic Area:

a) without the Target's prior written consent; and

b) unless the Bidder has first entered into the European Commission standard contractual clauses for the transfer of personal data from the Community to third countries,

save to a country which has been determined by the European Commission, as at the date of the transfer, to offer an adequate level of protection with regard to such data.

3.5 **Approaches to the Welsh Government and Welsh Water Authorities:** Each party undertakes to the other that it shall not, without the other party's prior written consent, make any approach of any kind whatsoever to the Welsh Government or to the Welsh Water Authorities, save to the extent that such an approach either relates to matters conducted in the ordinary course of their own business unconnected with the Transaction or is made with the other party's prior written consent.

- 3.6 **No representations or warranties:** No representation or warranty is made or given as to the accuracy or completeness of the Confidential Information or any other information supplied or as to the reasonableness of any assumptions on which any of the same is based (and there is no obligation on either party to update or correct such information) and the parties agree, for themselves and on behalf of their Related Persons, that (save in the case of fraud) neither the Receiving Party nor its Related Persons shall have any liability to the Disclosing Party or any of its Related Persons, resulting from the use of the Confidential Information or any other information supplied, or for any opinions expressed, or any omissions or mis-statements made by any of them in connection with the Transaction.
- 3.7 **Entire agreement and variation:** Each party confirms that this Agreement represents the entire understanding, constitutes the whole agreement, and supersedes any previous agreement in relation to its subject matter between the parties, and excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing. Each party confirms that in entering into this Agreement it has not relied on any representation, warranty or undertaking which is not expressly set out in this Agreement. No variation of this Agreement will be effective unless it is in writing signed by the parties.
- 3.8 **No waiver:** A failure to exercise or delay in exercising any right or remedy provided by this Agreement or by law does not constitute a waiver of that or any other right or remedy, and no single or partial exercise of a right or remedy will preclude any further exercise of any such right or remedy.
- 3.9 **Severability:** If any part (including any clause or sub-clause) of this Agreement is void or unenforceable due to any applicable law, it shall be deemed to be deleted and the remaining parts of this Agreement will continue in full force and effect.
- 3.10 **Costs:** Each party will be responsible for all costs incurred by it or on its behalf in connection with this Agreement and the Transaction.
- 3.11 **Counterparts:** This Agreement may be executed by the parties in separate counterparts, which shall together constitute one agreement.
- 3.12 **Third party rights:** With the exception of the right of the Related Persons of each party to enforce the terms of this Agreement, no term of this Agreement is enforceable by a person who is not a party to this Agreement under the Contracts (Rights of Third Parties) Act 1999. The rights of the Related Persons to enforce the terms of this Agreement are subject to the condition that the party to whom the Related Person is connected has the right (which it may waive in whole or in part at its absolute discretion and without the consent of or consultation with any of the Related Persons) to have the sole conduct of any proceedings in relation to the enforcement of such rights (including any decision as to commencement or compromise of such proceedings) but will not owe any duty or have any liability to any of its Related Persons in relation to such conduct. The parties to this Agreement, may by agreement rescind or vary any terms of this Agreement without the consent of any of the Related Persons.
- 3.13 **Remedies:** Without prejudice to any other rights or remedies that any party may have, each party acknowledges and agrees that damages alone would not be an adequate remedy for any breach by it or its Related Persons of the provisions of this Agreement, and that the remedies of injunction and specific performance as well as any other equitable relief for any threatened or actual breach by it or its Related Persons would be more appropriate remedies.
- 3.14 **Takeover Code:** Nothing in this Agreement shall:
- 3.14.1 oblige a party to pay any amount (or take any action or step having a similar or comparable financial or economic effect as such a payment) which would not be permitted by Rule 21.2 of the Code; or

3.14.2 prevent the Target from making an announcement (whether under Rule 2.3(d) of the Code or otherwise) relating to a possible offer, or publicly identifying the potential offeror, at any time the board of the Target considers appropriate.

3.15 **Freedom of Information Act:** The Confidential Information to be disclosed to a Receiving Party on the terms of this Agreement should not be disclosed either under a publication scheme or in response to an information request under either the Freedom of Information Act 2000 ("**FoIA**") or the Environmental Information Regulations 2004 ("**EIR**"). Each Disclosing Party believes that the Confidential Information is exempt:

3.15.1 as being given in confidence under section 41 FoIA or Reg 12(5)(d) EIR; or

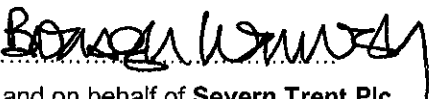
3.15.2 as being a trade secret or information that, if disclosed, would prejudice the commercial interests of the Disclosing Party under section 43 FoIA or Reg 12(5)(f) EIR.

A Receiving Party shall promptly inform the Disclosing Party of any information request where a response would include disclosing Confidential Information or of any intention to disclose such information under a publication scheme, in each case clearly identifying the Confidential Information in question. The Receiving Party shall allow the Disclosing Party reasonable opportunity and time to make representations to the Receiving Party about whether any Confidential Information should be disclosed in response to a request for information, or should be included in a publication scheme.

3.16 **Governing Law and Jurisdiction:** This Agreement and any dispute or claim arising out of or in connection with it (whether contractual or non-contractual in nature) is governed by, and is to be construed in accordance with, English law. The courts of England shall have exclusive jurisdiction in relation to any claim or dispute which may arise out of or in connection with this Agreement and accordingly any proceedings arising out of or in connection with this Agreement are to be brought in the courts of England.

Please confirm your agreement to these terms by signing and returning one copy of this letter.

Yours faithfully,



For and on behalf of **Severn Trent Plc**

We agree

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For and on behalf of **Dee Valley Group Plc**

Date: July 2016

3.14.2 prevent the Target from making an announcement (whether under Rule 2.3(d) of the Code or otherwise) relating to a possible offer, or publicly identifying the potential offeror, at any time the board of the Target considers appropriate.

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3.16 **Governing Law and Jurisdiction:** This Agreement and any dispute or claim arising out of or in connection with it (whether contractual or non-contractual in nature) is governed by, and is to be construed in accordance with, English law. The courts of England shall have exclusive jurisdiction in relation to any claim or dispute which may arise out of or in connection with this Agreement and accordingly any proceedings arising out of or in connection with this Agreement are to be brought in the courts of England.

Please confirm your agreement to these terms by signing and returning one copy of this letter.

Yours faithfully,

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For and on behalf of **Severn Trent Plc**

We agree

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I. J. A. Penderwell

For and on behalf of **Dee Valley Group Plc**

Date: 5 July 2016