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**FOR IMMEDIATE RELEASE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**24 NOVEMBER 2016**

## **RESPONSE TO REVISED SEVERN TRENT WATER LIMITED OFFER**

**for**

### **DEE VALLEY GROUP PLC**

The board of directors of Dee Valley Group plc ("**Dee Valley**") notes the announcement by Severn Trent Plc ("**Severn Trent**") made on 23 November 2016 regarding its increased cash offer price in respect of Severn Trent's proposed acquisition of Dee Valley, to be made by Severn Trent Water Limited ("**Severn Trent Water**"), a wholly owned subsidiary of Severn Trent.

#### **BACKGROUND**

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

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

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

On 23 November 2016, the board of directors of Severn Trent Water announced that it was increasing the cash offer price in respect of the Severn Trent Proposal (the "**Revised Acquisition**").

Under the terms of the Revised Acquisition, the holders of Dee Valley Ordinary Voting Shares ("**Dee Valley Ordinary Voting Shareholders**") will receive 1,825 pence in cash for each Dee Valley Ordinary Voting Share held. The Revised Acquisition includes a revised comparable cash offer for the Dee Valley Ordinary Non-Voting Shares priced at 1,713 pence per share, in accordance with Rule 14 of the Takeover Code (the "**Revised Severn Trent Contractual Offer**").

It is intended that the Revised Acquisition of the Dee Valley Ordinary Voting Shares will be implemented by means of a court-sanctioned scheme of arrangement of Dee Valley under Part 26 of the Companies Act 2006 (the "**Revised Scheme**"). The Revised Acquisition values the entire issued share capital of Dee Valley at approximately £84.0 million.

#### **RECOMMENDATION TO DEE VALLEY ORDINARY SHAREHOLDERS**

The Dee Valley Board considers that the Revised Acquisition represents a superior offer in terms of financial value for holders of Dee Valley Ordinary Voting Shares and Dee Valley Ordinary Non-Voting Shares ("**Dee Valley Ordinary Shareholders**") as compared with the Revised Ancala Proposal and

believes that Dee Valley Ordinary Shareholders should have the opportunity to consider the Revised Acquisition.

The Dee Valley Board has therefore withdrawn its recommendation of the Revised Ancala Proposal.

Accordingly, the Dee Valley Board intends to recommend unanimously that:

- all Dee Valley Ordinary Voting Shareholders vote in favour of the Revised Scheme in respect of the Dee Valley Ordinary Voting Shares; and
- all holders of Dee Valley Ordinary Non-Voting Shares ("**Dee Valley Ordinary Non-Voting Shareholders**") accept the Revised Severn Trent Contractual Offer in respect of their Dee Valley Ordinary Non-Voting Shares.

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

### **IMPLEMENTATION OF THE REVISED ACQUISITION**

The Dee Valley Board intends to work with Severn Trent Water in implementing the Revised Scheme as soon as reasonably practicable after the date of this announcement.

Further details of the Revised Scheme and Revised Severn Trent Contractual Offer, including the full terms and conditions of each and an indicative timetable, will be contained in the scheme circular to be sent to Dee Valley Ordinary Shareholders setting out, amongst other things, (i) the Revised Scheme and notices convening the requisite court meeting and the general meeting and (ii) the terms and conditions of the Revised Severn Trent Contractual Offer, and specifying the necessary actions to be taken by Dee Valley Ordinary Shareholders, which will be sent to Dee Valley Ordinary Shareholders in due course.

#### **Enquiries:**

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Investec have given and not withdrawn its consent to the publication of this announcement with the inclusion herein of the references to its name in the form and context in which it appears.

#### **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 Revised 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 Revised Acquisition should only be made on the basis of the information contained in the Scheme Circular, which will contain the full terms and conditions of the Revised Acquisition and the Revised Scheme (including details of how to vote) and the Revised Severn Trent Contractual Offer (including how to accept the Revised Severn Trent Contractual Offer). Dee Valley Ordinary Shareholders are advised to read the formal documentation in relation to the Revised Acquisition carefully once it has been dispatched.

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.

Investec Bank plc is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the UK. Investec Bank plc is acting exclusively as financial adviser to Dee Valley and no one else in connection with the Revised Acquisition and shall not be responsible to anyone other than Dee Valley for providing the protections afforded to clients of Investec Bank plc nor for providing advice in connection with the Revised Acquisition or any 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 Revised Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

The Revised 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 Revised 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 Revised Severn Trent Contractual Offer and doing so will render invalid any relevant purported acceptance of the Revised 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 Water are each organised under the laws of England. All of the officers and directors of Dee Valley and Severn Trent Water are residents of countries other than the United States. It may not be possible to sue Dee Valley, Severn Trent Water 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 Water and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

#### *The Revised Scheme*

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

The Revised Severn Trent Contractual Offer in respect of Dee Valley Ordinary Non-Voting Shares relates to the shares of an English company and will be governed by English law on the implementation of such an offer. The Revised Severn Trent Contractual Offer is not intended to be made pursuant to the provisions of any other legal system. Shareholders should note that the Revised Severn Trent Contractual Offer is subject to English disclosure rules, which are different from those in the United States. The Revised Severn Trent Contractual Offer will not be made to any Dee Valley Ordinary Shareholders in Restricted Jurisdictions.

#### **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](http://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.deevalleywater.co.uk](http://www.deevalleywater.co.uk).

The contents Dee Valley's website are not incorporated into and do not form part of this announcement.

A hard copy of this Announcement will be sent to Dee Valley Ordinary Shareholders (other than Dee Valley Ordinary Shareholders who have elected to receive electronic communications) in the near future. Dee Valley Ordinary Shareholders may request a hard copy of this Announcement by contacting Tracy Bragg, Head of Legal and Regulation, during business hours on +44 (0) 1978 833213 or by submitting a request in writing to Tracy Bragg, Head of Legal and Regulation at Dee Valley Group plc, Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH. Dee Valley Ordinary Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Revised Acquisition should be in hard copy form. The document containing such details of the Revised Scheme and the Revised Severn Trent Contractual Offer will be published in due course and will also be made available on Dee Valley Water's website at [www.deevalleywater.co.uk](http://www.deevalleywater.co.uk).