

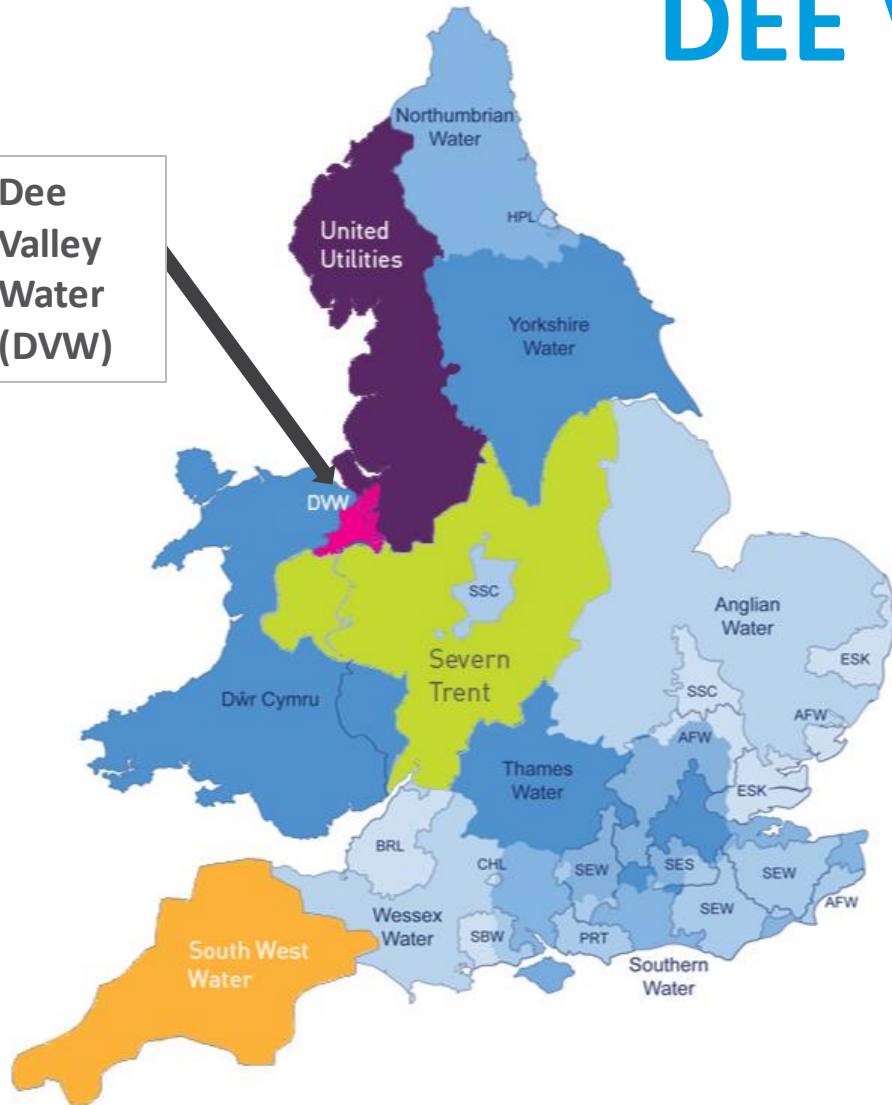


SEVERN TRENT PLC ACQUISITION OF DEE VALLEY GROUP PLC

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SEVERN TRENT ACQUISITION OF DEE VALLEY GROUP⁽¹⁾- OVERVIEW

Dee Valley Water (DVW)



- A small and logical transaction of an adjacent water-only company
- Total equity consideration of approximately £78.5m, to be funded through Severn Trent's cash resources and existing credit facilities. Approximately £50m⁽²⁾ of net debt at book value also acquired
- 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

(1) The transaction remains subject to sanction of the Scheme by the court, CMA approval and regulatory clearances

(2) As per Dee Valley Group's 2016 Annual Report

SEVERN TRENT ACQUISITION OF DEE VALLEY GROUP - RATIONALE

The enlarged Severn Trent and Dee Valley group will benefit from:

- Application of our innovative totex approach, economies of scale and procurement expertise to leverage further value from Dee Valley's business
- Synergies and efficiencies realised from:
 - delisting Dee Valley
 - improved procurement
 - shared overheads
- Ability to apply a lower cost of financing to the operations of Dee Valley

SEVERN TRENT ACQUISITION OF DEE VALLEY GROUP - INVESTMENT CASE

- Severn Trent with Dee Valley: putting two high RCV (Regulatory Capital Value) growth companies together:
 - Dee Valley's RCV at 31st March 2016 was £76m⁽¹⁾ which is forecast to grow to £102m⁽²⁾ by 2020
 - Dee Valley has the highest projected RCV growth rate in the sector for AMP6, at 32%⁽³⁾
 - Severn Trent has the 3rd fastest RCV growth rate of the WASCs⁽⁴⁾ for AMP6, at 8.6%⁽³⁾
- Transaction consistent with Ofwat's desire for innovative forms of corporate restructuring in the sector
- Transaction expected to be earnings accretive from completion

(1) As per Dee Valley's 2015/16 annual report

(2) Assumes average of 2.8% year end RPI for 2016-2020, based on Office of Budget Responsibility forecasts

(3) Growth over AMP6 in real terms (12/13 prices), as per PR14 Final Determinations

(4) WASC = Water And Sewerage Companies

SEVERN TRENT ACQUISITION OF DEE VALLEY GROUP- Q&A



Liv Garfield
Chief Executive



James Bowling
Chief Financial Officer