

11 September 2017

PENNON GROUP PLC

**Pennon Group plc Announces Tender Offer
for its £300,000,000 Perpetual Capital Securities**

THIS ANNOUNCEMENT RELATES TO THE DISCLOSURE OF INFORMATION THAT QUALIFIED OR MAY HAVE QUALIFIED AS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014.

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11 September 2017. Pennon Group plc¹ (the **Company**) announces today an invitation to holders of its £300,000,000 Perpetual Capital Securities (ISIN: XS0899989213) (the **Capital Securities**) to tender such Capital Securities for purchase by the Company for cash (the **Offer**). The Offer is being made on the terms and subject to the conditions contained in the tender offer memorandum dated 11 September 2017 (the **Tender Offer Memorandum**) prepared by the Company, and is subject to the offer restrictions set out below and as more fully described in the Tender Offer Memorandum.

For detailed terms of the Offer, please refer to the Tender Offer Memorandum, copies of which are (subject to distribution restrictions) available from the Tender Agent as set out below. Capitalised terms used in this announcement but not defined have the meanings given to them in the Tender Offer Memorandum.

Rationale for the Offer

The rationale for the Offer, and the intended issuance of New Capital Securities (as defined below), is to optimise the Company's cost of hybrid capital and balance sheet structure. The Company expects to finance the Offer from the partial proceeds of the intended issuance of New Capital Securities.

Under the terms and conditions of the Capital Securities, in the event that 80 per cent. or more of the aggregate principal amount of the Capital Securities have been purchased by the Company, its subsidiaries and/or its affiliates (pursuant to the Offer or otherwise), the Company may, at its option (subject to certain conditions), redeem all (but not some only) of the remaining Capital Securities at their principal amount together with any arrears of returns and any other accrued but unpaid periodic returns. As the Company is inviting Holders to tender any and all of the Capital Securities for purchase pursuant to the Offer, no assurance can be given that the 80 per cent. threshold described above will or will not be met following completion of the Offer and there can be no assurance, in the event that it is met, as to whether or when the Company will choose to exercise its option to redeem the Capital Securities. Any future decision by the Company to redeem the outstanding Capital Securities will depend on various factors existing at that time.

Capital Securities purchased by the Company pursuant to the Offer are expected to be cancelled and will not be re-issued or re-sold.

¹ LEI: 213800V1CCTS41GWH423

Summary of the Offer

A summary of certain of the terms of the Offer appears below:

Description of the Capital Securities	ISIN/ Common Code	First Call Date	Outstanding Principal Amount	Purchase Price	Amount subject to the Offer
£300,000,000 Perpetual Capital Securities	XS0899989213 / 089998921	8 March 2018	£300,000,000	103.00 per cent.	Any and all

Details of the Offer

Purchase Price and Accrued Periodic Returns

The Company will pay, for Capital Securities accepted by it for purchase pursuant to the Offer, a cash purchase price equal to 103.00 per cent. of the principal amount of the relevant Capital Securities (the **Purchase Price**).

The Company will also pay an Accrued Periodic Returns Payment in respect of Capital Securities accepted by it for purchase pursuant to the Offer.

New Financing Condition

The Company is not under any obligation to accept for purchase any Capital Securities tendered pursuant to the Offer. The acceptance for purchase by the Company of Capital Securities tendered pursuant to the Offer is at the sole discretion of the Company and tenders may be rejected by the Company for any reason.

The Company announced on 11 September 2017 its intention to issue new sterling-denominated perpetual capital securities (the **New Capital Securities**). Whether the Company will accept for purchase any Capital Securities validly tendered in the Offer and complete the Offer is subject, without limitation, to the successful completion (in the sole determination of the Company) of the issue of the New Capital Securities (the **New Financing Condition**).

*The New Capital Securities are not being, and will not be, offered or sold in the United States. Nothing in this announcement or the Tender Offer Memorandum constitutes an offer to sell or the solicitation of an offer to buy the New Capital Securities in the United States or any other jurisdiction. Securities may not be offered, sold or delivered in the United States absent registration under, or an exemption from the registration requirements of, the United States Securities Act of 1933, as amended (the **Securities Act**). The New Capital Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).*

No action has been or will be taken in any jurisdiction in relation to the New Capital Securities to permit a public offering of securities.

Tender Instructions

In order to participate in, and be eligible to receive the Purchase Price and the Accrued Periodic Returns Payment pursuant to, the Offer, Holders must validly tender their Capital Securities for purchase by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Tender Agent by 4.00 p.m. (London time) on 18 September 2017 unless extended, re-opened, amended and/or terminated as provided in

the Tender Offer Memorandum. **Tender Instructions will be irrevocable** except in the limited circumstances described in the Tender Offer Memorandum.

Tender Instructions must be submitted in respect of a minimum principal amount of Capital Securities of no less than £100,000, being the minimum denomination of the Capital Securities, and may be submitted in integral amounts of £1,000 thereafter.

Indicative Timetable for the Offer

Events	Times and Dates
<i>Commencement of the Offer</i>	
Announcement of Offer. Tender Offer Memorandum available from the Tender Agent.	11 September 2017
<i>Expiration Deadline</i>	
Final deadline for receipt of valid Tender Instructions by the Tender Agent in order for Holders to be able to participate in the Offer.	4.00 p.m. (London time) on 18 September 2017
<i>Announcement of Results</i>	
Announcement of whether the Company will accept (subject to satisfaction or waiver of the New Financing Condition on or prior to the Settlement Date) valid tenders of Capital Securities for purchase pursuant to the Offer and, if so accepted, the aggregate principal amount of the Capital Securities accepted for purchase.	As soon as reasonably practicable on 19 September 2017
<i>Settlement Date</i>	
Subject to satisfaction or waiver of the New Financing Condition on or prior to the Settlement Date, expected Settlement Date for the Offer.	22 September 2017

The Company may, in its sole discretion, extend, re-open, amend, waive any condition of or terminate the Offer at any time (subject to applicable law and as provided in the Tender Offer Memorandum) and the above times and dates are subject to the right of the Company to so extend, re-open, amend and/or terminate the Offer.

*Holders are advised to check with any bank, securities broker or other intermediary through which they hold Capital Securities when such intermediary would need to receive instructions from a Holder in order for that Holder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Offer by the deadlines set out above. **The deadlines set by any such intermediary and each Clearing System for the submission and revocation of Tender Instructions will be earlier than the relevant deadlines set out above and in the Tender Offer Memorandum.***

Unless stated otherwise, announcements in connection with the Offer will be made by the Company by (i) publication through RNS and (ii) the delivery of notices to the Clearing Systems for communication to Direct Participants. Such announcements may also be made (a) on the relevant Reuters Insider Screen and/or (b) by the issue of a press release to a Notifying News Service. Copies of all such announcements, press releases and notices can also be obtained upon request from the Tender Agent, the contact details for which are below. Significant delays may be experienced where notices are delivered to the Clearing Systems and Holders are urged to contact the Tender Agent for the relevant announcements during the course of the Offer. In addition, Holders may contact the Dealer Managers for information using the contact details below.

Holders are advised to read carefully the Tender Offer Memorandum for full details of and information on the procedures for participating in the Offer.

Barclays Bank PLC and Morgan Stanley & Co. International plc are acting as Dealer Managers for the Offer and Lucid Issuer Services Limited is acting as Tender Agent.

Questions and requests for assistance in connection with the Offer may be directed to the Dealer Managers.

Dealer Managers

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

Telephone: +44 203 134 8515
Attention: Liability Management Group
Email: eu.lm@barclays.com

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA

Telephone: +44 20 7677 7799
Attention: Liability Management Group
Email:
liabilitymanagementeuropa@morganstanley.com

Questions and requests for assistance in connection with the procedures for participating in the Offer, including the delivery of Tender Instructions, may be directed to the Tender Agent.

The Tender Agent

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA

Telephone: +44 20 7704 0880
Attention: Thomas Choquet
Email: pennon@lucid-is.com

This announcement is released by Pennon Group plc and contains information that qualified or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (**MAR**), encompassing information relating to the Offer described above. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is made by Helen Barrett-Hague, Group General Counsel and Company Secretary at Pennon Group plc.

DISCLAIMER This announcement must be read in conjunction with the Tender Offer Memorandum. This announcement and the Tender Offer Memorandum contain important information which should be read carefully before any decision is made with respect to the Offer. If any Holder is in any doubt as to the contents of this announcement and/or the Tender Offer Memorandum or the action it should take, it is recommended to seek its own financial and legal advice, including in respect of any tax consequences, immediately from its broker, bank manager, solicitor, accountant or other independent financial, tax or legal adviser. Any individual or company whose Capital Securities are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to tender such Capital Securities pursuant to the Offer. The Dealer Managers are acting exclusively for the Company and no one else in connection with the arrangements described in this announcement and the Tender Offer Memorandum and will not be responsible to any Holder for providing the protections which would be afforded to customers of the Dealer Managers or for advising any other person in connection with the Offer. None of the Company, the Dealer Managers or the Tender Agent has made or will make any assessment of the merits and risks of the Offer or of the impact of the Offer on the interests

of the Holders either as a class or as individuals, and none of them makes any recommendation as to whether Holders should tender Capital Securities pursuant to the Offer. None of the Company, the Dealer Managers or the Tender Agent (or any of their respective directors, employees or affiliates) is providing Holders with any legal, business, tax or other advice in this announcement and/or the Tender Offer Memorandum. Holders should consult with their own advisers as needed to assist them in making an investment decision and to advise them whether they are legally permitted to tender Capital Securities for cash.

OFFER AND DISTRIBUTION RESTRICTIONS

Neither this announcement nor the Tender Offer Memorandum constitutes an invitation to participate in the Offer in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or to participate in the Offer under applicable securities laws. The distribution of this announcement and the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and/or the Tender Offer Memorandum come(s) are required by each of the Company, the Dealer Managers and the Tender Agent to inform themselves about, and to observe, any such restrictions. Neither this announcement nor the Tender Offer Memorandum constitutes an offer to buy or a solicitation of an offer to sell the Capital Securities (and tenders of Capital Securities in the Offer will not be accepted from Holders) in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer and either Dealer Manager or any of their respective affiliates is such a licensed broker or dealer in any such jurisdiction, the Offer shall be deemed to be made by such Dealer Manager or such affiliate, as the case may be, on behalf of the Company in such jurisdiction.

Nothing in this announcement nor the Tender Offer Memorandum or the electronic transmission thereof constitutes an offer to sell or the solicitation of an offer to buy the New Capital Securities in the United States or any other jurisdiction.

United States. The Offer is not being made, and will not be made, directly or indirectly in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. The Capital Securities may not be tendered in the Offer by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States. Accordingly, copies of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any persons located or resident in the United States. Any purported tender of Capital Securities in the Offer resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of Capital Securities made by a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States will be invalid and will not be accepted. Neither this announcement nor the Tender Offer Memorandum is an offer to buy or sell, or a solicitation of an offer to sell or buy, any Capital Securities or other securities in the United States. Securities may not be offered or sold in the United States absent registration under, or an exemption from the registration requirements of, the Securities Act. The New Capital Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S of the United States Securities Act of 1933, as amended). Each holder of Capital Securities participating in the Offer will represent that it is not located in the United

States and it is not participating in the Offer from the United States, or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Offer from the United States. For the purposes of this paragraph, **United States** means the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States of America and the District of Columbia.

Italy. None of the Offer, this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer has been or will be submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa (CONSOB)* pursuant to Italian laws and regulations. The Offer is being carried out in the Republic of Italy (**Italy**) as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Holders or beneficial owners of the Capital Securities that are located in Italy may tender their Capital Securities in the Offer through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties *vis-à-vis* its clients in connection with the Capital Securities and/or the Offer.

United Kingdom. The communication of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**)) or persons who are within Article 43 of the Financial Promotion Order or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order.

France. The Offer is not being made, directly or indirectly, to the public in the Republic of France (**France**). None of this announcement, the Tender Offer Memorandum or any other document or material relating to the Offer has been or shall be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers) and/or (ii) qualified investors (investisseurs qualifiés), other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier, are eligible to participate in the Offer. Neither this announcement nor the Tender Offer Memorandum have been or will be submitted for clearance to or approved by the Autorité des Marchés Financiers.