

<b>THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION</b>
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**If you are in any doubt about the action you should take with this document, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended).**

**If you have sold some or all of your shares prior to 25 January 2018, you should contact your stockbroker or agent without delay for advice as to how to proceed.**

**IF YOU WISH TO TAKE YOUR DIVIDENDS AS CASH YOU NEED TAKE NO ACTION.**

12 January 2018

Dear Shareholder

### **Pennon Group Dividend Reinvestment Plan**

I am pleased to inform you that the Board of Directors has decided to introduce a Dividend Reinvestment Plan ('DRIP') in respect of the interim dividend of 11.97p per ordinary share for the year ending 31 March 2018. The DRIP replaces the scrip dividend alternative which, following a review of the Group's capital structure, the Directors have decided to withdraw.

### **How the DRIP works**

Like the scrip dividend alternative, the DRIP allows shareholders to reinvest their dividends to buy additional shares in Pennon Group plc. But whereas a scrip dividend requires the Company to issue new shares, a DRIP involves the purchase of existing shares at market value. This avoids the dilution of existing holdings.

The DRIP is administered by Pennon's registrar, Link Asset Services ('Link'), previously known as Capita Asset Services. The fees charged by Link for this service are set out in the DRIP Terms and Conditions, which are enclosed with this letter and also available at [www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip](http://www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip). In addition, stamp duty reserve tax will be payable at the prevailing rate (currently 0.5% of the deal value).

Please refer to the FAQs enclosed with this letter and DRIP Terms and Conditions (available on the website) for further information.

### **How to join the DRIP**

If you wish to join the DRIP you must submit your instructions to Link **before 5.30pm on 9 March 2018** by one of the following methods:

*For holders of shares in certificated form:*

- by completing the DRIP Application Form (enclosed with this letter or available at [www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip](http://www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip)); or
- by applying online at [www.signalshares.com](http://www.signalshares.com) and going to *Manage your account > Change your dividend options > Dividend Reinvestment Plan*

*For holders of shares in uncertificated form in CREST:*

- By inputting a Dividend Election Input Message through the CREST system. No other form of instruction will be permitted from CREST holders.

## Payment of cash dividends

If you would like to receive your dividend in cash, you do not need to take any action. However, if you wish your dividends to be paid directly into your bank or building society account and you have not previously provided your account details, please complete Parts 2 and 3 of the Dividend Instruction Form and return it in the enclosed pre-paid envelope. Alternatively, you may provide this information via [www.signalshares.com](http://www.signalshares.com)

## Existing scrip dividend mandates

If you have a scrip dividend mandate in place, this will be terminated automatically and you will not receive new ordinary shares in the Company in respect of the interim dividend payable in April 2018 or any future dividend. Unless you apply to join the DRIP, you will now receive cash dividend payments. Any fractional cash amounts carried forward from the last scrip dividend in September 2017 will be paid to you at the same time as the interim dividend.

## Timetable

The timetable for the DRIP in respect of the interim dividend is as follows:

Date	Event
25 January 2018	Ordinary shares quoted ex dividend
26 January 2018	Record date for interim dividend
9 March 2018	Final date for receipt of DRIP applications (5.30pm)
4 April 2018	Interim dividend payment date
4 April 2018	Purchase of DRIP shares commences

**Joining the DRIP is optional and this letter does not constitute advice to join the DRIP. If you are in any doubt as to what action you should take, you should consult an appropriately qualified professional adviser.**

Should you require any further information, please do not hesitate to contact Link on 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Link is open between 9.00am – 5.30 pm, Monday to Friday, excluding public holidays in England and Wales. Please note you can also contact Link by email at [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk).

Yours sincerely



Sir John Parker  
Chairman