



WaterShare+

Special Dividend and Share Consolidation Overview



Overview and timing for WaterShare+ shareholders

Pennon has committed to return approximately £1.5 billion of the net proceeds to shareholders following the value realised from the sale of Viridor in 2020. This will be returned by way of a special dividend of £3.55 per share, with share consolidation.

The purpose of the share consolidation is intended, so far as possible, to maintain the comparability of the Company's share price before and after the special dividend, subject to normal market movements.

As a participant in the WaterShare+ scheme this applies to you and your shareholding.

You will need to hold shares in the scheme on the Record Date, 2 July 2021, to be eligible:

- You will receive a £3.55 special dividend for each Pennon share that you hold
 - The consolidation will replace 3 Old Pennon shares with 2 New Pennon shares
 - You will receive a 'fraction', which is an amount equivalent to the value of any shares that are left following the consolidation i.e. 2 shares divided by the 2/3 ratio is 1 whole share and 1/3 of share as a fraction
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You can choose how to receive your special dividend and fraction – these options are explained in further detail on the next slides.

Option 1

Special dividend reinvested in Pennon shares

Alternatively, if you hold 2 or more shares, you can instruct Link to use your dividend and fraction to acquire a New Pennon share and hold it on your behalf via the Dividend Reinvestment Plan (DRIP). This will restore your original holding of 2 shares acquired when the WaterShare+ Scheme was set up.

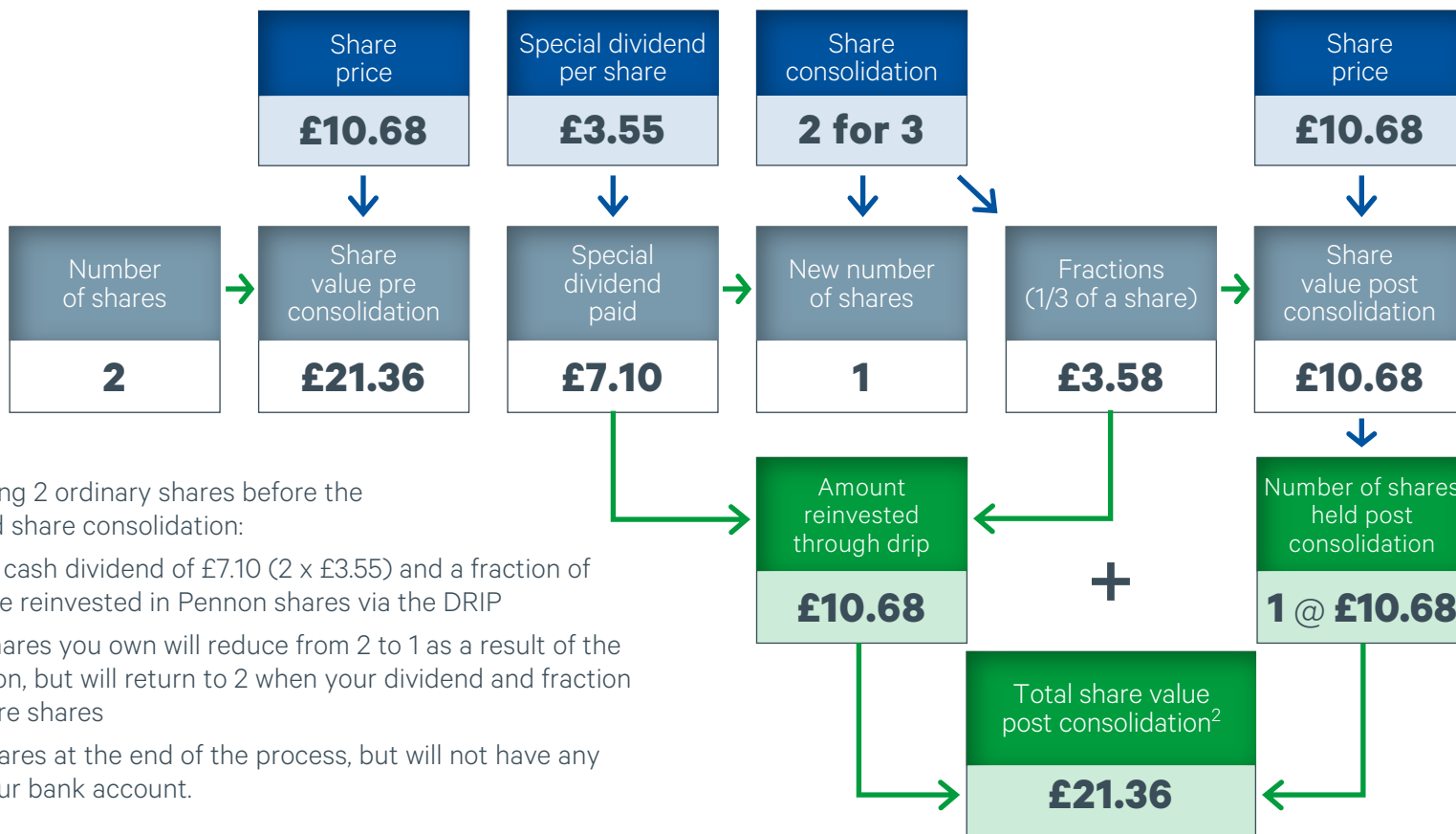
Option 2

Special dividend paid to your bank account

If you do nothing, your dividend and fraction will be paid to the bank account that you have registered with WaterShare+ on 16 July 2021.

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Option 1 – Special dividend reinvested in Pennon shares¹



As an investor holding 2 ordinary shares before the special dividend and share consolidation:

- You will receive a cash dividend of £7.10 (2 x £3.55) and a fraction of £3.58 which will be reinvested in Pennon shares via the DRIP
- The number of shares you own will reduce from 2 to 1 as a result of the share consolidation, but will return to 2 when your dividend and fraction are used to acquire shares
- You will hold 2 shares at the end of the process, but will not have any money paid to your bank account.

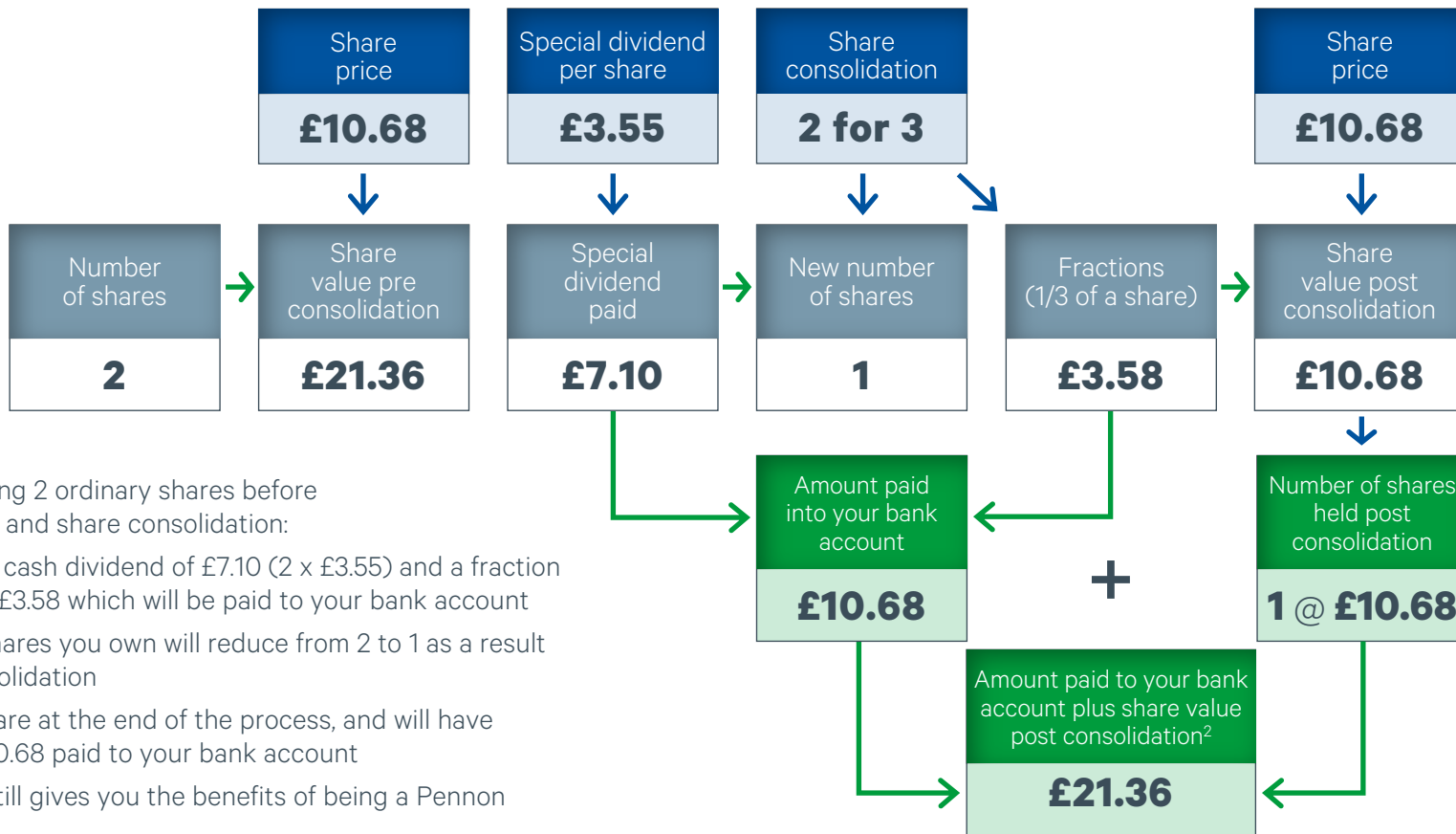
The £10.68 reinvested in New Pennon shares through the DRIP and the £10.68 in New Pennon shares after consolidation **is equal to your current investment of £21.36** before the special dividend payment and share consolidation

¹ This slide is an illustration based on approximate values. If the special dividend and fraction are LESS than the price of a New Pennon share when they are purchased, this will be topped up to 1 whole share. If the special dividend and fraction are MORE than the price of a New Pennon share when they are purchased, we will purchase as many whole shares as possible and pay any remaining funds to your bank account.

² Subject to normal market movements

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Option 2 – Special dividend paid to your bank account¹



As an investor holding 2 ordinary shares before the special dividend and share consolidation:

- You will receive a cash dividend of £7.10 (2 x £3.55) and a fraction of approximately £3.58 which will be paid to your bank account
- The number of shares you own will reduce from 2 to 1 as a result of the share consolidation
- You will hold 1 share at the end of the process, and will have approximately £10.68 paid to your bank account
- Holding 1 share still gives you the benefits of being a Pennon shareholder.

The £10.68 (dividend and fraction) and the £10.68 in New Pennon shares **is equal to your current investment of £21.36** before the special dividend payment and share consolidation

¹ This slide is an illustration based on approximate values

² Subject to normal market movement

WaterShare+

Additional Information

Joining the DRIP

To join the DRIP for the Special Dividend you must complete the instruction form and return it to Link by 6.00 pm on 2 July 2021.

The DRIP Instruction Form is available to download at www.pennon-group.co.uk/dividends/dividend-reinvestment-plan-drip

Owning more than the 2 original shares

If you have purchased more shares or have consolidated holdings into one account, then this applies to your entire holding.

You can do nothing and have your special dividend and fraction paid to your bank account, or you can complete the instruction form and have them reinvested via the DRIP.

Contacting Link

If you need more information, please contact Link on 0371 664 9272 (lines are open 08:30 am to 5.30 pm Monday to Friday excluding public holidays in England and Wales).

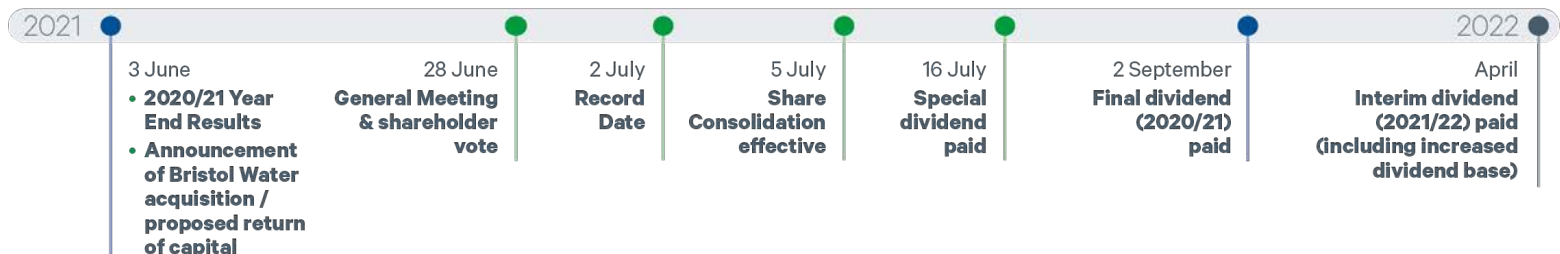
You will need your Investor Code (IVC) which can be found on any recent WaterShare+ Scheme communication.

More detail on Pennon's return of capital to shareholders

Please visit www.pennon-group.co.uk/investor-information/return-of-capital-to-shareholders

An additional summary presentation outlining the special dividend and the share consolidation mechanics is available [here](#).

Timeline



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