

3 July 2015

Press Release

Initial Submission to the Competition and Markets Authority (CMA) regarding Bournemouth Water merger inquiry

Today, Pennon Group has published on its website an initial submission to the CMA as part of the merger review process relating to its Bournemouth Water acquisition.

Following completion of Pennon's acquisition of Sembcorp Bournemouth Water on 15 April 2015, the CMA referred the acquisition for a merger investigation scheduled to be concluded by November 2015.

As part of that process, the CMA has asked for submissions from a number of parties including Pennon and Ofwat. In its document, Pennon sets out its plans to merge South West Water and Bournemouth Water following an anticipated approval from the CMA in November 2015. Ofwat has made a number of points for the CMA to consider, however, overall Ofwat has said it does not oppose the merger. The CMA will determine through the process whether there would be any prejudice in Ofwat's ability to make comparisons in the industry.

It is believed that the merger will deliver tangible benefits to both customers and shareholders as the water industry works towards market liberalisation in 2017, including:

- Creating significant benefits through a combined retail business structure
- Delivering synergies in corporate costs and other efficiency savings
- Lowering bills as reduced costs are passed on to customers
- Improving customer services employing best practice from across both businesses

Research undertaken by Pennon indicates that customers strongly support the benefits that emerge from this type of merger.

Pennon's initial submission also sets out how the merger of South West Water and Bournemouth Water can benefit Ofwat's ability to make comparisons between companies for regulatory purposes.

Chris Loughlin, Executive Director of Pennon and Chief Executive of South West Water, said:

"We believe a combined business will improve customer service and reduce water bills for Bournemouth Water and South West Water customers. It can also provide an enhanced platform for innovation and growth ahead of market liberalisation in 2017.

We were pleased to note that Ofwat does not oppose the merger of South West Water and Bournemouth Water as stated in its own submission to the CMA."

Pennon's submission to the CMA is available at:

<http://www.pennon-group.co.uk/investor-information/bournemouth-water-acquisition>

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The CMA Process and Timetable

Phase 2 date	Action
20 November 2015	Statutory deadline
November 2015	Publish final report
Late October 2015	Final deadline for all parties' responses/submissions
Early October 2015	Consider possible remedies and response hearing(s) (if required)
September 2015	Publish provisional findings
Early September 2015	Deadline for all parties' responses/submissions required before provisional findings
August/September 2015	Main party hearing, verify information, consider provisional findings
Mid-June 2015	Publish statement of issues
June/July 2015	Gather information, initial submissions, issue questionnaires, hear third parties
8 June 2015	Merger reference made