

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the action you should take, you are recommended to seek immediately 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 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. If you have sold or otherwise transferred all your shares in Northumbrian Water Group Plc please send this letter and the accompanying document, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

3 August 2011

*To Northumbrian Water Shareholders and, for information only, to persons with information rights and holders of awards granted under Northumbrian Water share plans*

Dear Sir or Madam,

**Announcement regarding a recommended cash offer for Northumbrian Water Group Plc (“Northumbrian Water”)**

On 2 August 2011, the boards of directors of Northumbrian Water and UK Water (2011) Limited (“**UK Water**”) announced that they had reached agreement on the terms of a recommended cash offer by which all of the issued share capital of Northumbrian Water will be acquired by UK Water (the “**Offer**”). UK Water is a newly incorporated company, indirectly wholly-owned by a consortium comprising Cheung Kong Infrastructure Holdings Limited, Cheung Kong (Holdings) Limited and Li Ka Shing Foundation Limited. It is intended that the Offer will be implemented by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006. In accordance with the City Code on Takeovers and Mergers (the “**Code**”), please find enclosed the text of UK Water’s and Northumbrian Water’s joint announcement.

Copies of this announcement and this letter are also available on Northumbrian Water’s website at [www.nwg.co.uk](http://www.nwg.co.uk).

Yours faithfully,



Sir Derek Wanless,  
Chairman

Please be aware that addresses, electronic addresses and certain other information provided by Northumbrian Water Shareholders, persons with information rights and other relevant persons (for example, and holders of awards granted under Northumbrian Water share plans) for the receipt of communications from Northumbrian Water may be provided to an offeror during the offer period as required under Section 4 of Appendix 4 of the Code.

This letter is being sent in accordance with Rule 2.6 of the Code. The directors of Northumbrian Water (who are listed below) accept responsibility for the information contained in this letter except that the only responsibility accepted by the directors of Northumbrian Water in respect of the information contained in this letter relating to the announcement by UK Water which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the directors of Northumbrian Water (who have taken all reasonable care to ensure that such is the case), the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of Northumbrian Water are as follows:

Sir Derek Wanless;  
Sir Austen Patrick Brown;  
Mrs Margaret Fay CBE;  
Christopher Michael Green;  
Dr Simon Lyster;  
Ms Heidi Mottram OBE;  
Martin Andre Bernard Nègre;  
Paul Francis Rew; and  
Alexander John Scott-Barrett.

### **Dealing Disclosure Requirements**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.