

SCHEDULE 1
Form of Conversion Notice

Pennon Group Plc
£125,000,000 4.625 per cent. Bonds due 2014
convertible into Ordinary Shares of Pennon Group Plc

(Please read the bonds overleaf before completing this Conversion Notice)

Name:..... Date:.....

Address:

Signature*:

*Where the Bonds in respect of which this Conversion Notice is given are evidenced by the Global Bond, the Conversion Notice need not be signed. In such a case, delivery of the Conversion Notice will constitute confirmation by the beneficial owner of interests in the Bonds to be converted that the information and the representations in the Conversion Notice are true and accurate on the date of delivery. This Conversion Notice need only be signed where the Bonds in respect of this Conversion Notice are in definitive form.

Failure to deliver properly and completely this Conversion Notice (in the determination of the Agent) may result in this Conversion Notice being treated as null and void. Once validly delivered, this Conversion Notice is irrevocable.

To: **Pennon Group Plc** (the “**Issuer**”)

I/We, [the undersigned] being the holders of the [Bond(s)/interests in the Global Bond] (please delete as applicable) specified below, hereby elect to convert the principal amount of such Bonds as specified below of which I/We are the holders(s) or in which I/we have an interest (as specified below) for ordinary shares of the Issuer (“**Ordinary Shares**”) in accordance with the terms and conditions of the Bonds.

I/We [the undersigned] hereby confirm that I/we have paid/will pay any taxes and duties arising and payable in accordance with the Conditions by me/us on the exercise of the Conversion Right in respect of the Bonds to which this Conversion Notice applies.

1 Total principal amount and, where applicable, the serial numbers of Bonds to which this Conversion Notice applies:

Number of Bonds:

Total principal amount (must be a minimum of £100,000):.....

Serial numbers of Bonds*
.....

* Not required for Bonds evidenced by the Global Bond

2 I/We request that the Ordinary Shares to be delivered pursuant to this Conversion Notice to be credited to the CREST account, details of which are set out below.

CREST Participant ID:

Member Account ID:

Name:

Address:

I/We hereby request that any payment of interest required to be made pursuant to Condition 6(i) of the Bonds be paid to the person whose name and address is given below and in the manner specified below/transferred to the sterling account, details in respect of which are given below:

Name:

Address:

.....

.....

Manner of despatch (if other than by ordinary mail to the above address):

.....

Account no:

Account name:

Bank:

Branch:

Sort Code:

Notes:

- (i) This Conversion Notice will be void unless the introductory details and Sections 1 and 2 are duly completed.
- (ii) Your attention is drawn to Condition 6 of the Bonds with respect to the conditions relating to conversion.
- (iii) Dispatch of statements of holding of Ordinary Shares will be made at the risk and (if sent at the request of such person otherwise than by ordinary mail) expense of the Bondholder, and the Bondholder will be required to prepay the expenses of, and submit any necessary documents required in order to effect, dispatch in any other manner specified hereon.
- (iv) If a retroactive adjustment of the Conversion Price contemplated by the Conditions is required in respect of a conversion of the Bonds, statements

of holding of Ordinary Shares for the additional Ordinary Shares deliverable pursuant to such retroactive adjustment will be dispatched in the same manner as the statements of holding of Ordinary Shares previously issued pursuant to this Conversion Notice or, as the case may be, payments of cash will be made in the manner requested above.

- (v) This Conversion Notice may be completed by or on behalf of an accountholder of Euroclear or Clearstream, Luxembourg or any clearing system in which the relevant Bond is held at such time which has an interest in such Bond.
- (vi) The holding of an interest in a Bond by an accountholder of Euroclear or Clearstream, Luxembourg or any clearing system in which the relevant Bond is held in respect of which Conversion Rights are being exercised will be confirmed by the Principal Paying and Conversion Agent against a SWIFT message received from the relevant clearing system.
- (vii) Terms used in this Conversion Notice and not otherwise defined have the meanings set forth in the Trust Deed, dated 20 August 2009, between the Issuer and The Law Debenture Trust Corporation p.l.c.

For Agent's use only:

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- (A) Bond conversion identification reference: []
- (B) Date of delivery of Conversion Notice to Agent:
- (C) Conversion Date (to be filled in by Agent):

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- (A) Aggregate principal amount [of Bonds deposited for conversion/represented by the Global Bonds]* being converted:
- (B) Conversion Price on Conversion Date:
- (C) Number of Ordinary Shares to be issued (if any): (disregard fractions)

N.B. The Agent must complete items 3 and 4.

* Delete as appropriate.