

Part I

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FOR IMMEDIATE RELEASE

7 June 2011

Recommended cash offers by

Smiths News PLC

for

Dawson Holdings PLC

The Boards of Smiths News and Dawson are pleased to announce that they have reached agreement on the terms of recommended cash offers to be made by Smiths News for the entire issued and to be issued share capital of Dawson.

Dawson's largest trading division, "Dawson Books", is a leading supplier of books to Universities and further education institutions around the world. This business represents an excellent opportunity for Smiths News to expand the scope of its book business, Bertrams, providing instant access to new markets and an established eBook platform whilst adding momentum and infrastructure to support further growth opportunities internationally. Separately, Smiths News remains focused on its main strategic goal of delivering sustainable growth through its previously stated diversification strategy, actively exploring acquisition targets in specialist distribution.

Highlights

- Recommended cash offers, including an offer of 17.722 pence per Dawson Ordinary Share.
- Following the restructuring of the Dawson Group in 2009 and its continuing successful turnaround, these offers provide the certainty of a full and immediate cash exit at a substantial premium for Dawson's Shareholders, avoiding the risks and costs associated with continuing to run three separate divisions as a small listed company.
- Smiths News believes that the acquisition of Dawson would generate significant value for Smiths News shareholders:
 - the acquisition is immediately earnings enhancing, even before adding synergy benefits;
 - annual synergy benefits of £3.8 million are achievable by the end of Smiths News financial year ending 30 August 2014;
 - the net total cash outlay for the acquisition of £20 million represents a full synergy EBITDA multiple of 3.4 times; and
 - the acquisition is expected to generate returns significantly in excess of Smith News's cost of capital.
- Smiths News believes that there is a compelling strategic rationale for the acquisition of Dawson, including:
 - expanding the scope of Bertrams' activities into academic libraries, building on the skills and experience of Bertrams' public library activities;

- combining both Dawson Books and Bertrams increases Bertrams' revenues by 32 per cent. on a proforma basis, delivering scale benefits to the Enlarged Group;
 - Dawson's eBook system provides Bertrams' library business and Bertrams' wholesale business with instant access to an established digital platform; and
 - the combination of Dawson's and Bertrams' international footprints offers opportunities to increase and accelerate overseas penetration by all of the Enlarged Group's divisions, and
 - the acquisition of the profitable divisions of Dawson Media Direct and Dawson Marketing Services brings two new profitable businesses into the Enlarged Group.
- An Offer will also be made for the unlisted, non-voting Dawson B Ordinary Shares on the basis of 17.722 pence in cash for every Dawson B Ordinary Share.
 - The Dawson Group has agreed a full settlement of all outstanding payments and liabilities with SurrIDGE Dawson, Solent and the liquidators of SurrIDGE Dawson and Solent, conditional upon completion of the Offers, in consideration for the payment to SurrIDGE Dawson by the Dawson Group of £3.338 million following the completion of the Offers (the "**Liquidator Settlement**").
 - Together the Offers value the issued share capital of Dawson at approximately £17.262 million and, taking account of the Liquidator Settlement and the minimum of £600,000 in surplus cash that the Board of Smiths News expects Dawson to have at completion, will result in net total cash outlay by Smiths News of £20.0 million, assuming the Offers are accepted in full.
 - The Dawson Directors unanimously recommend Dawson's Shareholders accept the Offers as they have irrevocably undertaken to do in respect of their entire beneficial holdings amounting to 516,476 Dawson Ordinary Shares, representing, in aggregate, approximately 0.7 per cent. of the existing issued ordinary share capital of Dawson.
 - In addition to the irrevocable undertakings received from the Dawson Directors, Smiths News has received irrevocable undertakings to accept (or to procure the acceptance of) the Ordinary Offer in respect of 15,534,493 Dawson Ordinary Shares, representing approximately 21.6 per cent. of the existing issued ordinary share capital of Dawson.
 - Smiths News has received an irrevocable undertaking to accept the B Ordinary Offer in respect of 25,623,586 Dawson B Ordinary Shares, representing 100 per cent. of the existing issued B ordinary share capital of Dawson.

Commenting on the Offers, Mark Cashmore, Chief Executive of Smiths News said:

"We are delighted to be announcing the acquisition of Dawson, which represents an excellent opportunity to strengthen one of our core businesses. The transaction creates immediate value for our shareholders whilst we continue to focus on our long term strategy to diversify revenues and profits."

Commenting on the Offers, Hugh Cawley, Chief Executive of Dawson said:

"The Board of Dawson believes that Smiths News's offers, by providing the certainty of a cash offer at a significant premium to Dawson's share price, is an excellent outcome for shareholders. This follows the Board's successful restructuring and turnaround plan, which first rescued the Dawson Group from the risk of administration and more recently returned the group to profit growth, culminating in a number of expressions of interest being received from potential buyers of the whole or parts of the business.

Please be aware that addresses, electronic addresses and certain other information provided by Dawson Shareholders, persons with information rights and other relevant persons in connection with the receipt of communications from Dawson may be provided to Smiths News during the offer period as required under Section 4 of Appendix 4 of the Code.

Oriel Securities, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Smiths News and no-one else in connection with the Offers and will not be responsible to anyone other than Smiths News for providing the protections afforded to clients of Oriel Securities nor for providing advice in relation to the Offers. Neither Oriel Securities nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Oriel Securities in connection with this announcement, any statement contained herein or otherwise.

KPMG Corporate Finance, a division of KPMG LLP which is authorised and regulated by the Financial Services Authority for investment business activities, is acting exclusively for Dawson as financial adviser in relation to the Offers and is not acting for any other person in relation to such Offers. KPMG Corporate Finance will not be responsible to anyone other than Dawson for providing the protections afforded to its clients or for providing advice in relation to the contents of this announcement or any offer or arrangements referred to herein.

Overseas jurisdictions

The Offers are not being made directly or indirectly, and securities of Dawson will not be accepted for purchase from or on behalf of any shareholder, in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this announcement.

The availability of the Offers in, and the release, publication or distribution of this announcement in or into, jurisdictions other than the United Kingdom may be restricted by law. Therefore persons into whose possession this announcement comes who are not resident in the United Kingdom should inform themselves about, and observe, any applicable restrictions. Dawson Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

In particular, as described in Appendix I, the Offers will not be made, directly or indirectly, in or into, or by the use of the mails or any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of Canada, Australia or Japan. Accordingly, except as required by applicable law, copies of this announcement are not being, and may not be, mailed or otherwise forwarded, distributed or sent in, into or from Canada, Australia or Japan. Persons receiving this announcement (including without limitation nominees, trustees or custodians) must not forward, distribute or send it into Canada, Australia or Japan.

This announcement has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Notice to US Shareholders of Dawson

Each US shareholder of Dawson is urged to consult with his independent professional adviser regarding any acceptance of the Offers including, without limitation, to consider the tax consequences associated with such shareholder's election to participate in the Offers.

This document does not constitute an offer of securities for sale in the United States or an offer to acquire securities in the United States. No offer to acquire securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with the tender offer requirements under the US Exchange Act or the securities laws of such other country, as the case may be; or (ii) pursuant to an available exemption from such requirements.

The Offers are for the securities of a corporation organised under the laws of England and Wales and are subject to the procedure and disclosure requirements of the United Kingdom, which are different from those of the United States. The Offers are being made in the United States pursuant to Section 14(e) of, and Regulation 14E under, the US Exchange Act and otherwise in accordance with the requirements of the Code. Accordingly, the Offers are subject to certain disclosure and other procedural requirements which may differ from those applicable under US domestic tender offer procedures and laws.

To the extent permitted by applicable law, in accordance with the Code and normal UK market practice and in compliance with Rule 14e-5 under the US Exchange Act, Smiths News and its affiliates or their nominees or brokers (acting as agents) may from time to time during the period in which the Offers remain open for acceptance make certain purchases of, or arrangements to purchase, shares or other securities in Dawson, otherwise than pursuant to the Offers, such as in open market or privately negotiated purchases. Any such purchases, or arrangements to purchase, will be undertaken to the extent permitted by applicable law and will comply with all applicable UK rules, including the Code and the rules of the London Stock Exchange, as well as with Rule 14e-5 under the US Exchange Act. In addition, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Oriel Securities serving as financial advisor to Smiths News and its affiliates may make purchases of, or arrangements to purchase, securities of Dawson and various related derivative transactions in the normal and ordinary course of their business. Information regarding such activities which is required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

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 Dawson 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 and, if later, following the announcement in which any paper offeror is first identified.

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) Dawson 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 Dawson 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 Dawson or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of Dawson 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) Dawson 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 Dawson 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 Dawson and by any offeror and Dealing Disclosures must also be made by Dawson, 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, 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.

Not a profit forecast

The financial information contained in this announcement is based on publicly available historical financial information of Smiths News and Dawson and is not intended to be a profit forecast or profit estimate under the UK Listing, Prospectus, Disclosure and Transparency Rules or under the Code or any other applicable rules. This announcement contains earnings enhancement statements which are not intended to be profit forecasts and so should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period.

Forward-looking statements

This announcement contains certain forward-looking statements, including statements regarding Smith News's and Dawson's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this announcement.

Synergies

The expected synergies referred to in this announcement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. As a result the synergies referred to in this announcement may not be achieved and those achieved could be materially different from those estimated.

Publication of this announcement

A copy of this announcement will be available subject to certain restrictions relating to persons resident in the Restricted Jurisdictions on Smith News's website www.smithsnews.co.uk and Dawson's website www.dawson.co.uk.

The contents of Smith News's website and Dawson's website are not incorporated into and do not form part of this announcement.

other liabilities or claims owing to or arising in favour of SurrIDGE Dawson, Solent or the liquidators will be fully discharged and released upon the Offers becoming or being declared unconditional in all respects in consideration for the payment to SurrIDGE Dawson and Solent by the Dawson Group of £3.338 million to be made within 15 Business Days of such date.

Together the Offers value the existing issued share capital of Dawson at approximately £17.262 million and, taking account of the Liquidator Settlement and the minimum of £600,000 in surplus cash that the Board of Smiths News expects Dawson to have at completion, will result in net total cash outlay by Smiths News of £20.0 million, assuming the Offers are accepted in full.

2. Unanimous Dawson Board recommendation

The Dawson Directors, who have been so advised by KPMG Corporate Finance, consider that the terms of the Offers are fair and reasonable so far as the Dawson Shareholders are concerned. In providing advice to the Dawson Directors, KPMG Corporate Finance has taken into account the Dawson Directors' commercial assessments.

The Dawson Directors unanimously recommend Dawson Shareholders to accept the Offers, as they have irrevocably undertaken to do in respect of their entire beneficial holdings amounting to 516,476 Dawson Ordinary Shares, representing, in aggregate, approximately 0.7 per cent. of the existing issued ordinary share capital of Dawson.

3. Irrevocable undertakings

Smiths News has received irrevocable undertakings to accept (or to procure the acceptance of) the Ordinary Offer in respect of 16,050,969 Dawson Ordinary Shares, representing approximately 22.4 per cent. of the existing issued ordinary share capital of Dawson, further detail of which is set out below.

The Dawson Directors have given irrevocable undertakings to accept (or to procure the acceptance of) the Ordinary Offer in respect in respect of 516,476 Dawson Ordinary Shares, representing approximately 0.7 per cent. of the existing issued ordinary share capital of Dawson. These undertakings remain binding even in the event of a higher offer by a third party in respect of Dawson.

The PPF has given irrevocable undertakings to accept the Offers in respect in respect of 6,519,493 Dawson Ordinary Shares and 25,623,586 Dawson B Ordinary Shares, representing approximately 9.1 per cent. of the existing issued ordinary share capital of Dawson and 100 per cent. of the existing issued B ordinary share capital of Dawson respectively. These undertakings remain binding other than where a higher offer is made by a third party in respect of Dawson where such offer is in excess of 5 per cent. of the price of the Ordinary Offer made by Smiths News.

Certain institutional shareholders of Dawson set out in Appendix II of this announcement have given irrevocable undertakings to accept (or to procure the acceptance of) the Ordinary Offer in respect in respect of 9,015,000 Dawson Ordinary Shares, representing approximately 12.6 per cent. of the existing issued ordinary share capital of Dawson. These undertakings remain binding other than where a higher offer is made by a third party in respect of Dawson where such offer is in excess of 10 per cent. of the price of the Ordinary Offer made by Smiths News.

Further details of the irrevocables are set out in Appendix II of this announcement

4. Settlement Agreement with Surridge Dawson in liquidation

On 28 May 2009, the Dawson Group announced that it was undertaking a reorganisation pursuant to which Dawson Books, Dawson Media Direct and Dawson Marketing Services were incorporated as wholly owned subsidiaries of the Dawson Group and they each acquired certain assets and businesses from Surridge Dawson in consideration for an initial payment of £5 million to Surridge Dawson and further performance-related deferred consideration of up to approximately £8 million (the "**Reorganisation SPA**").

The Dawson Group has today entered into a settlement agreement with Surridge Dawson, Solent and the liquidators of each of Surridge Dawson and Solent which provides that, all liabilities, obligations and charges arising or given under the Reorganisation SPA and all and any other liabilities or claims owing to or arising in favour of Surridge Dawson, Solent or the liquidators will be fully discharged and released upon an offer by, or on behalf of, Smiths News for Dawson becoming or being declared unconditional in all respects in consideration for the payment to Surridge Dawson and Solent by the Dawson Group of £3.338 million to be made within 15 Business Days of such date.

5. Information relating to Smiths News

General

Smiths News is the UK's largest wholesaler of newspapers, magazines and one of the UK's leading suppliers of books. Smiths News distributes approximately 73 million newspapers and magazines a week. It has approximately 30,000 customers, 53 distribution centres and over 4,500 employees.

Smiths News owns Bertrams, a leading wholesaler of books, which was acquired by Smiths News in March 2009. For more than 40 years, Bertrams (and its predecessors) has supplied books to retailers large and small in the UK and overseas. Based in Norwich, Bertrams employs over 400 staff at its distribution centre. It serves independent booksellers and online retailers, with over two million titles available to order. The Bertrams business comprises Bertrams Books, the book wholesaler, Bertrams Library Services, a leading public library supply business and Bertrams Publisher Services, providing bespoke fulfilment services to publishers.

Smiths News's market capitalisation as at the close of business on 6 June 2011 was £172.38 million.

Current trading and prospects

For the six month period to 28 February 2011, Smiths News's profits before tax were £18.7 million and its turnover £872.3 million. As at 28 February 2011 Smiths News's shareholders' funds were (£59.5) million including retained earnings of £213.5 million, and it had net borrowings of £57 million drawn down from a finance facility of £135 million.

6. Information relating to Dawson

General

Dawson trades through three divisions: Dawson Books provides academic books to Universities; Dawson Media Direct supplies newspapers, magazines, digital and audio visual content to airlines; and Dawson Marketing Services provides marketing point of sale materials and fulfilment services.

Dawson Books is one of the leading academic and professional library suppliers around the world. Dawson Books has built a database of approximately sixteen million titles, with full bibliographic information on each book. Its services include shelf ready books to University and further education libraries, technological enhancements to library book records and "Dawsonera", its electronic book platform, which fully integrates with its services for print.

Dawson Media Direct is an international media agency linking airlines and media publishers to provide entertainment and information to airline passengers. It provides newspapers, magazines, movies and other audiovisual content to airlines worldwide.

Dawson Marketing Services provides supply chain solutions for the distribution of printed materials, primarily for point of sale and direct mail marketing activities and for the fulfilment of products sold via mail order or the internet.

Current trading and prospects

For the twelve month period to 30 September 2010, Dawson's EBITDA and profit before tax (in each case before exceptional items) were £2.0 million and £1.1 million respectively and its turnover £78.4 million. As at 30 September 2010, Dawson's shareholders' funds were £3.5 million and it had net cash of £1.7 million.

For the six month period to 31 March 2011, Dawson's EBITDA and profit before tax (in each case before exceptional items) were £1.3 million and £0.9 million respectively and its turnover was £39.3 million. As at 31 March 2011, Dawson's shareholders' funds were £4.2 million and it had net cash of £4.2 million.

As set out in Dawson's half year report on 26 May 2011, the continuation of economic uncertainty has not prevented the Dawson Group from improving its performance markedly during the six month period to 31 March 2011. Trading in the second half of the year to date has begun well and is in line with Dawson management expectations. Each of the Dawson businesses is profitable and cash generative and operating from a stronger platform. Following an encouraging start to the second half, the Dawson Directors remain confident of the Dawson Group's strong performance in the second half of the year.

7. Background to and reasons for the Offers

Dawson's largest trading division, Dawson Books, is a leading supplier of academic books to Universities and further education institutions around the world. It has a proven track record of technical innovation aligned with strong customer service and satisfaction. It supplies books to over 80 per cent. of the Universities in the UK, has a database of approximately 16 million titles and relationships with some 15,000 publishers.

The combination of Dawson Books and Bertrams will be complementary, given Dawson Books' focus on supplying academic books to academic libraries and Bertrams' focus on supplying public libraries. The acquisition will therefore expand the scope of Bertrams' activities into academic libraries, building on the skills and experience of Bertrams' existing library activities.

In addition to Dawson's activities servicing academic institutions within the UK, it has also developed an international sales infrastructure, with around 40 per cent. of sales overseas into more than 50 countries and with a physical presence in seven countries. Accordingly, whilst the existing focus of Dawson Books and Bertrams are predominantly in the UK, Smiths News believes there to be a significant growth opportunity for the combined businesses both generally through increasing

sales of books overseas and also through building Bertrams' international sales via Dawson Books' sales infrastructure.

The Board of Smiths News believes that the breadth of services offered, strong customer ethos and industry skills and experience of the combined books businesses will offer a compelling proposition for new and existing customers.

Combining Dawson Books and Bertrams increases Bertrams' revenues by 32 per cent., on a proforma basis, delivering scale benefits to the Enlarged Group, which the Board of Smiths News believes, along with cost savings across Dawson's other businesses and head office, will allow it to make annualised synergy benefits from the acquisition of £3.8 million by its 2014 financial year end, whilst at the same time continuing to improve customer service and further invest in digital technology and business infrastructure.

Dawson's eBook platform "Dawsonera" is one of the market leading players, has won a number of awards, and is an integral part of the academic library offering. It has benefited from around £1.2 million of development capital over the last three years and hosts over 160,000 digital versions of academic titles on its platform. The acquisition will give Bertrams' library services and Bertrams' wholesale business instant access to a digital platform, creating an attractive proposition for existing and new customers. Whilst around 75 per cent. of UK universities use the Dawsonera platform, eBook penetration of around five per cent of total spend on materials by UK universities provides further growth opportunities.

Dawson also operates two other profitable, cash generative divisions:

- Dawson Media Direct which provides newspapers, magazines, movies and other audio visual content to over 100 airlines worldwide. It has also expanded its service offering into rail services.
- Dawson Marketing Services which provides supply chain solutions for the distribution of printed materials, primarily for point of sale and direct marketing activities, and for the fulfilment of products sold via mail order or the internet.

In the twelve months ended 30 September 2010, the combined revenues for these two divisions were £34.3 million and they generated EBITDA of £0.9 million. Whilst these divisions are not a central part of the acquisition rationale, they are profitable and cash generative standalone businesses and can add to the creation of shareholder value for Smiths News.

Dawson's three divisions will add a further 17 countries to the 85 countries in which Beam currently trades. This combination of Dawson's and Bertrams' international footprints offers opportunities to increase and accelerate overseas penetration by all of the Enlarged Group's divisions.

8. Significant financial benefits to Smiths News

In the twelve months ended 30 September 2010, Dawson generated EBITDA (before exceptional items) of £2.0 million and the Board of Dawson on 26 May 2011 confirmed that Dawson Group performance for the first six months of the current financial year was significantly ahead of the comparable period last year. The Board of Smiths News expects that the transaction will be earnings enhancing for Smiths News immediately before taking into account synergies and before one off costs. The Board of Smiths News expects to generate annualised synergy benefits of £2.5 million by the end of the first full financial year post acquisition and a full synergy saving of £3.8

million in the financial year ending August 2014. The Board of Smiths expects one off costs to achieve synergy savings and transaction costs to be approximately £4.8 million. The acquisition is expected to generate returns significantly in excess of Smiths News's cost of capital with a full synergy EBITDA multiple of 3.4 times.

Smiths News continues to actively explore acquisition opportunities in the field of specialist distribution as part of its diversification strategy.

9. Smiths News's intentions regarding Dawson and its employees

The Board of Smiths News is currently considering a number of proposals, set out below, based on its review of the information provided to it during its due diligence process. The proposals represent Smiths News's current intentions and are subject to ongoing review as Smiths News becomes more familiar with the operational detail of the business. Following the completion of the acquisition Smiths News will finalise its proposals and associated identified cost savings. The proposals would be subject to the relevant obligations to consult with employees and/or their representatives about any potential redundancies.

The Board of Smiths News currently proposes to combine the books operations of Smiths News and Dawson to create a substantial business in the distribution of books and associated services, servicing store-based and online retailers, public and academic libraries and publishers. In order for the enlarged business to operate most effectively, the two operations would be consolidated within Bertrams' existing Norwich facility and, at the appropriate time for the business, Dawson Books' business and operations would transfer to that facility. Under the proposal, Dawson's Rushden warehouse would then close and Dawson Books' staff working at Rushden would have the opportunity to transfer to Norwich and would be encouraged to do so or potentially to other sites within the Smiths News Group as considered appropriate.

The Board of Smiths News is also currently proposing to transfer Dawson Media Direct's financial support functions carried out at the Langley site either to Smiths News's Swindon or Bradford offices. Smiths News would consider whether there were opportunities for affected Dawson staff to transfer to Swindon, Bradford and/or other Smiths News Group locations at the relevant time. In addition the Board of Smiths News is also considering the potential to transfer the staff and activities from Dawson Media Direct's Birmingham and Manchester locations to Smiths News locations in the same cities.

The Board of Smiths News proposes to close Dawson's head office at Epsom and to absorb all functions within Smiths News's existing infrastructure. As a result of this proposal, it is intended that each member of the Dawson Board will resign as a director such resignation taking effect on the date on which the Offers become or are declared wholly unconditional, or shortly thereafter. The executive director, Hugh Cawley, has signed a compromise agreement which is conditional upon the Offers becoming or being declared wholly unconditional which entitles him to payments based on his contractual and statutory entitlements.

In relation to these proposals the affected Dawson Books' staff and Dawson Media Direct staff who do not transfer, and all of the Dawson head office staff, would be at risk of redundancy. There are no other current proposals to make material changes to terms and conditions of employment, location of places of business or the redeployment of fixed assets.

Smiths News confirms that, following implementation of the Offers, the existing contractual and statutory employment rights of all Dawson employees, including in relation to pensions and employee consultation in relation to potential redundancies, will be fully safeguarded.

10. Financing arrangements

The consideration under the Offers will be financed by Smiths News using its existing bank facilities.

Oriel Securities is satisfied that Smiths News has the necessary financial resources available to satisfy full acceptance of the Offers. Full acceptance of the Offers would involve a maximum cash payment of approximately £17.262 million to the Dawson Shareholders. Following the Offers becoming or being declared unconditional in all respects a further payment of £3.338 million will be made by the Dawson Group to Surridge Dawson and Solent in connection with the Liquidator Settlement.

11. Inducement fee and non-solicit

Under the terms of the Break Fee Agreement entered into immediately before the date of this announcement, Dawson has agreed to pay Smiths News £172,620 if:

- The Dawson Directors withdraw, suspend or adversely modify or qualify their recommendation of the Offers as set out in this announcement and thereafter either Offer lapses or is withdrawn in accordance with its terms; or
- a competing offer is announced before the Offers lapse or are withdrawn and the Offers subsequently lapse or are withdrawn and that competing offer (or any other competing offer announced prior to the lapse or withdrawal of the Offers) subsequently becomes or is declared unconditional in all respects.

Under the terms of the Break Fee Agreement, Dawson has undertaken directly or indirectly, not to solicit, initiate or encourage a Competing Transaction for the Exclusivity Period. In addition, Dawson has agreed to notify Smiths News promptly of any approach made in relation to a Competing Transaction.

12. Dawson Employee Share Plans

If the Offers become or are declared unconditional in all respects, Smiths News will make appropriate proposals to the holders of options under the Dawson Encouraging Executive Share Option Scheme in accordance with Rule 15 of the Code. Further details of these proposals will be set out in the Offer Document.

13. Disclosure of interests in Dawson Shares

As at the close of business on 6 June 2011, being the latest practicable date prior to the date of this announcement, neither Smiths News, nor any of its directors, nor any person deemed or presumed by the Panel to be acting in concert with Smiths News, owns or controls, or has borrowed or lent, any Dawson Shares (including pursuant to any long exposure, whether conditional or absolute, to changes in the prices of securities) or any rights to subscribe for or purchase the same, or holds any options (including traded options) in respect of, or has any option to acquire, any Dawson Shares or has entered into any derivatives referenced to any Dawson Shares ("**Relevant Dawson Shares**") which remain outstanding, nor does any such person hold any short position in Relevant Dawson Shares (whether conditional or absolute and whether in the money or otherwise) including any short position under any derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, nor does any such person have any arrangement in relation to Relevant Dawson Shares. An "arrangement" also includes any indemnity

or option arrangement and any understanding, formal or informal, of whatever nature, relating to Relevant Dawson Shares, which may be an inducement to deal or refrain from dealing.

14. Further details of the Offers

The Offers are subject to a number of conditions which are set out in Appendix I, including the approval of the Office of Fair Trading in terms satisfactory to Smiths News.

Smiths News reserves the right to elect to implement the merger by way of a scheme of arrangement under Part 26 of the Companies Act. Appendix 1 sets out further information about the terms and conditions that would apply in such circumstances.

Dawson Shares will be acquired pursuant to the Offers fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and other interests and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or payable after the date of this announcement. If any dividend or other distribution in respect of the Dawson Shares is declared, paid or made on or after the date of this announcement, Smiths News reserves the right to reduce the value of the consideration payable for each Dawson Share under the Offers by up to the amount per Dawson Share of such dividend or distribution.

15. Compulsory acquisition, delisting and re-registration

Smiths News intends, assuming it becomes entitled to do so, to use the procedures set out in sections 428 to 430F (inclusive) of the Companies Act 2006 to acquire compulsorily any outstanding Dawson Ordinary Shares and B Ordinary Shares, on the same terms as the Ordinary Offer and B Ordinary Offer respectively.

Smiths News intends to procure as soon as possible after the Offers becoming or being declared unconditional in all respects, that Dawson will make an application to the UK Listing Authority for the listing of the Dawson Ordinary Shares to be cancelled and to the London Stock Exchange for the Dawson Ordinary Shares to cease to be admitted to trading on the London Stock Exchange's main market for listed securities. It is anticipated that such cancellations will take effect no earlier than 20 business days after the Ordinary Offer becomes or is declared unconditional in all respects.

Accordingly, Dawson Shareholders who do not accept the Offers in respect of all or part of their Dawson Shares may be left with minority holdings in an unquoted company. Dawson Shareholders should note that delisting would significantly reduce the liquidity and marketability of the Dawson Ordinary Shares.

Following delisting, Smiths News also intends that Dawson will be re-registered as a private limited company.

16. Documentation

The Offer Document will be sent to Dawson Shareholders as soon as practicable and in any event within 28 days of this announcement.

17. General

This announcement does not constitute an offer or an invitation to purchase any securities.

clients of Oriel Securities nor for providing advice in relation to the Offers. Neither Oriel Securities nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Oriel Securities in connection with this announcement, any statement contained herein or otherwise.

KPMG Corporate Finance, a division of KPMG LLP which is authorised and regulated by the Financial Services Authority for investment business activities, is acting exclusively for Dawson as financial adviser in relation to the Offers and is not acting for any other person in relation to such Offers. KPMG Corporate Finance will not be responsible to anyone other than Dawson for providing the protections afforded to its clients or for providing advice in relation to the contents of this announcement or any offer or arrangements referred to herein.

Overseas jurisdictions

The Offers are not being made directly or indirectly, and securities of Dawson will not be accepted for purchase from or on behalf of any shareholder, in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this announcement.

The availability of the Offers in, and the release, publication or distribution of this announcement in or into, jurisdictions other than the United Kingdom may be restricted by law. Therefore persons into whose possession this announcement comes who are not resident in the United Kingdom should inform themselves about, and observe, any applicable restrictions. Dawson Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

In particular, as described in Appendix I, the Offers will not be made, directly or indirectly, in or into, or by the use of the mails or any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of Canada, Australia or Japan. Accordingly, except as required by applicable law, copies of this announcement are not being, and may not be, mailed or otherwise forwarded, distributed or sent in, into or from Canada, Australia or Japan. Persons receiving this announcement (including without limitation nominees, trustees or custodians) must not forward, distribute or send it into Canada, Australia or Japan.

This announcement has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Notice to US Shareholders of Dawson

Each US shareholder of Dawson is urged to consult with his independent professional adviser regarding any acceptance of the Offers including, without limitation, to consider the tax consequences associated with such shareholder's election to participate in the Offers.

This document does not constitute an offer of securities for sale in the United States or an offer to acquire securities in the United States. No offer to acquire securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with

the tender offer requirements under the US Exchange Act or the securities laws of such other country, as the case may be; or (ii) pursuant to an available exemption from such requirements.

The Offers are for the securities of a corporation organised under the laws of England and Wales and are subject to the procedure and disclosure requirements of the United Kingdom, which are different from those of the United States. The Offers are being made in the United States pursuant to Section 14(e) of, and Regulation 14E under, the US Exchange Act and otherwise in accordance with the requirements of the Code. Accordingly, the Offers are subject to certain disclosure and other procedural requirements which may differ from those applicable under US domestic tender offer procedures and laws.

To the extent permitted by applicable law, in accordance with the Code and normal UK market practice and in compliance with Rule 14e-5 under the US Exchange Act, Smiths News and its affiliates or their nominees or brokers (acting as agents) may from time to time during the period in which the Offers remain open for acceptance make certain purchases of, or arrangements to purchase, shares or other securities in Dawson, otherwise than pursuant to the Offers, such as in open market or privately negotiated purchases. Any such purchases, or arrangements to purchase, will be undertaken to the extent permitted by applicable law and will comply with all applicable UK rules, including the Code and the rules of the London Stock Exchange, as well as with Rule 14e-5 under the US Exchange Act. In addition, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Oriel Securities serving as financial advisor to Smiths News and its affiliates may make purchases of, or arrangements to purchase, securities of Dawson and various related derivative transactions in the normal and ordinary course of their business. Information regarding such activities which is required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

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 Dawson 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 and, if later, following the announcement in which any paper offeror is first identified.

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) Dawson 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 Dawson 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 Dawson or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of Dawson 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) Dawson 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 Dawson 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 Dawson and by any offeror and Dealing Disclosures must also be made by Dawson, 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, 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.

Not a profit forecast

The financial information contained in this announcement is based on publicly available historical financial information of Smiths News and Dawson and is not intended to be a profit forecast or profit estimate under the UK Listing, Prospectus, Disclosure and Transparency Rules or under the Code or any other applicable rules. This announcement contains earnings enhancement statements which are not intended to be profit forecasts and so should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period.

Forward-looking statements

This announcement contains certain forward-looking statements, including statements regarding Smiths News's and Dawson's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this announcement.

Synergies

The expected synergies referred to in this announcement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. As a result the synergies referred to in this announcement may not be achieved and those achieved could be materially different from those estimated.

Publication of this announcement

A copy of this announcement will be available subject to certain restrictions relating to persons resident in the Restricted Jurisdictions on Smiths News's website www.smithsnews.co.uk and Dawson's website www.dawson.co.uk.

The contents of Smiths News's website and Dawson's website are not incorporated into and do not form part of this announcement.

APPENDIX I

CONDITIONS AND CERTAIN FURTHER TERMS OF THE OFFERS

The Offers, which will be made by Smiths News, will comply with the Code. The Offers and any dispute or claim arising out of, or in connection with, them (whether contractual or non-contractual in nature) will be governed by, and construed in accordance with, English law and be subject to the jurisdiction of the courts of England. The Offers will be made on the terms and conditions set out in the Offer Document.

1. CONDITIONS OF THE ORDINARY OFFER

The Ordinary Offer will be subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by 3.00 p.m. on the first closing date of the Ordinary Offer (or such later time(s) and/or date(s) as Smiths News may, subject to the rules of the Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as Smiths News may decide) in nominal value of the Dawson Shares to which the Ordinary Offer relates, provided that this condition will not be satisfied unless Smiths News and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire, whether pursuant to the Ordinary Offer or otherwise, Dawson Shares carrying, in aggregate, more than 50 per cent. of the voting rights then exercisable at a general meeting of Dawson, including for this purpose to the extent (if any) required by the Panel, any such voting rights attaching to any Dawson Shares that may be unconditionally allotted or issued before the Ordinary Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise, and for this purpose:
 - (i) the expression "Dawson Shares to which the Ordinary Offer relates" shall be construed in accordance with sections 974–991 of the Companies Act;
 - (ii) the expression "shares that may be unconditionally allotted or issued" shall include any Treasury Shares which are unconditionally transferred or sold by Dawson; and
 - (iii) shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry on being entered into the register of members of Dawson;
- (b) the Office of Fair Trading issuing a decision, in terms satisfactory to Smiths News, that it is not its intention to refer the proposed acquisition of Dawson by Smiths News or any matter arising therefrom to the Competition Commission;
- (c) no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body, authority, court, trade agency, association, institution, environmental body or any other person or body in any jurisdiction (each a "**Relevant Authority**") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation, enquiry or reference, or made, proposed or enacted any statute, regulation, order or decision or taken any other steps and there not continuing to be outstanding any statute, regulation, order or decision, which would or might:

- (i) make the Offers or the acquisition of any Dawson Shares, or control of Dawson by Smiths News void, illegal or unenforceable or otherwise materially restrict, restrain, prohibit, delay or interfere with the implementation thereof, or impose material additional conditions or obligations with respect thereto, or require material amendment thereof or otherwise challenge or interfere therewith;
- (ii) require or prevent the divestiture by Dawson or any of its subsidiaries or subsidiary undertakings or any associated undertaking or any company of which 20 per cent. or more of the voting capital is held by the Dawson Group or any partnership, joint venture, firm or company in which any member of the Dawson Group may be interested (the "**wider Dawson Group**") or by Smiths News or any of its subsidiaries or subsidiary undertakings or any associated undertaking or any company of which 20 per cent. or more of the voting capital is held by the Smiths News Group or any partnership, joint venture, firm or company in which any member of the Smiths News Group may be interested (the "**wider Smiths News Group**") of all or a material portion of their respective businesses, assets or property or impose any material limitation on the ability of any of them to conduct their respective businesses or own any of their material assets or property;
- (iii) impose any limitation on or result in a delay in the ability of any member of the wider Dawson Group or the wider Smiths News Group to acquire or to hold or to exercise effectively any rights of ownership of shares or loans or securities convertible into shares in any member of the wider Dawson Group or of the wider Smiths News Group held or owned by it or to exercise management control over any member of the wider Dawson Group or of the wider Smiths News Group to an extent which is material in the context of the Dawson Group taken as a whole or, as the case may be, the Smiths News Group taken as a whole;
- (iv) require any member of the wider Smiths News Group or the wider Dawson Group to acquire or offer to acquire any shares or other securities in any member of the wider Dawson Group where such acquisition would be material in the context of the Dawson Group taken as a whole; or
- (v) otherwise materially and adversely affect the assets, business, profits or prospects of any member of the wider Smiths News Group or of any member of the wider Dawson Group,

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;

- (d) except as Disclosed, there being no provision of any arrangement, agreement, licence, permit or other instrument to which any member of the wider Dawson Group is a party or by or to which any such member or any of their assets is or may be bound, entitled or be subject to and which, in consequence of the Offers or the acquisition or proposed acquisition of any Dawson Shares, or control of

Dawson, by Smiths News or otherwise, would or might, to an extent which is material in the context of the Dawson Group taken as a whole, result in:

- (i) any monies borrowed by, or other indebtedness actual or contingent of, any such member of the wider Dawson Group being or becoming repayable or being capable of being declared immediately or prior to its or their stated maturity or the ability of any such member to borrow monies or incur any indebtedness being inhibited or becoming capable of being withdrawn;
- (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such security (whenever arising or having arisen) being enforced or becoming enforceable;
- (iii) any such arrangement, agreement, licence or instrument being terminated or adversely modified or any action being taken of an adverse nature or any obligation or liability arising thereunder;
- (iv) any assets of any such member being disposed of or charged, or right arising under which any such asset could be required to be disposed of or charged, other than in the ordinary course of business;
- (v) the interest or business of any such member of the wider Dawson Group in or with any firm or body or person, or any agreements or arrangements relating to such interest or business, being terminated or adversely modified or affected;
- (vi) any such member ceasing to be able to carry on business under any name under which it presently does so;
- (vii) the creation of liabilities (actual or contingent) by any such member; or
- (viii) the financial or trading position of any such member being prejudiced or adversely affected,

and no event having occurred which, under any provision of any arrangement, agreement, licence or other instrument to which any member of the wider Dawson Group is a party, or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or circumstances as are referred to in paragraphs (i) to (viii) of this condition 1(d);

- (e) except as Disclosed, no member of the wider Dawson Group having, since 26 May 2011:
 - (i) issued, agreed to issue or proposed the issue of additional shares or securities of any class, or securities convertible into, or exchangeable for or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities (save as between Dawson and wholly-owned subsidiaries of Dawson), or redeemed, purchased or reduced any part of its share capital;
 - (ii) sold or transferred or agreed to sell or transfer any Treasury Shares;

- (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution other than to Dawson or a wholly-owned subsidiary of Dawson;
- (iv) agreed, authorised, proposed or announced its intention to propose any merger or demerger or acquisition or disposal of assets or shares which are material in the context of the Dawson Group taken as a whole (other than in the ordinary course of trading) or to any material change in its share or loan capital;
- (v) issued, authorised or proposed the issue of any debentures or incurred any indebtedness or contingent liability which is material in the context of the Dawson Group taken as a whole;
- (vi) acquired or disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset (other than in the ordinary course of trading) in a manner which is material in the context of the Dawson Group taken as a whole;
- (vii) entered into or varied or announced its intention to enter into or vary any contract, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term or unusual nature or involves or could involve an obligation of a nature or magnitude, and in either case which is material in the context of the Dawson Group taken as a whole;
- (viii) entered into or proposed or announced its intention to enter into any reconstruction, amalgamation, transaction or arrangement (otherwise than in the ordinary course of business) which is material in the context of the Dawson Group taken as a whole;
- (ix) taken any action nor having had any steps taken or legal proceedings started or threatened against it for its winding-up or dissolution or for it to enter into any arrangement or composition for the benefit of its creditors, or for the appointment of a receiver, administrator, trustee or similar officer if it or any of its assets (or any analogous proceedings or appointment in any overseas jurisdiction);
- (x) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xi) save for the renewal of the consultancy agreement pursuant to which Nigel Freer provides his services to Dawson as a non-executive director, entered into or varied or made any offer to enter into or vary the terms of any service agreement or arrangement with any of the Dawson Directors;
- (xii) waived, compromised or settled any claim which is material in the context of the wider Dawson Group; or
- (xiii) entered into or made an offer (which remains open for acceptance) to enter into any agreement, arrangement or commitment or passed any

resolution with respect to any of the transactions or events referred to in this condition (1)(e);

- (f) since 26 May 2011, except as Disclosed,
 - (i) there having been no adverse change in the business, assets, financial or trading position or profits or prospects of any member of the wider Dawson Group which in any such case is material in the context of the Dawson Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the wider Dawson Group and no enquiry or investigation by or complaint or reference to any Relevant Authority against or in respect of any member of the wider Dawson Group having been threatened, announced or instituted or remaining outstanding which in any such case could have a material affect on the Dawson Group taken as a whole; and
 - (iii) no contingent or other liability having arisen or been incurred which might reasonably be expected to adversely affect any member of the Dawson Group in a manner which is material in the context of the wider Dawson Group;
- (g) Smiths News not having discovered that, save as Disclosed:
 - (i) the financial, business or other information concerning the wider Dawson Group which has been disclosed at any time by or on behalf of any member of the wider Dawson Group publicly (by the delivery of an announcement to a Regulatory Information Service) either contains a material misrepresentation of fact or omits to state a fact necessary to make the information contained therein not materially misleading to an extent that is material in the context of the Dawson Group taken as a whole;
 - (ii) any member of the wider Dawson Group is subject to any liability, contingent or otherwise, which is not disclosed in the annual report and accounts of Dawson for the financial year ended 30 September 2010 or the interim results of Dawson for the six months ended 31 March 2011 and which is material in the context of the Dawson Group taken as a whole;
 - (iii) any past or present member of the wider Dawson Group has not complied with all applicable legislation or regulations of any jurisdiction or any notice or requirement of any Relevant Authority with regard to the storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health which non-compliance would be likely to give rise to any liability (whether actual or contingent) which is material in the context of the Dawson Group taken as a whole; or
 - (iv) there has been a disposal, spillage, emission, discharge or leak of waste or hazardous substance or any substance likely to impair the environment or

harm human health on, or from, any land or other asset now or previously owned, occupied or made use of by any past or present member of the wider Dawson Group, or in which any such member may now or previously have had an interest, which would be likely to give rise to any liability (whether actual or contingent) which is material in the context of the Dawson Group taken as a whole;

- (h) valid acceptances being received (and not, where permitted, withdrawn) by 3.00 p.m. on the first closing date of the B Ordinary Offer (or such later time(s) and/or date(s) as Smiths News may, subject to the rules of the Code, decide) in respect not less than 90 per cent. (or such lesser percentage as Smiths News may decide) of the B Ordinary Shares to which the B Ordinary Share Offer relates and, for this purpose, the expression "B Ordinary Shares to which the B Ordinary Share Offer relates" shall be construed in accordance sections 974-991 of the Companies Act.

Smiths News reserves the right to waive, in whole or in part, all or any of conditions (b) to (i) inclusive. Smiths News also reserves the right, subject to the consent of the Panel, to extend the time allowed under the Code for satisfaction of condition (a) until such time as conditions (b) to (h) have been satisfied, fulfilled or, to the extent permitted, waived. If Smiths News is required by the Panel to make an offer for Dawson Shares under the provisions of Rule 9 of the Code, Smiths News may make such alterations to the above conditions, including condition (a) above, as are necessary to comply with the provisions of that Rule.

Smiths News reserves the right, with the consent of Dawson to elect to implement the acquisition of the Dawson Shares by way of a Scheme of Arrangement under Part 26 of the Companies Act. In such event, the Scheme of Arrangement will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Offers. In particular, condition (a) will not apply and the Scheme of Arrangement will become effective and binding following:

- (i) approval at the Court Meeting (or any adjournment thereof) by a majority in number of the Dawson Shareholders present and voting, either in person or by proxy, representing 75 per cent. or more in value of the Dawson Shares held by such holders;
- (ii) the resolutions required to approve and implement the Scheme of Arrangement and to be set out in the notice of General Meeting of the holders of the Dawson Shares being passed by the requisite majority at such General Meeting;
- (iii) the sanction of the Scheme of Arrangement and confirmation of any reduction of capital involved therein by the Court (in both cases with or without modifications, on terms reasonably acceptable to Dawson and Smiths News) and an office copy of the order of the Court sanctioning the Scheme of Arrangement and confirming the cancellation of share capital which forms part of it being delivered for registration to the Registrar of Companies in England and Wales.

2. CONDITIONS OF THE B ORDINARY OFFER

The B Ordinary Offer will be conditional upon:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by 3.00 p.m. on the first closing date of the B Ordinary Offer (or such later time(s) and/or

date(s) as Smiths News may, subject to the rules of the Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as Smiths News may decide) of the B Ordinary Shares to which the B Ordinary Offer relates and, for this purpose, the expression "B Ordinary Shares to which the B Ordinary Offer relates" shall be construed in accordance with sections 974-991 of the Companies Act; and

- (b) the Ordinary Offer becoming or being declared unconditional in all respects.

Smiths News reserves the right to waive, in whole or in part, either or both of the conditions (a) or (b) to the B Ordinary Offer.

3. FURTHER TERMS OF THE OFFERS

- (a) The Offers will extend to all Dawson Shares unconditionally allotted or issued on the date on which the Offers are made, and any further Dawson Shares unconditionally allotted or issued, and any Treasury Shares unconditionally sold or transferred by Dawson, in each case, while the Offers remain open for acceptance (or such earlier date or dates as Smiths News may decide).
- (b) The Dawson Shares are to be acquired by Smiths News fully paid and free from all liens, charges and encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto, including the right to all dividends or other distributions declared, paid or made after the date hereof. If a dividend and/or a distribution and/or a return of capital is proposed, declared, made, paid or becomes payable by Dawson in respect of a Dawson Share on or after the date of this announcement and prior to the Offers becoming or being declared unconditional in all respects or lapsing or being withdrawn, Smiths News reserves the right to reduce the value of the consideration payable for each Dawson Share under the Offers in respect of any Dawson Share by up to the amount of the dividend and/or distribution and/or return of capital except where the Dawson Share is or will be transferred pursuant to the Offers on a basis which entitles Smiths News to receive the dividend and/or distribution and/or return of capital and to retain it.
- (c) The Offers will lapse unless the conditions set out above (other than condition (a) to the Ordinary Offer) are fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by Smiths News in its reasonable opinion to be or to remain satisfied by no later than 21 days after the later of the first closing date of the Offers or the date on which the Offers become or are declared unconditional as to acceptances, or such later date as Smiths News may, with the consent of the Panel, decide. Smiths News shall be under no obligation to waive or treat as satisfied any of conditions (b) to (h) inclusive by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offers may at such earlier date have been waived or fulfilled or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment or satisfaction.
- (d) The Offers will lapse if either (i) they are referred to the Competition Commission; or (ii) the European Commission either initiates proceedings under Article 6(1)(c) of Council Regulation (EC) 139/2004 or makes a referral to a competent authority of the United Kingdom under Article 9(1) thereof and they

are subsequently referred to the Competition Commission, in either case before 3.00 p.m. on the first closing date of the Offers or the date on which the Offers become or are declared unconditional as to acceptances, whichever is the later. If the Offers so lapse the Offers will cease to be capable of further acceptance and accepting Dawson Shareholders and Smiths News will cease to be bound by acceptances received before the time when the Offers lapse.

APPENDIX II

IRREVOCABLE UNDERTAKINGS

1. Irrevocable undertakings from the Dawson Directors

Each of the Dawson Directors has irrevocably undertaken that he or she shall (and in relation to any beneficial holdings of Dawson Shares that are registered in the name of a third party, that he or she shall procure that such third party shall):

- (a) accept or procure the acceptance of the Offers in accordance with the terms of the Offer Document in respect of their current holding of Dawson Shares;
- (b) accept or procure the acceptance of the Offers in respect of any Dawson Shares acquired by him or her through the exercise of options;
- (c) not sell or transfer (other than pursuant to the Offers) or otherwise dispose of or charge all or any of his Dawson Shares, nor enter into any agreement to do so; and
- (d) not accept or undertake to accept any other offer in respect of the Dawson Shares held by him or her or acquired through the exercise of options, nor enter into any agreement to do so.

Details of the irrevocable undertakings received from the Dawson Directors are as follows.

Name of Director	Number of shares	% of issued ordinary share capital
Hugh Cawley	230,367	0.32
Nigel Freer	213,730	0.30
Brenda Dean	36,233	0.05
James McCarthy	36,146	0.05

The irrevocable undertakings from the Dawson Directors will lapse if the Offer Document is not posted by 5 July 2011 (or such later time as may be agreed by the Panel and in the case of a switch to a scheme extended to 28 days after the date announcing the change) or if the Offers lapse or are withdrawn (other than where such lapse or withdrawal is because of a change to a scheme). The irrevocable undertakings from the Dawson Directors will otherwise remain binding in all circumstances.

2. Irrevocable undertakings from certain Dawson institutional shareholders and the PPF

Each of the shareholders listed below have given an irrevocable undertaking that they shall (or (other than in the case of the PPF which holds the shares as both legal and beneficial owner) shall procure that such third party shall):

- (a) accept the acceptance of the Offers in accordance with the terms of the Offer Document in respect of their current holding of Dawson Shares or in the case of Artemis in respect of the Dawson Shares which it controls;
- (b) not sell or transfer (other than pursuant to the Offers) or otherwise dispose of or charge all or any of the Dawson Shares held by them or in the case of Artemis in respect of the Dawson Shares which it controls; nor enter into any agreement to do so;

- (c) not accept or undertake to accept any other offer in respect of the Dawson Shares held by them or in the case of Artemis in respect of the Dawson Shares which it controls, nor enter into any agreement to do so.

Shareholder	Number of shares	% of issued ordinary or B ordinary share capital
PPF	6,519,493 ordinary shares	9.1% of ordinary share capital
	25,623,586 B ordinary shares	100.0% of B ordinary share capital
Gartmore	5,315,000 ordinary shares	7.4% of ordinary share capital
Artemis	3,700,000 ordinary shares	5.2% of ordinary share capital

The irrevocable undertaking from the PPF will lapse if: (i) the Offer Document is not posted by 5 July 2011 (or such later time as may be agreed by the Panel and in the case of a switch to a scheme extended to 28 days after the date announcing the change); (ii) if the Offers lapse or are withdrawn (other than where such lapse or withdrawal is because of a change to a scheme) or (iii) if any third party offer for Dawson is announced in accordance with Rule 2.5 of the City Code at a price that is 5 per cent. greater than the then offer price of the Offers made by Smiths News to acquire Dawson. The irrevocable undertakings from the PPF will otherwise remain binding in all circumstances.

The irrevocable undertaking from each of Artemis and Gartmore will lapse if: (i) the Offer Document is not posted by 5 July 2011 (or such later time as may be agreed by the Panel and in the case of a switch to a scheme extended to 28 days after the date announcing the change); (ii) if the Offers lapse or are withdrawn (other than where such lapse or withdrawal is because of a change to a scheme) or (iii) if any third party offer for Dawson is announced in accordance with Rule 2.5 of the City Code at a price that is 10 per cent. greater than the then offer price of the Offers made by Smiths News to acquire Dawson. The irrevocable undertakings from Artemis and Henderson will otherwise remain binding in all circumstances.

APPENDIX III

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Artemis"	Artemis High Income Fund
"Australia"	the Commonwealth of Australia, its states, territories and possessions
"Bertrams"	Bertrams, the book division of Smiths News
"B Ordinary Offer"	the recommended cash offer to be made by Smiths News to acquire all of the Dawson B Ordinary Shares on the terms and subject to the conditions to be set out in the Offer Document and the form of acceptance relating thereto and including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer
"Business Day"	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
"Code"	the City Code on Takeovers and Mergers
"Companies Act"	the Companies Act 2006
"Competing Transaction"	an offer or possible offer for, or acquisition of, all (or a substantial part of) the issued share capital of, or a substantial proportion of the assets or business of, or a substantial equity interest in, Dawson or of the assets or business of Dawson Media Direct, Dawson Books and/or Dawson Marketing Services or any of Dawson's subsidiary undertakings or any offer or possible offer or proposal relating to a reorganisation or scheme or arrangement resulting in the change of ownership of or involving, Dawson or any of its subsidiary undertakings or any other transaction which would be likely to result in Smiths News no longer wishing to proceed with the Offers
"Disclosed"	(i) disclosed in the annual report and accounts of Dawson for the year ended 30 September 2010, (ii) disclosed in the interim results of Dawson for the six months ended 31 March 2011, (iii) publicly announced by Dawson (by the release of an announcement to a Regulatory Information Service) prior to 5pm (London time) on 6 June 2011 or (iv) disclosed in this announcement
"Dawson"	Dawson Holdings PLC whose registered office is Blenheim House, 1 Blenheim Road, Epsom, Surrey, United Kingdom

	KT19 9AP
"Dawson Books"	Dawson Books Limited, company number 06882367 whose registered office is at Blenheim House, 1 Blenheim Road, Epsom, Surrey, United Kingdom KT19 9AP
"Dawson Directors"	the directors of Dawson
"Dawson Employee Share Plans"	the Dawson 2006 Sharesave Scheme, , the Dawson Encouraging Executive Share Ownership Scheme and the Dawson Long Term Share Plan 2008
"Dawson Group"	Dawson and its subsidiaries and subsidiary undertakings
"Dawson Marketing Services"	Dawson Marketing Services Limited, company number 06882361 whose registered office is at Blenheim House, 1 Blenheim Road, Epsom, Surrey, United Kingdom KT19 9AP
"Dawson Media Direct"	Dawson Media Direct Limited, company number 06882366 whose registered office is at Blenheim House, 1 Blenheim Road, Epsom, Surrey, United Kingdom KT19 9AP
"Dawson Ordinary Shares"	the existing unconditionally allotted or issued and fully paid ordinary shares of 1p each in the capital of Dawson (but excluding any Treasury Shares held by Dawson) and any further such shares which are unconditionally allotted or issued and fully paid, and any Treasury Shares unconditionally sold or transferred by Dawson, in each case, before the date on which the Offers closes (or such earlier date(s) as Smiths News may, subject to the Code, determine), including any such shares so unconditionally allotted or issued pursuant to the exercise of options granted under the Dawson Employee Share Plans
"Dawson B Ordinary Shares"	the existing unconditionally allotted or issued and fully paid B ordinary shares of 1p each in the capital of Dawson and any further such shares which are unconditionally allotted or issued and fully paid, before the date on which the Offers closes (or such earlier date(s) as Smiths News may, subject to the Code, determine), including any such shares so unconditionally allotted or issued pursuant to the exercise of options granted under the Dawson Employee Share Plans
"Dawson Shareholders"	holders of Dawson Shares
"Dawson Shares"	the Dawson Ordinary Shares and the Dawson B Ordinary Shares
"Enlarged Group"	with effect from the Offers becoming or being declared unconditional in all respects, the Smiths News Group as enlarged by the Dawson Group

"Exclusivity Period"	6 June until the earlier of 31 October 2011 and the Offers lapsing or, if permitted, being withdrawn
"Gartmore"	Gartmore Investment Limited as the discretionary investment manager for Henderson Fledgling Trust plc
"Japan"	Japan, its states, territories and possessions
"KPMG Corporate Finance"	KPMG Corporate Finance, a division of KPMG LLP which is authorised and regulated by the Financial Services Authority for investment business activities. KPMG LLP is registered in England with number OC301540 and has its registered office at 15 Canada Square, London, E14 5GL
"Listing Rules"	the listing rules issued by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc
"Offers"	the Ordinary Offer and the B Ordinary Offer and "Offer" shall mean either of them as the context may require
"Offer Document"	the document to be sent to Dawson Shareholders by Smiths News containing the terms and conditions of the Offers
"Offer Price"	17.722 pence per Dawson Share
"Official List"	the official list maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
"Ordinary Offer"	the recommended cash offer to be made by Smiths News to acquire all of the Dawson Ordinary Shares on the terms and subject to the conditions to be set out in a formal offer document and the form of acceptance relating thereto and including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer and "Offer" means a reference to either Offer as the case may be
"Oriel Securities"	Oriel Securities Limited of 150 Cheapside, London EC2V 6ET
"Panel"	the Panel on Takeovers and Mergers
"PPF"	the Pension Protection Fund
"Regulatory Information Service"	a Regulatory Information Service that is approved by the Financial Services Authority and is on the list maintained by the Financial Services Authority in LR App 3 to the Listing Rules
"Restricted Jurisdictions"	Australia, Canada and/or Japan and/or any other jurisdiction where release, publication or distribution of this announcement, in whole or in part, would constitute a

	violation of the relevant laws or regulations of such jurisdiction
"SurrIDGE Dawson"	SurrIDGE Dawson Limited (in liquidation) a company registered in England and Wales and with registered office c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds LS11 5QR
"Solent"	Solent SD Limited (in liquidation) a company registered in England and Wales and with registered office c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds LS11 5QR
"Smiths News"	Smiths News PLC a company registered in England and Wales and with registered office at Wakefield House, Pipers Way, Swindon, Wiltshire, SN3 1RF
"Smiths News Group"	Smiths News, its subsidiaries and subsidiary undertakings
"subsidiary" and "subsidiary undertaking"	have the meanings given to them in the Companies Act
"Treasury Shares"	shares held as treasury shares as defined in section 724(5) of the Companies Act
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority as the competent authority under Part VI of the Financial Services and Markets Act 2000
"United States"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction
"US Exchange Act"	the United States Securities Act of 1934, as amended
"£" or "Sterling"	pounds sterling, the lawful currency for the time being of the UK and references to "pence" and "p" shall be construed accordingly