

2 June 2011

Dear Shareholder,

I am taking the opportunity to update you on progress since my last correspondence.

In our last communication with shareholders – the March shareholder report – we announced that we were considering a sale of EPIC's stake in Thames Water, along with the minor holdings we have in Arqiva and Wales & West Utilities. As outlined, we then commenced a market testing process to assess the level of interest in – and likely prices for – any realisation of our Thames Water holding. These soundings and subsequent discussions have given the Board an indication of the range of prices we could achieve through a sale of Thames Water, and we have received expressions of interest at this stage in our holdings of Arqiva and Wales & West Utilities. The next step is for EPIC to engage more formally with selected interested parties.

The sale of EPIC's stake in Thames Water is subject to a pre-emption process where EPIC's shares are offered to existing Macquarie consortium shareholders (of which EPIC is one) prior to being offered to other shareholders. A full pre-emption process across both shareholder groups can take 4-5 months. A transaction will only complete if all the shares are sold. EPIC is mindful of the timing implications of launching a pre-emption process prior to having a firm view on pricing and demand. Moreover, a sale of Thames Water would be a 'major transaction' and subject to EPIC shareholder and bank approval.

Thames Water is well run and has strong growth prospects, despite the generally depressed view of the United Kingdom economic climate. Recently updated financial forecasts suggest a more positive outcome on dividends. As a signal of the health of the UK water sector, shares in the water companies have performed strongly over the past month, outperforming the FTSE All share by 4.0%. The strong performance is partly due to declining real bond yields as the growth outlook has deteriorated, and continued higher UK inflation. The Board, therefore, will only recommend a sale of EPIC's stake in Thames Water, via the pre-emptive sale process, if it is in the best interests of the Company to do so.

In an update from our last communication, we are also investigating a transaction to release value from EPIC's Moto stake. Hitherto, the Company's view was that we should hold on to this investment due to timing considerations, the state of the asset, investor appetite, and market prices. In the past few weeks, however, we received an approach from another party which we are currently evaluating.

Another factor the Board considers important is the feedback we have received from a number of shareholders following the March report. That feedback – informal but sufficient to constitute a reasonably representative sample – suggests there is little appetite among shareholders for maintaining our current Moto holding, or deploying further capital to deepen our investment in that asset. Shareholders also expressed an unwillingness to participate in a further capital-raising in order to reduce debt. There was higher support for EPIC returning to its core shareholdings based on the investment in Thames Water.

The overall UK economic performance is still very sluggish, although improving on the deterioration it experienced towards the end of last year. UK analysts do not expect any upward movement in interest rates until the end of the year despite rising consumer price inflation. The OECD's recent half yearly outlook for economic growth around the world revised down its annual growth forecast for the UK economy for the second time this year. At the start of the year the OECD forecast growth of 1.7 percent, but in March it lowered its forecast to 1.5 percent. Last week, it lowered its forecast again to 1.4 percent. It also lowered its growth forecast for 2012 from 2 percent to 1.8 percent.

Despite this, both Thames Water and Moto continue to perform well.

- Thames Water's full year EBITDA for the year ending March 2011 is nearly £50 million (5 percent) favourable to budget largely due to operational efficiencies and revenue ahead of budget through a combination of additional summer revenue and timing on property sales.
- Moto's performance through May remains on budget with management keeping a very close control over costs in order to maximise financial returns.

These results are positive but EPIC continues to be hampered by the lingering weakness in the UK pound. Managing this difficulty – particularly in light of any realisation of assets – is a key consideration for the Board.

Over the next month, the Board expects to have made good progress in consideration of these issues.

On other matters, we are still evaluating candidates for the appointment of an independent director, and we are also considering options in relation to improving the liquidity of secondary market trading in EPIC shares.

If you have further queries or comments, please write to the Board. We find your feedback constructive and useful. There are a number of moving parts in a process such as this, so there are some questions and issues for which we simply do not have answers or information at this point. The Board and I are endeavouring to be as transparent as we can, without jeopardising any commercially sensitive information or position, such as the valuation ranges the Board has determined for our holdings in Thames Water and Moto. Because of the complexity of the shareholder agreements with our investments, any transaction is likely to be a longer, rather than shorter, process, due to the need to assiduously meet those requirements.

Yours sincerely,



Margaret Devlin  
Chair, EPIC