

12 October 2011

Dear Shareholders,

The Annual Shareholder Meeting in Auckland was held on 26 September where the Board and management updated about 70 shareholders and advisors on the latest developments for EPIC.

The Board's prime focus is to progress the execution of a sale of assets – which are most likely to include Thames Water, and also the small stakes we have in Arqiva and Wales and West Utilities.

The deadline to which we are working is to repay our bank debt prior to 30 April 2012.

Macquarie has been engaged to assist with the sale of Thames Water. It is in the process of inviting bids for our holding. Depending on the price achieved, a full sale should enable EPIC to repay all bank debt. In respect of Arqiva and Wales and the West, we are also seeking a sale through Macquarie.

As part of the Thames Water sale process the Board is commissioning an Independent Appraisal Report which will consider whether the transaction is fair and reasonable to EPIC shareholders. The Independent Appraisal Report will consider whether the price being obtained is consistent with fair market value, with regard to the value of Thames against other water utilities in listed and unlisted markets, and also other utility sectors. It will also consider: what are the other feasible options currently available to EPIC; what happens if the transaction does not proceed; and relevant factors influencing the saleability (and therefore price) for Thames Water.

A number of shareholders have questioned why EPIC is not selling Moto. Our decision not to proceed with a transaction involving Moto back in May/June does not mean we would not sell Moto if an appropriate offer was presented.

Raising new capital also remains an option. While this is not the preferred alternative due to the diluting effect it would have on existing shareholders, we are keeping an open mind on the full range of possibilities and will take the course which is in the best interests of shareholders.

The ASM included questions about the support EPIC is receiving from companies linked to our manager, EPIM, in the form of Pyne Gould Corporation and the Torchlight Fund. All transactions involving PGC and Torchlight have been conducted on arms-length commercial terms. It should be noted that PGC's participation in EPIC's facilities with National Australia Bank is on the same terms negotiated between NAB and EPIC, except PGC's position is subordinated. We are grateful for this support which is assisting us to proceed with an orderly sale process in order to repay our bank debt. Meanwhile, the Torchlight convertible note was an equity bridge which enabled EPIC to maintain its current share of Moto. We do not see it as an appropriate form of long-term funding.

Another issue raised at the ASM was the drop in reported value of Thames Water, from \$90 million to \$72 million. In previous years, the value of Thames Water was based on the purchase price of that asset. As a result of initiating the sale process, information has been made available to EPIC which has enabled us to move to a 'fair value' measure of that investment. On fair value, EPIC's stake in Thames Water increased in UK pounds, but on conversion into New Zealand dollars, the value has fallen due to the significant decline in the value of the UK pound.

EPIC currently has no forward currency hedging in place. The volatility in foreign exchange and forward interest rate markets, particularly from 2009, exposed EPIC to on-going cash collateral calls in order to maintain the previous levels of forward cover. To reduce this risk, EPIC progressively closed all forward currency contracts from September 2009 through to March 2011. Over the past year, our foreign exchange exposure has been under continual review. In the event that we sell Thames Water, the Board will consider hedging the full proceeds in relation to capital value.

A major focus for the Board is on managing costs. Having embarked on a sale process, we do face some additional expenditure for work requiring external advisors and additional legal support.

The ASM passed two resolutions concerning directors. I was reappointed as director and chair with 97.8 percent support. Brian Harrison was reappointed as director with 99 percent support.

The Board thanks you for your patience as we move through this period. We will continue to update shareholders regularly on developments in the year ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Margaret Devlin', written over a large, light grey abstract graphic element that resembles a stylized wave or a large letter 'M'.

Margaret Devlin
Chair, EPIC