

Latest Shareholder Letter from Chairman, Don Walker

Posted: 27 January 2010

Dear Shareholder,

I am writing to inform you of the outcome of Thames Water's review of the Final Determination released last year by Ofwat, the regulator of the water and sewerage companies in England and Wales. Ofwat sets price limits and efficiency benchmarks in five year intervals which determine the prices which Thames Water can charge its consumers over the next five years.

Ofwat has determined that Thames Water's future average annual household bill will be able to rise by 3% before inflation over the next five year cycle commencing 1 April 2010. While the Final Determination was below what Thames Water submitted in its business plan, it was a slight upward change from the earlier interim decision announced in July.

Thames Water has undertaken a thorough analysis of the Final Determination alongside its own business plan to establish whether to challenge Ofwat's ruling through the UK Competition Commission. That analysis concludes that it is the best interests of Thames Water to accept the decision and focus on promoting a culture of operational excellence to meet and exceed the Final Determination. EPIC Board member Margaret Devlin, who until recently was managing director of South East Water in the UK, says that Ofwat's price review process is a relatively transparent regulatory process and the Final Determination was the expected outcome.

EPIC, which has a track record of quality returns from Thames Water, has been well briefed and supports that decision. Continued improvements to Thames Water's management and operations should enable it to continue to meet its business performance targets. We are confident that EPIC investors will continue to see a healthy performance following Thames Water's decision to accept the Ofwat Final Determination.

Following EPIC's investment in Moto, the UK motorway service provider, EPIC's dividends to investors are less reliant on Thames Water's performance than was the case prior to the Moto investment.

The Board believes it is important that we keep shareholders fully informed and will include more detailed explanation of the pricing review in the next interim report, due shortly.

Yours Sincerely,

Don Walker
Chairman

