

22 July 2014

Dear Shareholder

### **States of Jersey 2015 Draft Budget**

Recent media coverage of the States of Jersey 2015 draft budget proposals has suggested that the States may be planning to dispose of shares in Jersey Water as part of a package of contingency measures to make up a projected shortfall in income tax revenue. I should like to clarify the situation so that shareholders fully understand what is being proposed.

As far as Jersey Water is aware, there are no plans for the States of Jersey to dispose of its equity interest in the Company. There are, however, plans to alter the preference share holding owned by the States.

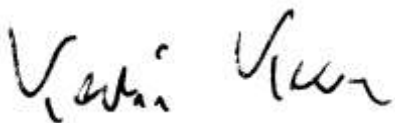
The States' 2015 budget includes a proposal that Jersey Water's shareholders be asked to consider a resolution allowing the company to redeem the 900,000 10% Cumulative Fifth Preference Shares of £5 each, all of which are owned by the States of Jersey. The shares have a face value of £4.5 million but are valued in the States' accounts at £7.4 million. The budget proposal has assumed a redemption price of £6.8 million.

Since being advised of the proposals, your Board have begun considering whether a redemption would be beneficial and in the long term interests of the Company and, if so, the value range within which it might be considered. We have had no involvement in the selection of values used by the States of Jersey in their budget proposals and we have not yet held any formal negotiations with the States of Jersey.

In the event that the budget proposals are passed by the States in September and the contingency measures are required, Jersey Water may be asked to convene a general meeting to consider the redemption. As part of the notice for such a meeting, your Board would publish its recommendations in respect of the redemption price and redemption mechanism for consideration in a special resolution.

I trust that this clarifies the situation and removes any uncertainty arising from the recent media coverage. If you have any questions or would like to discuss this matter further please contact Helier Smith, Chief Operating Officer, or our Company Secretary, Natalie Passmore.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kevin Keen".

Kevin Keen  
Chairman