

22 December 2008

- **Non-Renounceable Rights Issue to raise up to \$111M to repay debt and fund capex; and**
- **Profit guidance upgrade**
- **Debt consolidation of existing facilities**



**Rights Issue highlights:**

- A 2 for 5 non-renounceable Rights Issue at 30 cents per security to raise up to \$111 million;
- The Rights Issue price has been set at a discount of approximately 5% to the VWAP over the 5 business days immediately prior to the announcement, and a discount of approximately 15% over the previous 10 days;
- The Rights Issue is available to all shareholders with registered addresses in Australia and New Zealand and other locations where Envestra considers it reasonable to make the Offer;
- Australian Pipeline Limited (APA), Envestra's largest shareholder, has agreed to partly underwrite the Rights Issue;
- APA's entitlement represents \$21.2 million of the Rights Issue;
- Distributions will be reduced to 5.5 cents per security on the expanded capital, representing a yield of 18% on the Rights Issue securities; and
- Proceeds are to be used to repay debt, partly fund the Company's ongoing capex program, and meet the cost of the capital raising.

The Offer

Envestra Limited today announced a 2 for 5 non-renounceable pro-rata Rights Issue to raise up to \$111 million through the issue of approximately 371 million new securities, at an issue price of 30 cents. This represents a discount of approximately 5% to the VWAP over the 5 days immediately prior to the announcement and a discount of approximately 15% over the 10 days immediately prior to the announcement.

The Rights Issue provides eligible shareholders with the opportunity to increase their holding in Envestra at an attractive price.

Envestra's largest shareholder, APA, has agreed to underwrite the capital raising up to a maximum that would give APA a security holding of 35%. A summary of the underwriting agreement accompanies this Media Release.

APA's entitlement under the Rights Issue represents \$21.2 million of the amount to be raised. This strong support is a clear demonstration that Envestra is taking appropriate steps to address its capital structure and maintain its investment grade rating, and to underpin future growth opportunities.

The Rights Issue is available to all shareholders with registered addresses in Australia and New Zealand and other locations where Envestra considers it is reasonable to do so.

### Use of funds

Proceeds from the Rights Issue will be used to repay debt and to partly meet the Company's substantial capex program.

It is forecast that around \$116 million will be invested in capex in 2008-09.

### Future distributions

As the number of securities on issue will increase by 40%, distributions on the expanded capital base will be reduced from 8.0 cents to 5.5 cents. This level of distributions is considered prudent in the current volatile capital markets conditions. It represents a yield of 18% on the Rights Issue securities.

### Eligibility and Timetable

Shareholders whose registered addresses are in Australia and New Zealand (and elsewhere where Envestra considers it reasonable to do so) and who are registered as at 7.00 pm (Australian Eastern Daylight Saving Time) on 2 January 2009 (Record Date) will be given the opportunity to subscribe for securities pursuant to the Offer. Envestra's second largest security holder, Cheung Kong Infrastructure Holdings (Malaysian) Limited, is entitled to participate.

Envestra's securities will trade on an "ex" basis from 24 December 2008, and therefore any securities bought on or after this date will not carry an entitlement to participate in the Rights Issue.

In relation to shareholders with registered addresses outside Australia and New Zealand, Goldman Sachs JBWere Pty Ltd has been appointed as an ASIC approved nominee to sell the securities to which these shareholders would otherwise be entitled.

Following is the indicative timetable for the Rights Issue:

Offer announced	22 December 2008
Notice of Rights Issue sent to shareholders	23 December 2008
Securities quoted on an "ex" entitlement basis	24 December 2008
Record Date	2 January 2009
Offer Booklet and Acceptance Form despatched to eligible shareholders and lodged with the ASX	5 January 2009
Opening date for Rights Issue	6 January 2009
Closing date for acceptances	6 February 2009
Issue of new securities	12 February 2009

The timetable is indicative only and subject to change. Subject to the ASX Listing Rules, the Directors of Envestra reserve the right to vary these dates, including the closing date of the Offer, without prior notice.

Full details of the Rights Issue will be contained in the Offer Booklet to be lodged with the ASX and to be dispatched to eligible shareholders in accordance with the timetable set out above. The Offer Booklet will also be available on Envestra's website [www.envestra.com.au](http://www.envestra.com.au).

A "cleansing notice" under the Corporations Act, an investor presentation and a summary of the underwriting agreement accompany this Media Release. These documents are available on Envestra's website [www.envestra.com.au](http://www.envestra.com.au).

Envestra has appointed Goldman Sachs JBWere as its corporate advisor to the Offer.

### **Profit guidance for 2008-09**

Profit after tax guidance for 2008-09 has been upgraded from \$25 million to \$30 million.

Profit after tax in 2007-08 was \$163.6 million, but included a one-off tax benefit of \$153.2 million, resulting in an underlying profit of \$10.4 million.

The expected profit after tax for the half-year ending December 2008 is approximately \$26 million, which includes \$4.1 million from the sale of a property (2007: \$18.2 million, excluding one off tax credit). The Company earns more of its profit in the colder months in the first-half of the year.

### **Debt Consolidation**

Envestra has proposed to its financiers that the debt packages for Envestra Ltd and Envestra Victoria Pty Limited be consolidated, and that the covenants under the financing arrangements be measured on a consolidated basis in the future. All financiers have advised they will consent to the proposal. A pre-condition for consolidation is the raising of \$100 million in equity (including the \$19 million raised in the November 2008 Dividend Reinvestment Plan). Envestra Victoria expects to benefit from the debt consolidation through reduced risk of breaching certain interest cover covenants which restrict funding of capital expenditure and payment of distributions to its Parent.

Envestra expects that the debt consolidation initiative, together with the equity issue and the dividend policy change, should have a positive impact on Envestra's credit rating outlook. However it is noted that ratings decisions are a matter for each of Standard & Poor's and Moodys.

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