

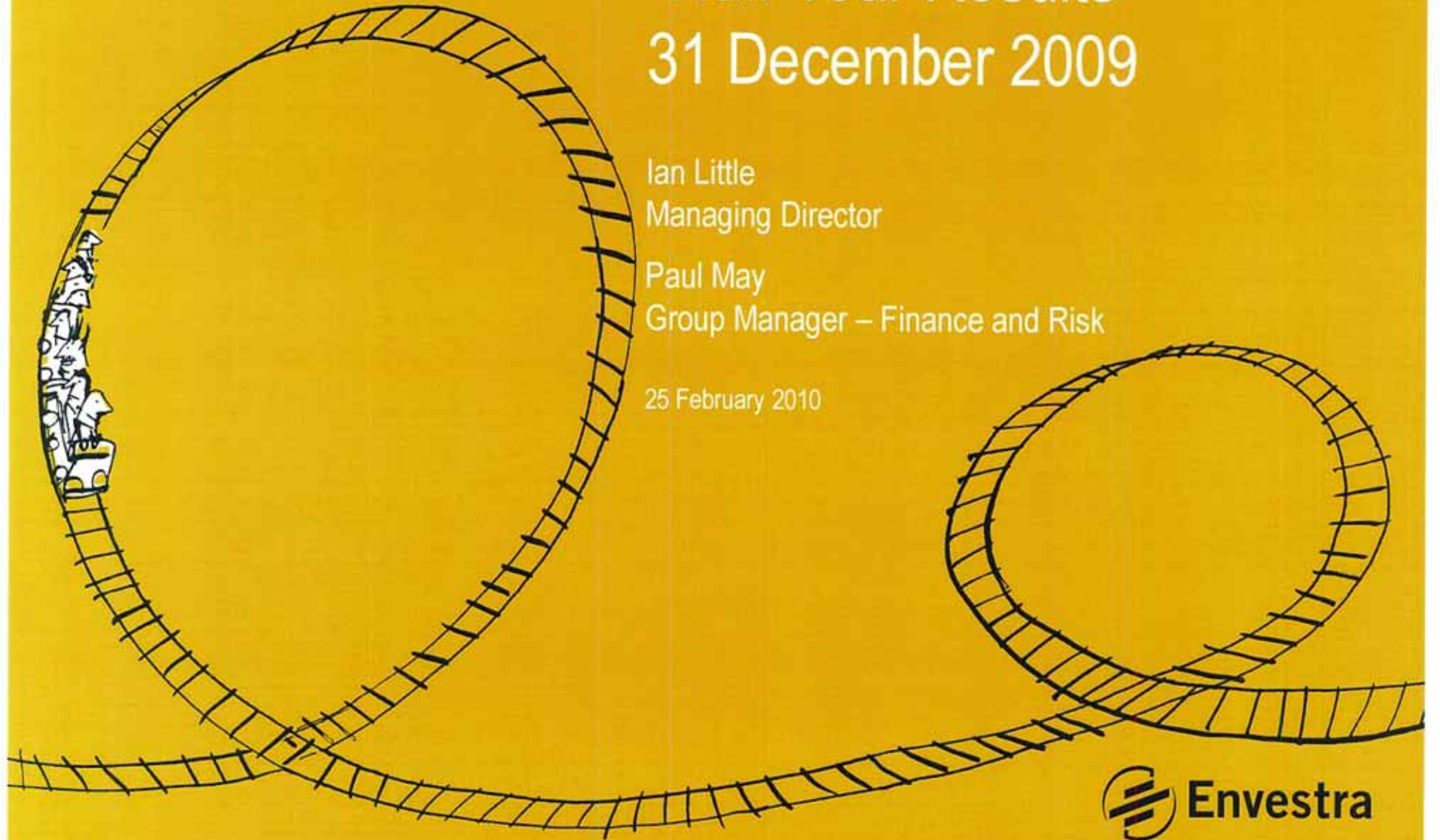
ENVESTRA LIMITED

Half-Year Results 31 December 2009

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Managing Director

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25 February 2010



Strong Operating Performance

2009-10 1st Half Highlights

		Change on 2008-09	
Underlying Net Profit after Tax	\$31.1M	↑	40%
Cash Flow from Operations	\$81.7M	↑	3%
<10TJ Volumes	27 PJ	↓	3%
Total Revenue from Continuing Operations	\$206.5M	↑	2%
Net Borrowing Costs	\$73.9M	↓	11%
Net Profit after Tax	\$32.2M	↑	23%
Customer Connections (< 10 TJs)	12,992	↑	5%

- Significant profit after tax increase (in line with expectations)
- Lower interest costs – lower inflation indexation on CPI bonds

Financial Performance – Profit

Half Year ended 31 December

	2009 \$M	2008 \$M	Change %
Revenue	206.7	209.1	(1.1)
Operating Costs	(61.4)	(55.9)	9.8
EBITDA	145.3	153.2	(5.2)
Depreciation, amortisation and impairment	(26.8)	(29.2)	(8.2)
EBIT	118.5	124.0	(4.4)
Borrowing costs	(74.1)	(83.7)	11.5
Profit before tax and loan note interest	44.4	40.3	(10.2)
Loan note interest	-	(1.9)	
Profit before tax	44.4	38.4	15.6
Tax	(12.2)	(12.3)	
PAT	32.2	26.1	23.4

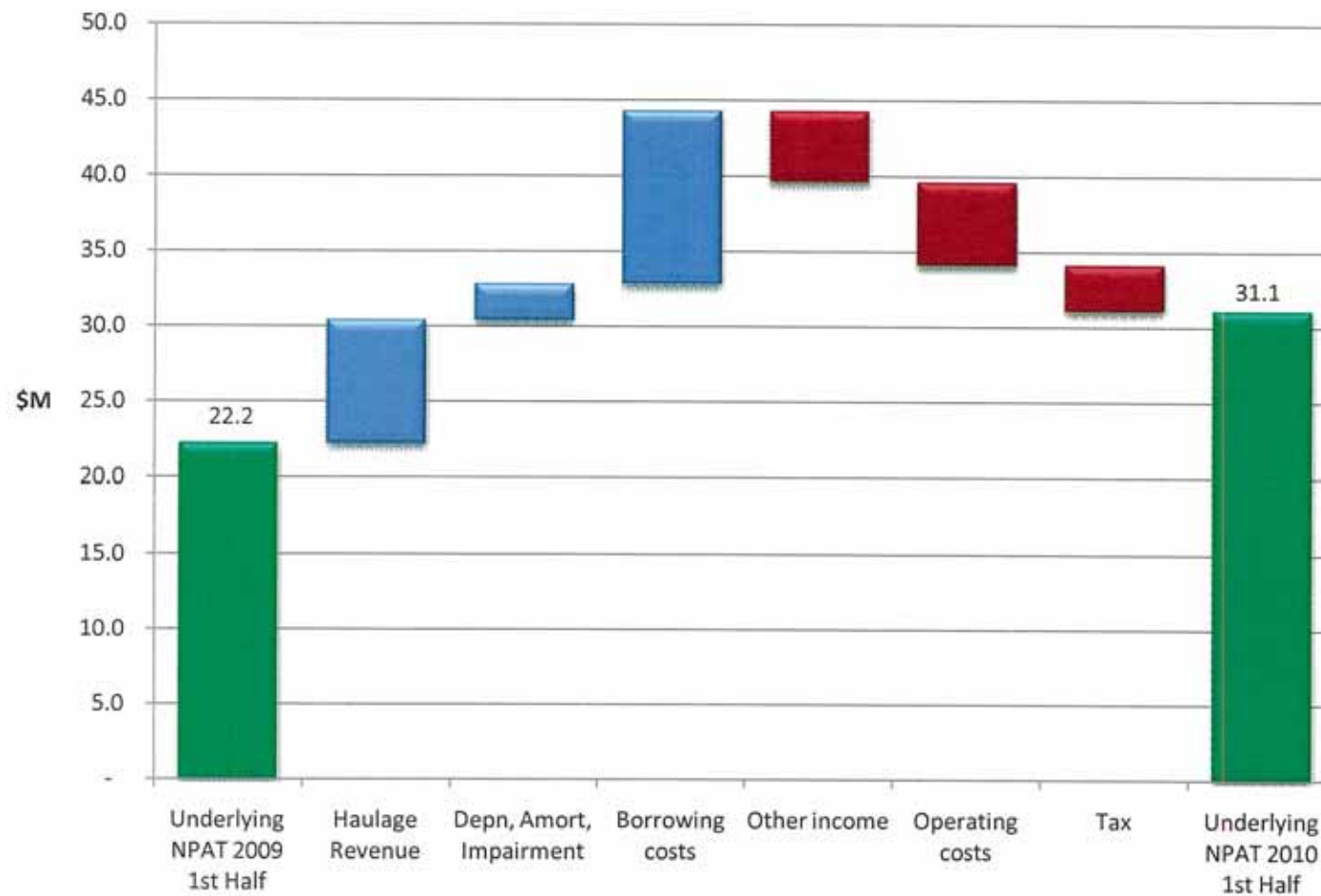
Overview of results:

- Solid revenue outcome despite warmer weather
- 2008 revenues included \$5.9m of land sales
- Borrowing costs down due to lower inflation / indexation costs on CIBs (indexation down \$10M v PCP)

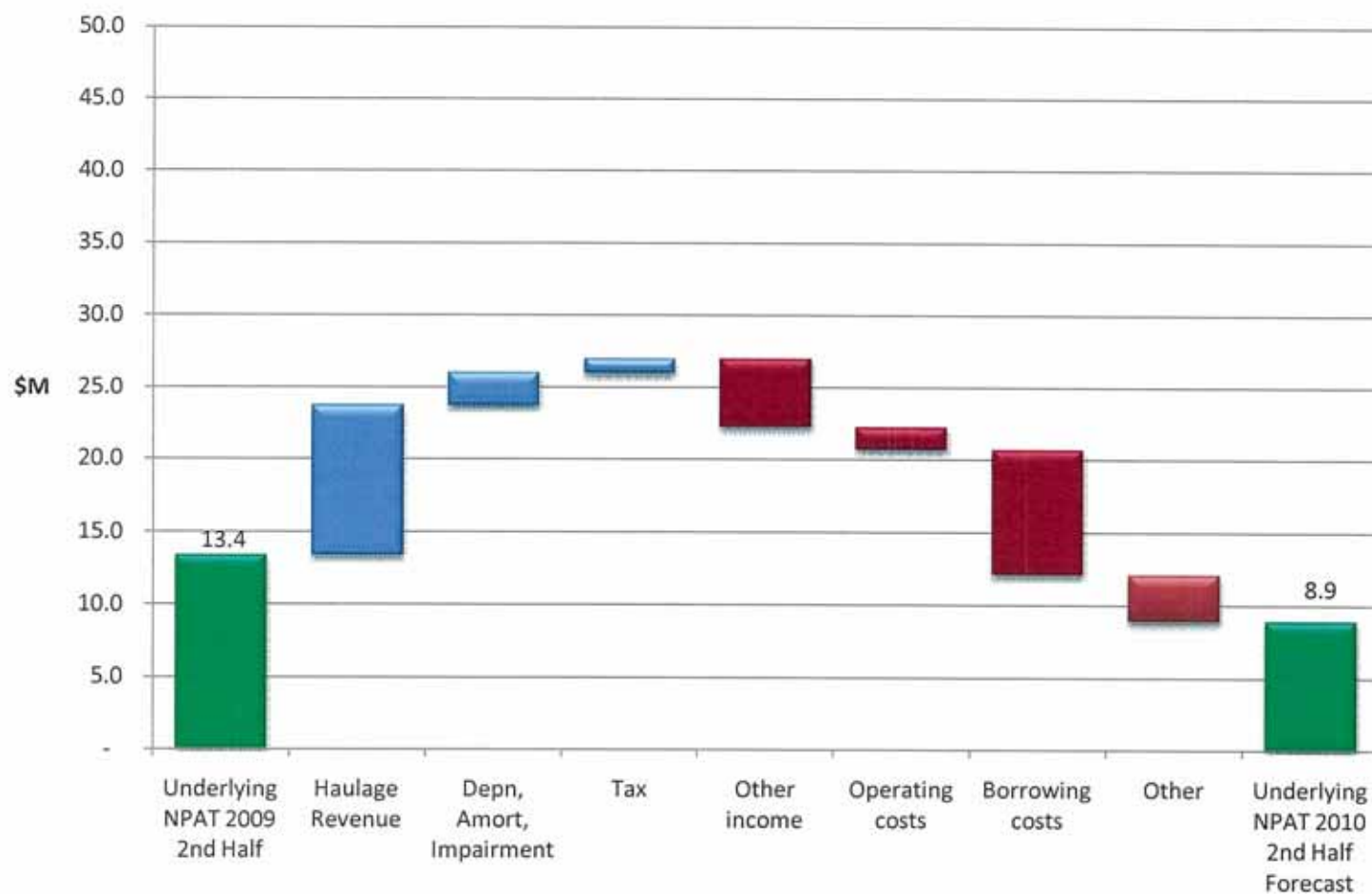
Note:

- Tariffs increased on 1 July 2009 – Queensland 3.8% and South Australia 3.9%: 1 January 2009 Victoria 5.2%
- Indexation (interest) on the Capital Indexed Bonds (CIBs) is non-cash

Underlying NPAT 2010 1st Half vs 2009 1st Half



Underlying NPAT 2010 2nd Half (forecast) vs 2009 2nd Half



Financial Performance – Cash Flow

Half Year ended 31 December

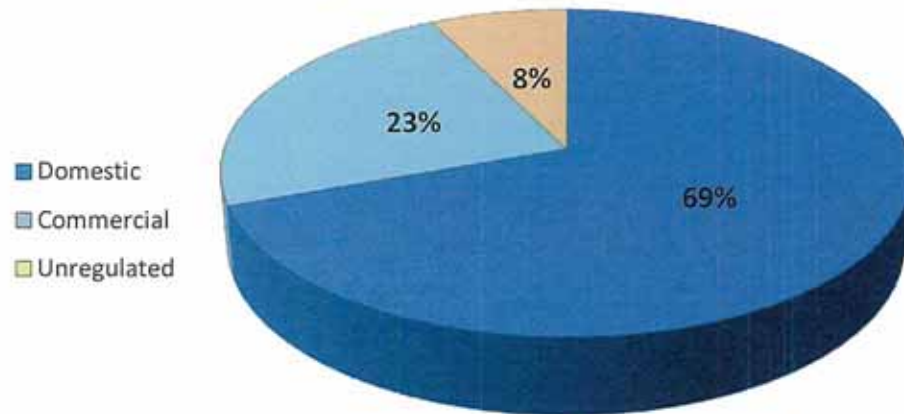
	2009 \$M	2008 \$M	Change %
Operating cash flow	152.7	148.7	2.7
Net borrowing costs	(71.0)	(69.2)	
Cash flow from operations	81.7	79.5	2.8
Net proceeds from sale	1.0	0.9	
Replacement capex	(5.3)	(9.1)	
Available for distribution	77.4	71.3	8.6
Distributions	(35.9)	(40.1)	10.5
Contribution to growth capex	41.5	31.2	33.0
Growth capex	(43.7)	(49.2)	11.2
Cash flow pre-debt and equity financing	(2.2)	(18.0)	
Debt proceeds (repayments)	(11.2)	(0.9)	
Equity	22.2	18.8	
Capital Raising costs	(10.5)	(1.4)	
Increase (decrease) in Cash	(1.7)	(1.5)	
Closing cash	4.5	9.3	

Comments on results:

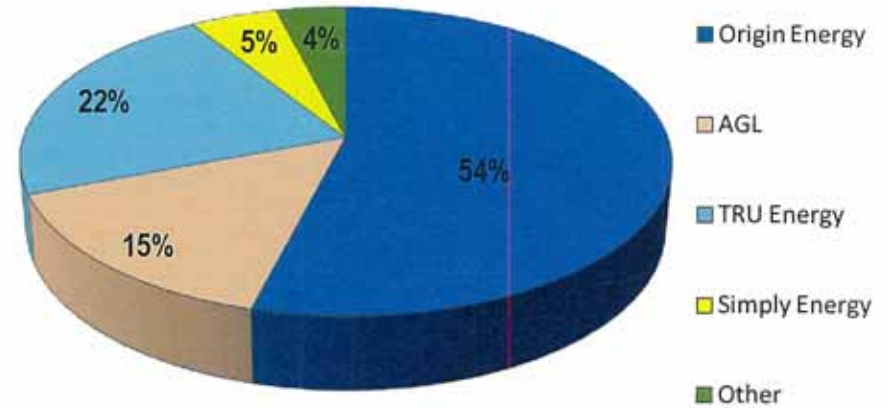
- Higher operating cash flow from solid revenue result
- Reduced distributions (2.75cps in 2009, 4.5cps in 2008)
- Higher contribution to fund growth capex
- Strong shareholder response for October 2009 DRP

Revenue Composition

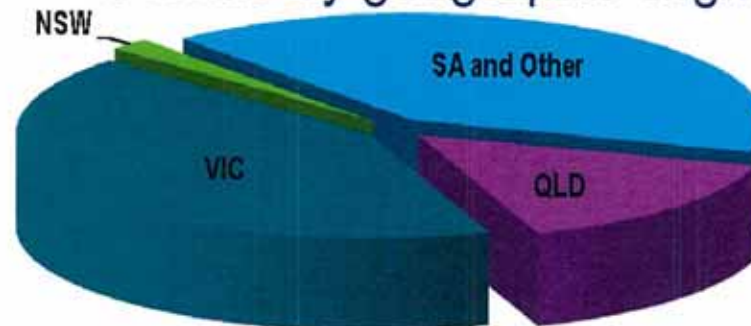
Revenue by customer segment



Revenue by Retailer



Revenue by geographic segment



- Domestic revenue largely unaffected by economic cycles
- Significant amount of commercial / unregulated revenue providing further stability and less exposure to weather fluctuations

...stable predictable revenue

Key Investment Metrics

Metric	Envestra	Sector rank
Dividend Yield	11.0%	Top end of sector
Free Cashflow Yield	15.5%	Top end of sector
Gearing	75%	Higher than average but assets at historic cost. This may not be the case with all peers
EV / EBITDA	9.7%	In line with sector average
EV / RAB *	1.1	Low end of sector
Debt / RAB *	0.82	Low end of sector
Book EV / RAB *	1.03	Low end of sector
Interest Cover**	2x	In line with sector
Distribution Payout Ratio	44%	Low end of sector

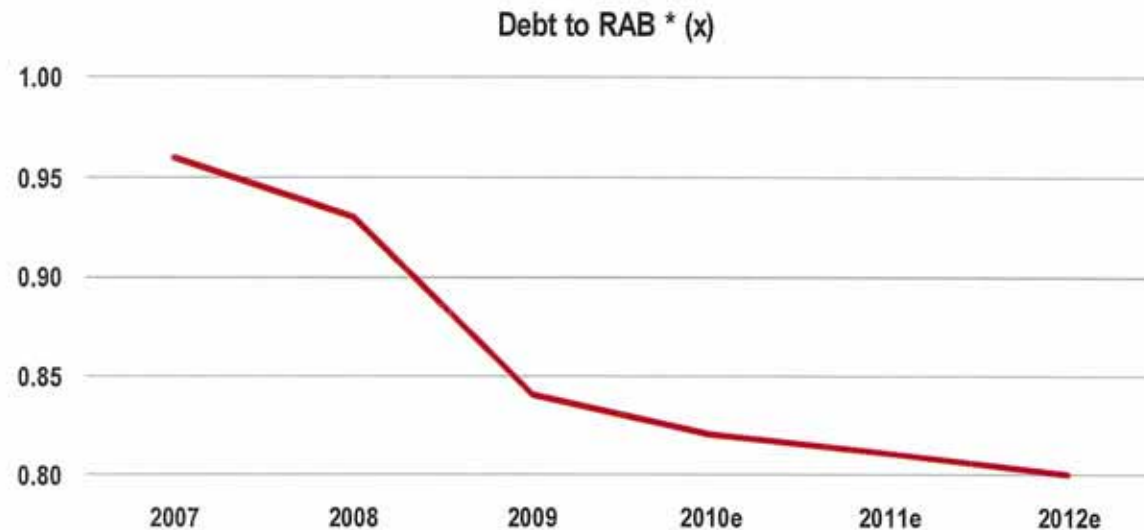
* Includes \$100m uncovered assets

** Based on statutory financial statements

Conclusion: Envestra conservatively valued

Balance Sheet

- Assets primarily network related – balance sheet valuations reflect historical cost
- Balance sheet value of network assets = 1.08 x Regulatory Asset Base (“RAB”)
 - Gearing (based on Balance Sheet assets) = 75%
 - Gearing (based on indicative market value of assets) = 69%
- Some asset revaluation evident in peer companies
- Debt to RAB * at December 2009 is 0.82x and reducing
- Book EV/RAB * at December 2009 is 1.03 and reducing



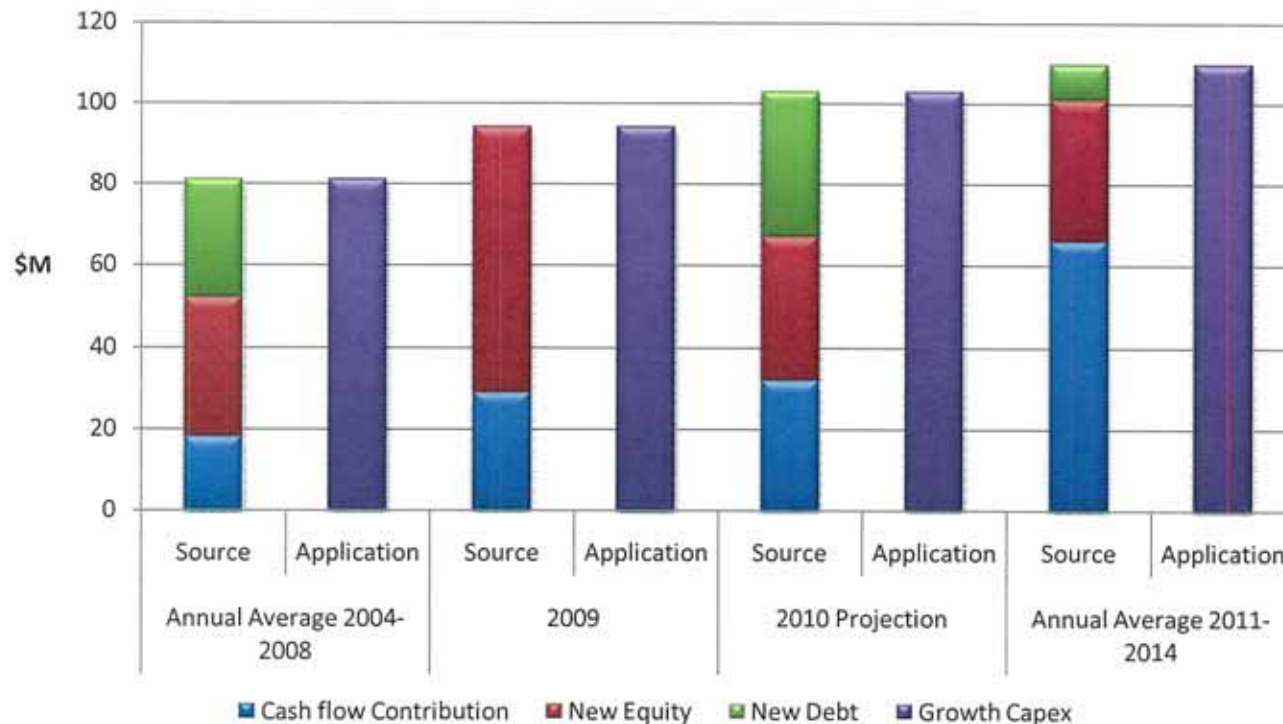
* Includes \$100m uncovered assets

Balance Sheet – Envestra's Growth Strategy

- Book EV/RAB is comparatively low (against sector peers – DUET, SPARK etc)
- Significant advantage over peers with low Book EV/RAB
 - Less regulatory risk
 - Book EV/RAB reduction (assuming consistent regulatory and distribution settings) results in compounding increase in profits (each 1% drop results in around \$2M increase in pre-tax profit)
 - Better placed to leverage off regulatory financing cost benchmarks
 - Higher and quicker profit generation in future
- Results from no recent expensive acquisitions by Envestra which are EV/RAB dilutive
- Provides confidence over steady profitability increases in the future
- Advantage is compounded with existence of long tenor, low margin debt

Funding Growth Capex

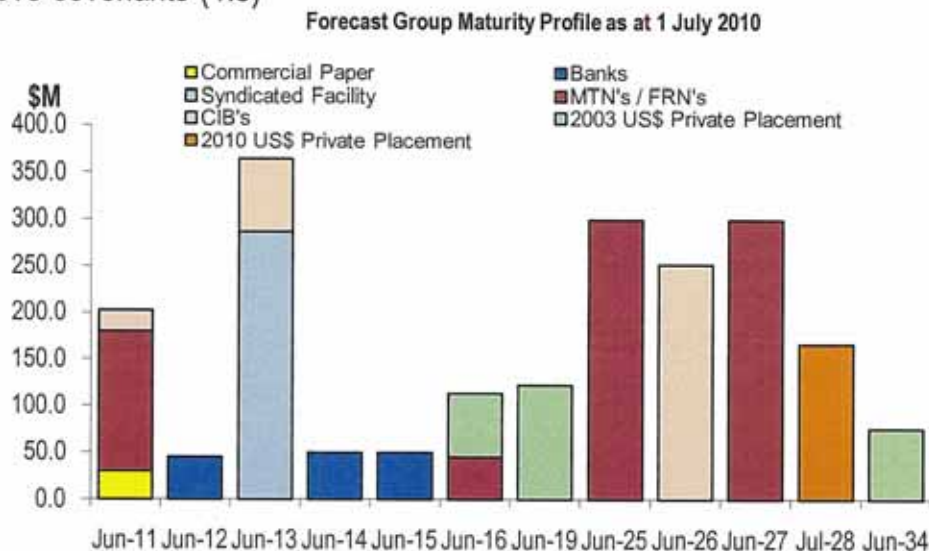
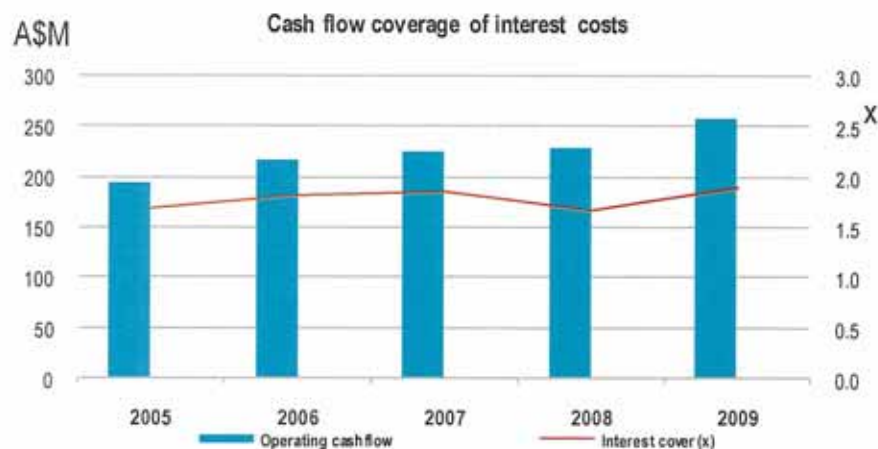
- Investment in new customer connections generates RAB growth and certain, regulated returns
- With new investment at 1 x RAB, the decrease in debt funding provides greater profit generation in future
- Growth capex largely funded by new debt and equity in the past – to be funded mainly by surplus cash flow and equity in future



...increased funding of growth capex from surplus cash flow

Finance Cost Management

- Recently announced USPP issuance longest tenor debt issue since GFC
- Envestra's debt portfolio has the longest average term to maturity in the sector
 - Will extend to 10 years following USPP issuance in July 2010
 - Over half the Group's debt has historically low margins (<100 pts) and maturities beyond 2024
- Envestra continues to proactively manage refinancing risk
 - Next term debt matures in May 2011 (\$150M MTNs & \$33M CIBs) – Unused credit lines (incl. USPP issue) covers 2011 repayment obligations
- 92% of interest exposure currently hedged
- Interest cover (ISCR) was 1.9x at December 2009, well above covenants (1.5)



...predictable cash flows; comfortable interest cover

Regulatory Performance

- Access Arrangement submissions for South Australia / Queensland currently being prepared (due to be lodged by 1 October)
- Opex has and is expected to be below regulatory benchmarks
- Capex close to benchmarks in South Australia / Queensland, but lower in Victoria as response to the GFC – expected to ‘catch-up’ in next two years.
- Management of expenditure within benchmarks helps protect credit metrics against lower demand and/or higher costs of capital
- Efficiency Sharing Mechanism designed to provide distributors with a continuous incentive to pursue efficiency gains
- The Efficiency Sharing Mechanism has provided Envestra with \$18 million (over 5 years) in allowed revenue in current Access Arrangements

Summary and Outlook

- Strong result with underlying NPAT up 40%
- Full-year guidance maintained at around \$40 million
- Contract dispute disclosure in financial statements
- Capital management initiatives:
 - DRP raised \$21M
 - USPP financing in place – drawdown July 2010 (\$170 million)
 - All necessary refinancing completed through to 2012 – no refinancing risk
- Given average debt profile of 10 years, Envestra is well placed to take advantage of improving economic conditions
- Continuing strong demand for new connections and network extensions (23,000 new connections, capex around \$115 million for 2009-10)
- April dividend of 2.75 cents to be partially franked (55%)

Supporting Information

Who we are

Envestra Limited owns strategic gas distribution and transmission pipelines that operate as regulated monopolies in key population growth centres in Victoria, South Australia and Queensland. Cash flows are highly predictable and grow in line with customer connections and regulated tariff increases, supporting sustainable dividend payments to shareholders over the long-term...

Corporate Snapshot

ENVESTRA LIMITED

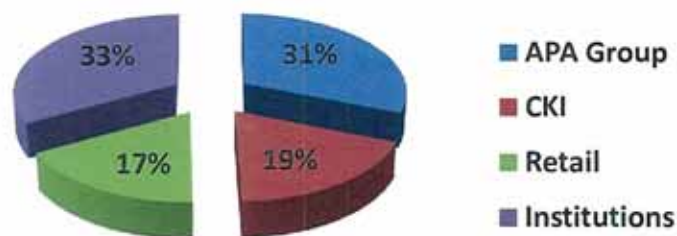
(as at 31 December unless marked)

ASX code	ENV
Customer numbers	1.05M
Underlying EBITDA (June 2009)	A\$270M
Net debt	A\$1970M
Total shareholders' equity*	A\$519M
Enterprise value	A\$2,666M
Shares on Issue	1,347M
Market Capitalisation	~A\$690M

Location	Length of Mains	Transmission Pipelines
Victoria	9,584 km	212 km
South Australia	7,842 km	372 km
Queensland	2,525km	284 km
New South Wales	608 km	20 km
Northern Territory	38 km	153 km
TOTAL	20,567km	1,041 km

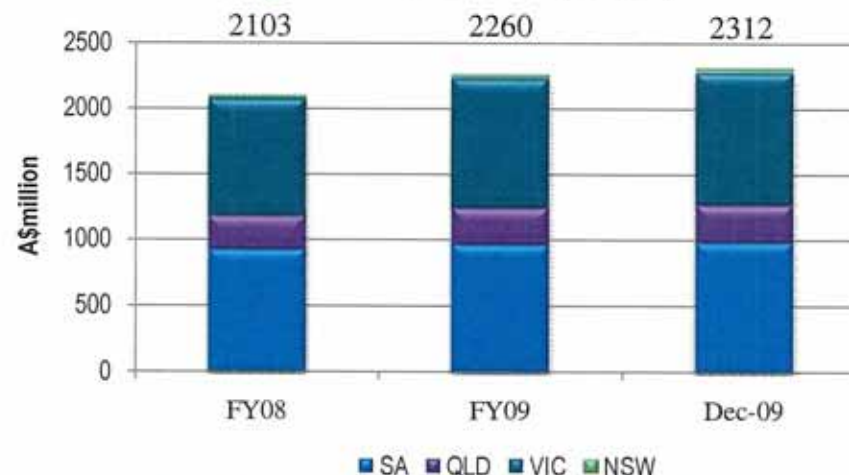
Source: IRESS

Shareholder Profile



*Retail investor defined as <100,000 shareholding.

Regulated Asset Base ("RAB")



...essential infrastructure in key population / economic hubs

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Key Operating Sensitivities

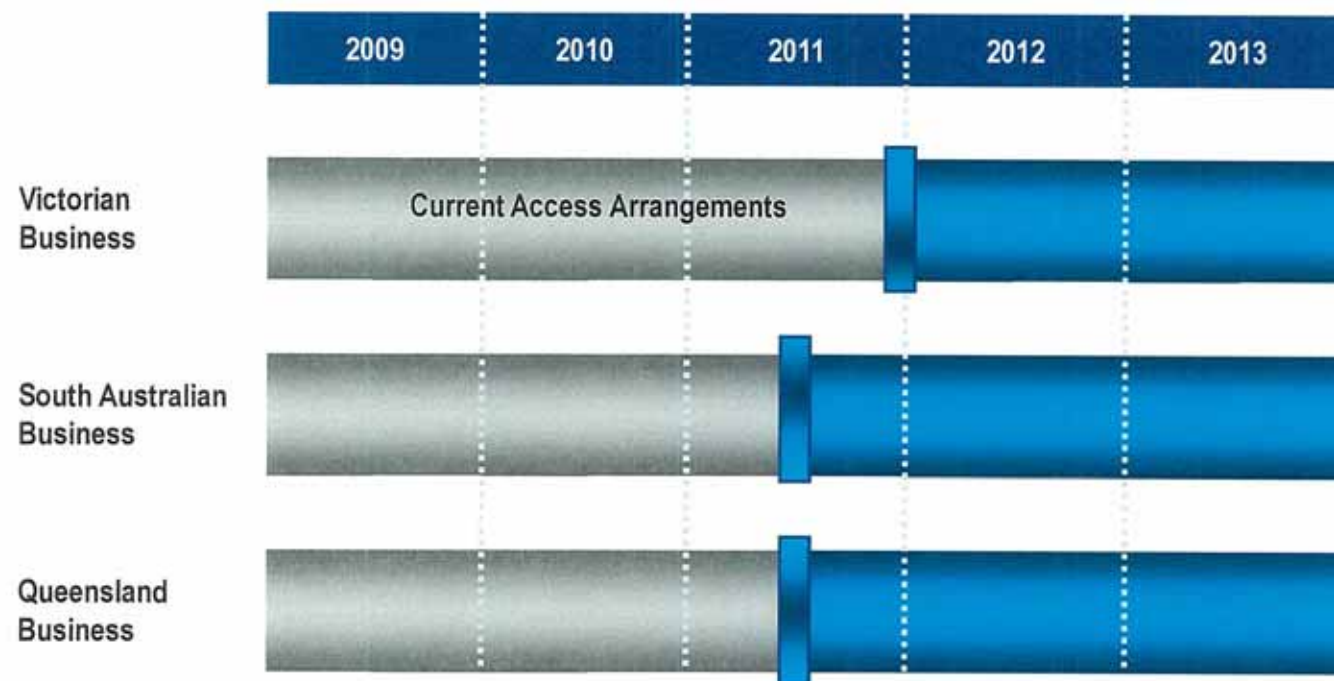
Operating item	Sensitivities	Profit after tax impact (annual)	Explanation
Interest Expense	Interest Rates +/- 1%	\$0.5 million	Variable interest rate debt 95% hedged
Operating Leverage	Sales revenue +/- \$10 million	\$6 million	Low proportion of variable costs
Foreign Currency	USD +/- 1%	nil	FX exposure on debt facilities 100% hedged
Inflation	CPI +/- 1%	<\$2 million	Capital Indexed Bonds provide natural hedge against tariff changes – medium term revenue increase covers any short-term loss

2009-10 Outcomes of Recent Milestones

Key Milestone	Outcome
Debt Consolidation	<ul style="list-style-type: none"> • Additional financial covenant headroom • Improved ratings agency outlook
2009 \$111 million Rights Issue	<ul style="list-style-type: none"> • Debt reduction / increased distribution coverage • Improved gearing • Improved ratings agency outlook
Put Option Exercise	<ul style="list-style-type: none"> • Simplified corporate structure • Additional tax losses (no tax payments before 2020)
Distribution Reduction	<ul style="list-style-type: none"> • Retention of cash to reduce debt • Improved gearing
Loan Notes repaid	<ul style="list-style-type: none"> • Still providing 11% yield • Simplified security structure • Distributions comprise solely unfranked dividends • One-off franking "bonus" in April 2010
Extension of Loan Duration/Re-financing	<ul style="list-style-type: none"> • Duration now 10 years – minimal re-financing risk • \$570m or almost 30% of debt portfolio renewed in 2009/10

Regulatory Update

- Existing regulatory periods



- Regulatory determinations by AER at next resets
- AER released its Final WACC decision in May for electricity businesses – No surprises
- AER draft decision, (ETSA) has confirmed decisions made in May – WACC certainty
- AER draft decision (Jemena) released in February – cost of debt certainty

Variations in Natural Gas Demand due to Weather

- High correlation between weather and consumption

	Half year ended 31 December					
Volumes	2009	2008	2007	2006	2005	2004
Victoria and NSW	31.3	32.9	32.3	32.6	30.7	32.3
South Australia	18.1	18.8	18.6	19.8	19.0	19.7
Queensland / other	10.2	10.2	10.6	9.8	9.3	9.0
Total	59.6	61.9	61.5	62.2	59.0	61.0
<10TJ	27.1	28.0	26.2	26.1	25.2	26.5
Effective Degree Days						
Melbourne	788	871	785	798	744	876
Adelaide	569	678	563	598	571	662

- But consumer habits are changing. Gradual household base load reductions are evident; however, they are adjusted for in regulatory tariff setting
- Commercial revenue not significantly impacted by weather fluctuations

Financial Performance – Distributions

- Distribution of 2.75cps paid in October 2009

Distributions	Date	Principal repaid	Interest	Dividend cps	Franked %	Total cps	DRP Operating	DRP Discount
2009								
Interim	30 Nov-08	4.13	0.37	-	-	4.50	Yes	2.5%
Final	29 May-09	0.81	0.05	1.89	-	2.75	Yes	2.5%
						7.25		
2010								
Interim	31 Oct-09	-	-	2.75	-	2.75	Yes	2.5%
Final	30 Apr-10	-	-	2.75	55.0	2.75	Yes	2.5%
						5.50		

- One-off franking in April 2010

Underlying Profitability – 31 December 2009

31 December	2009 \$M	2008 \$M	2007 \$M	2006 \$M
Underlying Profit After Tax				
Profit after Tax	32.2	26.1	171.4	1.7
One off items:				
Tax step-up	-	-	153.2	-
Land sale	-	(3.9)	-	-
Remediation/impairment	-	-	-	2.8
Investment allowance	(1.1)	-	-	-
Underlying profit after tax	31.1	22.2	18.2	4.5

Improved Distribution Coverage (after Stay in Business Capex)

30 June \$M	2002	2003	2004	2005	2006	2007	2008	2009	Dec 2009
Operating cashflow (pre-interest)	198	204	216	195	217	226	230	257	153
SA Government receipt	-	-	55	-	-	-	-	-	-
	198	204	271	195	217	226	230	257	153
Interest / Borrowing costs	(115)	(118)	(117)	(119)	(118)	(107)	(135)	(135)	(71)
Operating cash flow (after interest)	83	86	154	76	99	119	95	122	82
Stay-In-Business capex	(9)	(10)	(12)	(14)	(17)	(19)	(17)	(18)	(5)
Cash flow available for distribution	74	76	142	62	82	100	78	104	77
Distributions	(60)	(67)	(70)	(73)	(74)	(78)	(82)	(76)	(36)
Cash flow after distributions	14	9	72	(11)	8	22	(4)	28	41
Distribution coverage (after SIB)	123%	113%	203%	85%	111%	128%	95%	137%	216%

Note: Summary is as per financial statements

Gearing – Reducing Debt to Regulated Asset Base

	30 June 2007	30 June 2008	30 June 2009	31 Dec 2009
1. Book Gearing-Total Assets Net Debt / Total Assets (less cash)	75%	78%	75%	75%
2. Economic Value Gearing Net Debt / (Market cap plus Net Debt) Share price	66% 1.15c	78% 64c	76% 49c	75% 50c
3. Debt to RAB * Debt / Regulated Asset Base *	0.96	0.93	0.84	0.82

Note: Loan Notes are treated as equity

* Includes \$100m uncovered assets