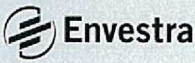


50
YEARS OF
50
NEW HOMES
INSTITUTIONS

Annual General Meeting
Chairman's Address

27 October 2010



Ongoing global uncertainty

- Considerable uncertainty throughout 2009-10
- Challenging markets: raising of debt and equity
- Envestra – stable and predictable business performance
- Returns to shareholders 12.3%

Highlights from 2009-10

- Profit after Tax \$37.2M ↓ \$3.1M
- Underlying Profit after Tax ↑ \$0.7M to \$36.3M
- 24,000 new consumers
- \$97.8M spent on capex
- Upgraded 2,000 km of mains over past 13 years
- Ratio of cash flow to pay dividends: 147% in 2009-10
- Borrowing costs \$156.9M ↓ \$1.4M



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Financing Strategy

- \$387M in 2009-10 to refinance existing facilities
- Increased margins – shorter loan periods for bank debt
- US \$150M 17-year bonds
- Average loan maturity for Envestra Group of 10 years
- Bank loans and bonds – maturities extend to 2034 (<15% in any year)
- \$222M undrawn bank facilities at 30 June 2010
- Limited interest rate risk: 90% of floating rate debt hedged



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Support of Major Shareholders

- 2009-10 DRP: 3,000 shareholders representing 60% of capital participated
- DRPs supported by major shareholders: APA and CKI
- Recent DRP raised \$23M
- APA now holds 32.4% and CKI 19.3%



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Regulatory Challenge

- Envestra's networks subject to AER price regulation
- South Australia and Queensland Access Arrangements under review
- Will determine allowances for network development and maintenance
- AER has in the past taken "consumer protection" stance – kept tariffs as low as possible
- Substantial investment required to upgrade "old" mains
- Governments promote importance of infrastructure – but gas distribution the "poor cousin"
- Extensive lobbying by Board and Management to change regulatory mindset



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Growth via Acquisitions

- Limited opportunities in recent years – but Envestra remained vigilant
- Looked for opportunities to increase returns to shareholders, delivering commercial benefits and no exposure to undue risks
- In process of acquiring Country Energy Gas for \$107M
- Strong strategic fit with Envestra's existing business
- Assets soundly run by experienced management team
- Offers attractive returns in largely regulated environment



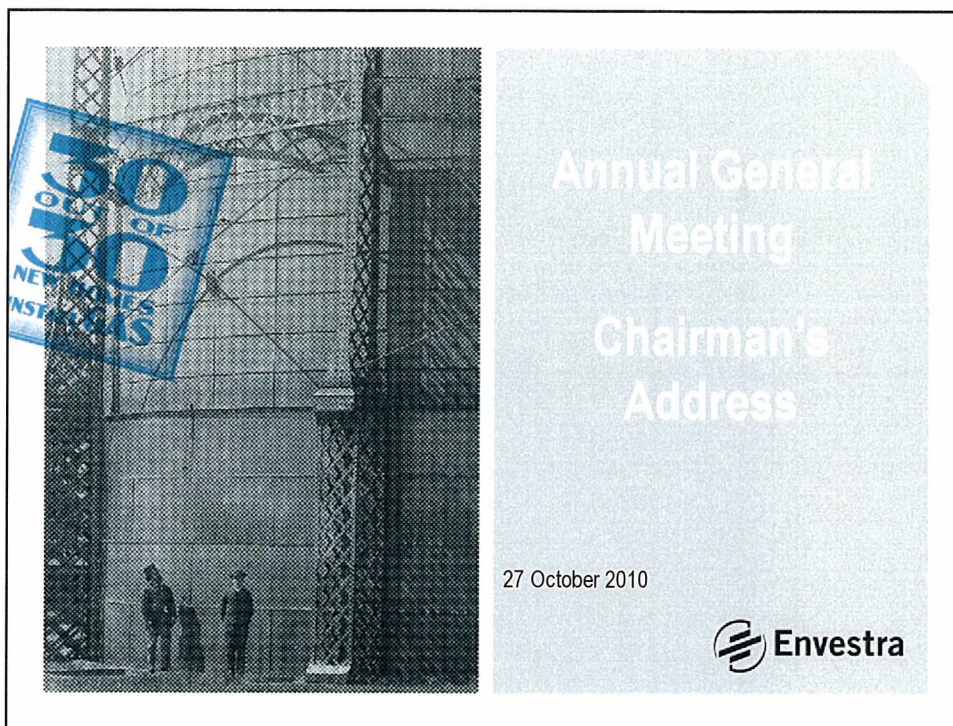
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Outlook for 2010-11

- 24,000 new consumers
- \$125M on capex (\$30M mains replacement; \$95M growth projects)
- Responding to AER queries on South Australian and Queensland Access Arrangements – Final Decision due in April 2011
- Forecast Profit after Tax of around \$40M
- Total dividends of 5.5 cents
- Addressing ASX guidelines on Diversity




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Envestra