Investing in energy infrastructure

MEDIA RELEASE

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Solid growth in first-half profit

Envestra

Envestra Limited, Australia's largest natural gas distribution company, today announced a **Profit after Tax of $35.0 million** for the half-year ended 31 December 2010, a 9% increase on the previous half-year.

On an underlying[1] basis, Profit after Tax increased by 19% to $37.0 million.

The Company also announced that a 2.75 cent interim dividend will be paid on 29 April, supported by a strong cashflow from operating activities of $95.8 million, an increase of 17% on the prior half-year.

Other highlights for the half-year include:

• Revenue from continuing operations	Up 9%	to	$226.0 million
• Net borrowing costs	Up 16%	to	$85.7 million
• Gas volumes transported	Up 8%	to	64.5 PJ
• Total consumers[(2)]	Up 14,500	to	1,075,500
• Dividend (unfranked)	2.75 cents (paid 29/10/10)		

[(2)] Excludes impact of Country Energy acquisition (26,000 consumers)

The volume of gas delivered through the Company's distribution networks and transmission pipelines was 64.5 petajoules (59.6 PJ in the prior corresponding period). The volume of gas delivered to domestic and small industrial and commercial consumers was 11% higher reflecting cooler weather in the winter and spring months of 2010.

Total operating costs were up $2.0 million, mostly the result of acquisition costs associated with the Country Energy acquisition in October 2010, and increased remediation provision expense, both of which are "non-underlying" items.

Net borrowing costs were up 16% in the first-half largely due to higher interest costs arising from the global financial crisis on recently refinanced debt, and also higher indexation costs on capital indexed bonds.

[1] The underlying Profit after Tax is after adjustments to one-off tax credits, asset sale, increases in the remediation provision, and acquisition transaction costs associated with the Country Energy acquisition.

Total dividends paid in the first-half were $38.1 million ($35.9 million in 1H2009-10). Cashflow available to support that dividend was $96.5 million, up 25%, representing a cashflow dividend coverage ratio of 2.5 times for the half-year. This result is impacted by the higher proportion of cash received in the first-half. For the full-year, a dividend coverage of around 150% is expected.

Whilst the Country Energy acquisition on 29 October added some 26,000 consumers, a further 14,500 new consumers were connected to the existing distribution networks, 12% more than the previous half-year, reflecting the ongoing demand for natural gas connections in new housing subdivisions. The new consumers (excluding Country Energy) will add about $4.0 million per annum to future revenue. This continued strong organic growth has added substantial value to the Company. Over the past five years, new customer connections have added over $30 million in annual revenues.

The Group continued its substantial capital expenditure program spending $63 million during the period on network extensions, mains and meter replacements and general upgrades to the networks.

A total of 119 kilometres of new mains were laid to accommodate the increase in consumers. The Company now has over 23,000 kilometres of distribution networks and transmission pipelines around the country.

The recent Queensland floods and cyclone, and the floods in Victoria, have to date not had a material impact on the Company's assets, revenues or operating costs.

As previously announced to the market on 17 February 2011, the Australian Energy Regulator (AER) has released its Draft Decisions on the review of Envestra's Access Arrangements, which cover the Company's gas distribution networks in South Australia and Queensland. The Final Decision is expected to be handed down in May 2011.

Outlook

A Net Profit after Tax of around $40 million has previously been foreshadowed for the full-year. Due to the strong revenue outcome in the first-half, a Proft after Tax between $41 million and $45 million is now expected, subject to weather conditions and any other unforeseen circumstances in the second-half.

A dividend of 2.75 cents is to be paid to shareholders on 29 April, in line with previous guidance provided to the market.

The Company's Dividend Reinvestment Plan will apply to the payment, with the new shares to be issued at a 2.5% discount to the 10-day Volume Weighted Average Price (VWAP) commencing on 6 April.

The relevant dates for the dividend are as follows:

15 March	Shares trade ex-dividend
21 March	Record date
6 to 19 April	DRP pricing (VWAP over 10 business days, less 2.5% discount)
29 April	Dividend payment

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