

26 August 2010

Steady result for 2009-10



Envestra Limited, Australia's largest natural gas distribution company, today announced a Profit after Tax of \$37.2 million. The underlying¹ Profit after Tax of \$36.3 million was up \$0.7 million on the previous year, despite unusually warm weather in Victoria and South Australia.

Financing costs were held below the previous year despite the volatile financial markets that prevailed.

Over 24,000 new consumers were connected to the distribution networks, reflecting the ongoing strong demand for natural gas in new housing subdivisions. The new consumers will add about \$7 million per annum to future revenue. The total consumer base is now 1.06 million.

Other results for the year include:

- Haulage revenue Up 2% to \$354.4 million
- Total revenue Down 1.5% to \$383.3 million
- Total borrowing costs Down 1% to \$156.9 million
- EBIT Down 2% to \$207.9 million
- Cashflow from operating activities Down 4% to \$117.1 million
- Gas volumes Down 3% to 111.4 PJ
- Dividends Maintained at 5.5 cents

Despite the warm weather, haulage revenue was higher due to increases in network tariffs, and the addition of new customers. Total revenue was lower than the prior year due to the final recognition in 2008-09 of grant income received from the South Australian Government in 2004 to support the introduction of retail contestability, as well as land sale revenue recognised in the previous period.

The volume of gas delivered through the Company's distribution networks and transmission pipelines was down 3% to 111.4 petajoules. Gas delivered to domestic and small industrial and commercial consumers was down 4% to 47 petajoules.

Total operating costs were up 8%, due mainly to higher leak maintenance, information technology services and marketing costs.

¹ The underlying profit after tax is after adjustments to reflect investment tax allowance, land sales, and increases in the remediation provision.

Total dividends paid in 2009-10 were \$73.0 million (\$75.8 million in 2008-09). Cash flow available to support the dividend was \$107.4 million representing a cash flow dividend coverage ratio² of 1.5 times (1.4 in 2008-09).

Cash retained at the end of the year was \$6.4 million (\$6.2 million in 2008-09). The Group borrowed \$21.0 million (net of repayments) during the year with gearing³ at 30 June, 2010, being 74%.

The Group continued its substantial capital expenditure program spending \$97.8 million on network extensions and upgrades to the networks.

A total of 276 kilometres of new mains were laid primarily in new subdivisions and 119 kilometres of old mains were replaced. The Company now has about 21,800 kilometres of networks and pipelines around the country.

Outlook for 2010-11

Whilst revenue is expected to increase in 2010-11, higher borrowing costs will offset this improvement, resulting in an expected profit after tax in 2010-11 of around \$40 million.

The Company forecasts dividends of 5.5 cents per share in 2010-11. An unfranked dividend of 2.75 cents is to be paid to shareholders on 29 October, 2010. 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 VWAP commencing on 4 October, 2010.

The relevant dates for the dividend payment are:

13 September	Ex-dividend date
17 September	Record date
4 to 15 October	DRP pricing (10-day VWAP)
29 October	Dividend payment

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² Dividend coverage ratio is calculated as operating cashflow after replacement capex, divided by total dividends.

³ Gearing is defined as net debt divided by total non-cash assets