

25 August 2011

- **Net Profit after Tax up 21%**
- **Final Dividend increased to 2.9 cents**



Envestra Limited, Australia's largest natural gas distribution company, today announced a Profit after Tax of \$45.0 million, an increase of 21% over the prior year (\$37.2 million in 2010). The underlying¹ Profit after Tax of \$47.6 million is a record for the Company and is 31% higher than the previous year.

The Company also announced that the forthcoming dividend to shareholders would increase by 5.5% to 2.9 cents (previously 2.75 cents). The dividend is to be paid on 28 October 2011 and is unfranked.

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, 2011.

Other results for the year include:

| | | | |
|--------------------------------------|--------|----|-----------------|
| • Revenue ² | Up 11% | to | \$424.2 million |
| • EBIT | Up 15% | to | \$239.5 million |
| • Cashflow from operating activities | Up 16% | to | \$136.2 million |
| • Net borrowing costs | Up 12% | to | \$174.6 million |
| • Gas volumes transported | Up 7% | to | 119 PJ |

The volume of gas delivered through the Company's distribution networks to residential and small industrial and commercial consumers was up 12% to 53 petajoules. This was largely due to cooler weather during the year, volumes from the Country Energy business acquired in October 2010 and the connection of 26,700 new customers.

Total operating costs were up 8%, or \$9.5 million, with \$4.6 million of the increase relating to the Country Energy acquisition and associated operating costs, and \$1.6 million largely relating to land remediation expenses. On an underlying basis, operating costs rose 3%.

Total dividends paid in 2010-11 were \$77.5 million (\$73.0 million in 2009-10). Cash flow available to support the dividend was \$129.1 million representing a cashflow to dividend coverage ratio³ of 1.7 times (1.5 in 2009-10).

¹ The underlying profit after tax is after adjustments to eliminate acquisition costs, investment tax allowance, asset sales, and land remediation costs.

² Excluding interest income (\$0.8 million in 2010-11, \$0.6 million in 2009-10).

³ Dividend coverage ratio is calculated as operating cashflow after replacement capex, divided by total dividends.

The retention of cash to fund a greater proportion of the Company's capex program is in line with Envestra's previously stated strategy of reducing gearing and improving its credit rating with Standard & Poor's.

The Group borrowed \$130.5 million (net of repayments) during the year with gearing⁴ at 30 June, 2011, being 68% (74% based on book value). \$65 million of the new borrowings were used to partly fund the acquisition of the Country Energy business in October 2010.

Net borrowing costs were up 12% largely due to higher interest costs arising on debt refinancing and also included interest on the \$65 million facility used to fund the Country Energy acquisition. Interest on new debt used to partially fund the capital expenditure program also contributed to the increase. Borrowing costs were in line with expectations.

The Group increased its capital expenditure program by 32% in 2010-11 to \$129.2 million, largely on network extensions and upgrades to the networks.

A total of 275 kilometres of new mains were laid primarily in new subdivisions and 236 kilometres of old mains were replaced. The Company now has about 23,000 kilometres of networks and pipelines around the country and delivers gas to over 1.1 million consumers.

Outlook for 2011-12

Growth in the business resulting from continuing capital expenditure, the connection of new consumers and revenue increases are expected to deliver a Profit after Tax in 2011-12 in the order of \$60 million, subject to weather conditions and other unforeseen circumstances.

The Company anticipates being able to pay dividends totalling 5.8 cents per share in 2011-12 (5.5 cents in 2010-11). Dividends have remained steady at 5.5 cents since May 2009.

The relevant dates for the forthcoming dividend payment are:

| | |
|-----------------|---------------------------|
| 12 September | Ex-dividend date |
| 16 September | Record date |
| 4 to 17 October | DRP pricing (10-day VWAP) |
| 28 October | Dividend payment |

The shares to be issued under the DRP will rank equally with existing shares.

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⁴ Gearing is defined as net debt divided by net debt plus market value of equity