



Highlights

Asset Management Excellence – The Reliability Improvement Plan, aimed at meeting our 2010-15 regulatory targets, is continuing to be deployed. Along with an acceleration of capital investment into network reliability performance initiatives, the plan has seen a range of operational response improvements rolled out to achieve reductions in both outage frequency and duration.

8.6MW of demand reduction, the equivalent of around 15,000 homes, has been achieved through our demand management program, which is aiming to defer unnecessary capital investment in the network. This is being supported by work around the proposed tariff reforms, which will ultimately help better manage peak demand and reduce associated network costs.

We lifted capacity to keep pace with the demand for solar energy connections. Over 33,000 customers are now benefitting from the feed-in-tariff – with around 2,000 systems being connected each month. Support for renewables remains central to our climate change response.

Customer-driven – We have continued to participate in the development of the Ministerial Council on Energy's National Energy Customer Framework (NECF), as well as put the capability in place to ensure we can meet our customers' expectations going forward. NECF, which is set to be introduced in early to mid 2012, will replace many of Ergon Energy's state-based regulatory obligations.

Our Contact Centre employees were recognised by the Customer Service Institute of Australia with the crown of Best Government Contact Centre in Australia, and our internal Customer Advocate was named National Customer Service Advocate of the Year.

Community engagement around the Solar City project's Solar Skate Park was also recognised as best practice, winning the International Association for Public Participation's prestigious Project of the Year Award for Queensland. Our isolated communities' energy saving engagement pilot, *Powersavvy*, also received top honors at the Queensland Multimedia Awards.

High Performance Organisation – Works delivery improvements saw cycle times for customer-initiated network extensions or augmentation improve to better than target, from the backlog created by the floods and Cyclone Yasi. Progress has also been made in preparing for a forecast escalation in major customer connections.

Another highlight was the improved safety result (see Non-financial Results over).

Financial Results*

Six months to 31 December	2011	2010
Earnings Before Interest & Tax	\$398.7M	\$351.6M
Net Profit After Tax	\$172.4M	\$144.1M
Return on Equity	5.1%	5.3%
Return on Assets	3.9%	4.0%

Overall financial performance (EBIT) has improved \$47.1 million compared to the same period last year. This is principally due to:

- increased focus on cost efficiencies
- increased service and network usage charges.

Ergon Energy's Annual Financial Statements and Statement of Corporate Intent for 2010/11 were tabled in Parliament.

Capital Program

Total capital expenditure for the period is \$429.9 million comprising \$364.1 million system capital expenditure and \$65.8 million non-system capital expenditure.

Major system capital projects completed include:

- Victoria Mill Substation, Ingham
- Kelsey Creek Substation, near Proserpine
- Pandoin Substation, near Rockhampton
- Springsure to Rolleston Feeder Powerline.

Major non-system capital projects completed include:

- Hervey Bay Depot, Citrus Avenue
- Rockhampton Training and Development Centre, Glenmore Road
- Mackay Depot, Cemetery Road.

Non-financial Results

Six months to 31 December	2011	2010
All Injury Frequency Rate (AIFR)**	13.08	14.31
System Average Interruption Duration Index (SAIDI)	198	200
Maximum Peak Demand	2,230MW	2,268MW

Ergon Energy has achieved good results in a number of key non financial operational metrics.

The AIFR, calculated on a rolling 12 month basis, improved by around 7% compared to December 2010. The decrease in incidents over the last twelve months reflects the behavioural focus being placed on safety. Steps were also taken to ensure readiness for Queensland's new Work Health and Safety legislation, which came into force in January 2012.

Overall SAIDI performance (outage duration) improved slightly compared to the same period last year. The reduction in the peak demand recorded during the period is not significant.

Corporate Entertainment and Hospitality

(Over \$5,000)

Six months to 31 December	Date	Cost
Brisbane Mining Club – Annual Payment 2012	Nov 2011	\$12,000
NQ Cowboys (Corp Box) – Annual Payment 2012	Nov 2011	\$21,604
Employee Christmas Function – Toowoomba	Dec 2011	\$8,500
Employee Christmas Function – Cairns	Dec 2011	\$7,084
Employee Christmas Function – Brisbane	Dec 2011	\$6,076
Employee Christmas Function – Townsville	Dec 2011	\$5,490

In furthering Ergon Energy's business interests and working to achieve our corporate goals, entertainment and hospitality activities are undertaken. Reasonable limits are observed. This report only includes payments processed in the accounts as at December 2011.