

12 May 2011

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**TO:** ASX Limited  
Singapore Exchange Securities Trading Limited

## SP AusNet 2010/11 Full Year Results Release and Investor Presentation

The following documents are attached:

1. SP AusNet's 2010/11 Full-Year Results Release; and
2. Investor Presentation.

**Susan Taylor**  
Company Secretary

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ARSN 116 783 914

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## SP AusNet 2010/11 Full Year Results Continued Revenue and NPAT Growth

2010/11 Earnings (A\$M, comparison to prior period)	Actual	Variance to Prior Year	
Total Revenues	1468.0	up	10.1%
EBITDA	863.4	up	10.9%
EBIT	605.2	up	11.3%
NPAT	252.9	up	21.0%

Distributions (Aust. cents)	2010/11	2009/10
Full Year Distribution	8.000¢	8.000¢
Percentage Fully Franked	36.6%	36.0%
Percentage Tax Deferred	7.1%	12.1%
Percentage Interest Income	56.3%	51.9%

### Key Points

- Revenues 10.1% higher due to a combination of regulated price adjustments and continued growth in the regulated asset base, higher incentive scheme payments from improvements in network reliability, an increase in consumer connections, higher energy demand, additional revenues from the Advanced Metering Infrastructure (AMI) program, and increased service revenue from Select Solutions
- EBITDA growth of 10.9%. NPAT growth of 21.0% driven by lower income tax expense
- Delivered on full year distribution guidance, at 8.000 cents per security
- Fully franked dividend component increased to 36.6% of total distribution
- Continuation of Distribution Reinvestment Plan for the 2010/11 final distribution
- Higher net finance charges, mainly due to \$27m of hedge de-designations. No economic loss as recovery will occur over the term of the hedge.

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## SP AusNet 2010/11 Full Year Results

SP AusNet (ASX Code: SPN) today lodged its full year results with the ASX and SGX-ST and is pleased to report a 10.1% increase in Revenue, a 10.9% increase in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and a 21.0% increase in Net Profit After Tax (NPAT) to A\$252.9m. The strong result was due to higher revenues from a combination of regulated price adjustments associated with continued growth in the regulated asset base, higher incentive scheme payments from improvements in network reliability, an increase in consumer connections, more favourable weather conditions, additional revenues from the AMI program, increased activities associated with Select Solutions and a lower income tax expense.

The Directors delivered on guidance by declaring a final distribution to securityholders of 4.000 Australian cents per security, bringing the total distribution to 8.000 Australian cents per security for the year.

Managing Director Nino Ficca said, "We are pleased to deliver another strong year of revenue and earnings growth. SP AusNet continues to remain in a strong financial position, underpinned by growing cash flows and sound financial management".

### Distribution Key Dates

The 2010/11 final distribution of 4.000 Australian cents per security comprises 1.33 cents from a fully franked dividend (33.3%); 0.39 cents from a return of capital (9.7%); and 2.28 cents from interest income (57.0%). The increased interest income component of the distribution is reflective of higher interest income received by SP Australia Networks (Finance) Trust.

#### *Important dates:*

Thursday 26 May 2011	ASX ex-distribution date
Monday 30 May 2011	SGX-ST ex-distribution date
Wednesday 1 June 2011	Record date for distribution and deadline for receipt of Election Notices for participation in DRP
Wednesday 29 June 2011	Payment of distribution

The Distribution Reinvestment Plan (**DRP**) will be in operation for the 2010/11 final distribution at a 2.5% discount to the average trading price. The average trading price will be the average of the volume weighted average price of securities sold in ordinary market transactions on the ASX over the 10 trading days immediately following the Record Date. The DRP will not be underwritten. The last day for elections to participate in the DRP for the final 2010/11 distribution is Wednesday 1 June 2011 (**Record Date**). For further information please refer to the DRP Rules at [www.sp-ausnet.com.au](http://www.sp-ausnet.com.au).

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## Outlook

Looking forward, SP AusNet will determine future distribution amounts based on operating cash flows after servicing its maintenance capital expenditure and a portion of its growth capital expenditure. For FY12, SP AusNet expects distributions to be 8 cents per security. As with prior years, the seasonality of revenues, particularly due to higher demand on the gas distribution network for heating during the winter months, results in a larger proportion of revenues being earned in the first half of the year. Operating costs are more evenly spread over the full year, resulting in lower NPAT in the second half of the year.

Organic growth in the regulated asset base continues to be strong, with high levels of demand for energy infrastructure from new housing developments and peak demand growth within the distribution network areas. New wind farm and gas fired generation connections on the transmission network also promote growth in SP AusNet's asset base. SP AusNet remains committed to growing and modernising its existing networks. SP AusNet will also focus on expanding and commercialising niche asset services, in particular metering and technical services. In addition, the adoption of smart networks via the AMI program is a key platform for future growth.

SP AusNet expects capital expenditure in FY12 to be around 13% higher than FY11.

## Victorian February Bushfires

In early February 2009, the state of Victoria was impacted by significant bushfires. The Victorian Government subsequently established a Royal Commission of Inquiry into the Victorian bushfire crisis. The Royal Commission made a number of recommendations that are intended to reduce the occurrence and impact of future bushfires. SP AusNet will continue to work with the Victorian Government, its Powerlines Bushfire Safety Taskforce (the Taskforce) and electricity regulators to scope the recommendations, with a view to making constructive improvements designed to make the electricity network even safer.

Until the full extent and nature of the recommendations are worked through, it is not possible to estimate the network investment that will result from implementation of the recommendations. The Taskforce is expected to provide its final report by 30 September 2011. It is required to recommend a ten-year plan to reduce bushfire risk accompanied with options for fairly and efficiently recovering the costs of that plan.

SP AusNet is a defendant in litigation that has been brought in connection with the 7 February 2009 bushfires located at Kilmore East and Beechworth, respectively. SP AusNet denies it was negligent. SP AusNet alleges that its conduct was at all times reasonable, in compliance with technical regulations and reasonable in light of economic regulations applicable to SP AusNet. SP AusNet will vigorously defend these claims.

As part of these legal proceedings, SP AusNet has counterclaimed against several parties. The purpose of the counterclaims is to join other parties where they may be relevant to the Court's consideration of the causes and consequences of the Kilmore East and Beechworth fires, respectively. If SP AusNet's defence of the claims is successful, the counterclaims will become irrelevant and will

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not be pursued. These matters are complex and are issues for the Court to determine and therefore, it is too early for SP AusNet to speculate on the outcome of any claims which have been instituted by third parties. If these claims are pursued, SP AusNet has liability insurance which specifically provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice. SP AusNet's bushfire mitigation and vegetation management programs are audited annually by Energy Safe Victoria. SP AusNet had a "zero" bushfire mitigation index throughout the 2008-09 bushfire season.

## **Tax Audits**

The Australian Taxation Office (ATO) is undertaking large business audits of the SP AusNet group. The audits are focusing on deductions claimed in respect of fees imposed under Section 163AA of the Electricity Industry Act 1993 in the 1999 to 2001 tax years, intellectual property deductions referable to the 1998 tax year and each subsequent year and the entry allocable cost ("ACA") amount when the SPI Australia Group Pty Ltd consolidated group joined the SP AusNet Distribution consolidated group on 2 August 2004. Further details are contained in SP AusNet's 2009/10 financial statements.

In correspondence dated 31 March 2010, the ATO advised SP AusNet that it intends to disallow deductions claimed in respect of Section 163AA imposts, although it has not yet issued an amended assessment to confirm this position. On 7 September 2010, the ATO informed SP AusNet that it will not be liable for any administrative penalties under the *Taxation Administration Act 1953* in relation to Section 163AA imposts. The ATO also informed SP AusNet of its decision to remit part of the interest charges that would otherwise apply to any subsequent amended assessment. As at 31 March 2011, the ATO has not advised SP AusNet that it intends to disallow deductions in respect of the intellectual property or ACA audits.

SP AusNet has not changed its view in regard to the availability of the Section 163AA or intellectual property deductions, or its entry ACA step 1 amount for the SPIAG consolidated group. The ultimate timeframe or likely outcomes of the ATO audits are not known.

## **Advanced Metering Infrastructure roll-out Program**

The Victorian Government has mandated completion of the roll-out of smart electricity meters by the end of 2013. SP AusNet is progressing with the installation of the new electricity meters. The program's aims are to reduce peak demand and improve existing network asset efficiency, network reliability and performance. The moratorium on the Time of Use tariffs introduced by the Victorian Government on 22 March 2010 was in place during the current financial year and will continue until at least 2012.

On 28 February 2011 SP AusNet submitted to the AER the Budget and Charges Application for the 2012 to 2015 period. The AER is expected to release its final determination on 31 October 2011.

## SP AusNet 2010/11 Operational Review

SP AusNet's assets include Victoria's high voltage electricity transmission network, an electricity distribution network located in eastern Victoria and a gas distribution network in western Victoria. As a diversified energy networks business, SP AusNet plays a vital role in underpinning the economic and social strength of Victorian communities, while also contributing to the wider Australian energy market.

### Electricity distribution business

SP AusNet's electricity distribution business contributed A\$609.1m in total revenues for FY2010/11. Revenues were 15.2% higher than the previous corresponding period. Revenues increased as a result of the regulated price increase incorporating an S-Factor adjustment, a further price increase due to the new regulated price review period commencing January 2011, strong growth in consumer numbers and more favourable weather conditions.

As at 31 March 2011, SP AusNet had 631,290 consumers connected to its electricity distribution network representing an increase of 11,562 consumers or 1.9% during the year. During the financial year 7,881 GWh was distributed through the distribution network, representing an increase of 1.3% over the previous financial year. Total capital expenditure for the year was \$391.1 million, of which \$96.6 million was customer initiated and \$120.3 million was in relation to the AMI program.

On 29 October 2010, the Australian Energy Regulator ("AER") released its Final Decision regarding the Victorian electricity distribution network price determination for 2011 to 2015. The Final Decision provides for a Weighted Average Cost of Capital ("WACC") for SP AusNet of 9.65% (in nominal after-tax terms). In addition, the Final Decision allows for the following over the five year period:

- total revenue of \$2,479.9 million (nominal);
- total capital expenditure of \$1,416.9 million (real \$2010); and
- total operating expenditure of \$858.1 million (real \$2010).

### Gas distribution business

SP AusNet's gas distribution business contributed A\$201.1m in total revenues for FY2010/11, up 6.0% on the previous corresponding period. Revenues increased as a result of strong growth in consumer numbers and an increase in residential volume mainly driven by more favourable weather conditions. Total gas delivered through the network was 73.3PJ, an increase of 2.7% over the previous corresponding period.

As at 31 March 2011, SP AusNet had 589,455 consumers connected to its gas distribution network representing an increase of 17,777 or 3.1% during the year. Capital expenditure for the period was A\$72.9m of which A\$45.5m was customer initiated.

## Electricity transmission business

SP AusNet's electricity transmission business contributed A\$540.6m in total revenues for the FY2010/11, up 4.1% on the previous corresponding period. Transmission regulated revenue is not subject to volume risk. Revenues increased due to the annual regulated revenue adjustment and completion of new customer connection projects.

The transmission system underwent many upgrades in the past year to improve its reliability, capacity, performance and to meet increasing energy demands. The Thomastown terminal station rebuild is forecast to be completed in 2011 and the upgrades to the Brooklyn, Ringwood, Dederang, Keilor, Horsham and Morwell terminal stations are progressing. SP AusNet is planning the refurbishment of the Richmond terminal station and is also planning the augmentation of the Brunswick terminal station in conjunction with the Australian Market Energy Operator (AEMO) and Citipower in order to improve reliability and increase capacity in these inner city areas.

SP AusNet has commenced planning activities to build two new terminal stations at Tarrone and Wemen. SP AusNet was awarded the tender to build the contestable component of the Tarrone terminal station which is located between Warrnambool and Portland. The Wemen terminal station site has been purchased and is currently in the planning stages. The connection to the Mortlake power station has been completed and is now ready for the power station to commence generation.

Total capital expenditure was \$164.6 million for the period, of which \$48.2 million was customer initiated and \$103.5 million was for company initiated projects.

## Select Solutions business

Select Solutions provides services to SP AusNet and also provides specialist utility related solutions, in particular metering, monitoring and asset management services to external parties including Jemena Asset Management Pty Ltd (referred to as Jemena). The agreements with Jemena commenced on 29 September 2008 and are for an initial five-year term. The agreements will continue for further five-year terms unless terminated by either party by giving notice to terminate at the end of the current term. These agreements have resulted in SP AusNet extending its footprint to introduce these specialist utility related solutions into New South Wales.

In October 2010, SP AusNet acquired the assets of the commercial and industrial plumbing and specialist water metering business of Schultz Plumbing. This acquisition enables SP AusNet to grow in the water metering and related services market, as well as strengthen SP AusNet's competitive advantage in the metering market.

Select Solutions contributed \$129.6 million in external revenue to SP AusNet (comprising \$123.0 million in service revenue and \$6.6 million in other revenue), an increase of \$20.4 million in external revenue over the previous year for the equivalent services. Select Solution's contribution to EBITDA from external works for the year was \$12.0 million (after corporate overhead allocation).

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# SP AusNet Full Year Results 2010/11



12 May 2011

## Disclaimer

The SP AusNet Group (SP AusNet) comprises SP Australia Networks (Transmission) Ltd (SP AusNet Transmission), SP Australia Networks (Distribution) Ltd (SP AusNet Distribution) (together, the Companies) and their subsidiaries, SP Australia Networks (Finance) Trust (SP AusNet Finance Trust) and the responsible entity for the SP AusNet Finance Trust, SP Australia Networks (RE) Ltd (Responsible Entity), which is the holder of the Australian Financial Services Licence No. 294117. Shares in each of the Companies are stapled to units in the SP AusNet Finance Trust.

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In receiving this presentation, you agree to the above restrictions and limitations.

## \$6.26bn Regulated Asset Base (“RAB”)

- \$6.26bn RAB representing critical infrastructure assets providing stable and predictable revenues
- 87% of total revenues are regulated
- 3 energy networks, 100% owned & located in Victoria: electricity transmission, electricity & gas distribution
- Over 1.2m consumer connections



**SP AusNet™**  
A member of Singapore Power Group

## Organic Growth & Yield

- Assets positioned in major growth corridors in Victoria with strong population and energy demand growth driving substantial network investment
- Forecast RAB growth of around 8% p.a to 2016
- Ongoing evaluation of opportunities outside RAB (eg renewable generation connections & desalination plant)
- Tax effective 8cps distribution fully funded from operating cash flows

## Financial Stability & Flexibility

- Prudent gearing and ‘A’ range credit rating enables access to competitive financing
- Debt hedged against movements in interest rates (FY11 net debt hedging @ almost 100%)
- Regulated revenues inflation protected
- Stable, regulated cash flows to support growth

## Simple & Transparent Structure

- 100% control & ownership of asset base and cash flows
- Triple-stapled security structure (2 operating companies stapled to a finance trust) \*
- Singapore Power 51% majority securityholder, with alignment of majority and minority securityholders’ interests
- Transparent management fee arrangements in place \*

\* See slides 36-37 for more details

# Overview of Results

## Financial Performance

## Operational Review

## Strategy & Outlook

**Note:**

All references to '\$' are Australian dollars unless otherwise stated.



## 2010/11 Full Year Highlights (A\$M, comparison to prior year)

	Actual	Variance to Prior Year	
Revenues *	1468.0	↑	10.1%
EBITDA	863.4	↑	10.9%
EBIT	605.2	↑	11.3%
NPAT	252.9	↑	21.0%
Final Distribution per stapled security	4.0 cents	—	0.0%

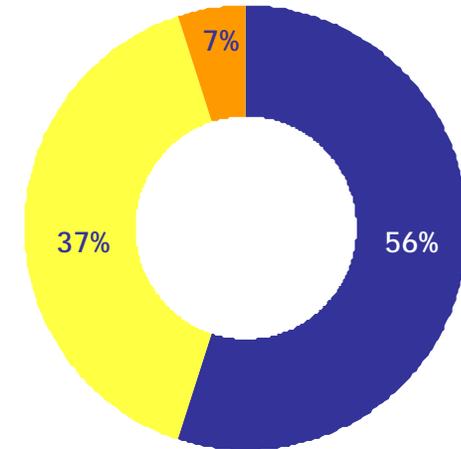
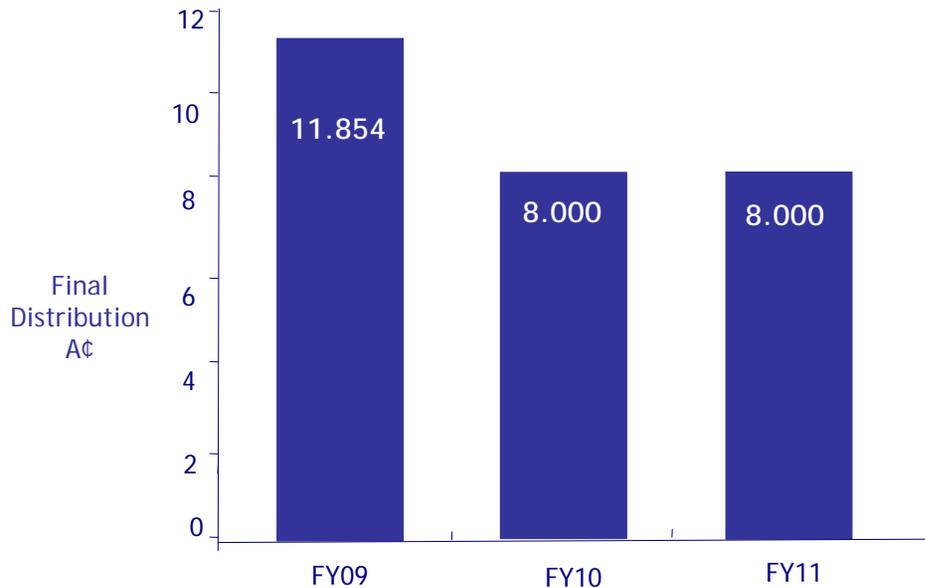
- Increased revenues due to regulated price adjustments from growth in the regulated asset base, higher incentive scheme payments from improvements in network reliability & revenues from the Advanced Metering Infrastructure ("AMI") program
- Higher energy demand and continued growth in consumer connections
- Substantially lower income tax expense, down \$28m
- Higher net finance charge associated with \$27m (non cash) de-designation of interest rate hedges

\* Includes FY11 customer contributions of \$37m (FY10 customer contributions \$39m).

## Higher regulated revenues & lower tax expense driving NPAT growth

- Maintained tax effectiveness of distribution

FY11 Distribution Components



	FY11	FY10
Interest Income	56.3%	51.9%
Fully Franked Dividend	36.6%	36.0%
Return Of Capital	7.1%	12.1%

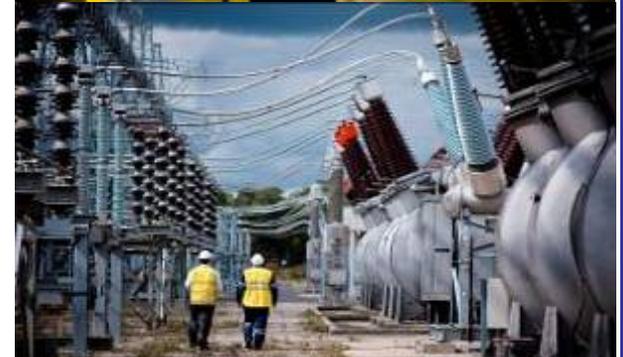
Highest level of franking in the regulated utility sector

Overview of Results

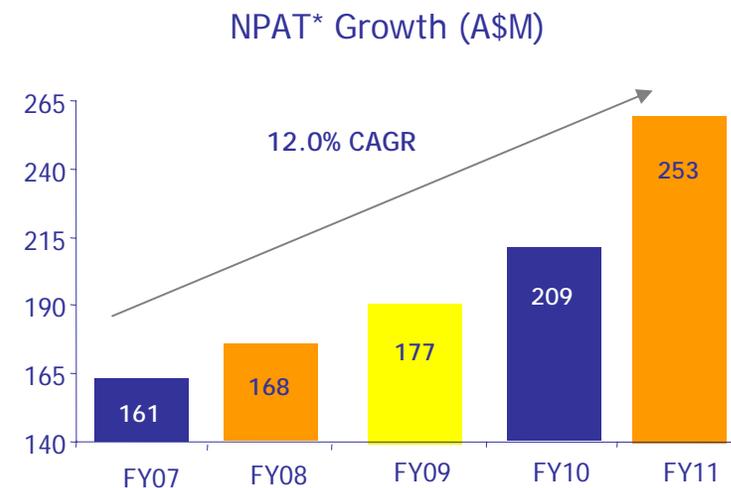
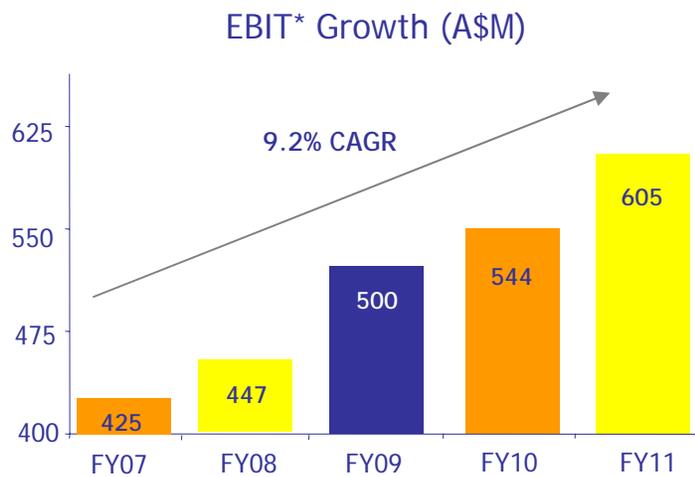
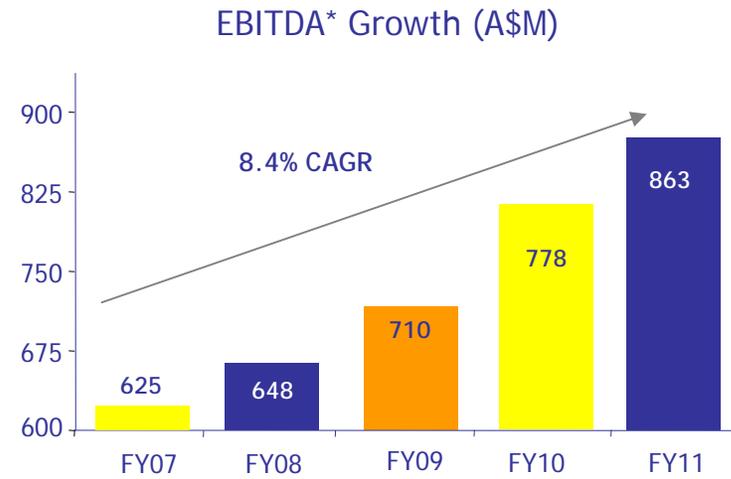
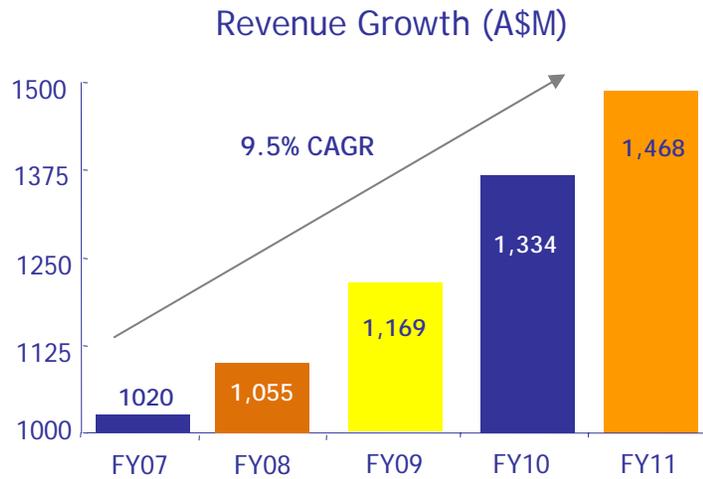
**Financial Performance**

Operational Review

Strategy & Outlook



# Key metrics - 5 year performance

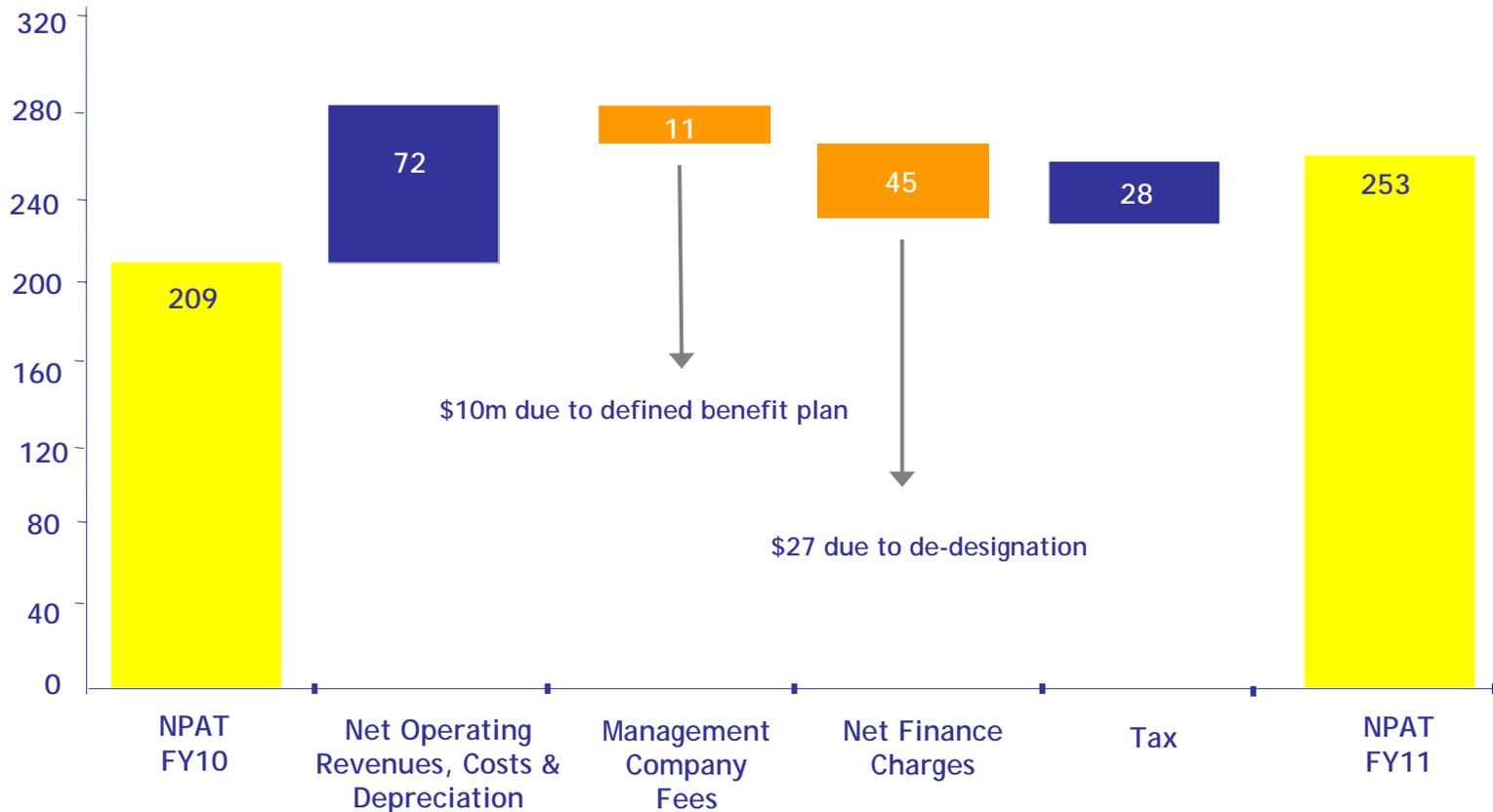


\* Underlying. FY09 adjusted for non-cash impairment of meters under AMI of \$43.3m pre-tax and \$30.3m post-tax. FY08 adjusted for Alinta transaction costs of \$24.6m pre-tax and \$17.2m post tax.

Long term growth

# Growth in NPAT

Full Year to 31 March 2011 (A\$M)



Increased revenues & lower tax expense

# FY11 NPAT Reconciliation

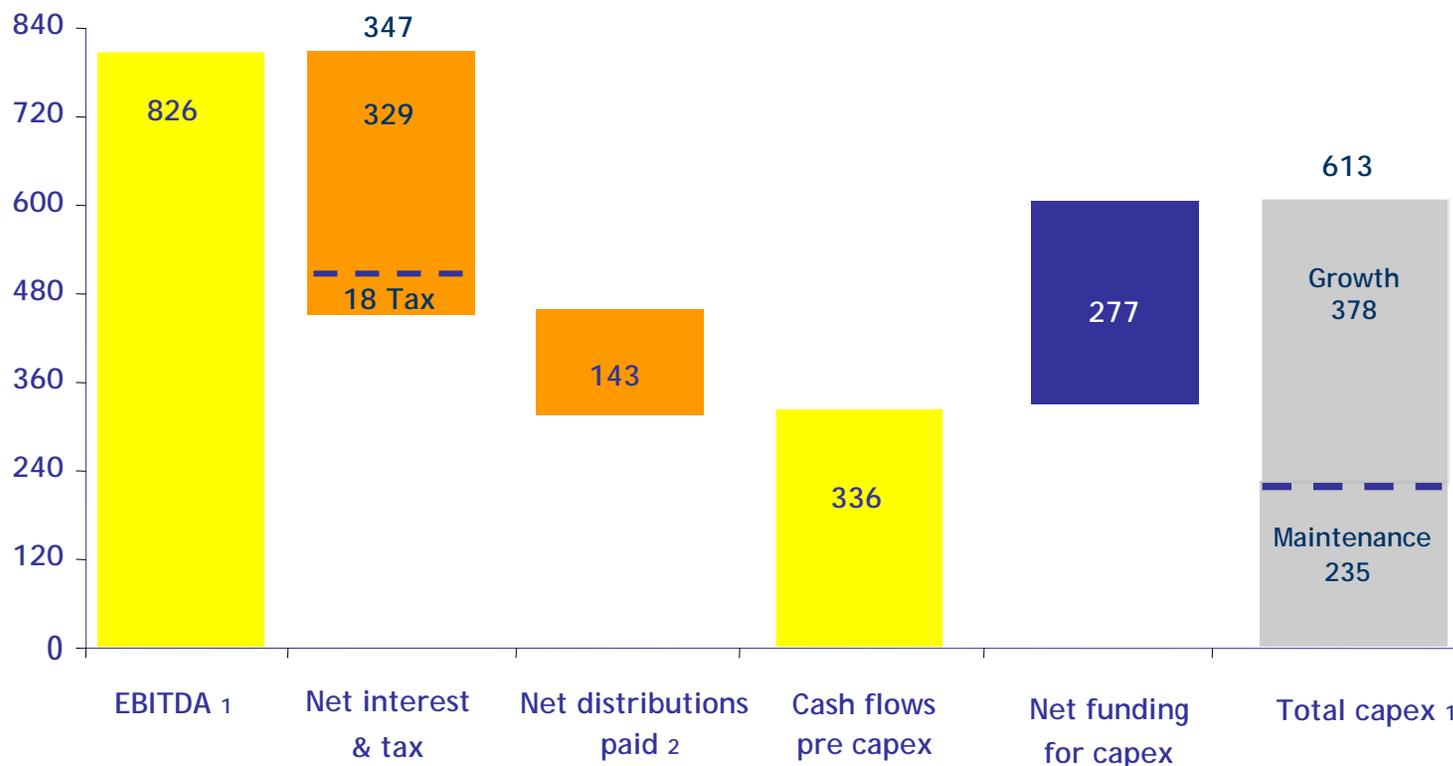


A\$M	FY11	FY10
<b>EBIT</b>	<b>605</b>	<b>544</b>
- net interest expense	313	287
- de-designation of interest hedges / other	27	8
<b>Net Finance Charges</b>	<b>340</b>	<b>295</b>
- Prima facie tax @ 30%	80	75
<i>less</i>		
- SP AusNet Finance Trust interest (tax effected)	38	33
- investment allowance / R & D / other	20	2
- tax consolidation	10	-
<b>Income Tax Expense</b>	<b>12</b>	<b>40</b>
<b>NPAT</b>	<b>253</b>	<b>209</b>

All tax consolidation credits booked in 1H11

# Operating cash flows

## Full Year to 31 March 2011 (A\$M)

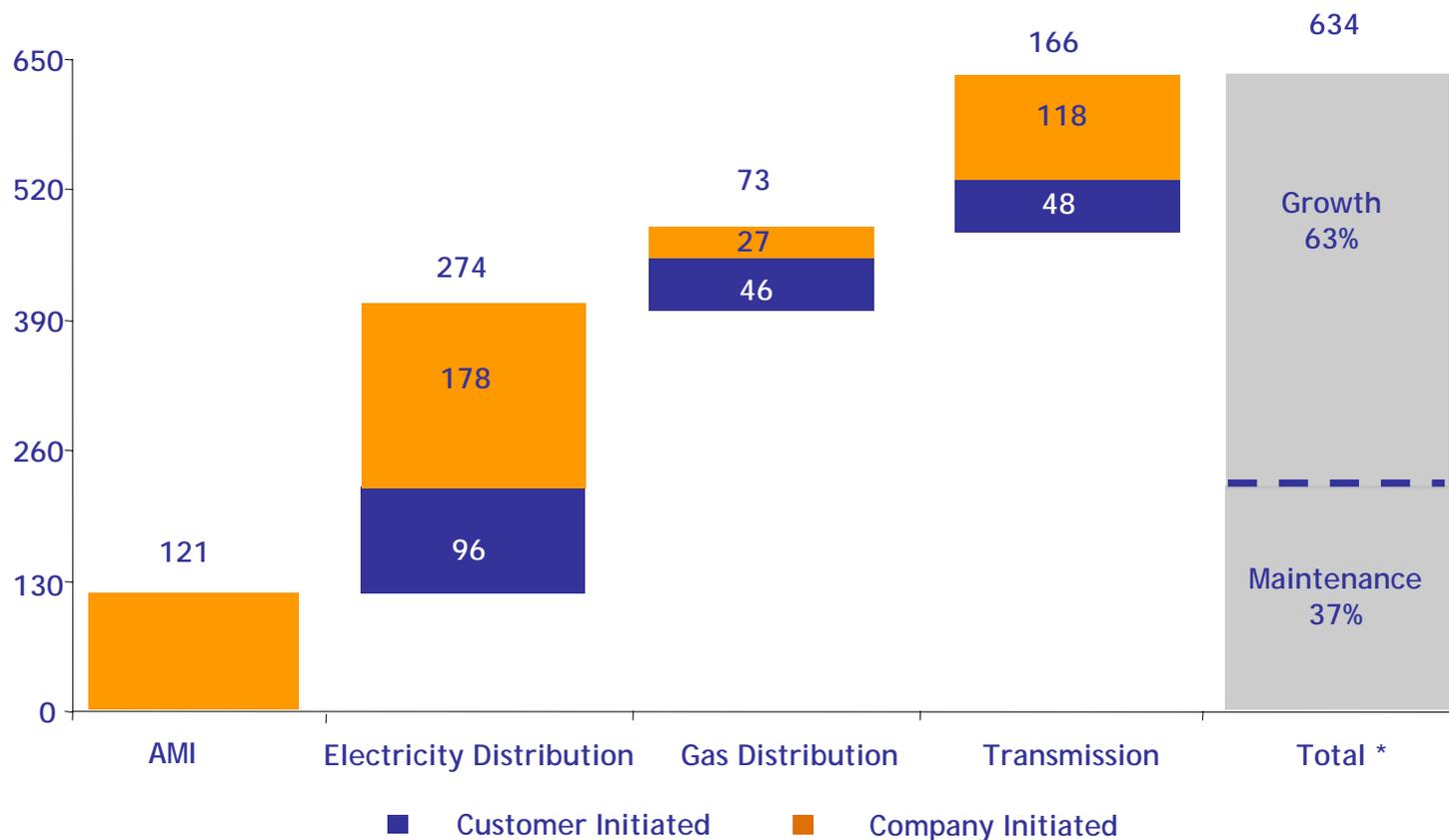


1. Excludes customer contributions of \$37m. 2. Net of \$75m retained via distribution reinvestment plan

Distributions underpinned by strong cash flows

# Gross capital expenditure

Full Year to 31 March 2011 (A\$M)



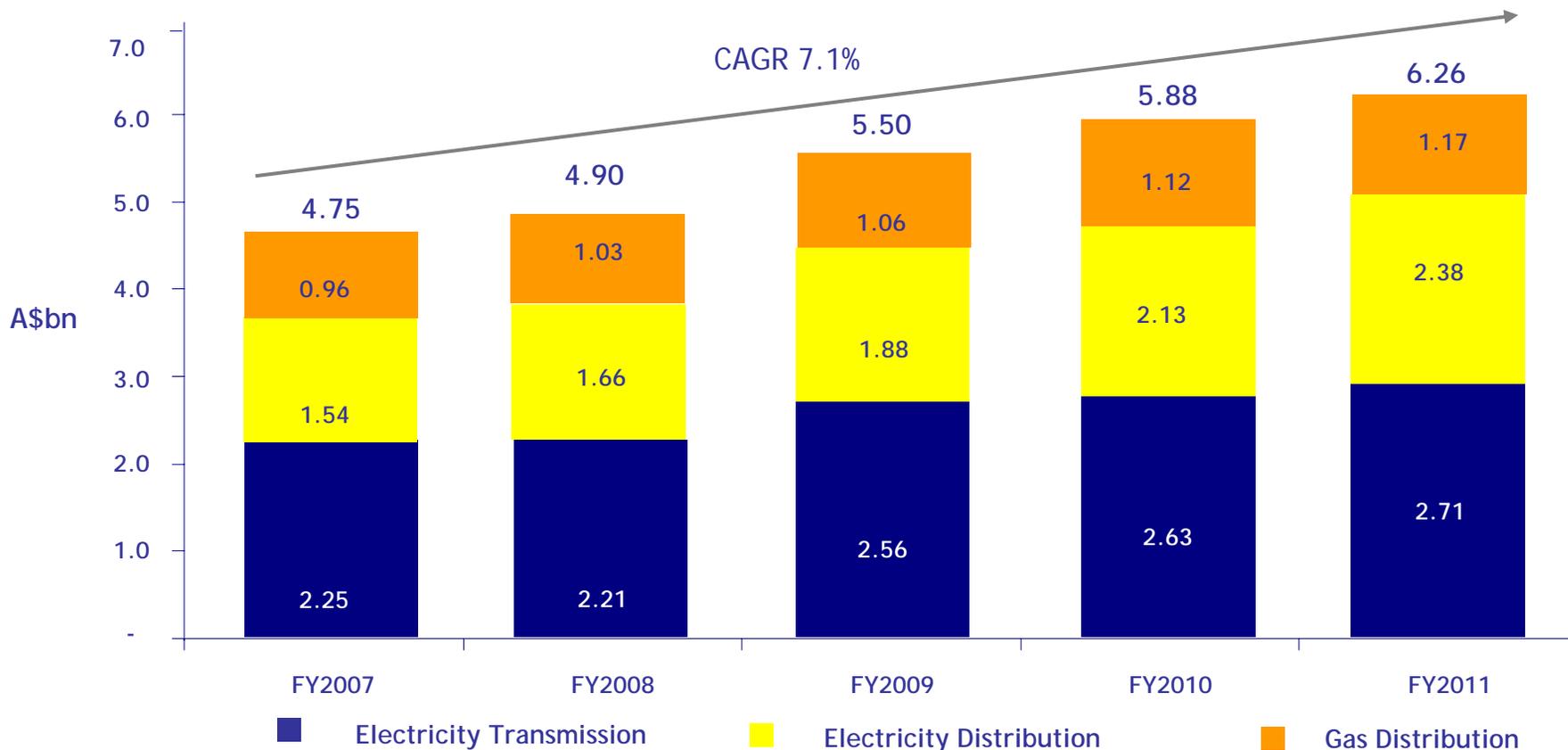
\* Capex on accruals basis & includes \$37m customer contributions and \$5.7m capex for Select Solutions allocated to Electricity Distribution (\$3.8m) & Transmission (\$1.9m) respectively.

\* Excludes \$16.1m acquisition cost of Schultz Plumbing. Higher growth capex percentage in FY11 due to AMI program

Capex driving strong RAB growth

# Continued RAB growth

- RAB continues to be a key source of growth & focus
- RAB is indexed to inflation, thus providing an in-built hedge against inflation



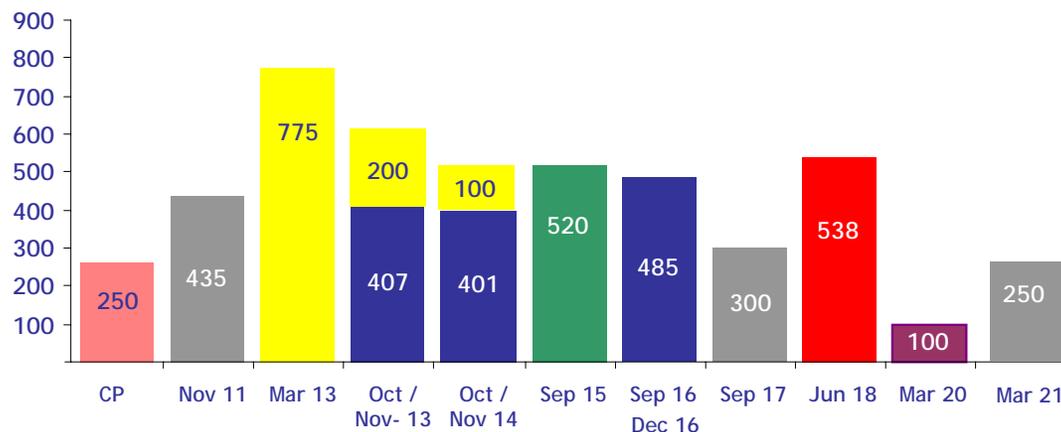
• RAB subject to revision at end of each regulatory reset as determined by the Regulator.

• Pursuant to regulatory requirements, upon reset of electricity distribution on 1 Jan 11, the historical RAB was adjusted to reflect distribution capex overspend in prior regulatory period.

**RAB growth forecast to average around 8% pa until 2016**

## Debt maturity profile as at 1 April 2011 (A\$m)

Net debt as at 1 Apr 11: \$4,460m \*



\*Debt at face value. Offshore debt shown at hedged rates

■ Bank Debt   
 ■ A\$ MTNs   
 ■ US\$   
 ■ GBP   
 ■ CP & Working Capital   
 ■ CHF   
 ■ HKD

- Credit ratings maintained A- (Standard & Poors) and A1 (Moody's)
- A\$250m 10yr bond issued in March 2011. Funds received on 1 April 2011 and were subsequently applied to reduce commercial paper and bank debt
- As March 31 2011, SP AusNet had \$425m in non-current undrawn committed bank debt facilities.

Debt portfolio well positioned

Market Metrics 31 Mar 11	ASX	SGX
Security Price	A\$0.88	S\$1.14
Market Capitalisation	A\$2.5bn	S\$3.2bn
Net Asset Value Per Security	A\$1.02	S\$1.30
Financial Metrics	31 Mar 11	31 Mar 10
Total Assets *	A\$8.5bn	A\$8.3bn
Total Borrowings *	A\$4.4bn	A\$4.4bn
Net Debt <sup>1</sup>	A\$4.1bn	A\$3.9bn
Net Gearing (CV) <sup>2</sup>	59%	59%
Net Debt / RAB <sup>3</sup>	71%	71%
Interest Cover <sup>4</sup>	2.8x	2.6x

\* Carrying Value as per Balance Sheet

<sup>1</sup> Includes proceeds from A\$250m bond issue.

<sup>2</sup> Calculated as net debt at carrying value divided by net debt at carrying value plus equity

<sup>3</sup> Debt at face value less cash divided by regulated asset base (RAB). Includes proceeds from A\$250m bond issue received April 1 and applied to pay down commercial paper and bank debt, see slide 15.

<sup>4</sup> Calculated as EBITDA divided by net interest expense. Net interest expense excludes non cash de-designation costs of \$27m.

## Strong financial position

Overview of Results

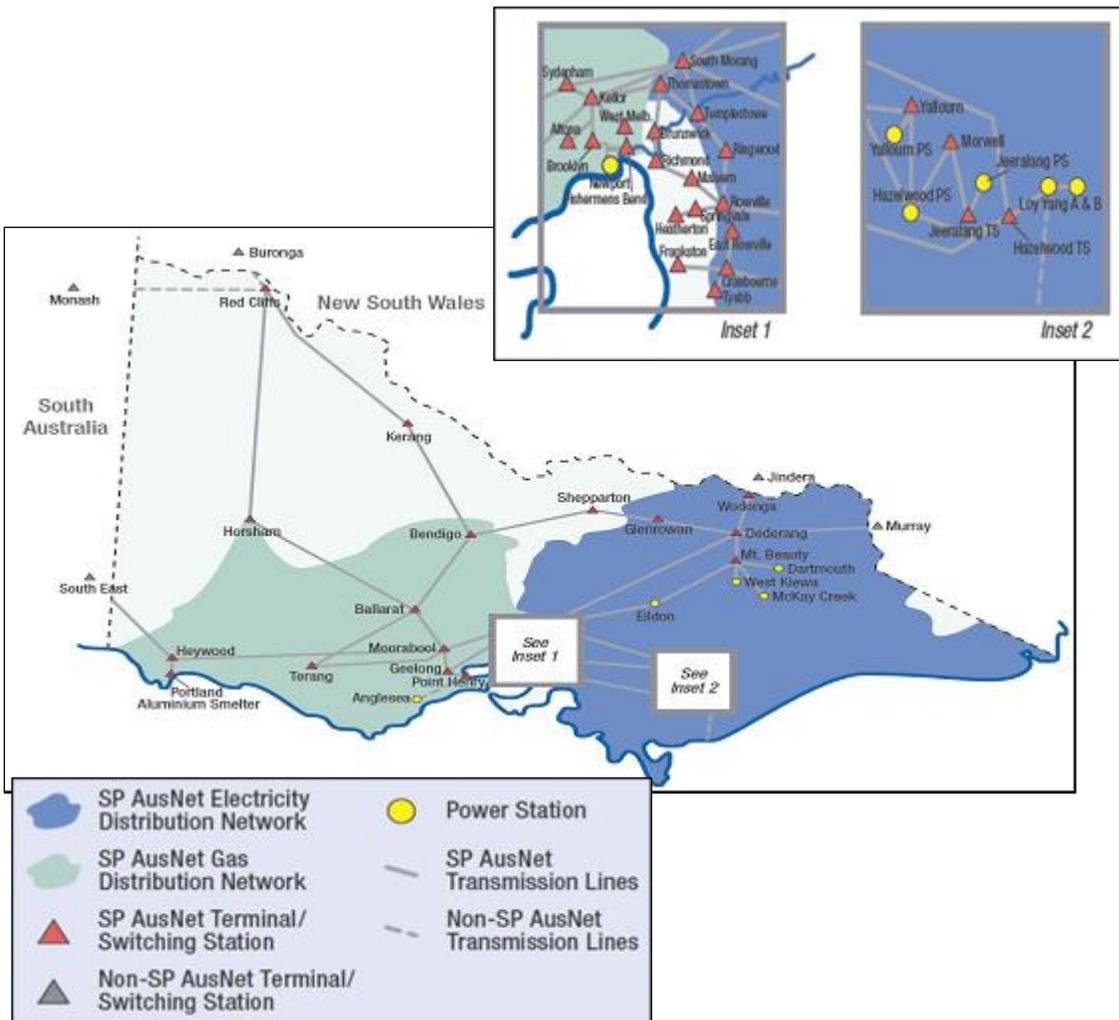
Financial Performance

**Operational Review**

Strategy & Outlook



# Suite of high quality assets



## Key Network Statistics\*

### Electricity Transmission

- 6,585km of transmission lines
- 13,000 towers approx.

### Electricity Distribution

- 48,434km of electricity distribution network
- 631,290 electricity distribution consumers

### Gas Distribution

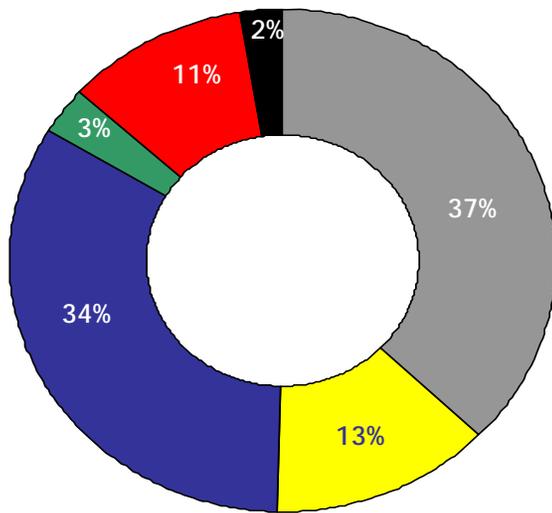
- 9,755km of gas distribution network
- 589,455 gas distribution consumers

\* All figures are approximate as at 31 Mar 2011

Own, operate & control assets, secure pathway to cash flows

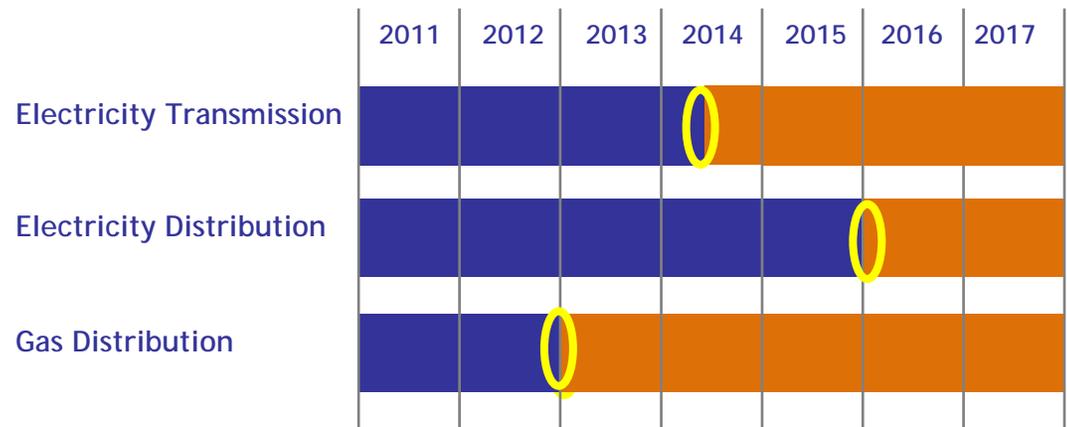
- 87% of revenues regulated
- As of Jan 1, 2011 approximately 90% of revenues locked in until the end of 2012

Total FY11 Revenue A\$1468m



- Electricity Transmission
- Electricity Distribution
- Gas Distribution
- Excluded Services
- Customer Contributions
- Select Solutions & other

Diversified regulatory reset periods



Staggered reset periods reduces regulatory risk

○ Beginning of new reset period

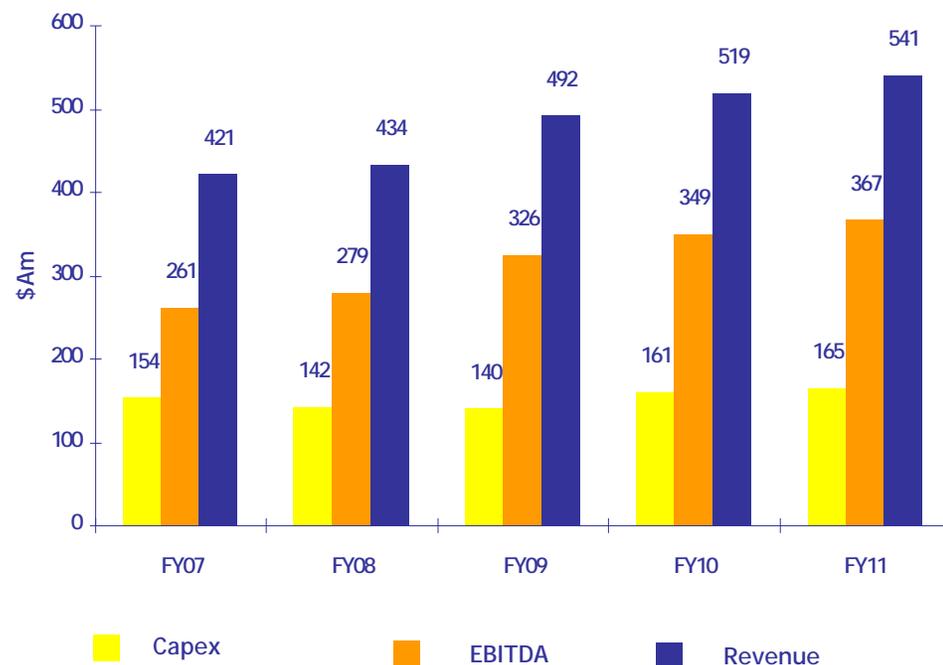
Stable revenue streams

## Operational Review

- Increase in regulated revenues due to regulated price path and RAB growth
- Planning major refurbishment of Richmond terminal station and augmentation of Brunswick terminal station to improve reliability and capacity in the inner city areas
- Commenced planning activities for two new terminal stations, Tarrone & Wemen. Awarded tender for contestable part of the project to build Tarrone terminal station which is located between Warrnambool and Portland
- ATO audits ongoing, no further confirmation of deductibility during FY11
- Revenues are independent of volumes

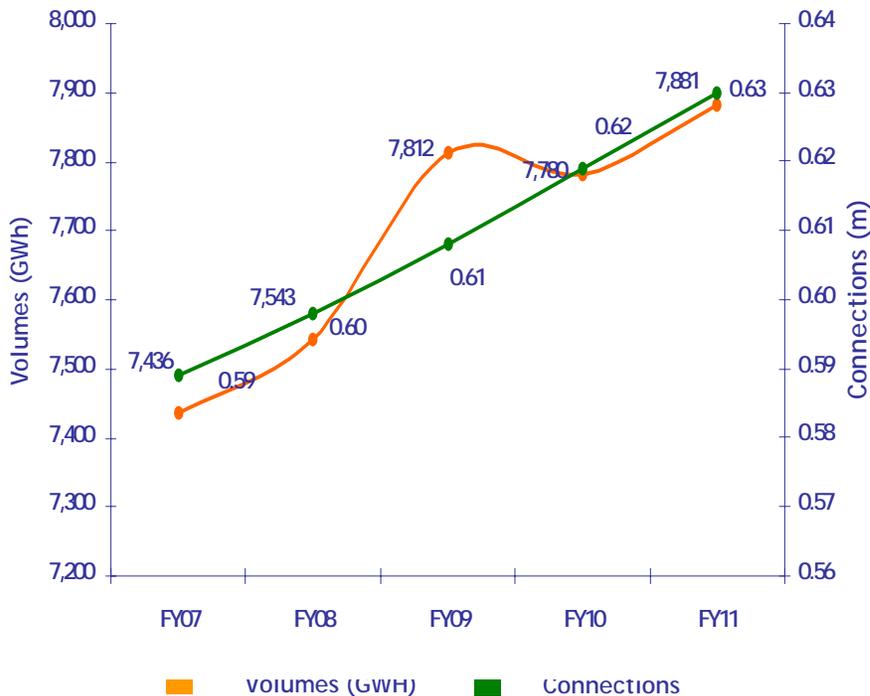
## Full Year Financial Highlights (A\$M)

	31-Mar-11	31-Mar-10	Variance %
Revenue	540.6	519.4	4.1%
EBITDA	367.3	348.5	5.4%
EBITDA Margin	67.9%	67.1%	-
Volume (GWh)	50,812	51,278	-0.9%



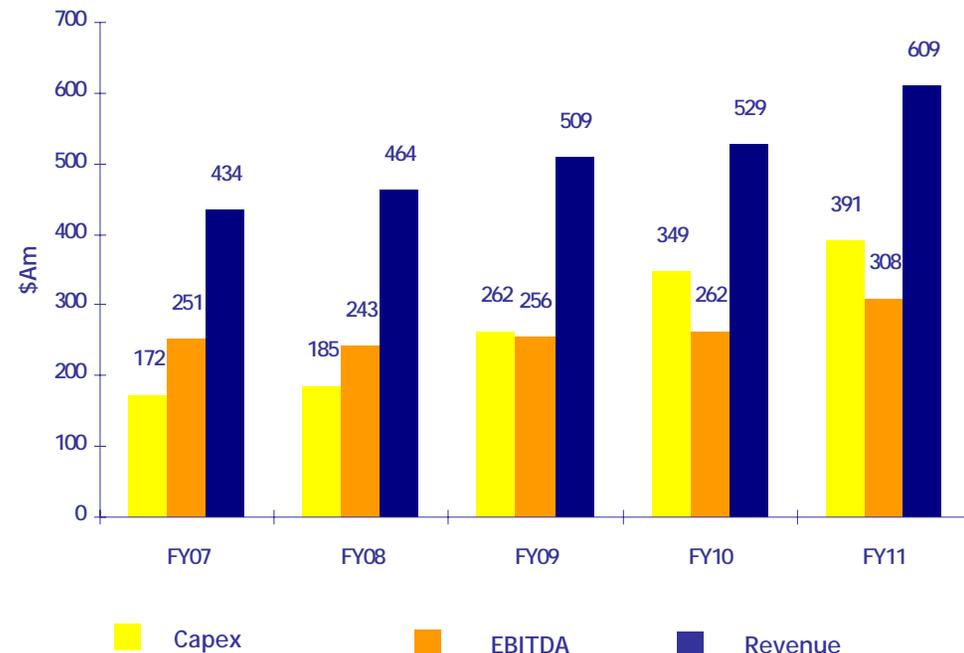
## Operational Review

- Higher revenues due to improved network reliability & additional revenues from AMI
- RAB growth and new regulated price path (effective 1 Jan 2011) driving revenues
- Higher volumes due to favourable weather conditions & strong connection growth



## Full Year Financial Highlights (A\$M)

	31-Mar-11	31-Mar-10	Variance %
Revenue	609.1	528.8	15.2%
EBITDA	307.7	261.8	17.5%
EBITDA Margin	50.5%	49.5%	-
Volume (GWh)	7,881	7,780	1.3%
Connections	631,290	619,728	1.9%



# EDPR - Appeals to Australian Competition Tribunal



- Final decision received on 29 October 2010, with new pricing regime to apply from 1 Jan 2011 for 5 years providing \$2.5bn of revenues, through higher opex & capex allowances.
- Along with other distribution businesses, SP AusNet has appealed several aspects of the decision, including:

Issues / Ground for Review	AER Decision	SP AusNet Appeal	Revenue Impact *
Debt risk premium (DRP)	4.05%	4.22%	\$13.2M
RAB Indexation	0% for 6 months	1.28% for 6 months	\$16.8M
Gamma	0.5	0.2	\$21.6M
Close out of the ESV S factor scheme	-\$27.1M	\$0.0M	\$36.4M

- SP AusNet was granted Leave to Appeal on 18 February 2011. All appropriate evidence has been provided to the Tribunal.
- Recent ETSA, Ergon and Energex Merits Appeal granted gamma of 0.25.

\* Nominal and represents revenue impact over 2011-16 regulatory period

# AMI - Advanced Metering Infrastructure



## AMI Timetable

Dec 2009  
First meters installed

Mar 2011  
125,000 meters installed

Dec 2013  
Complete

- As at March 31, approx 125,000 smart meters were installed
- Capex spent to date is approx \$220m and will peak in FY12 before completion in December 2013
- Estimated capex of around \$500m, approximately 680,000 meters rolled into the RAB
- FY11 AMI revenue \$67m, up from \$45m in FY10
- SP AusNet submitted to the AER Budget and Charges Application for the 2012-2015 period. The AER is expected to release its final determination on 31 October 2011
- AMI RAB rolls into electricity distribution RAB at the next electricity distribution reset on 1 Jan 2016



AMI progressing

## Royal Commission

- Royal Commission published findings on 31 July 2010 and made 67 recommendations, 8 of which relate to electricity assets.
- Government response: Government established Powerline Bushfire Safety Taskforce to investigate full range of options. Initially an interim report due in January 2011 and a final report due in June 2011 was expected, however, only a final report is now expected in September 2011.
- SP AusNet assisting Taskforce with scope, timing and implementation of investigation to meet objectives of the Royal Commission.

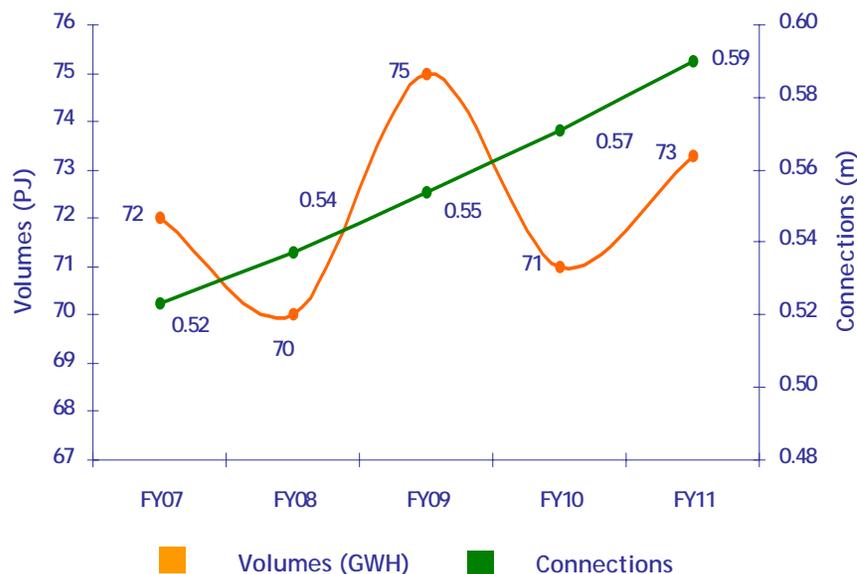
## Litigation

- In August 2010, SP AusNet filed its defence & counterclaim in the proceedings relating to the Beechworth fires. SP AusNet has counterclaimed against three parties: the Department of Sustainability and Environment, Parks Victoria and a contracted inspector of vegetation.
- In September 2010, SP AusNet filed its defence & counterclaim in the proceedings relating to the Kilmore East fires and has counterclaimed against several parties: the Department of Sustainability and Environment, the State of Victoria (Victoria Police), the Country Fire Authority and a contracted inspector of electricity assets.
- The purpose of the counterclaims is to join other parties where they may be relevant to the Court's consideration of the causes and consequences of the Kilmore East fire & Beechworth fires.
- The hearings in the legal proceedings relating to the Kilmore East & Beechworth fires will be heard separately and are unlikely to commence until early 2012. The Plaintiffs' claims have not yet identified any quantum of damages sought in proceedings relating to either the Kilmore East or Beechworth fires.
- SP AusNet has liability insurance which specifically covers bushfire liability. SP AusNet reviews its insurance cover annually & ensures it is commensurate with the scale and size of its operations and with industry standards and practice.

**SP AusNet will vigorously defend any legal claims**

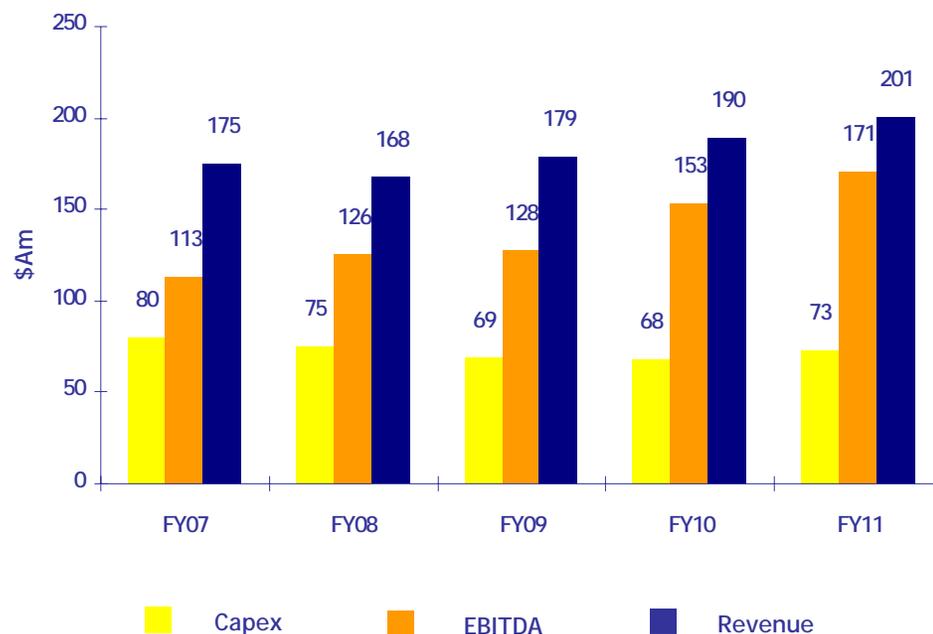
## Operational Review

- Increase in regulated revenues
- Higher volumes due to favourable weather conditions & strong connection growth
- Continued growth in new housing connections



## Full Year Financial Highlights (A\$m)

	31-Mar-11	31-Mar-10	Variance %
Revenue	201.1	189.7	6.0%
EBITDA	170.7	152.8	11.7%
EBITDA Margin	84.9%	80.5%	-
Volume (PJ)	73.3	71.4	2.7%
Connections	589,455	571,678	3.1%



- This will be the 1st review by the AER of the 3 Victorian Gas businesses :
  - Proposals are to be lodged by: 31 March 2012
  - Release of the Draft Decision: +80 business days
  - Responses by DBs to be lodged: +95 business days
  - Release of Final Decision: +135 business days
  - New regulatory period commences: 1 Jan 2013
- SP AusNet's gas distribution network is located in the fastest growing part of Melbourne and capex will focus on meeting strong housing growth.

## Operational Review

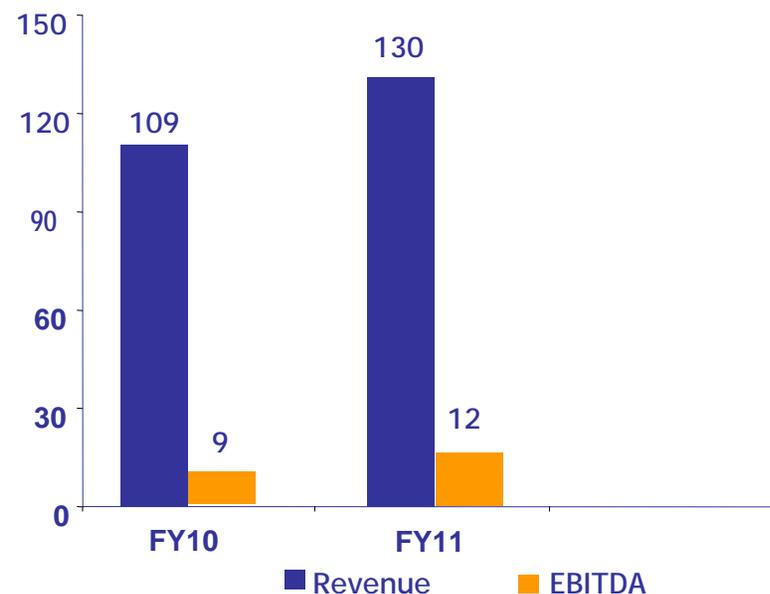
- Continue to leverage off our core networks experience
- Margins continue to improve
- Effective 1 October 2010, SP AusNet acquired Schultz Plumbing, a leading water metering service provider in Victoria.

\* After the allocation of corporate overheads

\* Select Solutions constitutes a separate reportable segment. Comparative information has been restated as a result of this change in reportable segments.

## Full Year Financial Highlights (A\$M)

	31-Mar-11	31-Mar-10	Variance %
Revenue	129.6	109.2	18.6%
EBITDA *	12.0	9.4	27.7%
EBITDA Margin	9.3%	7.3%	-



Overview of Results

Financial Performance

Operational Review

**Strategy & Outlook**



- To provide our customers with superior network and energy solutions. The focus will be on adding value to customers and Securityholders with development in the following key business areas:
  - **Existing Networks** - our existing asset base must remain resilient and reliable. Organic growth is strong & shows no sign of abating. It must also provide a foundation for Smart Network development. This will require investment in new technology and the exploration of emerging markets.
  - **Smart Networks** - strategy and capability will be developed over the next five years and become integrated within SP AusNet's standard asset management response function and will provide energy solutions to third parties.
  - **Select Solutions Services** - SP AusNet's specialist utility services business, will grow revenues and increase market share by offering new products and services to existing and new customers.

- For FY12, SP AusNet expects distributions of 8 cents per security
- Organic growth continues to be strong, FY12 capital expenditure is expected to be around 13% higher than FY11
- RAB growth forecast to average around 8% per annum until 2016
- Will continue to explore growth opportunities beyond traditional regulated businesses

Overview of Results

Financial Performance

Operational Review

Strategy & Outlook

Questions



Overview of Results

Financial Performance

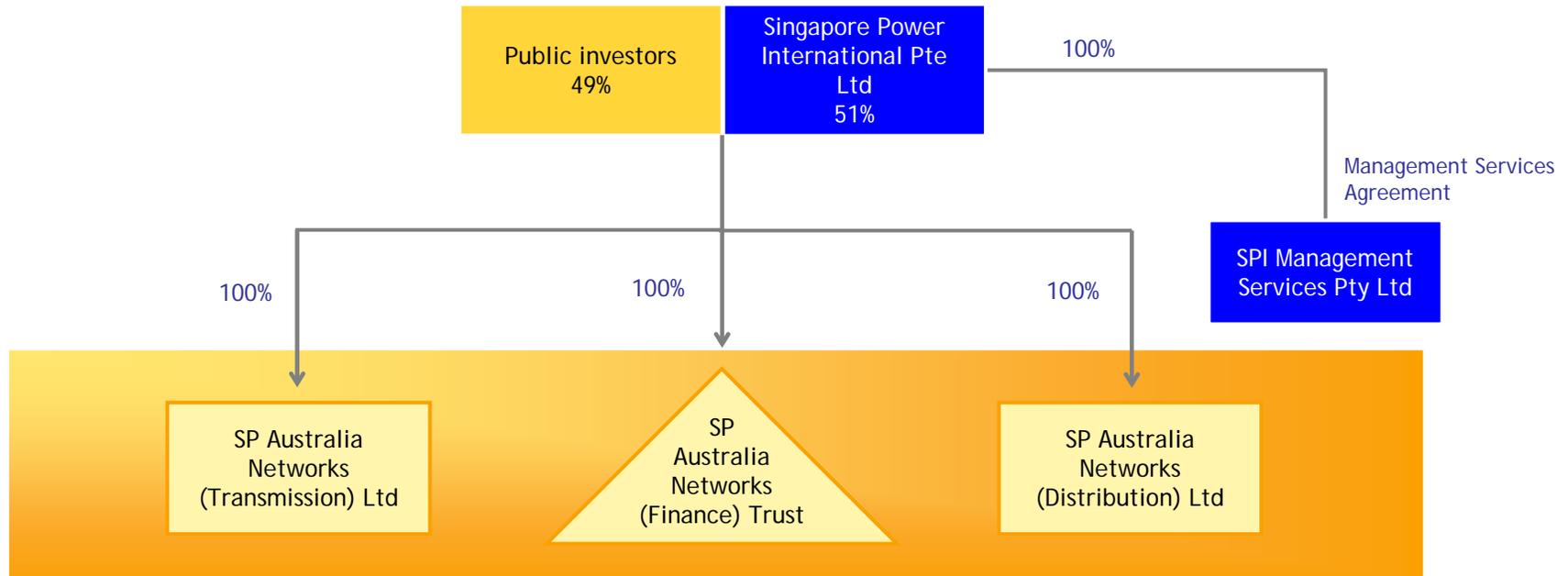
Operational Review

Strategy & Outlook

Appendices



# Ownership structure

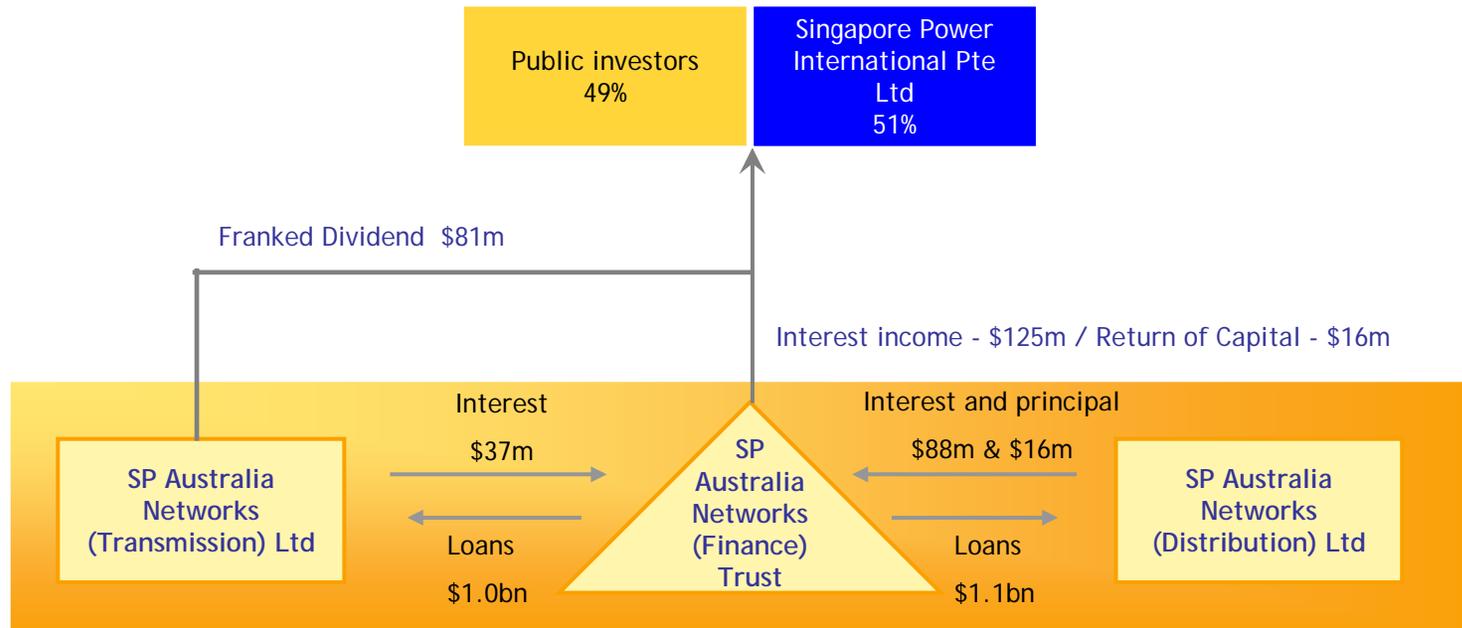


- Securityholders have a 100% direct ownership interest in the assets of the group.
- SP AusNet 100% owns, operates and controls its assets, providing securityholders with a secure pathway to cash flows. SP AusNet is not an infrastructure fund model.
- Singapore Power is aligned with the interests of minority securityholders and provides management services to the SP AusNet group. Management fees are transparent and capped \*.
- Singapore Power is a long term investor, purchasing the original Transmission assets over 10 years ago and the Distribution assets 7 years ago, prior to the listing of SP AusNet.

\* Slides 36 & 37 contain further details on management fees

Own, operate & control assets, secure pathway to cash flows

# How the stapled security structure works



- Finance Trust lends funds received from SPN securityholders to Transmission and Distribution. Finance Trust loans are made on both interest bearing and interest free terms as determined by Australian taxation requirements.
- From operating earnings, Transmission & Distribution make interest and principal payments, in respect of the Finance Trust loans, which represents interest and return of capital for the Finance Trust. The Finance Trust then distributes funds back to securityholders as interest income and return of capital.
- Transmission is also able to pay a franked dividend directly to securityholders, given its tax paying status. Distribution maintains significant tax losses and makes no dividend distribution to securityholders.
- The Loan balances between the Finance Trust and Transmission and Distribution will vary subject to equity injections including DRP (FY11: \$75m) and equity raisings (FY11: \$Nil) and loan repayments. Interest rates are at BBSW plus an arms length margin.

Structure maximises cash available for distribution

# Management fees

Full year to 31 Mar (A\$M)	2011	2010	Variance
Management Services Charge	25.1	13.8	11.3
Performance Fees	12.0	12.2	-0.2
<b>Total Management Fees</b>	<b>37.1</b>	<b>26.0</b>	<b>11.1</b>

- Management Services Charge is a direct pass through of senior management costs
- Performance fees \* remained stable and consisted of:
  - Network Performance fees of \$16.1m
  - Financial Performance fees of \$8.6m
  - Capital Works Management fees of \$6.1m
  - (Less) Performance fee cap of (\$18.8m)
- The Increase in total management fees mainly relates to defined benefit actuarial gain in Mar 10 (\$10M) whereas a defined benefit gain of (\$0.5M) was recognised in Mar 11

\* See slide 37 for more details

Performance fees capped at 0.50% of market capitalisation

# Management fees

Description	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11
Management Services Charge	21.4	22.6	39.7	13.8	25.1
Defined Benefit Actuarial Gains/ Losses	0.0	0.0	-17.3	10.0	0.5
Management Services Charge (ex impact of Defined	21.4	22.6	22.4	23.8	25.6
Performance Fee	12.9	15.7	12.3	12.2	12.0
Total Management Fees (ex impact of Defined Benefit)	34.4	38.3	34.7	36.0	37.6
Total Management Fee	34.4	38.3	52.0	26.0	37.1

➤ Performance fee components :

- Financial Performance & Outperformance Fee - 0.50% of EBITDA and 0.25% of EBITDA if actual EBITDA is higher than budgeted EBITDA.
  - Network Performance Fee - 40% of net incentive payments under various schemes including S factor, deficits carried forward, but capped at \$2m
  - Capital Works Management Fee - 1% of any net additions to RAB
  - Capital Efficiency Incentive Fee - The fee is based on the efficiency of the 20 highest cost projects completed in a year. Capital efficiency is the difference b/w actual cost and budgeted
  - Business Incentive Fee - 5% of SPN outperformance over benchmark
  - Performance Fee Cap - Performance fees capped at 0.50% of market capitalisation
- Under management services agreement, SPIMS was appointed manager on 1 October 2005 for 10 yrs, with options to renew for two further 10-year periods. Non renewal of the management services agreement will result in a termination fee equal to the previous financial year's management services charge

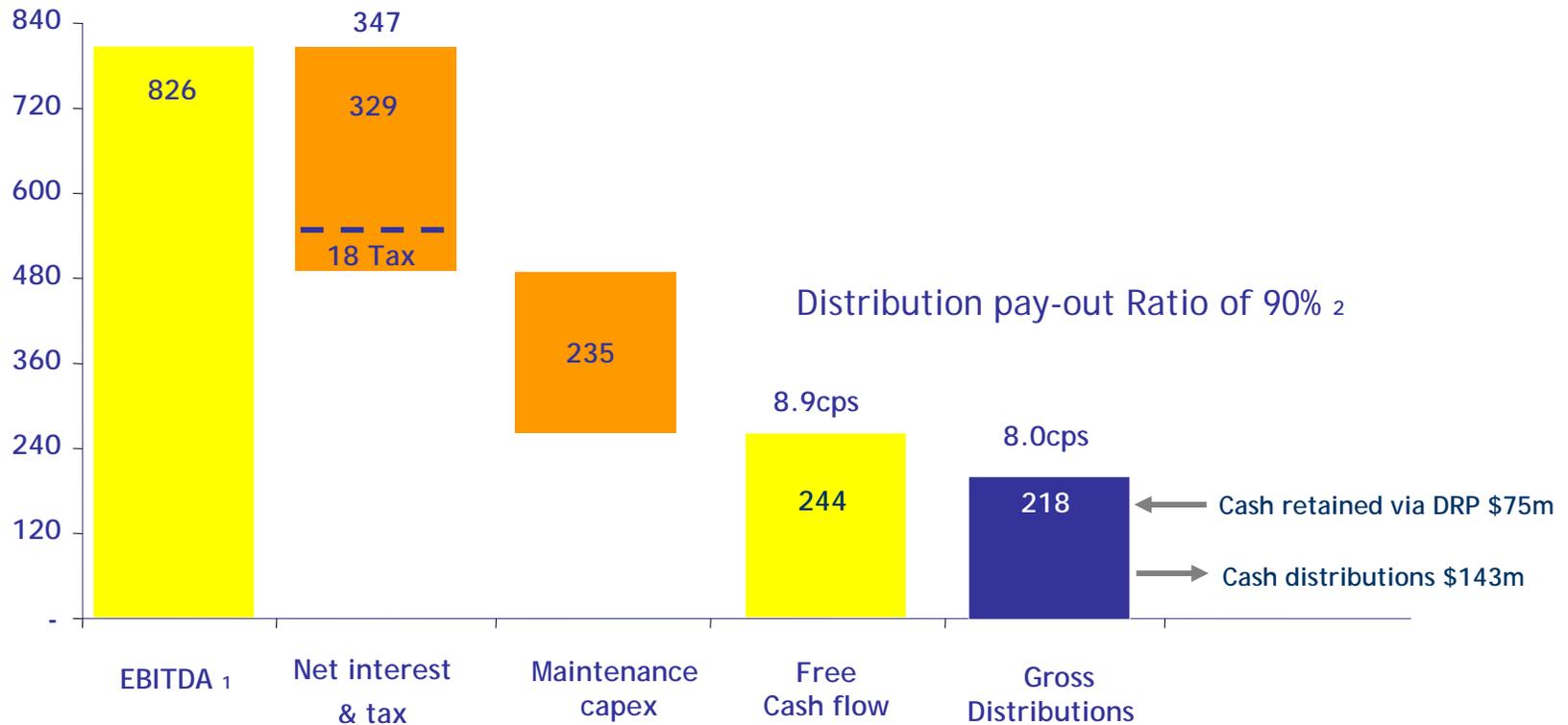
Performance fees based on operating performance

- SP AusNet Transmission notified of audits in Dec 2008
- Focus on Sec 163AA impost & Intellectual Property (“IP”) deductions dating back to 1998 tax year and subsequent years
- Primary Tax at risk = \$82m approx. (\$53.3m for Sec 163AA & \$28.4m for IP)
- On 31 Mar 2010, the ATO informed SP AusNet of its intention to deny Sec 163AA imposts - no amended assessments have yet issued to confirm this intention
- On 7 Sep 2010, the ATO informed SP AusNet that it will not be liable for any administrative penalties and has also granted a partial remission in respect of any future interest penalty imposed
- As at 31 March 2011, the ATO has not finalised its position with regards to the IP audit
- SP AusNet Distribution notified of tax consolidation audit (ACA step 1 audit) in Dec 2009
- No cash tax at risk on consolidation audit due to significant tax losses
- All tax positions taken by SP AusNet are supported by independent tax advice

Despite ATO Audits, SP AusNet has not changed its view

# Distribution pay-out ratio

## Full Year to 31 March 2011 (A\$m)



1. Excludes customer contributions of \$37m. 2. Based on weighted number of securities on issue of 2750m

Distributions underpinned by strong cash flows

# Debt reconciliation

FY11 Face Value Debt	\$4,759.7M
Adjusted for ;	
Fair Value Debt (Hedging)	\$368.2M (principally FX movements)
Discount/Premium	\$1.2M
Loan Fees	\$16.1M
FY11 Carrying Value Debt	\$4,374.2m
FY 11 Face Value Debt	
Domestic	\$ 2,310.0M
International	\$2,449.7M

*Fair Value Debt (Hedging) predominantly relates to the restatement of foreign debt for FX movements, which is hedged via derivative instruments*

# Correction to prior period

## - Derivative adjustments



- Derivative instruments in the statement of financial position are split between current and non-current based on the contractual cash flows of the instrument. Cash flows occurring within the next 12 months classified as current.
- The determination of this split for cross-currency swaps as at 31 March 2010 has been corrected in the statement of financial position as at that date to align to this policy. In addition, as part of this correction it was identified that an incorrect foreign exchange rate was used at 31 March 2010 to translate certain foreign currency borrowings and their related cross-currency swaps.
- The correction of these two items has decreased total assets and total liabilities equally by \$349m as at 31 March 2010:
- There was no impact on the income statement, net asset position or gearing ratios of the Stapled Group as a result of these corrections.

# Further Information and Contacts



SP AusNet is a major energy network business, which owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria, Australia.

Further information is on SP AusNet's website: [www.sp-ausnet.com.au](http://www.sp-ausnet.com.au)

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SP Australia Networks (Transmission) Ltd  
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SP Australia Networks (Finance) Trust  
ARSN 116 783 914

SP Australia Networks  
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