

20 November 2008

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

## SP AusNet 2008/09 Half-Year Results Release and Presentation

Please find attached the following:

1. ASX and SGX-ST Release – *SP AusNet 2008/09 Half-Year Results – Delivering Growth in Underlying Earnings*; and
2. SP AusNet 2008/09 Half-Year Results presentation.

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Company Secretary

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SP Australia Networks (Transmission) Ltd  
ABN 48 116 124 362

SP Australia Networks (Finance) Trust  
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20 November 2008

## SP AusNet 2008/09 Half-Year Results Delivering Growth in Underlying Earnings

2008/09 Earnings (A\$M, comparison to prior period)	Actual	Underlying <sup>1</sup>	Variance to Prior Year	
<b>Total Revenues</b>	635.5	635.5	up	8.9%
<b>EBITDA</b>	405.2	405.2	up	11.3%
<b>EBIT</b>	260.0	303.3	up	13.8%
<b>NPAT from Continuing Operations</b>	92.2	122.5	up	2.4%

Distributions (Aust. cents)	2008/09	2007/08	Variance to Prior Year	
<b>Interim Distribution</b>	5.927	5.776	up	2.6%
<b>Percentage Fully Franked</b>	32.2%	15.1%		
<b>Percentage Tax Deferred</b>	36.7%	56.9%		
<b>Percentage Interest Income</b>	31.1%	28.0%		

### Key Points

- Delivered distribution growth of 2.6% over previous corresponding period
- Increased fully franked dividend component to 32.2% of total distribution
- Increased revenues by 8.9% through favourable price / volume and weather impacts and the commencement of the new transmission and gas regulatory periods
- Increased revenues are largely offset by increased interest costs
- Secured new long-term operational arrangements to deliver niche asset services growth and ensure access to skilled resources in a constrained market
- Reduction in the performance fee component of management fees
- Successfully completed a £250 million 10 year Sterling bond issue to raise approximately A\$535 million at competitive rates
- Introduced a Distribution Reinvestment Plan for the 2008/09 interim distribution to provide securityholders with a convenient method of reinvesting all or part of their distributions in additional SP AusNet stapled securities
- Awarded the Australian Human Resources institute (AHRI) "People Management initiative of the year" for the skilling for the future program

<sup>1</sup> Adjusted for non-cash impairment of meters to be replaced under Advanced Metering Infrastructure roll-out program of \$43.3m pre-tax & \$30.3m post-tax.

20 November 2008

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## SP AusNet 2008/09 Half-Year Results

SP AusNet (ASX Code: SPN) today lodged its half year results with the ASX & SGX-ST and is pleased to report an 11.3% increase in Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and a 2.4% increase in underlying Net Profit After Tax (NPAT) to A\$122.5m. The strong result was driven by an 8.9% uplift in revenues resulting from favourable price / volume and weather impacts and the commencement of the new transmission and gas regulatory periods, under which SP AusNet was allowed an increase in revenues.

The Directors declared an interim distribution to securityholders of 5.927 Australian cents per security, and increased the fully franked dividend component to 32.2% of the total distribution.

Managing Director Nino Ficca said, "We are very pleased with the strong result, delivering growth in revenues whilst containing operating costs in an environment of high inflation. SP AusNet continues to provide a stable and sustainable investment for securityholders, underpinned by strong cashflows and prudent gearing levels."

In June 2008, SP AusNet successfully completed a £250 million 10 year Sterling bond issue to raise approximately A\$535 million. The issue was the first ever Sterling bond issue by an Australian utility and attracted very strong demand with the order book almost two times oversubscribed. The transaction established a new high-quality investor base for SP AusNet, and further diversifies SP AusNet's debt portfolio both by source and maturity. Net interest charges for the period increased by A\$33.5m due to increased debt levels and an increase in the cost of debt due to existing interest rate swaps rolling off and being renewed at higher rates. The higher interest rates are also reflected in the calculation of SP AusNet's regulated revenue via the building block approach adopted by the regulator.

In September this year, SP AusNet announced it had secured a number of long-term operational arrangements and negotiated a reduction in management performance fees. Mr Ficca said, "The fee reduction represents an immediate benefit and we are very pleased with this outcome. The new arrangements deliver on our growth strategy to expand and commercialise niche asset services, whilst securing skilled resources in a constrained market to assist us in delivering our capital program."

### Distribution Key Dates

The 2008/09 interim distribution of 5.927 Australian cents per security comprises 1.911 cents from a fully franked dividend (32.2%); 2.177 cents from a return of capital (36.7%); and 1.839 cents from interest income (31.1%).

#### *Important dates:*

Wednesday 26 November 2008	ASX ex-distribution date
Friday 28 November 2008	SGX-ST ex-distribution date
Tuesday 2 December 2008	Record date for distribution & deadline for receipt of Election Notices for participation in DRP
Thursday 18 December 2008	Payment of distribution

20 November 2008

## Outlook

SP AusNet is on target to meet underlying NPAT guidance for the full year after adjusting for the impairment to meters<sup>2</sup>. Revenue and EBITDA growth of around 8% for the full year is in line with previous guidance. The seasonality of revenues, particularly on the gas distribution network due to higher demand 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 margins and NPAT in the second half of the year.

Organic growth on the networks has been strong, with high levels of demand for energy infrastructure from new housing developments within the distribution network areas. New windfarm and gas fired generation connections on the transmission network will also ensure growth in SP AusNet's regulated asset base, providing improved revenues in future periods.

SP AusNet will continue its focus on expanding and commercialising niche asset services, in particular metering and technical services. The new operational agreements with the Jemena group of companies (formerly part of the Alinta group and now a member of the Singapore Power Group) provide SP AusNet with a footprint in NSW and the contribution from these arrangements is expected to increase over time as SP AusNet leverages its skills and experience in these areas.

SP AusNet recognises that deteriorating economic conditions, in both Australia and the global economy, may result in changes to its operating environment over the longer term. SP AusNet is giving increased focus to its underlying fundamentals and credit metrics to ensure it continues to be able to access capital markets to fund growth at competitive rates.

"SP AusNet continues to deliver stable and predictable underlying results due to the regulated nature of our business and our demonstrated ability to finance growth in the current markets. We remain committed to providing a sustainable investment for our securityholders and a reliable network for our customers and on an underlying earnings basis, are on target to deliver our guidance for the 2008/09 full year," Mr Ficca said.

<sup>2</sup> Non-cash impairment of meters to be replaced under Advanced Metering Infrastructure roll-out program of \$43.3m pre-tax & \$30.3m post-tax.

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## SP AusNet 2008/09 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 Transmission Business

SP AusNet's electricity transmission business contributed A\$260.8m in total revenues for the half year ended 30 September 2008, up 11.4% on prior period due to the commencement of the new transmission regulatory period, under which SP AusNet was allowed an increase in revenues. Total electricity transmitted through the network was 26,904 GWh, an increase of 1.7% over the previous corresponding period.

The program of capital expenditure on the transmission network has progressed well during the year, and total capex for the half year was A\$53.4m of which A\$26.9m was customer-initiated. Customer initiated projects include the Waubra Wind Farm and South Morang Terminal Station.

### Electricity Distribution Business

SP AusNet's electricity distribution business contributed A\$257.6m in total revenues for the half year ended 30 September 2008. Revenues were 8.4% higher than the previous corresponding period, driven by favourable tariff adjustments and higher volumes from cooler 2008 winter weather conditions. Total electricity distributed through the network was 4,141 GWh representing an increase of 6.1% over the previous corresponding period.

In the half year to 30 September 2008 approximately 5,500 additional customers were connected to the network, representing an increase of nearly 1% in total customers. Total capital expenditure for the half year was A\$114.9m, of which A\$43.6m was customer-initiated.

In September 2008, the Victorian Government issued a revised timetable for the roll out of smart electricity meters. Under the revised timetable, the roll out is required to be completed by the end of 2013. In recognition of the removal of the uncertainty regarding the roll out timetable and the cost recovery model, an impairment write down of A\$43.3 million (before tax) has been recognised on the existing meters to be replaced under the roll out program. SP AusNet has also accelerated the depreciation on these meters so that they will be fully written off in the financial year ending 31 March 2014. This has resulted in additional depreciation of A\$3.5 million being recognised in the period ended 30 September 2008.

### Gas Distribution Business

SP AusNet's gas distribution business contributed A\$122.7m in total revenues for the half year ended 30 September 2008, up 5.1% on prior period due to favourable tariff adjustments and higher volumes from cooler 2008 winter weather conditions. Total gas delivered through the network was 46.6 PJ, an increase of 8.7% over the previous corresponding period.

Demand in Victoria's growth corridors is continuing to generate customer connections to the network. In the half year to 30 September 2008 approximately 9,000 additional customers were connected to the network, representing growth in customers connected of around 1.7%. Capital expenditure for the period was A\$32.3m of which A\$22.0m was customer-initiated.

The Gas Access Arrangement Review Further Final Decision was released in May 2008. SP AusNet lodged formal appeals against two elements of the allowed benchmark return on capital; the equity beta and gamma decisions. On 12 November 2008, the Appeals Panel announced its decision that the grounds of review for SP AusNet's appeal were dismissed. The result of these appeals being dismissed has no financial impact on SP AusNet's 2008/09 full year guidance.

# SP AusNet Half-Year Results 2008/09



20 November 2008

## 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 (as defined by the Corporations Act 2001 (Cth) (Corporations Act)), 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 foregoing restrictions and limitations.



## Overview of Results



## Financial Performance



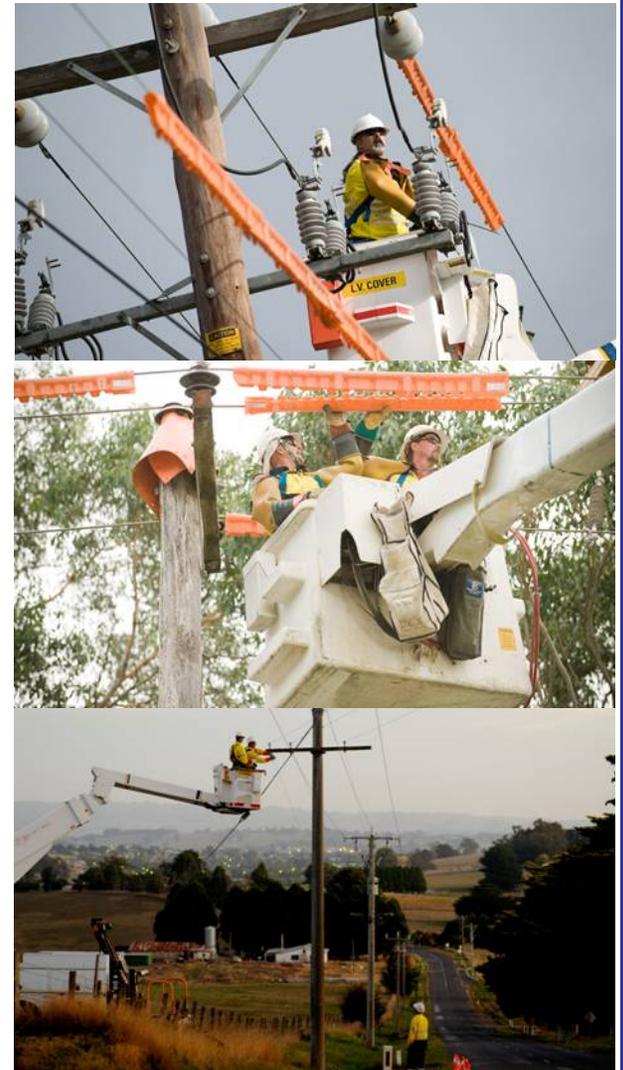
## Operational Review



## Outlook

Notes:

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



# Overview of Results

Financial Performance

Operational Review

Outlook



# Delivering growth in earnings



## 2008/09 Half Year Highlights (\$Am, comparison to prior year)

	Actual	Underlying <sup>1</sup>	Variance to Prior Year
Revenues	635.5	635.5	↑ 8.9%
EBITDA	405.2	405.2	↑ 11.3%
EBIT	260.0	303.3	↑ 13.8%
NPAT from Continuing Operations	92.2	122.5	↑ 2.4%
Interim Distribution per stapled security	5.927 cents	5.927 cents	↑ 2.6%

<sup>1</sup> Adjusted for non-cash impairment of meters to be replaced under Advanced Metering Infrastructure roll-out program of \$43.3m pre-tax & \$30.3m post-tax.

- Increased revenues due to favourable price / volume & weather impacts and commencement of new transmission & gas regulatory periods
- Operating costs contained
- Increased interest costs in line with commencement of new regulatory periods

Stable & sustainable investment underpinned by secure cashflows



## Delivering on Guidance



- Delivered growth in revenues, EBITDA & distributions
- Reduced management performance fee cap from 0.75% to 0.50% & waived base incentive fee (0.1% of market cap)

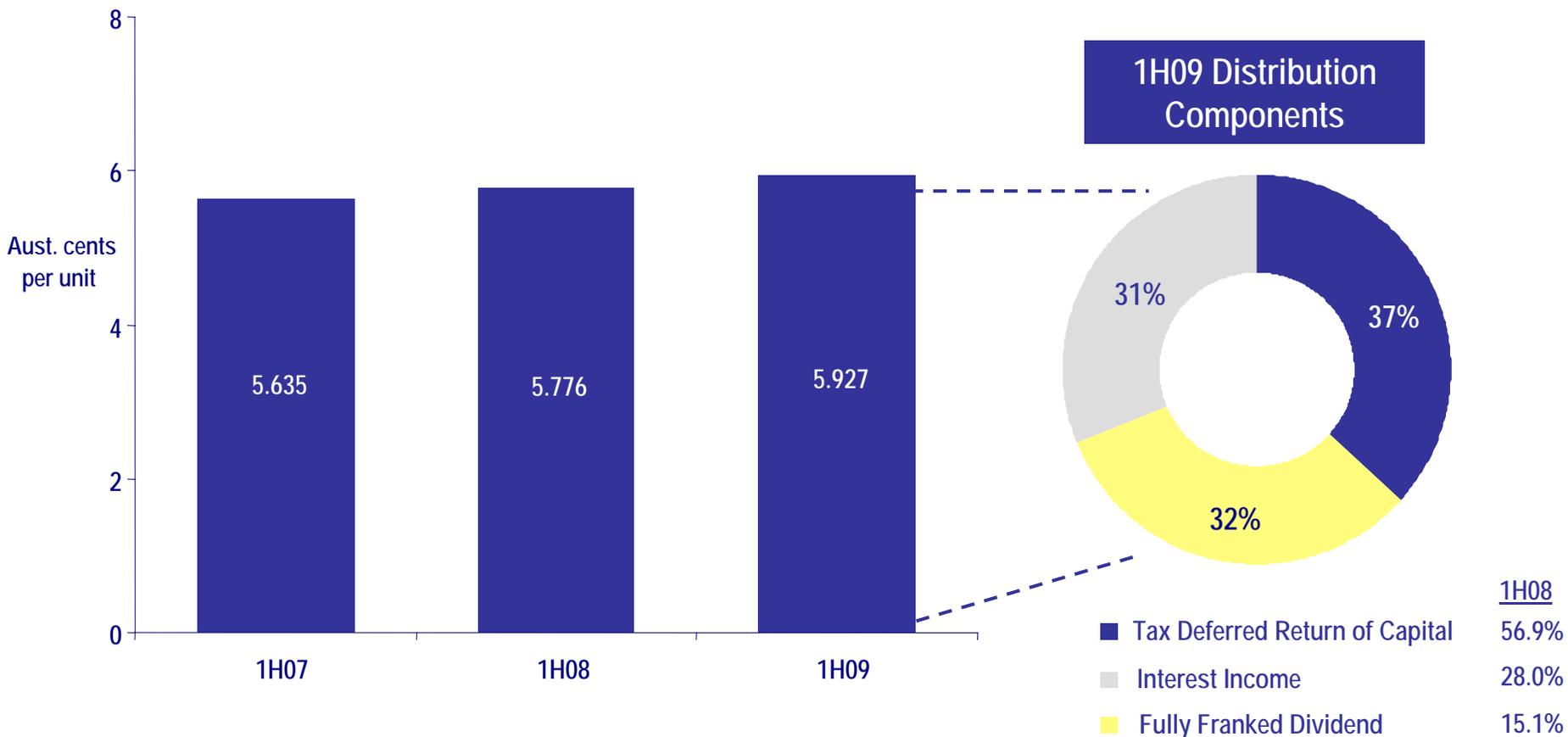


## Delivering on Growth



- New operational arrangements deliver niche asset services growth
- Resources secured for delivering significant capital program
- Successfully completed £250m 10 year Sterling bond issue

# Maintaining tax effective distributions



Increased fully franked dividend to 32% of total distribution

## STABILITY

- Over 90% regulated revenues providing predictable cashflows
- 100% of regulated revenues locked in until 2011
- Prudent gearing & over 95% debt hedged in line with regulatory periods
- Distributions paid from operating cashflows

## GROWTH

- Organic growth from demand for energy infrastructure
- Expansion & commercialisation of niche asset services
- Skilling for the future via apprentice programs & graduate development
- 'A' range credit rating enables access to competitive finance

Stable underlying cashflows support future growth opportunities

Overview of Results

**Financial Performance**

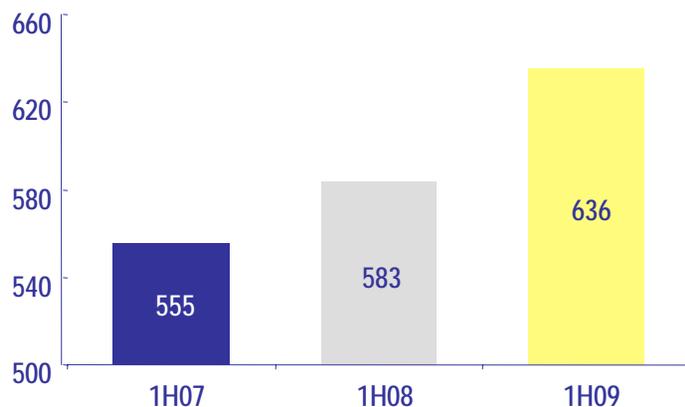
Operational Review

Outlook

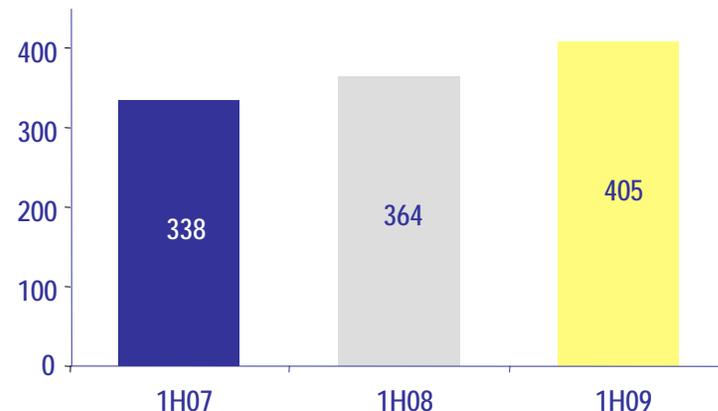


# Strong underlying performance

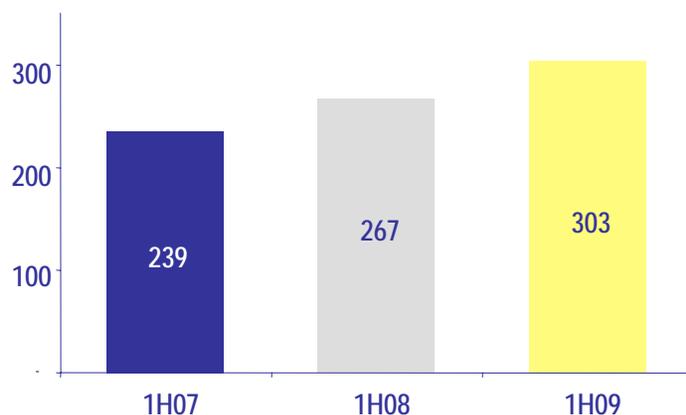
## Revenue Growth



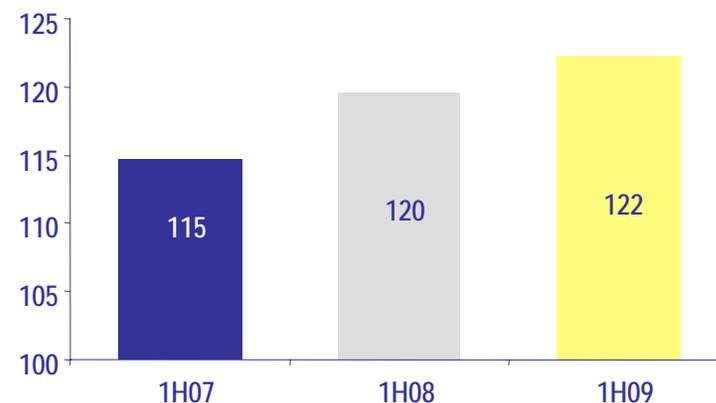
## EBITDA Growth



## Underlying EBIT\* Growth



## Underlying NPAT\* Growth

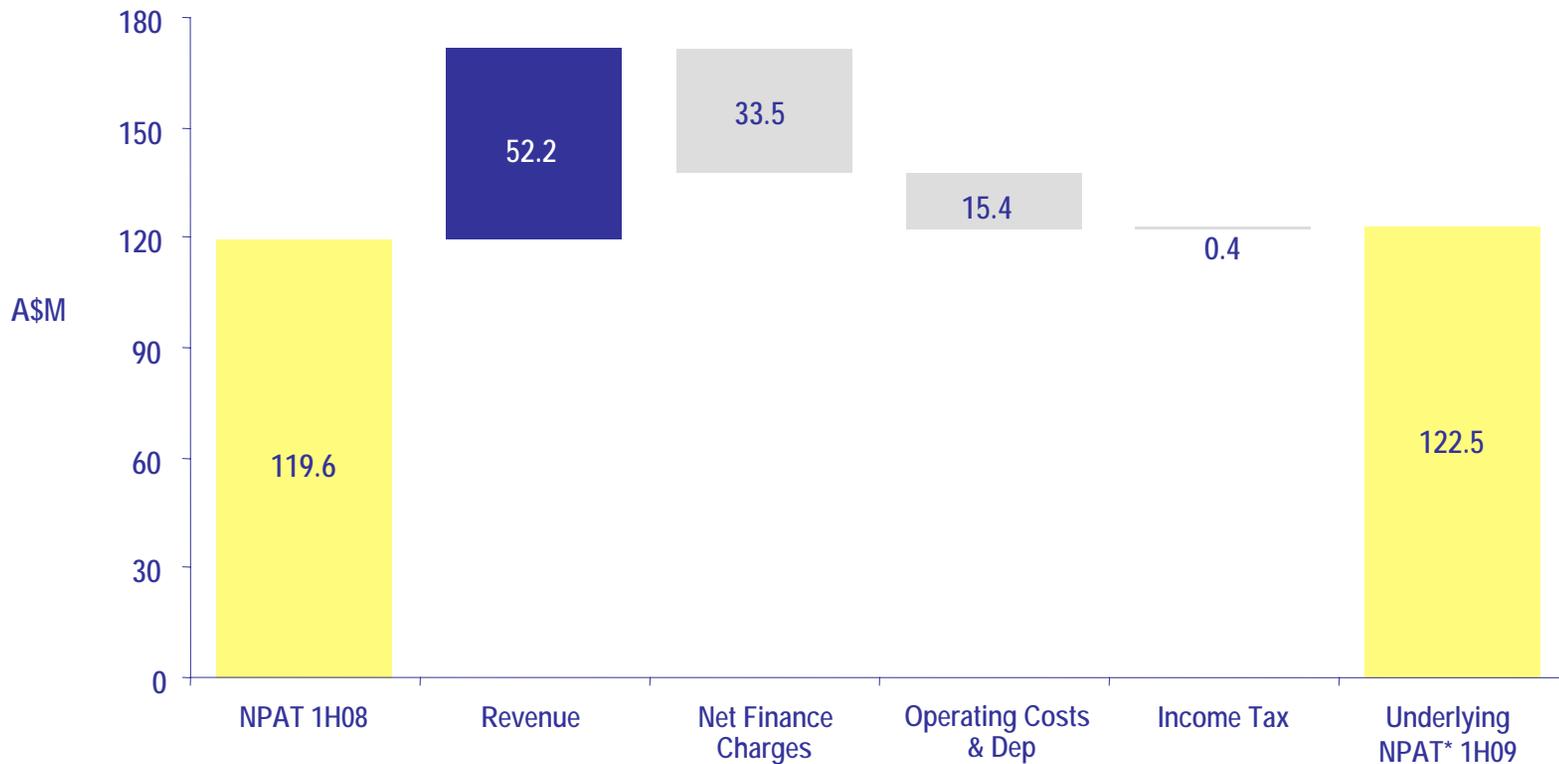


\* Adjusted for non-cash impairment of meters to be replaced under Advanced Metering Infrastructure roll-out program of \$43.3m pre-tax & \$30.3m post-tax.

## Delivering stable year on year growth on all metrics

# Growth in underlying NPAT\*

## Half year to 30 September 2008 (A\$M)

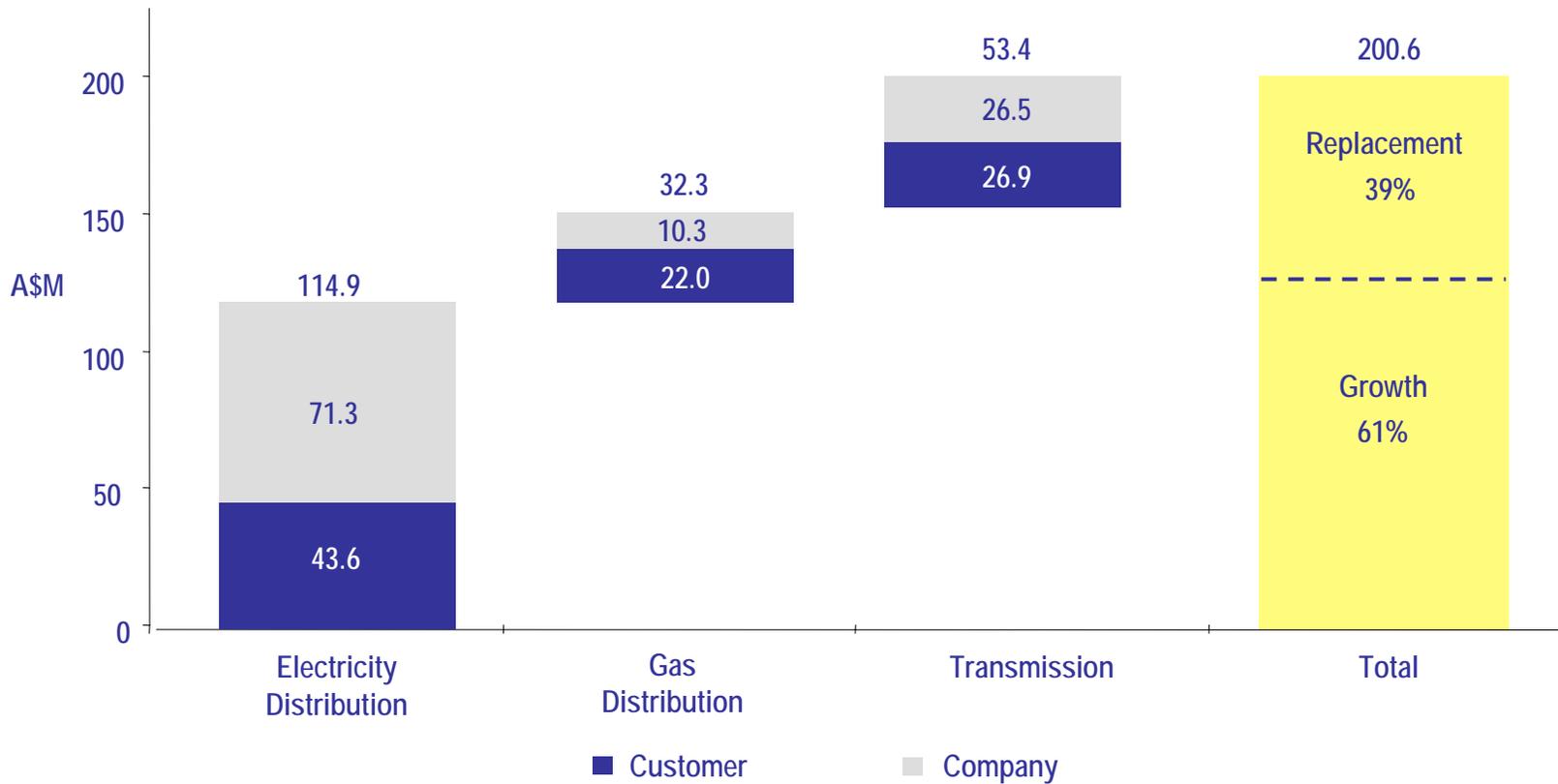


\* Adjusted for non-cash impairment of meters to be replaced under Advanced Metering Infrastructure roll-out program of \$30.3m post-tax.

**Strong result driven by solid underlying revenues**

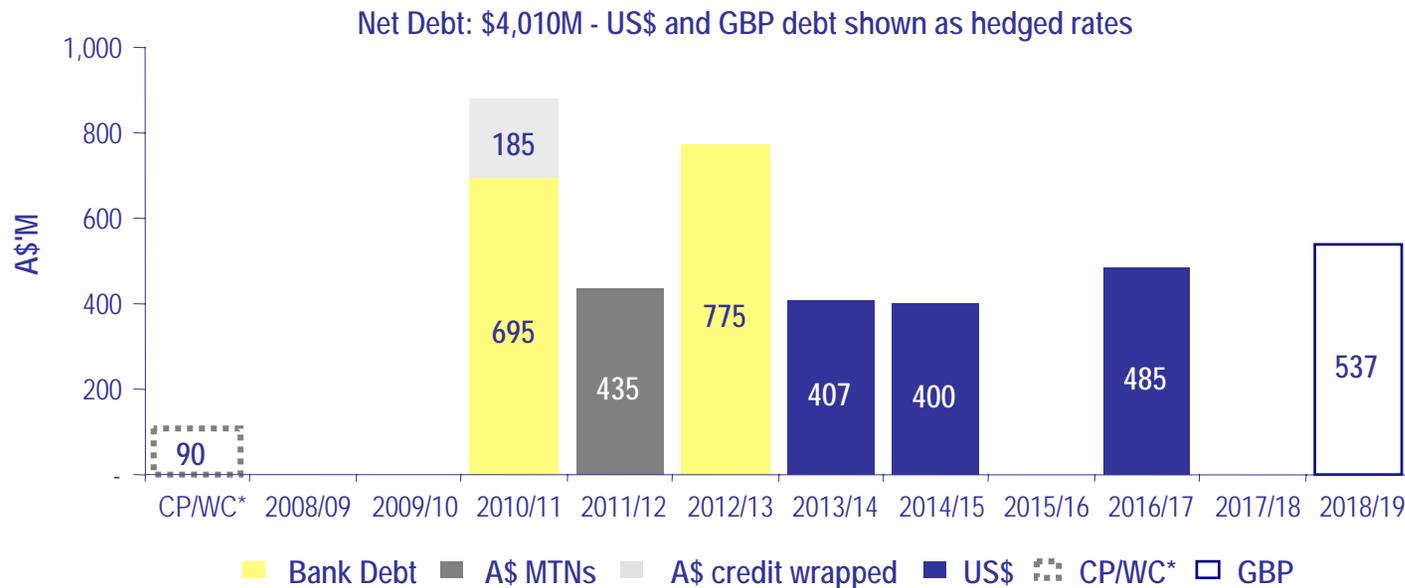
# \$30m growth in capital expenditure

Half year to 30 September 2008 (A\$M)



Demand for energy infrastructure across all networks

## Debt maturity profile as at 20 November 2008



- Access to capital from a variety of high quality sources
- ~\$360m committed but undrawn bank debt facilities

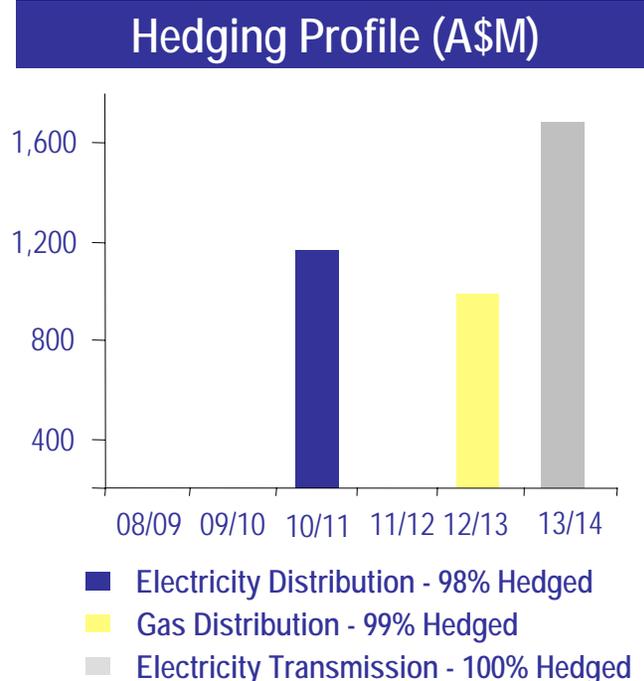
Diversified debt portfolio mitigates refinancing risk

# Strong fundamentals



Market Metrics 30 Sep 08	ASX	SGX
Security Price	A\$1.04	S\$1.21
Market Capitalisation	A\$2.2bn	S\$2.5bn

Financial Metrics	30 Sep 08
Total Assets	A\$7.3bn
Total Borrowings	A\$4.0bn
Gearing	62%
Interest Cover (EBITDA)	2.8x
S&P/Moodys Credit Rating	A- / A1



Strong financial position underpinned by secure cashflows

Overview of Results

Financial Performance

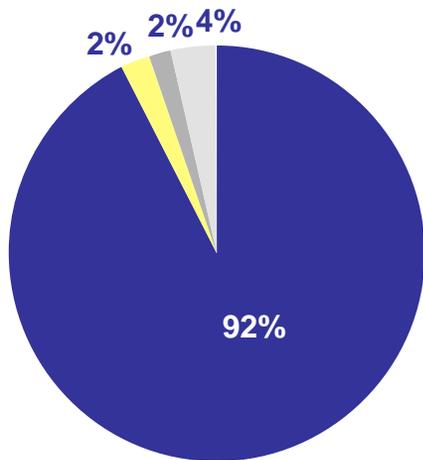
Operational Review

Outlook



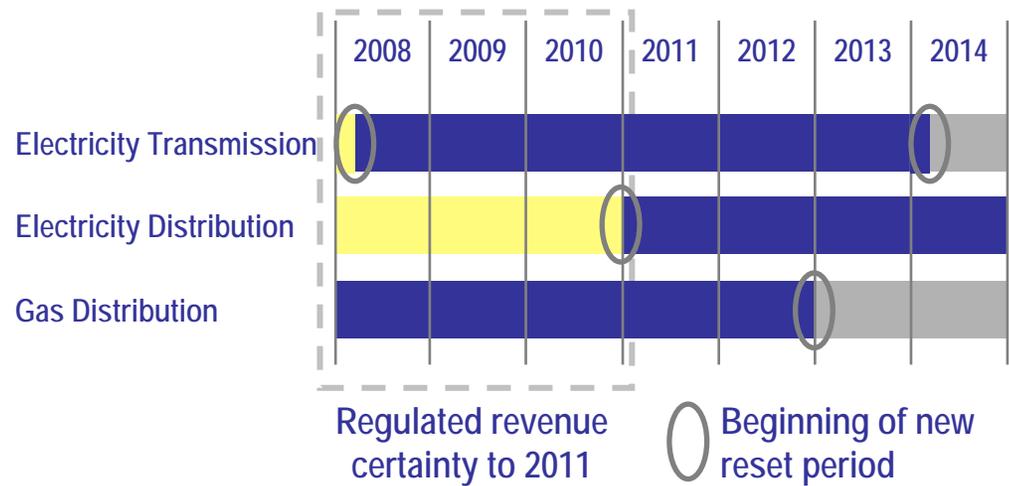
- Over 90% of revenues regulated, providing predictable cashflows

Total 1H09 Revenue A\$635.5m



- Regulated Revenue
- Excluded Services
- Customer Contributions
- Other Revenue

Diversified regulatory reset periods

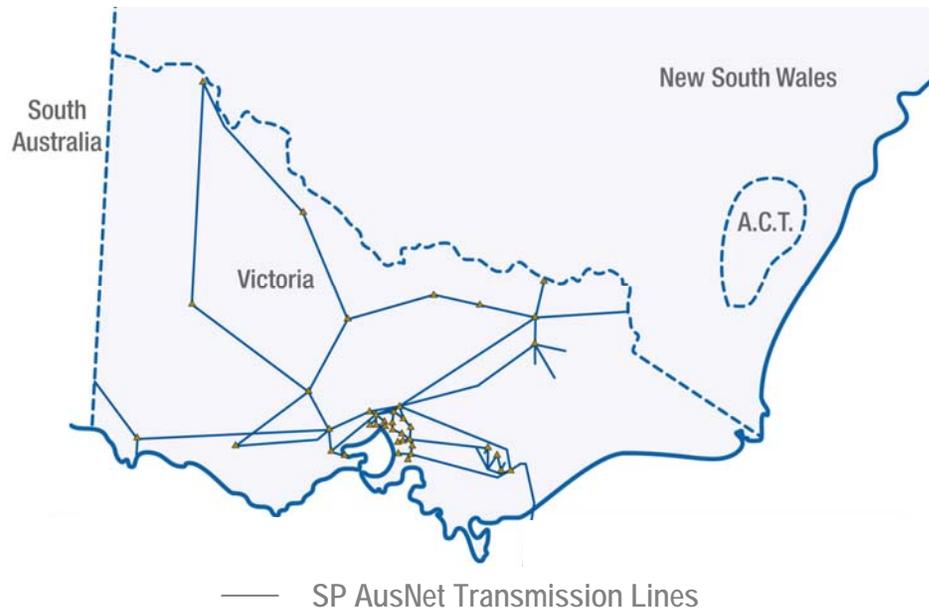


100% of regulated revenues locked in until 2011

# Electricity transmission network

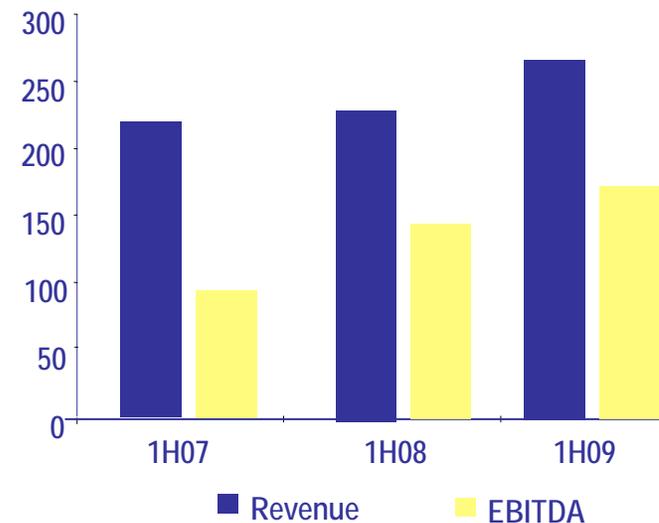
## Operational Review

- Revenue uplift from commencement of new regulatory period
- Waubra windfarm connection on schedule



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

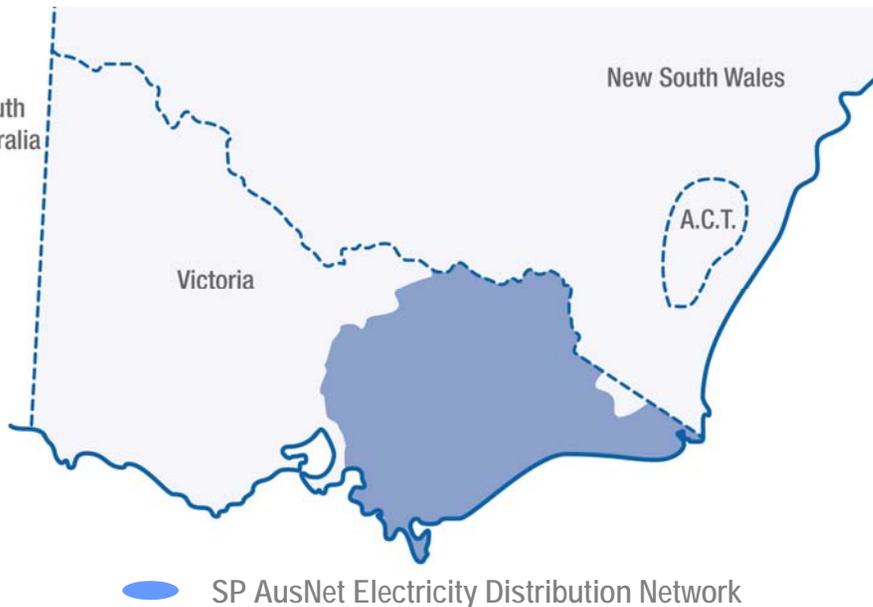
	30-Sep-08	30-Sep-07	Variance %
Revenue (A\$M)	260.8	234.2	11.4%
EBITDA (A\$M)	166.0	142.9	16.2%
EBITDA Margin	63.7%	61.0%	-
Volume (GWh)	26,904	26,444	1.7%
Connections	-	-	-



# Electricity distribution network

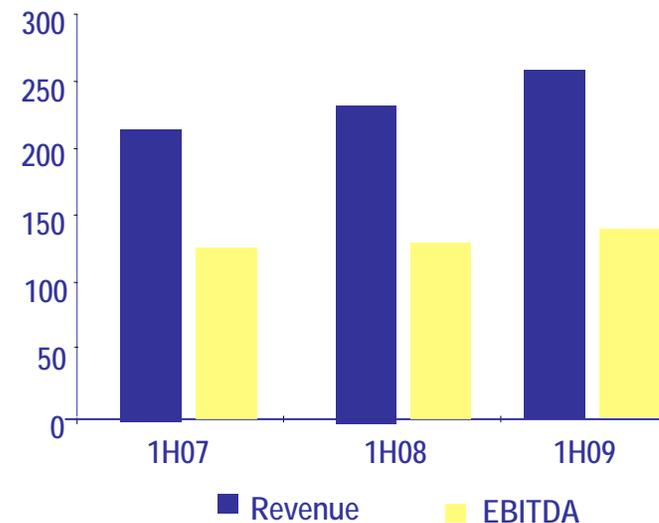
## Operational Review

- Reliability improvement projects ahead of schedule
- Strong housing development & demand for energy



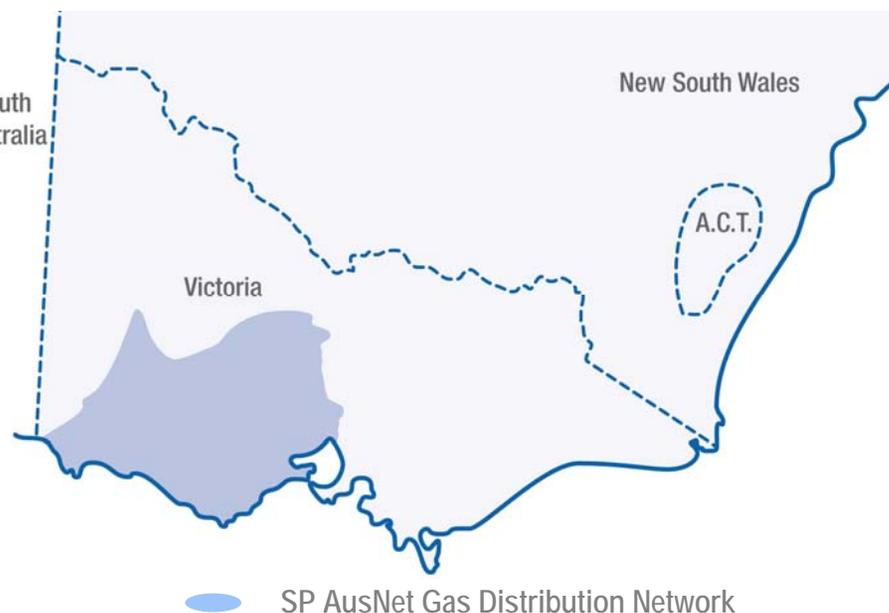
## Half Year Financial Highlights (A\$M)

	30-Sep-08	30-Sep-07	Variance %
Revenue (A\$M)	257.6	237.7	8.4%
EBITDA (A\$M)	144.6	131.6	9.9%
EBITDA Margin	56.1%	55.4%	-
Volume (GWh)	4,141	3,903	6.1%
Connections	604,444	594,275	1.7%



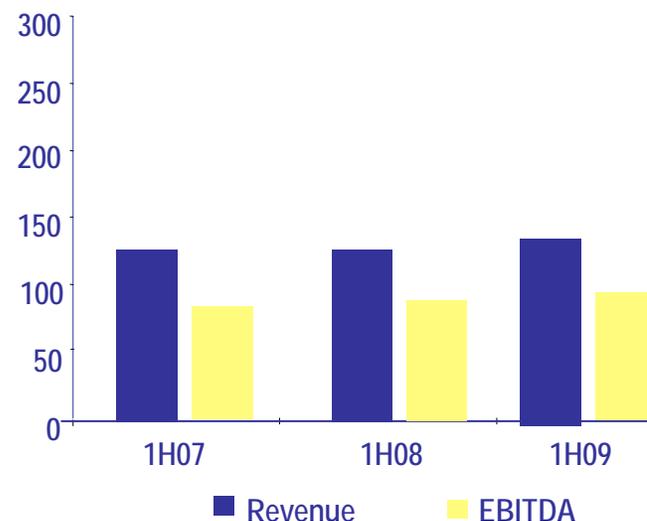
## Operational Review

- Increased volumes due to cooler weather conditions
- Growth in customer connections



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

	30-Sep-08	30-Sep-07	Variance %
Revenue (A\$M)	122.7	116.7	5.1%
EBITDA (A\$M)	94.6	89.7	5.5%
EBITDA Margin	77.1%	76.9%	-
Volume (PJ)	46.6	42.9	8.7%
Connections	546,407	530,917	2.9%



## Positive Impact for Securityholders



- Reduction in management performance fees
- Delivers on strategy to grow niche asset services
- Improved future cashflow certainty

## Strategic Benefits



- Strengthen relationship with Jemena, which SPI own 100%
- Secure resources for \$40m of capital works per annum
- Delivers on strategy to grow niche asset services

## Enhanced Growth Opportunities



- Further expansion & commercialisation of niche asset services
- Footprint into NSW via metering & technical services

Arrangements strengthen SP AusNet's operational model



Revised timetable issued by Victorian Government Sep 2008

1 Jan 2009  
program commences

31 Dec 2013  
program complete



Regulation moving to Australian Energy Regulator on 1 January 2009

- Regulatory decision expected September 2009 to set prices for 1 January 2010



Change to AMI regulatory framework

- Revenue determination changed from incentive based to cost pass-through

Overview of Results

Financial Performance

Operational Review

**Outlook**



## 2008/09 Full Year

- On target to meet 2008/09 full year distributions guidance & earnings guidance on an underlying basis
- Continued growth in RAB to improve future revenues

## Longer Term

- Significant 5 year capital expenditure program of \$2.7bn through to 2012/13
- Emphasis on underlying fundamentals & credit metrics to ensure continued access to capital markets to fund growth at competitive rates
- Ongoing monitoring & review of economic conditions & potential longer term impacts on SP AusNet
- Strategic focus on expanding niche asset services

On target to meet 2008/09 full year distributions guidance

Overview of Results

Financial Performance

Operational Review

Outlook

Questions



# 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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Overview of Results

Financial Performance

Operational Review

Outlook

Appendices



# Transmission Revenue Reset - Snapshot

	Final Decision
Average Annual Revenue <sup>1</sup>	\$496m
Weighted Average Cost of Capital	9.76%
Average Operating Expenditure <sup>2</sup>	\$163m
Total Capital Expenditure <sup>2</sup>	\$771m
Opening Regulated Asset Base	\$2,191m

Notes:

1. A\$ nominal
2. A\$ 07/08

# Gas Access Arrangement Review - Snapshot

	Final Decision <sup>4</sup>
Average Annual Revenue <sup>1</sup>	\$167m
Weighted Average Cost of Capital <sup>2</sup>	9.1%
Average Operating Expenditure <sup>3</sup>	\$44m
Total Capital Expenditure <sup>3</sup>	\$320m
Opening Regulated Asset Base	\$966m

Notes:

1. A\$ 2006
2. SP AusNet lodged formal appeals against two elements of the WACC - the equity beta and gamma decisions. On 12 Nov 2008, the Appeals Panel announced its decision that SP AusNet's appeal was dismissed. The result of these appeals being dismissed has no financial impact on SP AusNet's 2008/09 full year guidance.
3. A\$ 2006
4. This information reflect changes released as part of the Further Final Decision release 19 March 2008