

**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



SP AusNet™
A member of Singapore Power Group



corporatefile.com.au

SP AusNet
Level 31
2 Southbank Boulevard
Southbank, Victoria 3006

Date of lodgement: 12-Nov-2009

Title: Open Briefing® . SP AusNet. MD & CFO on H1 10 Results

Record of interview:

corporatefile.com.au

SP AusNet today reported net profit after tax of A\$135.4 million for the first half ended September 2009, up 10.5 percent from the underlying result for the previous corresponding period. EBITDA was A\$428.6 million, up 5.8 percent. How indicative is the first half of the expected performance over the remainder of the year?

MD Nino Ficca

We're very pleased to have delivered such a solid result in the first half, especially in light of continued global economic uncertainty, milder weather, and events such as bushfires and storms. The seasonality of demand, particularly in the gas distribution network, where there is high demand for heating during the winter months, results in a larger proportion of our revenue being earned in the first half of our financial year. Our operating costs are more evenly spread through the year, resulting in lower profits in the second half.

In terms of the broader market, we recognise the challenging economic conditions in Australia and globally may result in changes to our operating environment over the longer term. To date, there hasn't been a material impact on our business: the transmission network is insulated from volume risk, and the growth in connections to our distribution networks has been constant. We've seen a modest decline in volumes as a result of weaker economic activity however, we believe that through the economic cycle, demand for electricity and gas will be relatively inelastic.

Looking to the future, we've increased our focus on our underlying fundamentals and credit metrics to ensure we continue to be able to access capital markets to fund growth at competitive rates.

corporatefile.com.au

You've announced an interim distribution of 4 Australian cents per security and indicated you're on target to meet your full-year distribution guidance of 8 cents. What are the potential risks to the distribution outlook?

MD Nino Ficca

Our distribution guidance for the 2010 financial year is based on our continued ability to sustainably fund growth in the business. We remain on target to meet this guidance. Beyond 2010, future distributions will be determined by our operating cash flows after funding 100 percent of our maintenance capital expenditure and a proportion of our growth capital expenditure.

corporatefile.com.au

You've maintained your distribution reinvestment plan (DRP) for the interim distribution. What is the rationale for this given your recent A\$408 million capital raising?

CFO Geoff Nicholson

We're pleased to continue to provide securityholders with a convenient method of reinvesting all or part of their distributions in additional SP AusNet stapled securities. We'll use the funds raised by the DRP for capital management purposes and to fund capital expenditure for growth. Since our listing on the ASX and the SGX, demand for energy infrastructure has exceeded our expectations. The DRP provides another source of capital to enable us to meet this demand growth. The DRP is open for participation until 30 November 2009 and securities will be priced at a 2.5 percent discount to the 10-day VWAP of our securities from 1 December.

corporatefile.com.au

As at 30 September 2009, SP AusNet had total debt of A\$4.0 billion, unchanged from six months earlier. Gearing was 59 percent, down from 62 percent, and EBITDA interest cover increased to 2.9 times from 2.8 times. What is your current balance sheet capacity to fund future growth?

CFO Geoff Nicholson

Both our gearing and interest cover are consistent with our A range credit rating. Moreover, the rating agencies and lenders don't look only at gearing and interest cover, but also at measures such as debt to regulated asset base (RAB) and funds from operations as a percentage of debt, where our metrics are also consistent with our A range credit rating. We currently have approximately A\$325 million of undrawn but committed bank debt facilities, and also demonstrated our ability to access debt earlier this year when we raised A\$325 million in bank debt in May and June.

corporatefile.com.au

SP AusNet has A\$960 million of debt maturing in the March 2011 year. Given a still relatively tight credit market, what is the outlook for refinancing this debt in terms of sources and cost?

CFO Geoff Nicholson

Regulated businesses such as ours are considered defensive by both debt and equity markets, and along with our A range credit rating, this allows us ready access to multiple sources of financing. We remain confident we'll be able to refinance these amounts and look to commence refinancing in early 2010. We expect the cost of funding to be higher than in recent years, but we still expect to be able to source capital at competitive rates given our A range credit rating and predictable cash flows.

corporatefile.com.au

SP AusNet had capex of A\$256 million in the first half, up from A\$200.6 million in the previous corresponding period, with increases primarily in capex in the electricity transmission and distribution networks. To what extent will this spending be reflected in your RAB, which totalled A\$5.4 billion as at the end of September? Is this level of RAB growth sustainable?

CFO Geoff Nicholson

In the 2010 financial year we're expecting to spend approximately 18 percent more on our capital program than we did in 2009. We're continuing to see strong demand for network capacity in Victoria, which is contributing to our significant capex growth.

We expect our RAB growth to continue at similar rates as we continue to deliver our capex programs. Capex to grow our existing networks relates to increasing peak energy demands in four of Melbourne's growth corridors, the roll-out of the Advanced Metering Infrastructure (AMI) program and network improvements and upgrades. Additional growth capex projects include addressing the energy infrastructure needs of Victorian Government initiated renewable energy projects and investing in growing our niche services business in the broader Australian market.

corporatefile.com.au

You've flagged the Victorian State Government's AMI roll-out program as an opportunity for SP AusNet, with estimated spending of A\$400 million over the five year roll-out period. Apart from the increase in RAB, what are the expected benefits of the meters for SP AusNet?

MD Nino Ficca

We expect the AMI program to deliver several benefits for consumers and for us. The installation of AMI will assist in managing peak demand periods and in smoothing consumption, along with assisting in the detection of outages and promoting reliability of supply. In addition, AMI provides a platform for future business development where smart grids and other network opportunities may exist. Consumers will be able to manage their consumption more efficiently, with the added benefit of potentially reducing their power bills.

corporatefile.com.au

The first half saw growth in revenue from the unregulated Select Solutions business to A\$38.5 million, however there appears to have been little contribution to earnings growth. What is your strategy for the Select Solutions business and what are your targets for it in terms of revenue and earnings contribution?

MD Nino Ficca

The type of business Select Solutions is involved in is typically low margin, very competitive, but also capital light. We anticipate that a large part of its earnings growth will come from achieving more scale, but also through realising efficiencies as the business matures.

Select Solutions will look to grow its revenue by tendering for services in Australia and potentially in New Zealand. At this stage, revenue and earnings contribution targets remain confidential. Suffice to say, we're tracking ahead of our initial budgets and are looking to expand our unregulated revenues at a modest pace over the next three to five years by leveraging our substantial regulated asset base. Select Solutions will target a variety of customers including utilities, large industrial and commercial entities, and government agencies.

corporatefile.com.au

SP AusNet's electricity distribution business booked EBITDA of A\$141.5 million for the first half, down 2.1 percent, with revenue of A\$302.6 million, up 17.5 percent. Excluding the revenue contribution from Select Solutions, regulated revenue was up 2.7 percent. What was the reason for the fall in earnings and what is the expected trend in electricity distribution earnings ahead of the next regulatory pricing reset on 1 January 2011?

CFO Geoff Nicholson

The result was affected by several factors, the largest of which were the costs we incurred in relation to bushfires and storms, which totalled approximately A\$6 million. Excluding these items, EBITDA would have been A\$147.5 million, up 2 percent. As Nino mentioned earlier, volumes were also lower due to slower economic activity and milder weather.

corporatefile.com.au

The electricity distribution reset is the next regulatory review in your regulated networks. Given recent issues such as the Australian Energy Regulator's (AER) decision on its WACC settings for future resets and the Victorian bushfires, what will be the focus of your submission, which is due this month?

MD Nino Ficca

The electricity distribution price review (EDPR) process is underway and we expect the AER's draft ruling by April or May 2010. Given high demand and the growing population, capital expenditure will be required to maintain customer reliability and safety. Our submission will focus on meeting customer demand and the appropriate level of capital expenditure and operating costs to realise that outcome.

corporatefile.com.au

The bushfires had little material impact on your first half results, but you're in the process of making submissions to the current Royal Commission into the fires, and have been served a writ alleging "faulty and/or defective power lines" caused loss or damage. What is the expected cost of these ongoing legal and other processes?

MD Nino Ficca

The Royal Commission is due to deliver its final report in mid 2010. As the enquiry is ongoing, we're unable to quantify our exact costs in relation to it. Suffice to say, we don't expect these costs to impact our 2010 distribution guidance of 8 cents per security.

corporatefile.com.au

Your growth strategy centres on organic growth in your regulated networks, expansion of your niche asset services business, and opportunities outside the regulated asset base. What level of earnings growth is sustainable on this basis and will there be a corresponding level of distribution growth?

MD Nino Ficca

We're committed to providing a sustainable investment for our securityholders and reliable networks for our customers. Our distribution guidance for 2010 of 8 cents per security is unchanged. Longer term, we're keen to deliver our capital expenditure program and grow our RAB. Whilst appreciating the need to continue to grow our business into emerging markets and new geographic areas, we'll assess on a case-by-case basis the level of earnings growth and therefore distribution growth that can be derived from these opportunities outside our RAB. Opportunities such as Victoria's desalination project occur irregularly and can't be used as a basis to provide guidance.

We'll continue to focus on expanding and commercialising our niche asset services, in particular our metering and technical services. Our new operational agreements with the Jemena Group of companies provide us with a footprint in New South Wales and we expect the contribution from these arrangements to increase over time as we leverage our skills and experience in these areas.

corporatefile.com.au

Thank you Nino and Geoff.

For more information about SP AusNet, visit www.sp-ausnet.com.au or call Manager, Investor Relations John Nicolopoulos on (+61 3) 9695 6301 or +61 409 672 912.

For previous Open Briefings by SP AusNet, or to receive future Open Briefings by e-mail, visit www.corporatefile.com.au

DISCLAIMER: Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.