

13 July 2011

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Chairman's Address, Managing Director's Address and Remuneration Committee Chairman's Address

The Chairman's Address, the Managing Director's Address and the Remuneration Committee Chairman's Address to be given at today's Annual General Meetings and Meeting of Unitholders are attached.

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SP AusNet Annual General Meeting 2011

Chairman's Address

Ladies and Gentlemen,

Good morning and a very warm welcome to you all. Thank you very much for making time to be with us this morning.

Our full year results, released in May this year, have demonstrated strong operational and financial performance for SP AusNet during the year ended 31 March 2011.

Your company continues to remain in a strong financial position, with revenues of \$1.468 billion and an underlying net profit after tax of \$252.9 million.

The strong net profit after tax result allowed SP AusNet to pay a final distribution of 4 cents, bringing the full year distribution to 8 cents per security.

SP AusNet's revenue of \$1.468 billion represents an increase of 10.1 per cent, driven by a range of factors. These include: regulated price adjustments from continued growth in the regulated asset base, higher incentive scheme payments from improvements in network reliability, an increase in consumer connections and the increased activity associated with our non-regulated business, undertaken by Select Solutions.

The total capital investment, excluding the acquisition of Schultz Plumbing, was \$634 million for the year. Besides expanding our regulated asset base, the investment will go towards maintaining as well as improving service for our end consumers.

SP AusNet has a well-diversified debt portfolio. In a year when debt markets remained volatile, SPN raised approximately \$800m from both the bank debt and capital markets. A competitively priced A\$ bond issuance was completed in March this year.

To fund future growth and deliver sustainable returns, SP AusNet has adopted a prudent approach to financial management. To this end, we are pleased to report that we have maintained our A range credit ratings, with an A- from Standard and Poor's and A1 from Moody's.

On our Distribution Reinvestment Plan (DRP), I am pleased to report that participation has been very positive. The participation rate for the 2010/11 interim distribution was approximately 38 per cent, and 46 per cent for the final distribution.

On 29 October last year, the Australian Energy Regulator released its final decision on the Electricity Distribution Price Review for the 2011 to 2015 period. SP AusNet welcomed this decision, as it approved around \$2.5 billion of capital and operating expenditure to meet the investment needed to replace assets, to respond to higher consumer peak demand and to facilitate our compliance with new safety related obligations. The decision also means that around 90 per cent of SP AusNet's total revenue is locked in until 2013.

During the first half of 2010, we continued to extend our full support and assistance to the 2009 Victorian Bushfires Royal Commission. The Commission released its final recommendations in July last year.

We are now working with the Victorian Government's Powerline Bushfire Safety Taskforce and electricity regulators to help identify a range of options that best balances the reduction in bushfire risk with the impact on cost, reliability of supply, landowners and the environment.

As previously announced, SP AusNet is involved in court proceedings in respect of the fires that occurred in Beechworth and Kilmore East on 7 February 2009. As these matters are currently before the courts, it is not appropriate to comment on those proceedings.

The Australian Taxation Office continues its business audits of the SP AusNet group in a number of areas. In relation to deductions claimed in respect of fees imposed under Section 163AA of the Electricity Industry Act 1993 in the 1999 to 2001 tax years, the ATO has 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.

SP AusNet has not changed its position in regard to the availability of deductions. The timeframe or outcomes of the ATO audits are unknown at this point in time.

In April 2010 SP AusNet set its new five year strategic direction, focused on strengthening, transforming, extending and modernising the business. These focus areas, underpinned by safety as our number one priority, were designed to deliver four key outcomes.

- strengthen existing networks;
- implement new energy solutions;
- support un-regulated growth opportunities; and
- implement cultural and business transformation.

A one-year business plan to support this strategy has delivered some important achievements, including an 18.6 per cent growth in our non-regulated revenues through Select Solutions, improved safety performance and strong customer satisfaction results.

We will continue our focus on strong growth of our regulated asset base, continue to meet increasing customer demand and connections, as well as focusing on expanding and commercialising our asset services business through Select Solutions, and providing superior network and energy solutions so as to continue delivering a stable and secure investment for securityholders.

I will now hand you over to Nino Ficca to provide an insight into SP AusNet's operations.

Thank you.

SP AusNet Annual General Meeting 2011
Managing Director's Address

Thank you Mr Chairman.

Ladies and gentlemen – good morning.

On behalf of SP AusNet and our employees, I'd like to welcome you to our 2011 Annual General Meeting.

As you have heard from our Chairman, our business had strong underlying operational and financial performance for the 2010/11 year, with net profit after tax and revenue growth.

I would like to take a moment to illustrate some of SP AusNet's key features.

SP AusNet maintains \$6.26 billion of regulated assets, representing critical infrastructure that provides safe and reliable services to over 1 million customers, which provide a significant and stable stream of revenue and cash flow to securityholders.

These regulated revenues account for approximately 87 per cent of SP AusNet's total revenue and importantly, our regulated revenues are protected from the effects of inflation.

SP AusNet owns and operates three energy networks, all located in Victoria, consisting of an electricity transmission network, an electricity distribution network and a gas distribution network, with over 1.2 million consumer connections.

Our assets are well positioned in major growth corridors in Victoria and strong population and energy demand growth in our network areas is driving substantial network investment.

Given our significant asset base and stable cash flows, SP AusNet has maintained a tax-effective distribution of 8 cents per security, which is fully funded from operating cash flows.

Our prudent gearing and 'A' range credit rating, together with our strong cash flows, enables SP AusNet to access competitively priced finance from a range of sources and jurisdictions. Almost 100 per cent of our debt is hedged against movements in interest rates.

Finally, we are pleased to continue to have the support and experience of our majority securityholder, Singapore Power.

Our strategy remains focussed and achievable and delivers on our company purpose – *To provide our customers with superior network and energy solutions.*

As the Chairman mentioned, in 2010 we launched a new five-year strategic direction in order to position our business to continue to create and maintain value for securityholders, customers, employees and the community.

The strategy is built around our four key themes to Strengthen, Transform, Extend and Modernise our business and aims to leverage our proud history as an electricity and gas infrastructure company.

Moreover, our strategy reflects our focus on the existing regulated networks while building on our skill sets in smart technology with the aim of modernising and transforming our energy networks.

This focus is supported by our annual operational and business plan initiatives.

SP AusNet will aim to expand and commercialise specialist utility service solutions through Select Solutions, in particular metering and technical services.

We are also exploring the opportunities offered by innovative technologies through the development of smart networks, leveraging the Government mandated Advanced Metering Infrastructure (AMI) program.

Safety is SP AusNet's number one priority.

There is nothing more important than the safety and wellbeing of our people and the communities in which we operate.

SP AusNet's company-wide Reportable Injury Frequency Rate (RIFR) for year ending 31 March 2011 was 10.03, which was a 4.3 per cent improvement on last financial year.

Pleasingly, our employee Reportable Injury Frequency Rate (RIFR) has recorded a 15 per cent year-on-year improvement.

In April 2011, SP AusNet launched a new safety vision and strategy – *missionZero* – that will build on our solid platform of compliance, systems and work practices.

This company-wide initiative aims to improve our safety performance even further.

This new safety vision and strategy focuses on strong leadership, clearly stated behavioural expectations, safety systems and processes, measurement and feedback.

Over the past year, we continued to upgrade and augment the **Electricity Transmission Network** to meet ongoing consumer demand.

Over the past financial year, this significant infrastructure contributed \$540.6 million in revenue to SP AusNet.

We have invested \$164.6 million in capital expenditure for growth and to improve network performance.

The Thomastown terminal station rebuild is forecast to be completed in 2011 and upgrades to key stations at Brooklyn, Ringwood, Dederang, Keilor, Horsham and Morwell are progressing. We have also started the process of seeking planning approvals to upgrade and redevelop the key metropolitan terminal stations in Richmond and Brunswick.

We also expanded the capacity of our Keilor and Geelong terminal stations by installing new transformers to cope with the extra load in these growth corridors.

Wind farm generation connections, such as the Waubra wind farm north West of Ballarat and Tarrone in South West Victoria, and gas fired generation connections, such as Mortlake, on the transmission network also promote growth in SP AusNet's asset base, in line with our commitment to grow and modernise our networks.

In May this year, we also announced to the market that we had entered into a Commitment Deed Poll with the Victorian State Government, for the right to operate and maintain the high voltage underground transmission line supplying electricity to the planned Desalination Plant in Wonthaggi, Gippsland. The transaction remains subject to final State Ministerial approval, which is anticipated sometime before February 2012.

Over the past year we have seen the expansion of our **Electricity Distribution Network**.

Covering the eastern half of Victoria, including Melbourne's eastern metropolitan area, SP AusNet's electricity distribution network encompasses powerpoles and powerlines as well as 40 electricity zone substations.

The network is 48,000 kilometres long, spans an area of approximately 80,000 square kilometres and services approximately 630,000 customers.

Over the past financial year, the distribution network contributed \$609.1 million in revenues to SP AusNet, driven by continued strong housing development in two of the fastest growth corridors in Australia.

In 2011, almost 12,000 new consumer connections were added to the distribution network – an increase of 1.9 per cent.

SP AusNet is continuing to invest in initiatives that will make the network more resilient to extreme weather events and deliver reliability improvements.

More of the network was equipped with increased 'smart' capabilities that allow parts of the electricity grid to be remotely controlled.

This deployment of our unique Distribution Feeder Automation system or DFA, aims to increase flexibility in delivering energy to customers while reducing time off supply.

SP AusNet continues to maintain a strong focus on stringent bushfire mitigation practices and ensures compliance with all regulations.

The introduction of a mid-cycle inspection program will see, on average, approximately 75,000 poles routinely inspected from the ground and 45,000 from the air using helicopters and unmanned aerial vehicles.

In October last year, the Australian Energy Regulator (AER) released its Final Decision on SP AusNet's Electricity Distribution Price Review for 2011- 2015.

However, an element of the Final Decision was considered unclear and it was decided that we should appeal the decision of the AER to have it clarified. The outcomes of this process are not yet known.

In relation to the Victorian Government's Advanced Metering Program, SP AusNet is continuing with the progressive installation of smart meters in accordance with legislative requirements. Whilst the technology has been challenging – this is a first in Australia – we have been progressively addressing these issues.

The Victorian Government has mandated, and we are on track to achieve, the completion of the roll-out of smart meters by the end of 2013.

SP AusNet's **Gas Distribution Network** continued its strong growth in 2010/11, increasing its reach into new towns and key growth corridors in Victoria's west.

Our natural gas network transports gas to more than 589,000 businesses and households in outer western metropolitan Melbourne and Victoria's west, across 60,000 square kilometres.

The gas business contributed \$201.1 million in total revenues for the year, with capital investment of \$72.9 million to expand the network to meet growing demand.

Revenues from the gas network were favourably impacted by the annual regulated price adjustments that came into effect on 1 January 2010, and as you have heard, by the strong growth in consumer connections across our networks.

The natural gas network is SP AusNet's fastest growing network, with over 17,000 additional consumers connected in 2010/11, which was 3.1 per cent growth on the previous year.

There was an increase in gas usage compared with the previous year, due largely to weather conditions.

As part of our commitment to the replacement of aged low pressure gas assets, we continued our gas mains renewal program during the year.

The replacement program aims to replace approximately 1,400 kilometres by 2025, with more than 70 kilometres of replacement planned for 2011/12.

Select Solutions is the commercial services division of SP AusNet, delivering non-regulated end-to-end specialised services to utilities, government, energy and water retailers, and commercial and industrial customers.

Select Solutions also delivers a range of services for SP AusNet, including vegetation management, data and specialist metering services.

In 2011 Select Solutions contributed \$129.6 million in revenues to SP AusNet, increasing by 18.6 per cent on the previous year as a result of a range of strategic contracts and expansion of Select into New South Wales, Queensland and Tasmania.

In October 2010, Select Solutions strengthened its position in the specialist water services sector through the acquisition of the Schultz Plumbing business.

This acquisition established Select Solutions as Victoria's largest water metering service provider.

Select Solutions has continued to pursue commercial opportunities from innovative technologies – more specifically, in non-evasive electrical asset testing with thermal and ultraviolet cameras.

This technology helped Select Solutions assist Ergon Energy to play a key role in the response and recovery from Cyclone Ului and more recently, Cyclone Yasi in Queensland.

Select Solutions continues to contribute greatly to SP AusNet's bushfire mitigation efforts by inspecting close to 200,000 spans of powerlines, including all powerlines in high bushfire risk areas - ensuring SP AusNet achieves its annual bushfire mitigation index target.

With more than 1,500 employees we recognise the importance our people play in the delivery of safe and reliable energy to businesses and homes.

Building and supporting a high performance culture continues to be one of the key targets of SP AusNet's business strategy.

This is being achieved through a commitment to planning and implementing programs that encourage and develop our people, to ensure we have the right skills and resources for the future.

This year, 34 new starters joined the existing 128 apprentices, trainees and graduates to work across our networks in various capacities such as designers, testers, line workers and graduate engineers in gas and electricity. Over the past 5 years, we have recruited and trained over 160 apprentices.

Late last year, SP AusNet was presented with the 2010 Minister's Award for Excellence for Employers of Australian Apprentices for the Gippsland region by the Federal Skills Minister.

The award acknowledges SP AusNet's commitment, innovation and outstanding achievement in the training of apprentices.

SP AusNet has developed a talent management strategy to assist in building a high performance culture and deliver transformational change across the business.

This strategy recognises the need to attract, assess, develop and retain our most important asset, our people.

Continuing our focus on all areas of diversity, SP AusNet has developed a diversity policy that will, during 2011/12, focus on the implementation of measurable objectives against this policy.

Our business, underpinned by financial stability and a strong regulated asset base, continues to deliver value and growth to securityholders.

As a diversified energy delivery networks business, SP AusNet plays a vital role in supporting the economic and social strength of Victorian communities, while contributing to the wider Australian energy market.

The sustainability of the networks is essential to SP AusNet's business decisions and we are committed to continually improving our networks' performance.

We are very well placed to sustainably deliver a blend of strong organic growth and attractive yield, for the benefit of securityholders.

We aim to ensure that the company continues to perform strongly and provide a stable, solid and secure long-term investment now and into the future.

I extend my thanks to my colleagues for their support and dedication in working to deliver for our customers, and join our Chairman in thanking securityholders for their continued support.

I will now hand back to the Chairman to commence the formal business of the meeting.

SP AusNet Annual General Meeting 2011
Dr George Lefroy, Chairman – Remuneration Committee

Good morning ladies and gentlemen,

My name is George Lefroy and I am the Chairman of the Board's Remuneration Committee.

This Committee is responsible for reviewing and recommending to the Board the remuneration policy, strategy, and structure for SP AusNet's Board, the Managing Director, and senior executives. In so doing, it seeks external, independent advice and information from its appointed advisor regarding market practice, remuneration structure and competitive analysis of the executive market. The Committee also prepares the detailed Remuneration Report that you can find in your Annual Report and online.

Our remuneration philosophy and strategy continues to be designed to:

- attract and retain top-class Board and executive talent;
- create a high-performance culture by driving and rewarding executives for the achievement of the company's strategy and business objectives; and
- link incentives to the creation of security holder value.

In summary, SP AusNet's remuneration strategy is intended to directly align with security holders' interests.

Base salaries are set following rigorous comparison with other industrial enterprises for jobs of comparable complexity, impact and scale. In November 2010 base salaries for SP AusNet's senior executive staff were increased by an average of 4.2 percent.

Short-term incentives (STI), including individual performance requirements, are based on stretch targets that ensure executives' remuneration is linked directly to the business strategy. Payments are linked to a balanced scorecard, which incorporates financial and non-financial performance measures.

At the corporate level, while performance was achieved on most financial KPI's for the FY11 year, outcomes for some non-financial metrics were below target, leading to a performance payout at 88 percent of target. This payout was below the 2010 outcome of 104.2 percent.

Long-term incentives (LTI) will only reward executives if performance measures for relative Total Security holder Return (TSR) and/or earnings per security (EPS) growth are met. The vesting schedule is designed to deliver the rewards at the end of the three-year performance period. The LTI plan does not allow for retesting of performance measures in subsequent years. Therefore, executives must consistently meet or exceed expectations to fully benefit from the plan. Finally, they must invest the after-tax long-term incentive payment in SPN securities, and hold them for a further year. This is the third year when our LTI scheme has "vested" and paid out to executives.

In the period 2008 to 2011, our shareholder return ranked at the 65.5th percentile, where 100 percent is the very best return of a listed company. Our Earnings per Security covering the same 3 year period grew at a compound annual growth rate of 8.4 percent, outperforming against our long term target. As a result of the

shareholder return and Earnings Per Security outcomes, the LTI scheme for the 2008-2011 tranche resulted in a 115.5 percent vesting, against a target of 100 Percent

I will now turn to the Managing Director's remuneration. Mr Ficca is rewarded for operational excellence and for the role he plays in developing the business strategy, and in guiding and driving specified business outcomes. As you will see from the Remuneration Report, his total reportable remuneration for the year ended 31 March 2011 was \$2,006,400. This represents a 34.7 percent increase on the reported figure for 2010 of \$1,489,610, in large part due to the higher payout of LTI benefits associated with the 2008-2011 tranche of the Company's LTI scheme.

It is important to note that "reportable" remuneration is not the same as "take home pay" or value to the executive. Reportable Remuneration takes into consideration accounting valuations for current and historical equity grants that may or may not materialise for the Managing Director.

During the past year, the Board commissioned an independent market review of remuneration for the Managing Director. This review assessed fixed, variable and total compensation paid to the Managing Director, against a peer group of comparable entities. While fixed remuneration was found to be competitive, the review concluded that the total remuneration warranted adjustment. From 1 April 2011, the Board has approved an increase in the Managing Director's target Long Term Incentive opportunity, from 75 percent to 100 percent of his Fixed Annual Reward.

Vesting of the increased LTI component of will be linked to achievement against new KPI's of Interest Cover Ratio and Return on Invested Capital. As with TSR and EPS, which apply for the Managing Director's existing seventy-five percent LTIP opportunity, these new KPI's are strongly linked to long-term security holder interests.

SP AusNet's non-executive directors continue to be remunerated with set fees. The directors are not remunerated with securities in SP AusNet and this reinforces the governance arrangements the Board has in taking independent and objective decisions about the future direction of the companies.

During the past year, the Board also commissioned an independent market review of remuneration for non executive directors. Taking into account the review findings and that non-executive director remuneration had been frozen since April 2008, adjustments were approved in fees payable to the Chairman, Non Executive Directors and the Remuneration Committee Chairman.

All Board and Committee fees, including superannuation, paid to non-executive directors in the year-ended 2011 remained well within the approved fee pool.

Finally The Committee has continued to monitor the legislative and ASX corporate Governance Guideline reforms concerning executive remuneration. We believe that our Committee Charter, remuneration policy and practices are robust and do not see the need for significant changes as a result of these reforms.

I commend the report to you.

Thank you.